濱海投資有限公司

BINHAI INVESTMENT COMPANY LIMITED

(Incorporated in the Bermuda with limited liability)

Stock Code: 2886

Annual Report 2014

Content

Corporate Information

EXECUTIVE DIRECTORS

Mr. ZHANG Bing Jun *(Chairman)*
Mr. GAO Liang *(General Manager)*

NON-EXECUTIVE DIRECTORS

Mr. SHEN Xiao Lin
Mr. WANG Gang
Mr. ZHANG Jun
Ms. ZHU Wen Fang
Mr. LI Wei
Ms. SHI Jing

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. IP Shing Hing, *J.P.*
Mr. LAU Siu Ki, Kevin
Professor Japhet Sebastian LAW
Mr. TSE Tak Yin

AUDIT COMMITTEE

Mr. LAU Siu Ki, Kevin *(Chairman)*
Mr. IP Shing Hing, *J.P.*
Professor Japhet Sebastian LAW
Mr. TSE Tak Yin

REMUNERATION COMMITTEE

Professor Japhet Sebastian LAW *(Chairman)*
Mr. GAO Liang
Mr. IP Shing Hing, *J.P.*
Mr. LAU Siu Ki, Kevin
Mr. TSE Tak Yin

NOMINATION COMMITTEE

Mr. IP Shing Hing, *J.P. (Chairman)*
Mr. GAO Liang
Professor Japhet Sebastian LAW
Mr. LAU Siu Ki, Kevin
Mr. TSE Tak Yin

JOINT COMPANY SECRETARIES

Mr. Yin Fu Gang
Mr. Yip Wai Yin

AUTHORISED REPRESENTATIVES

Mr. GAO Liang
Mr. Yin Fu Gang

AUDITOR

PricewaterhouseCoopers

REGISTERED OFFICE

Clarendon House, 2 Church Street, Hamilton
HM 11 Bermuda

HEAD OFFICE

Suites 3205-07, 32/F, Tower Two Times Square,
1 Matheson Street Causeway Bay, Hong Kong

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM 08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
Shops 1712-16, 17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong

LEGAL ADVISER ON HONG KONG LAW

Woo Kwan Lee & Lo
26th Floor, Jardine House, 1 Connaught Place
Central, Hong Kong

PRINCIPAL BANKERS

Standard Chartered Bank
China Merchants Bank
China Construction Bank
Bank of Communications Limited
Hang Seng Bank Limited

STOCK CODE

2886

WEBSITE

www.binhaiinv.com

Corporate Profile

Binhai Investment Company Limited — **Incorporated: Bermuda**

↓ 100%

Winstar Venture Limited — **Incorporated: BVI**

↓ 100%

Binhai Investment Hong Kong Limited — **Incorporated: Hong Kong**

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Share-holding		Incorporated
100%	**Tianjin Binhai Xinda Real Estate Company Limited**	**Incorporated: Tianjin**
100%	**Binhai Investment (Tianjin) Company Limited**	**Incorporated: Tianjin**

Share-holding		Incorporated
100%	Tianjin Binda Gas Enterprise Company Limited	Tianjin
100%	Tianjin Bintai Energy Development Company Limited	Tianjin
100%	Tianjin HuaTai Xinda Gas Company Limited	Tianjin
100%	Tianjin Taigang Gas Company Limited	Tianjin
80%	Tianjin BinMing Clean Fuel Technology Company Limited	Tianjin
100%	Beijing Airport Wah Sang Gas Company Limited	Beijing
90%	Sanhe TEDA Gas Company Limited	Hebei Province
85%	Zhuozhou Binhai Gas Company Limited	Hebei Province
100%	Qinhuangdao TEDA Gas Company Limited	Hebei Province
100%	Zibo Jin Bin Gas Company Limited	Shandong Province
100%	Binzhou TEDA Gas Company Limited	Shandong Province
100%	Changle Wah Sang Gas Company Limited	Shandong Province
100%	Dezhou Binhai Gas Company Limited	Shandong Province
80%	Qingdao Jiaonan Wah Sang Gas Company Limited	Shandong Province
100%	Qingdao Jiaozhou Binhai Gas Company Limited	Shandong Province
100%	Haiyang Wah Sang Gas Company Limited	Shandong Province
100%	Zhaoyuan Binhai Gas Company Limited	Shandong Province
100%	Yishui Binhai Gas Company Limited	Shandong Province
100%	Rizhao Binhai Gas Company Limited	Shandong Province
100%	Funing TEDA Gas Company Limited	Jiangsu Province
100%	Jinhu Wah Sang Gas Company Limited	Jiangsu Province
100%	Yizheng TEDA Gas Company Limited	Jiangsu Province
100%	Nanjing Binahi Gas Company Limited	Jiangsu Province

Corporate Profile

98%	Zhangjiagang Wah Sang Gas Company Limited	Jiangsu Province
99%	Jingjiang Wah Sang Gas Company Limited	Jiangsu Province
90%	Deqing Binhai Gas Company Limited	Zhejiang Province
100%	Haiyan Tian Tai Gas Development Company Limited	Zhejiang Province
100%	Huzhou Nanxun Binhai Gas Company Limited	Zhejiang Province
98%	Tonglu Wah Sang Gas Company Limited	Zhejiang Province
100%	Tangshan Binhai Gas Company Limited	Hebei Province
100%	Yizheng Jin Bin Gas Company Limited	Jiangsu Province
100%	Tangshan TEDA Gas Company Limited	Hebei Province
98%	Jizhou Binhai Gas Company Limited	Hebei Province
99%	Anxin TEDA Gas Company Limited	Hebei Province
99.82%	Qingyuan Binhai Gas Company Limited	Hebei Province
100%	Fengxian Binhai Gas Company Limited	Jiangsu Province
100%	Liuyang Binhai Gas Company Limited	Hunan Province
100%	Gaoan TEDA Gas Company Limited	Jiangxi Province

Financial Highlights

	Audited Year ended 31 December 2014 *HK$'000*	Audited Year ended 31 December 2013 *HK$'000*	**Percentage Change**
Revenue	**2,543,237**	2,229,133	14%
Gross profit	**465,083**	459,299	1%
Profit for the year	**218,970** *(Note 1)*	141,262 *(Note 2)*	55%
Basic earnings per share attributable to owners of the Company during the year	**1.8 cents**	1.2 cents	0.6 cent

	31 December 2014 *HK$'000*	31 December 2013 *HK$'000*	**Percentage Change**
Total assets	**3,988,555**	3,847,329	4%
Total equity	**1,083,450**	872,095	24%
Total liabilities	**2,905,105**	2,975,234	-2%

Note:

1. On 5 August 2013, the Company issued convertible bonds due in 2016 an aggregate principal amount of HK$310,000,000. The change in the fair value of the conversion option from 31 December 2013 to 31 December 2014 resulted in a fair value profit of HK$41 million, which has been recorded in the consolidated income statement for the year ended 31 December 2014.

2. The change in the fair value of the conversion option from 5 August 2013 to 31 December 2013 resulted in a fair value loss of HK$53 million, which has been recorded in the consolidated income statement for the year ended 31 December 2013.

Chairman's Statement

On behalf of the board (the "Board") of directors (the "Directors", individually a "Director") of Binhai Investment Company Limited (the "Company"), I am delighted to present the annual report of the Company and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2014.

The Group recorded a revenue of approximately HK$2.54 billion for the year ended 31 December 2014, which represented a 14% increase compared with the revenue of HK$2.23 billion recorded in the year ended 31 December 2013. The net profit of the Group amounted to approximately HK$219 million for the year ended 31 December 2014, representing an increase of 55% from the HK$141 million net profit recorded in the previous year ended 31 December 2013.

The successful transfer of listing of the Company from the Growth Enterprise Market to the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 February 2014 was an important milestone in the Company's development history and marked a new beginning for the Company's future development. We are convinced that listing on the Main Board of the Stock Exchange will enhance the image of the Company, expand its capital market space and be conducive to the long-term development of the Company.

PERFORMANCE REVIEW

In 2014, as affected by the downturn of the real estate market, destocking difficulties in the manufacturing industry and the increase in the liabilities of regional governments, the Chinese economy continued to slow down. The expansion of the natural gas industry in China also considerably slowed down in view of the excess crude oil inventories around the globe and the consistently high US dollar index. As reported in the "Report on 2014 Domestic and International Oil and Gas Industry Development", the apparent consumption of natural gas in 2014 was approximately 183 billion cubic meters, representing an increase of only 8.9% which was the lowest growth rate in the past 10 years. However, as the Chinese government has taken a variety of measures to regulate air pollution, and that the regimes of non-domestic stock gas price and incremental gas price have reformed and merged, there is still enormous development potential in the natural gas industry. During the year, as the Group continued to maintain its dedication to the continuous development of its natural gas business, the Group has achieved rapid growth of business for the sixth consecutive year.

2014 was a crucial year during which the Group seized every opportunity, through strenuous efforts, to lay a more solid foundation for the realization of faster development. Major steps taken by the Group included:

- The vigorous expansion of business areas with huge development potential, including Ninghe Economic Development Area, Baodi Urban Area, Wuqing District, Harbor Bonded Zone and Huaming Industrial Park, etc. As the supply of natural gas gradually reaches in Lingang Industry Zone, sales volume of natural gas is expected to substantially increase;

- The focus on development projects outside of Tianjin. In particular, the rapid development of subsidiaries outside Tianjin, such as Yizheng, Zhuozhou, Gao'an, enhanced the Company's competitive advantage of regional diversity;

Chairman's Statement

- The heavy investment in gas pipeline connection and piped gas sales in recent years. As the projects enter into the harvest period in 2015, these investments will help optimize the Company's financial performance and enhance future performance; and

- The declaration of a final dividend of HK$0.005 per ordinary share for the first time, expanding the means for shareholders' return.

PROSPECTS

Looking to the year 2015, in light of the air pollution regulation and energy conservation policies adopted by the PRC government, the general direction of optimizing energy structure will remain unchanged. The low penetration rate of gas consumption in the PRC at present also provides sufficient room for consumption increase in the future. Moreover, the adjustment of gas price at gas stations may be determined using the net market value, which will favor the marketization of the pricing mechanism and increase transparency within the industry. The Group is confident that the gas industry in the PRC will face better development opportunities.

All staff members of the Group will resolutely fulfill the Group's various assessment criteria which aim to lay a solid foundation for the long-term development of the Company. With proper decisions of the Board, leadership of the senior management team, as well as the support from the shareholders and business partners, the Group will continue to make new and outstanding achievements.

In 2015, the major targets of the Group include the followings:

1. To seize the development opportunities of the gas industry in the PRC, leverage the opportunities of the integration of Beijing, Tianjin and Hebei and strengthen the Company's geographical advantage;

2. To actively and carefully research on the broadening of purchasing channels at gas sources, pay attention to and appropriately promote gas utilization projects;

3. To maintain focus on substantive growth of the Group, supplemented by the strategy of mergers and acquisitions;

4. To continually expand the development of industrial users in order to increase market share, ensure the transmission capacity of pipeline network so as to support the development in the field of CNG filling stations;

5. To pay close attention to the gas import and price reform policies in the PRC, explore and connect with competitive gas sources, further reduce the cost of gas purchase, and promote the Group's gas price guidance work;

Chairman's Statement

6. To further enhance cooperation with the shareholders, investors, government authorities, creditors and other stakeholders to realize a win-win situation for all parties.

On behalf of the Board, I hereby extend my sincere gratitude to the shareholders, clients, staff members, business partners and other stakeholders for their strong support towards the Group.

On behalf of the Board
Binhai Investment Company Limited

Zhang Bing Jun
Chairman of the Board

Hong Kong, 30 March 2015

Management Discussion and Analysis

BUSINESS REVIEW

The Group is principally engaged in the construction of gas pipeline networks, provision of connection services and the sale of liquefied petroleum gas ("LPG") and piped gas.

Connection Services

The Group constructs gas pipelines for its clients and connects such pipelines to the Group's main gas pipeline networks. The Group then charges connection service fees from industrial and commercial customers, property developers and property management agents. As at 31 December 2014, the aggregate length of all of the gas pipeline networks owned by the Group was approximately 1,790 kilometers, representing an increase of 127 kilometers from the length of 1,663 kilometers as at 31 December 2013. In the year ended 31 December 2014, connection service fees received by the Group amounted to approximately HK$558,839,000, representing an increase of HK$23,792,000 or 4% compared to the HK$535,047,000 service fees received in the year ended 31 December 2013.

Piped Gas Sales

In the year ended 31 December 2014, consumption of piped gas by domestic and industrial users amounted to approximately $2,418 \times 10^6$ and $14,853 \times 10^6$ mega-joules respectively, as compared to $2,144 \times 10^6$ and $12,712 \times 10^6$ mega-joules respectively for the year ended 31 December 2013. During the year, sales income of the Group from piped gas amounted to HK$1,828,123,000, representing an increase of HK$428,541,000 or 31% compared to the amount of HK$1,399,582,000 recorded in the year ended 31 December 2013.

Property Development

In view of the incompatibility of real estate business with the Group's current strategic direction which focuses on the development of the gas business, and the impact of the control policy of the PRC on real estate businesses, the Group plans to dispose of its property under development.

FINANCIAL REVIEW

Gross Profit Margin

Gross profit of the Group for the year ended 31 December 2014 was HK$465 million (for the year ended 31 December 2013: HK$459 million) and the gross profit margin for the Group was 18% (for the year ended 31 December 2013: 21%). The decrease in gross profit margin was mainly due to the change in revenue structure of the Group and the impact of the domestic gas price reform which led to a lower gross profit margin of piped gas. In the year ended 31 December 2014, the sale of piped gas (which usually yields a lower gross profit) amounted to HK$1,828,123,000, representing a remarkable increase of 31% compared with the year ended 31 December 2013. The gross profit margin of piped

Management Discussion and Analysis

gas was 5% for the year 2014, dropped by 41% year on year. As the Company has more incremental gas, so the price reform policy before 1 September 2014 led to a decline of the Company's gross margin, while the price reform policy after 1 September 2014 will be beneficial to the Company.

Administrative Expenses

Administrative expenses of the Group for the year ended 31 December 2014 was HK$162 million, representing a decrease of HK$6 million or 4% compared to HK$168 million for the year ended 31 December 2013. Management expenses decreased as the Group controlled its expenses.

Profit Attributable to Owners of the Company

Profit attributable to equity owners of the Company for the year ended 31 December 2014 was approximately HK$214 million, as compared to HK$136 million for the year ended 31 December 2013.

Basic earnings per share for the year ended 31 December 2014 was HK1.8 cents, as compared to HK1.2 cents for the year ended 31 December 2013.

Liquidity and Financial Resources

As at 31 December 2014, the total borrowings of the Group amounted to HK$1,803,871,000 (as at 31 December 2013: HK$1,761,835,000) and the cash and bank deposits of the Group amounted to HK$484,841,000 (as at 31 December 2013: HK$691,454,000), which included cash and cash equivalents of HK$463,236,000 and restricted cash of HK$21,605,000. As at 31 December 2014, the Group had consolidated current assets of HK$1,256,012,000 and its current ratio was approximately 0.64. As at 31 December 2014, the Group had a gearing ratio of approximately 166%, measured by the ratio of total consolidated borrowings of HK$1,803,871,000 to consolidated total equity of HK$1,083,450,000.

Borrowings Structure

As at 31 December 2014, the total borrowings of the Group amounted to HK$1,803,871,000 (as at 31 December 2013: HK$1,761,835,000). Borrowings of HK$775,000,000 from syndicated banks in Hong Kong were secured by certain interests in the Group's subsidiaries and bore interest at a floating rate. Unsecured borrowings from PRC banks were denominated in RMB, also bearing interest at a floating rate. Unsecured bonds of RMB500,000,000 were issued at 100 per cent of the issue price, bearing interest at a rate of 6.50 per cent. The outstanding Convertible Bonds of HK$279,000,000 were issued at an issue price of 100 per cent. and unsecured, bearing interest at a rate of 1.00 per cent. As at 31 December 2014, short-term borrowings and the current portions of long-term borrowings amounted to HK$957,238,000, with the remainder of the long-term borrowings falling due after one year or more.

Management Discussion and Analysis

Directors' Opinion on Sufficiency of Working Capital

As at 31 December 2014, the current liabilities of the Group exceeded its current assets by HK$711 million. The Group's ability to continue as a going concern depends on the financial resources presently available to the Group. Taking into account the expected financial performance, net cash expected to be generated from the operation of the Group and the financial support from Tianjin TEDA Investment Holding Co., Ltd. ("TEDA"), the Directors believe that the Group is able to fully meet its liabilities as and when they fall due and to carry on its business without a significant curtailment of operations for the foreseeable future. Accordingly, the consolidation financial statements have been prepared on a going concern basis.

Exposure to Exchange Rate Fluctuations

The Directors consider that the Group's exposure to foreign currency exchange risk is insignificant as the majority of the Group's transactions are denominated in the functional currency of the respective group entities. Part of the bank deposits and bank borrowings of the Group are denominated in HK Dollars and US Dollars which expose the Group to certain foreign currency risks. The Group does not currently have a foreign currency hedging policy. However, the management has been monitoring foreign exchange risks and will consider hedging significant foreign currency exposure should the need arises.

Interest Rate Swap Contract

For the year ended 31 December 2014, the Group recognized a fair value loss of HK$5,099,000 on derivative financial instrument (as compared with a profit of HK$9,381,000 in the year ended 31 December 2013). The loss was primarily attributable to the rise in the fair value of an interest rate swap contract entered into by the Group, which was affected by the global economic instability during the year. In order to minimize the risk of rising interest rates and control borrowing costs, the Group entered into the Swap Contract (the "Swap Contract") with Standard Chartered Bank London with an aggregate notional amount of HK$571,635,500 to control future interest charges. The Swap Contract provided for deferred settlement became effective on 30 September 2013 and will mature on 30 September 2018 ("Maturity Day"). According to the Swap Contract, the Group is subject to a fixed interest rate of 2.25% and receives interests at a floating rate with reference to the Hong Kong Interbank Offered Rate published from time to time by the Hong Kong Association of Banks. Prior to the Maturity Day, any changes in the fair value of the Swap Contract will not have a significant impact on the Group's cash flow. Market interest rates are currently at their historical lows. The fair value of the Swap Contract will adjust according to economic situation and interest rate levels. The Group believes that such arrangements are advantageous to the Group in the long run.

Gain on fair value change in conversion option of the Convertible Bonds

The change in the fair value of the conversion option from 31 December 2013 to 31 December 2014 resulted in a fair value gain of HK$41 million, which has been recorded in the consolidated income statement for the year ended 31 December 2014.

Management Discussion and Analysis

Charge on the Group's Assets

As at 31 December 2014, the Group had restricted cash of HK$21,605,000 (as at 31 December 2013: HK$6,368,000).

On 30 June 2014, the Group entered into a 3-year borrowing facilities of HK$930,000,000 with Hong Kong syndicate banks. On 26 August 2014, the agreed amount of the facilities was adjusted to HK$775,000,000. The borrowings were secured by interests in certain of the Group's subsidiaries and guarantee given by the Company.

Save as disclosed above, there were no charges on any of the Group's assets as at 31 December 2014.

The Issue of Convertible Bonds

On 25 July 2013, the Company announced the issue of 1.0% Convertible Bonds for the amount of HK$310,000,000 due to mature in 2016 (the "Convertible Bonds"). The Convertible Bonds are convertible under the circumstances set out in their terms and conditions into ordinary shares of HK$0.01 each of the Company ("Ordinary Shares") at an initial conversion price of HK$0.3690 per Ordinary Share (subject to adjustments). Assuming full conversion of the Convertible Bonds at the initial conversion price, the Convertible Bonds will be convertible into 840,108,401 Ordinary Shares (the "Conversion Shares"), representing approximately 14.01% of the issued ordinary share capital of the Company as at the date of issue of the Convertible Bonds. The Conversion Shares will be fully-paid and rank pari passu in all respects with the Ordinary Shares then in issue on the relevant conversion date.

None of the Convertible Bonds were placed with connected persons of the Company. The net proceeds from the issue of the Convertible Bonds had been used by the Group for the payment of pipeline construction payables, the repayment of current borrowings and for working capital purposes.

The issue of the Convertible Bonds by the Company to the subscribers at an aggregate principal amount of HK$310,000,000 was completed on 5 August 2013.

As at 31 December 2014, Convertible Bonds in the principal amount of HK$31,000,000 (as at 31 December 2013: HK$1,000,000) had been converted into 84,010,840 (as at 31 December 2013: 2,710,027) Ordinary Shares at a conversion price of HK$0.3690 per Ordinary Share.

Management Discussion and Analysis

Loan Agreements with Covenants relating to Specific Performance by the Controlling Shareholder

On 30 June 2014, Binhai Investment Hong Kong Limited, a wholly-owned subsidiary of the Company, as borrower and the Company as guarantor entered into a credit facility agreement (the "Facility Agreement") with Hong Kong syndicate banks (the "Lenders") for a loan facility in the aggregate amount of HK$930,000,000 for a term of three years. On 26 August 2014, the facilities were adjusted to HK$775,000,000. Loan funds are used for refinancing the existing loans borrowed in previous years. Pursuant to the terms of the Facility Agreement, if TEDA ceases to be the single largest Shareholder (whether directly or indirectly), the facility commitments of the Lenders under the Facility Agreement may be cancelled and all outstanding loans and accrued interests may be declared to be immediately due and payable. TEDA currently through Teda Hong Kong Property Company Limited ("TEDA HK") holds approximately 56.47% of the total issued ordinary share capital of the Company.

Contingent Liabilities

As at 31 December 2014, the Group did not have any significant contingent liabilities.

EMPLOYEES

As at 31 December 2014, the Group had 1,487 employees (as at 31 December 2013: 1,463 employees). For the year ended 31 December 2014, the salaries and wages of the employees amounted to HK$105 million (year ended 31 December 2013: HK$108 million).

REMUNERATION POLICY

The remuneration of the employees of the Group is determined by reference to the market rates, and the performance, qualification and experience of the relevant staff. Also, a discretionary bonus based on individual performance during the year is distributed to reward the contributions of employees to the Group. The Group also provides training opportunity and other benefits to its employees, including pension insurance, unemployment insurance, injury insurance, medical insurance, maternity insurance and housing fund, etc. Details of pension scheme are set out in Note 2.23 and Note 8 to the consolidated financial statements.

TRANSFER OF LISTING FROM GEM TO THE MAIN BOARD

The ordinary shares of the Company ceased to be traded on the Growth Enterprise Market and became traded on the Main Board of The Stock Exchange of Hong Kong Limited since 11 February 2014.

Corporate Governance Report

The Board presents the corporate governance report of the Company for the year ended 31 December 2014.

CORPORATE GOVERNANCE

The Board assumes overall responsibility for the leadership and control of the Group, including provision and formulation of the Group's business directions and strategies in the interests of the Group. The Board believes that good corporate governance practices would strengthen investors' confidence, facilitate the development of the Group, and increase transparency in the operation of the Group, which is in the long term interest of the Group and the Shareholders. During the year ended 31 December 2014, the Company had fully complied with the code provisions set out in Appendix 14 (Corporate Governance Code and Corporate Governance Report) to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Appendix 10 to the Listing Rules. Trading of securities by Directors shall be approved by the chairman of the Board and shall be entered into in accordance with the time frame and the number of securities approved.

All Directors have confirmed, following specific enquiries by the Company that they complied with the required standard of dealings as set out in Appendix 10 to Listing Rules by Directors throughout the year ended 31 December 2014.

THE BOARD

The Board currently comprises twelve Directors including two executive Directors, six non-executive Directors and four independent non-executive Directors. Mr. ZHANG Bing Jun is the chairman of the Board and an executive Director, Mr. GAO Liang is the general manager of the Company and an executive Director. Mr. SHEN Xiao Lin, Mr. ZHANG Jun, Mr. WANG Gang, Ms. ZHU Wen Fang, Mr. LI Wei and Ms. SHI Jing are non-executive Directors. Mr. IP Shing Hing, *J.P.,* Professor Japhet Sebastian LAW, Mr. TSE Tak Yin and Mr. LAU Siu Ki, Kevin are independent non-executive Directors. Detailed information of the Directors are set out in the section titled "BIOGRAPHICAL INFORMATION OF DIRECTORS AND SENIOR MANAGEMENT" herein.

It is a principle under the Corporate Governance Code that the board should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the issuer's business. It should ensure that changes to its composition can be managed without undue disruption. It should include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element in the board which can effectively exercise independent judgment. Non-executive directors should be of sufficient caliber and number for their views to carry weight.

Corporate Governance Report

There is no financial business, family or other material/relevant relationships among the Board members (including between the chairman of the Board and the general manager of the Company).

The Board is responsible for the overall management of the Company, undertaking the responsibility to lead and administer and to promote the success of the Company through providing direction and supervision. All the Directors are bound by their duties to act in the interests of the Company to make an objective decision. The Board is responsible for the major affairs of the Company, including the approval and supervision of all major policies, overall strategies, internal control and risk management systems, material transactions (in particular transactions which may involve a conflict of interest), financial information, appointment of Directors and other material financial and operational matters. The management is responsible for the Group's day-to-day administration and operations. Material transactions to be entered into by the management are subject to approval of the Board.

A total of 4 Board meetings were held during the year ended 31 December 2014 to discuss and decide on the Company's major strategies, important business matters, financial issues and other matters set forth in the Company's bye-laws. A summary of the Directors' attendance at such meetings is as follows:

Executive Directors	**Number of meetings attended/Number of meetings held**	**Attendance percentage**
Mr. ZHANG Bing Jun *(Chairman)*	3/4	75%
Mr. GAO Liang *(General Manager)*	4/4	100%

Non-Executive Directors	**Number of meetings attended/Number of meetings held**	**Attendance percentage**
Mr. SHEN Xiao Lin	3/4	75%
Mr. ZHANG Jun	4/4	100%
Mr. DAI Yan#	0/1	0%
Mr. WANG Gang	4/4	100%
Ms. ZHU Wen Fang	2/4	50%
Mr. LI Wei*	3/3	100%
Ms. SHI Jing**	1/1	100%

Mr. DAI Yan — resignation with effect after the close of business on 30 June 2014

* Mr. LI Wei — appointment with effect from 5 May 2014

** Ms. SHI Jing — appointment with effect from 29 September 2014

Corporate Governance Report

Independent Non-Executive Directors	Number of meetings attended/Number of meetings held	Attendance percentage
Mr. LAU Siu Ki, Kevin	2/4	50%
Mr. IP Shing Hing, *J.P.*	4/4	100%
Professor Japhet Sebastian LAW	2/4	50%
Mr. TSE Tak Yin	4/4	100%

DIRECTORS' TRAINING

Corporate Governance Code A.6.5 requires that all directors should participate in continuing professional development, develop and update their knowledge and skills in order to ensure that they contribute to the Board with a comprehensive information and meeting the requirement. The issuer shall be responsible for arranging appropriate training and funding, and appropriate emphasis on the role, functions and responsibilities of directors of listed company.

Record of training received by each Director during the year ended 31 December 2014 is summarized below:

Directors	Contents of the training
Mr. ZHANG Bing Jun	A
Mr. GAO Liang	A
Mr. SHEN Xiao Lin	A
Mr. ZHANG Jun	A
Mr. WANG Gang	A
Ms. ZHU Wen Fang	A
Mr. LI Wei *(appointed on 5 May 2014)*	A
Ms. SHI Jing *(appointed on 29 September 2014)*	A
Professor Japhet Sebastian LAW	B, C, D
Mr. LAU Siu Ki, Kevin	E
Mr. TSE Tak Yin	A
Mr. IP Shing Hing, *J.P.*	F

Corporate Governance Report

A. Attended training provided by Woo, Kwan, Lee & Lo, Solicitors on updates of the Listing Rules and regulations in Hong Kong

B. Attended training provided by Woo, Kwan, Lee & Lo, Solicitors on the latest development in regulations relating to Connected Transactions and Discloseable Transactions

C. Attended seminar on 4 cases of violations of HKSE rules related to discloseable matters

D. Training on environmental, social & governance reporting

E. Attended continuing professional development modules required by Hong Kong Institute of Certified Public Accountants

F. Attended Summit Forum of Small and Medium-sized Enterprises

CHAIRMAN OF THE BOARD AND GENERAL MANAGER

Mr. ZHANG Bing Jun is the chairman of the Board ("Chairman"). Mr. GAO Liang is the general manager of the Company ("General Manager"). The Chairman is primarily responsible for leading the Board and ensuring the effective operation of the Board, while the General Manager is primarily responsible for the day-to-day operations of the Company. Such distinction between the respective roles and responsibilities of the Chairman and the General Manager is set out in the Company's bye-law and the "Regulation on Operation of the Board and its Committees" of the Company.

TERM OF OFFICE AND RE-ELECTION

Independent non-executive Directors have a term of office of two years and non-executive Directors have a term of office of three years, both subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's bye-laws.

Corporate Governance Report

GENERAL MEETINGS

The following table sets out details of the Directors' attendance of the annual general meeting of the Company held during the year ended 31 December 2014:

Directors	Number of general meetings attended/ Number of meetings held	Attendance percentage
Mr. ZHANG Bing Jun	1/1	100%
Mr. GAO Liang	1/1	100%
Mr. SHEN Xiao Lin	1/1	100%
Mr. ZHANG Jun	1/1	100%
Mr. DAI Yan *(resigned after the close of business on 30 June 2014)*	0/1	0%
Mr. WANG Gang	1/1	100%
Ms. ZHU Wen Fang	1/1	100%
Mr. LI Wei *(appointed on 5 May 2014)*	0/1	0%
Ms. SHI Jing *(appointed on 29 September 2014)*	Not Applicable	Not Applicable
Mr. LAU Siu Ki, Kevin	1/1	100%
Mr. IP Shing Hing, *J.P.*	1/1	100%
Professor Japhet Sebastian LAW	1/1	100%
Mr. TSE Tak Yin	1/1	100%

At the annual general meeting held on 5 May 2014 ("2014 AGM"), a separate resolution was proposed by the Chairman in respect of each separate issue, including re-election of retiring Directors. The Chairman of the Board and the Chairmen and members of Audit Committee, Nomination Committee and Remuneration Committee and representative of PricewaterhouseCoopers attended the 2014 AGM to answer questions of shareholders of the Company. Procedures for conducting a poll were explained by the Chairman of the 2014 AGM.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") comprises four independent non-executive Directors, namely Professor Japhet Sebastian LAW (Chairman), Mr. TSE Tak Yin, Mr. LAU Siu Ki, Kevin, Mr. IP Shing Hing, *J.P.*, and an executive Director, Mr. GAO Liang.

The Terms of Reference of the Remuneration Committee (as amended) approved by the Board are available on the websites of the Stock Exchange and the Company.

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The main responsibilities of the Remuneration Committee include, but not limited to, the following:

1. making recommendations to the Board on the Company's policy and structure for all Director's and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; and

2. reviewing and approving the management's remuneration proposals with reference to the Board's corporate goals and objectives.

During the year ended 31 December 2014, 3 meetings were held by the Remuneration Committee. The Remuneration Committee reviewed the remuneration of individual executive Directors and senior management and made recommendations to the Board, and discussed the remuneration of the two non-executive Directors newly appointed during the year. Attendances of each member of the Remuneration Committee are set out as follows:

Committee members	Number of meetings attended/Number of meetings held	Attendance percentage
Professor Japhet Sebastian LAW *(Chairman)*	3/3	100%
Mr. IP Shing Hing, *J.P.*	3/3	100%
Mr. LAU Siu Ki, Kevin	3/3	100%
Mr. TSE Tak Yin	3/3	100%
Mr. GAO Liang	2/3	66%

The remuneration of members of the senior management by band for the year ended 31 December 2014 is set out below:

Remuneration band	Number of individuals
Nil to HK$1,000,000	12
HK$1,000,001 to HK$2,000,000	2
HK$3,000,001 to HK$4,000,000	2
HK$5,000,001 to HK$6,000,000	1

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to the Listing Rules are set out in Note 8 to the financial statements.

NOMINATION COMMITTEE

The nomination committee of the Company (the "Nomination Committee") currently comprises four independent non-executive Directors, namely Mr. IP Shing Hing, *J.P.* (Chairman), Professor Japhet Sebastian LAW, Mr. TSE Tak Yin, Mr. LAU Siu Ki, Kevin and an executive Director, Mr. GAO Liang.

The Terms of Reference of the Nomination Committee (as amended) approved by the Board are available on the websites of the Stock Exchange and the Company.

The main responsibilities of the Nomination Committee include, but not limited to, the following:

1. reviewing the structure, size, and composition (including the skills, diversity, knowledge and experience) of the Board and making recommendations on any proposed changes to the Board to complement the corporate strategy;

2. assessing the independence of independent non-executive Directors and proposed independent non-executive Directors; and

3. identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships.

The nomination procedures of the Nomination Committee include identification and acknowledgement of qualified individuals by the Nomination Committee, and review and approval of such nominations by the Board. The Nomination Committee will evaluate potential candidates considering factors such as professional expertise, relevant experience, personal ethics and integrity. Based on the above nomination procedures, the process and criteria adopted by the Nomination Committee, the Nomination Committee nominated Mr. LI Wei and Ms. SHI Jing to be directors of the Company for approval by the shareholders of the Company and the Board respectively.

The Company adopted a board diversity policy (the "Board Diversity Policy") on 29 August 2013 which sets out the approach to achieve and maintain diversity in the Board in order for the Board to maintain a competitive advantage. The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to the talents, skills, regional and industry experience, background, race, age, gender and other qualities. The Nomination Committee will consider and, if appropriate, set measurable objectives to implement the Board Diversity Policy and review such objectives to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Nomination Committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness. Based on the current Board composition, no measurable objective had been set.

During the year ended 31 December 2014, 2 meetings were held by the Nomination Committee. The Nomination Committee mainly discussed the direction of board optimization in the future, and also discussed matters on the appointment of the new non-executive Directors in May and September. Attendances of each member of the Nomination Committee are set out as follows:

Committee members	Number of meetings attended/Number of meetings held	Attendance percentage
Mr. IP Shing Hing, *J.P. (Chairman)*	2/2	100%
Professor Japhet Sebastian LAW	2/2	100%
Mr. LAU Siu Ki, Kevin	2/2	100%
Mr. TSE Tak Yin	2/2	100%
Mr. GAO Liang	2/2	100%

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") in accordance with Rule 3.21 of the Listing Rules. The Terms of Reference of the Audit Committee (as amended) approved by the Board are available on the websites of the Stock Exchange and the Company. The main responsibilities of the Audit Committee include, but not limited to, the followings:

1. primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor;

2. monitoring the integrity of the Company's financial statements, the annual report and accounts, half-yearly report and quarterly report; and

3. reviewing the Company's financial controls, internal control and risk management systems.

The Audit Committee comprises four independent non-executive Directors, namely Mr. LAU Siu Ki, Kevin (chairman), Professor Japhet Sebastian LAW, Mr. TSE Tak Yin and Mr. IP Shing Hing, *J.P.*, Mr. LAU Siu Ki, Kevin and Mr. TSE Tak Yin are qualified accountants.

3 meetings were held by the Audit Committee during the year ended 31 December 2014.

At the meetings, the Audit Committee reviewed and discussed the following matters:

1. the audited annual results and financial statements of the Group for the year ended 31 December 2013;

2. the unaudited interim results of the Group for the 6 months ended 30 June 2014;

Corporate Governance Report

3. financial reporting system and internal control procedures;

4. relationship with the external auditor including approval of the audit fee and making recommendation on re-appointment of auditor; and

5. function of corporate governance, and disclosure policy in relation to Company Information.

The following table sets out the details of attendance of the members of the Audit Committee at the meetings held during the year ended 31 December 2014:

Committee members	Number of meetings attended/Number of meetings held	Attendance percentage
Mr. LAU Siu Ki, Kevin *(Chairman)*	3/3	100%
Professor Japhet Sebastian LAW	3/3	100%
Mr. TSE Tak Yin	3/3	100%
Mr. IP Shing Hing, *J.P.*	3/3	100%

The Audit Committee has also reviewed the audited annual results of the Group for the year ended 31 December 2014, the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters. The Audit Committee opined and viewed that:

1. The Group's accounting and management system and controls procedures have been maintained at a generally satisfactory and acceptable standard; and

2. The interim and annual financial statements for the relevant reporting periods are complete and accurate in all respects.

CORPORATE GOVERNANCE FUNCTIONS

The Company has not established a corporate governance committee and the corporate governance functions are performed by the Audit Committee as set out in its terms of reference. The Audit Committee had considered the policies and practices for corporate governance as set out in the Corporate Governance Code and reviewed the compliance of the Corporate Governance Code.

AUDITOR'S REMUNERATION

The statement of responsibility to the financial statements by PricewaterhouseCoopers, the external auditor of the Group, is set out in the section of "INDEPENDENT AUDITOR'S REPORT" on pages 49 to 50 of this Annual Report. The remuneration for the auditor's services for the year ended 31 December 2014 amounted to RMB2.85 million.

Corporate Governance Report

DIRECTORS' RESPONSIBILITY ON THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation and the true and fair presentation of the consolidated financial statements for the year ended 31 December 2014 in accordance with statutory requirements and applicable standards.

The Directors consider that in preparing the financial statements, the Group adopts appropriate accounting policies that are consistently applied, and that all applicable accounting standards are followed. The Directors are responsible for ensuring that the Group had kept the accounting records, which disclose with reasonable accuracy the financial position of the Group, and facilitate the preparation of the financial statements in accordance with the applicable accounting standards.

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

INTERNAL CONTROL

The Board has overall responsibilities for maintaining and reviewing the effectiveness of the Group's internal control system. The internal control system is to safeguard the assets of the Group and the Shareholders' investment and to ensure the reliability of financial reporting as well as compliance with the relevant requirements of the applicable rules of the Stock Exchange.

During the year ended 31 December 2014, the management of the Company provided training to the internal audit team, accounting team and operation team, so as to ensure effective implementation of the internal control system and procedures. The Audit Committee paid great attention to internal controls and made efforts to improve the internal control system during the year ended 31 December 2014.

The internal control and legal department carried out 26 audit projects during the year ended 31 December 2014, including financial revenue and expenditure, investigation on integrity, authorization and approval, etc. In addition, The Company has made improvements in internal control environment, risk management, control activities, information & communication, and supervision both in system and execution effectiveness.

The Directors conducted periodic reviews on the Company's internal control system to ensure the effectiveness and adequacy of the system. The Company convened meetings regularly to review the financial, operational and compliance controls and to consider the adequacy of resources, staff qualification and experience, training programs and budget of the Company's accounting and financial reporting function. The Directors are of the view that the existing system of internal control is effective and adequate for the Group.

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JOINT COMPANY SECRETARIES

Mr. YIN Fu Gang ("Mr. YIN"), an employee of the Company, has been appointed as a company secretary of the Company. The Company also engaged and appointed Mr. YIP Wai Yin ("Mr. YIP"), a Hong Kong practicing solicitor, as a company secretary of the Company. They work together as joint company secretaries of the Company in handling the corporate secretarial matters of the Company. Mr. YIN has day-to-day involvement in the affairs of the Company. The primary corporate contact person at the Company with Mr. Yip is Mr. YIN.

The joint company secretaries of the Company duly complied with the relevant training requirement under Rule 3.29 of the Listing Rules.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

(a) Procedures for requisitioning a special general meeting

Shareholder(s) holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right to vote at general meetings of the Company may, by written requisition to the Board or the company secretary of the Company signed and deposited in accordance with the bye-laws of the Company and Bermuda Companies Act 1981, require the Directors to call a special general meeting for the transaction of business specified in the requisition.

(b) Procedures for putting forward proposals at general meetings

Shareholder(s) holding not less than one-twentieth of the paid-up capital of the Company carrying the right to vote at general meetings of the Company or not less than 100 Shareholders may, at their expense, provide a written request to the attention of the company secretary of the Company signed and deposited in accordance with the Bermuda Companies Act 1981.

(c) Communication with shareholders and investors

General meetings of the Company provide a direct forum of communication between shareholders and the Board. Shareholders are welcome to put forward enquiries to the chairman of the Board, or in his absence, an executive Director. The chairmen of the Nomination Committee, Remuneration Committee and Audit Committee, or in their absence, other members of the respective committees, and where applicable, the independent board committee, will commonly be present and available to answer questions. Shareholders may also contact the company secretary of the Company to direct their written enquires.

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The Company is committed to enhancing communications and relationships with its investors. Designated senior management maintains an open dialogue with institutional investors and analysts to keep them abreast of the Company's developments.

The Company also maintains a website at www.binhaiinv.com, where updates on the Company's business development, operations, financial information and news can always be found.

As regards shareholders' communication policy, please refer to the procedures made available under the Corporate Governance section of the Company's website at www.binhaiinv.com.

Shareholders may at any time send their enquiries and concerns to the Board in writing through the company secretary of the Company whose contact details are as follows:

Hong Kong

Address:	Suites 3205-07, 32/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong
Tel:	(852) 2572 9228
Fax:	(852) 2572 9283
Email:	prd@binhaiinv.com

Tianjin

Address:	Suites 501-502, Block 6, East Area, Airport Business Park, 80 Huanhe Road North, Airport Industrial Park, Tianjin, China
Tel:	86-22-5880 1800
Fax:	86-22-5880 1801
P.C.:	300308
E-mail:	wsg@binhaiinv.com

The updated memorandum of association and bye-laws of the Company have been posted on the website of the Company at www.binhaiinv.com and the designated website of the Stock Exchange at www.hkexnews.hk. There was no change to the memorandum of association and bye-laws of the Company during the year ended 31 December 2014.

Biographical Information of Directors and Senior Management

BOARD OF DIRECTORS

Executive Directors

Mr. ZHANG Bing Jun, aged 51, has been the Chairman and an executive Director of the Company since 25 February 2011. Mr. ZHANG graduated from Xidian University（西安電子科技大學）with a Bachelor of Engineering Science degree in July 1984 and is a qualified senior engineer of the People's Republic of China (the "PRC"). Mr. ZHANG studied the State-owned Enterprises course at the Beijing Motorola University（北京摩托羅拉大學）and the Executive Master of Business Administration course at the Guanghua School of Management of the Beijing University（北京大學光華管理學院）in 1999. Mr. ZHANG is currently the Party Secretary and Chairman of TEDA, a wholly State-owned company established in the PRC which indirectly holds 56.47% Ordinary Shares through TEDA HK. Mr. ZHANG has nearly thirty years' experience in electronic engineering, corporate strategy and planning, management, operation and investment. Mr. ZHANG was the General Manager and Deputy Party Secretary of TEDA from June 2006 to January 2011, the Deputy General Manager of Tianjin Zhonghuan Electronic Information Group Co., Ltd.（天津中環電子信息集團有限公司）from November 2005 to June 2006, the Chairman, General Manager and Deputy Party Secretary of Tianjin Optical Electrical Group Co., Ltd.（天津光電集團有限公司）from April 2003 to November 2005 and the Chairman and General Manager of Tianjin Optical Electrical Communications Company（天津光電通信公司）from July 1999 to April 2003. From April 2011 to February 2014, he was chairman of Sihuan Pharmaceutical Co., Ltd.（四環藥業股份有限公司）(a company listed on Shenzhen Stock Exchange). From February 2013 to October 2014, he was the chairman of Tianjin TEDA Co., Ltd.（天津泰達股份有限公司）(a company listed on Shenzhen Stock Exchange).

Mr. GAO Liang, aged 47, has been the General Manager and an executive Director of the Company since 4 August 2009. He has been the Compliance Officer of the Company since February 2010. He is also the general manager of Binhai Investment (Tianjin) Co., Ltd., a wholly-owned subsidiary of the Company incorporated in the People's Republic of China since April 2009. Mr. GAO is a senior engineer. He graduated from Wuhan Urban Construction Institute（武漢城市建設學院）with a major in environment hygiene engineering in 1988, and obtained a master's degree in business administration from Nankai University（南開大學）in 2005. He was the deputy director of the Science Promotion Center of Urban and Rural Development Administrative Committee of Tianjin Municipal（天津市城鄉建設管理委員會科技推廣中心）for the period from 1993 to 1995 and the deputy director of the Tianjin Municipal Environmental and Hygienic Engineering Design Council（天津市環衛工程設計院）for the period from 1995 to 2001.

Mr. GAO is a member of the Remuneration Committee and the Nomination Committee of the Company.

Biographical Information of Directors and Senior Management

Non-Executive Directors

Mr. SHEN Xiao Lin, aged 47, has been a non-executive Director since 25 February 2011. Mr. SHEN is a Doctor of Management Studies who graduated from the School of Economics and Management of Tsinghua University（清華大學經濟管理學院）with a Doctorate degree in Technical Economics and Management in December 2001. Mr. SHEN obtained a master's degree in Economics and Management at the School of Management of Huazhong University of Science and Technology（華中科技大學管理學院）in July 1992 and a Bachelor of Industrial Electrical Automation degree at the Wuhan University of Science and Technology（武漢科技大學）in July 1989, and is a qualified senior economist and accountant of the PRC. Mr. SHEN is currently the Deputy General Manager of TEDA. Mr. SHEN was appointed as a full-time supervisor of the Supervisory Board for Key Large State-Owned Enterprises of the State-owned Assets Supervision and Administration Commission of the State Council（國務院國資委國有重點大型企業監事會）from March 2003 to August 2008, a full-time supervisor of the Supervisory Board for Key Large State-Owned Enterprises of the Central Enterprises Work Committee（中央企業工作委員會國有重點大型企業監事會）from September 2002 to March 2003 and the Deputy Head of Project Finance of Shougang Company（首鋼總公司）from January 1999 to September 2002. He worked in the Economic Development Research Centre of the State Metallurgical Industry Bureau（國家冶金部經濟發展研究中心）from July 1992 to December 1998. From April 2011 to February 2014, he was a director of Sihuan Pharmaceutical Co., Ltd.（四環藥業股份有限公司）, a company listed on Shenzhen Stock Exchange.

Mr. ZHANG Jun, aged 47, has been a non-executive Director since 9 February 2010. Mr. ZHANG worked as an executive Director of the Company since June 2009, and was re-designated as a non-executive Director in February 2010. Mr. ZHANG graduated from Beijing Normal University（北京師範大學）with a degree in philosophy in July 1990 and completed a course in economics from Nankai University（南開大學）in 1998. He is currently the general manager of Tianjin TEDA Group Co., Ltd., a wholly owned subsidiary of TEDA. Prior to that, Mr. ZHANG was an administrative officer of TEDA and a deputy administrative officer of TEDA Administrative Commission（天津經濟技術開發區管理委員會）and administrative officer of Tianjin TEDA Eco-Landscape Development Co., Ltd.（天津經濟技術開發區總公 司園林綠化公司）. Mr. ZHANG is a director of TEDA. He acted as the chairman of Tianjin TEDA Co., Ltd.（天津泰達股份有限公司）(a company listed on Shenzhen Stock Exchange) from May 2011 to February 2013. He has been a director of Tianjin Binhai Teda Logistics (Group) Corporation Limited (listed on the Stock Exchange) since April 2008 to May 2014.

Biographical Information of Directors and Senior Management

Mr. WANG Gang, aged 49, has been a non-executive Director since 9 February 2010. Mr. WANG worked as an Executive Director of the Company from 2004, and was re-designated as a Non-Executive Director in February 2010. Mr. WANG graduated from the thermal engineering branch of Tianjin University (天津大學) with a bachelor's degree in Engineering in July 1990 and acquired a postgraduate degree at Tianjin University of Finance & Economics in July 2001. He is a senior engineer. He is the former chief executive officer of the Company and the former general manager of Tianjin district operations. He has ample professional experience in thermal engineering. From August 2003 to May 2004, he was the chairman and general manager of Tianjin TEDA Tsinlien Gas Company Limited ("TEDA Gas"), a subsidiary of Tsinlien Group Company Limited (津聯集團有限公司) ("Tsinlien") and a fellow subsidiary of Tianjin Development Holdings Limited (天津發展控股有限公司) ("Tianjin Development"), operating gas supply business in Tianjin. Mr. WANG was the vice manager of TEDA Heat and Power Company (泰達熱電公司), a wholly owned subsidiary of TEDA, the vice manager of Tianjin TEDA Tsinlien Heat & Power Co., Ltd. (泰達津聯熱電公司), a subsidiary of Tianjin Development, and the general manager of Guohua Energy Development (Tianjin) Co., Ltd. (國華能源發展(天津)有限公司) from August 1997 to August 2003. Mr. WANG was responsible for the day-to-day operation of the Group including the implementation of the business plan of the Group from May 2004 to July 2007.

Ms. ZHU Wen Fang, aged 47, has been a non-executive Director since 20 August 2010. Ms. ZHU graduated from Lanzhou University (蘭州大學) with a bachelor's degree in July 1990 and a master's degree in business management in 1995. She is currently the manager of the Securities Department of TEDA. Prior to that, Ms. ZHU was project manager of TEDA Industrial Investment Co. Ltd. (天津開發區工業投資公司), and project manager and deputy administrative officer of Tianjin TEDA Group Co., Ltd. (天津泰達集團有限公司), a wholly-owned subsidiary of TEDA. She was the deputy chairperson of the board of directors of Sihuan Pharmaceutical Co., Ltd. (四環藥業股份有限公司), a company listed on Shenzhen Stock Exchange, from 2009 to February 2014. She has been a director of Changjiang Securities Co., Ltd. (長江證券股份有限公司), a company listed on the Shenzhen Stock Exchange, since 2007, a director of Tianjin Jinbin Development Co., Ltd. (天津津濱發展股份有限公司), a company listed on the Shenzhen Stock Exchange, since 2008, and a director of Tianjin Binhai Energy and Development Co., Ltd. (天津濱海能源發展股份有限公司) since 2007.

Mr. LI Wei, aged 40, graduated from Huazhong University of Science and Technology (華中理工大學) with a bachelor's degree in Computer Science in July 1994 and a master's degree in business management at Fudan University (復旦大學) in June 2011. Mr. LI has been the managing director of Shenzhen Everbright Investment Consultant Company Limited (深圳市光控投資諮詢有限公司) since 2002. He worked for Shenzhen High-Tech Industrial Investment Services Company Limited (深圳高新技術產業投資服務公司) from 1995 to 2002 and has been a director of Chinaums (銀聯商務有限公司) since May 2011. Mr. LI has been a director of Anhui Yingliu Electromechanical Co. Ltd (安徽應流機電股份有限公司) (listed on the Shanghai Stock Exchange) since March 2011.

Biographical Information of Directors and Senior Management

Ms. SHI Jing, aged 44, graduated from Tianjin University of Finance & Economics（天津財經大學）with a bachelor's degree in Economics in 1992 and a master's degree in Economics in 1995. She has been in corporate finance (domestic and foreign) and financial management for many years. Ms. SHI joined Tianjin Development Holdings Limited（天津發展控股有限公司）(Stock Code: 882) ("Tianjin Development"), which is interested in approximately 5.28% of the total issued ordinary shares of the Company, since 2005 and has served in various roles including manager of finance department of Tianjin Development Assets Management Co., Ltd., a wholly-owned subsidiary of Tianjin Development, and general manager of audit and legal affairs department of Tianjin Development. Prior to joining Tianjin Development, she was a commissioner of finance of Ting Hsin International Group（頂新國際集團）, vice president of Fengyuan Consulting (Shanghai) Co., Ltd.（豐元諮詢(上海)有限公司）and senior associate of finance department of Tingyi (Cayman Islands) Holding Corp. Ms. Shi is currently the assistant to general manager of Tianjin Development, a director of Tsinlien Group Company Limited（津聯集團有限公司）("Tsinlien") and the assistant to general manager of Tianjin Tsinlien Investment Holdings Co., Ltd.（天津津聯投資控股有限公司）, both being controlling shareholders of Tianjin Development, as well as director of certain subsidiaries of Tianjin Development and Tsinlien. She is also an executive director of Tianjin Port Development Holdings Limited (Stock Code: 3382) and a non-executive director of Dynasty Fine Wines Group Limited (Stock Code: 828).

Independent Non-Executive Directors

Mr. IP Shing Hing *J.P.*, aged 59, has been an independent non-executive Director since 23 March 2009. He holds a Bachelor of Laws (Hons.) Degree from the University of Hong Kong and a Master of Arts: Arbitration and Alternative Dispute Resolution from the City University of Hong Kong. He is a solicitor and Notary Public, Hong Kong SAR and China-Appointed Attesting Officer, and Justice of Peace, and has been a practising solicitor in Hong Kong for more than 30 years. He also serves as an independent non-executive director of Far East Hotels and Entertainment Limited and PC Partner Group Limited (both listed on the Stock Exchange). He was an independent non-executive director of Quam Limited (listed on the Stock Exchange) during the period from 1 October 2006 to 30 September 2008. He is enthusiastic in community activities which include serving as the President of The Law Society of Hong Kong (2002-2004), Vice-President of The Law Society of Hong Kong (1999-2002), Council Member of the Association of China-Appointed Attesting Officers Limited (since 2002), Director of Hong Kong Chinese General Chamber of Commerce (since 1997) and part-time Member of Central Policy Unit (2004-2005), Member of Basic Law Promotion Steering Committee, and Member of the Greater Pearl River Delta Business Council.

Mr. IP is the chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee of the Company.

Biographical Information of Directors and Senior Management

Professor Japhet Sebastian LAW, aged 63, has been an independent non-executive Director since 23 March 2009. He obtained his Ph.D. in Mechanical/Industrial Engineering from the University of Texas at Austin in 1976. He joined the Chinese University of Hong Kong in 1986. He was the Associate Dean and subsequently the Dean of the Faculty of Business Administration of the Chinese University of Hong Kong from 1993 until 2002. Professor LAW has acted as a consultant with various corporations in Hong Kong and overseas and is currently an independent non-executive director of the following companies listed on the Stock Exchange: Tianjin Port Development Holdings Limited, Beijing Capital International Airport Co., Ltd., Global Digital Creations Holdings Limited, Shougang Fushan Resources Group Limited, Regal Hotels International Holdings Limited, Shanghai La Chapelle Limited and Tianjin Binhai Teda Logistics (Group) Corporation Limited. He was an independent non-executive director of Cypress Jade Agricultural Holdings Limited from December 2011 to July 2013. He is also active in public services, having served as Member of the Provisional Regional Council of the Hong Kong SAR Government, and various Government and charitable boards and committees.

Professor LAW is the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company.

Mr. TSE Tak Yin, aged 66, has been an independent non-executive Director since March 2009. He has 17 years of experience in finance and operation of the gas industry. He was the Chief Accountant of a local piped gas company in 1980 and was appointed as General Manager of Customer Services Division in 1993 and General Manager of Corporate Development Division until 1997. He is currently the Director — Corporate Finance and Affairs of ITApps Limited. Mr. TSE is a Fellow Member of Association of Chartered Certified Accountants ("ACCA") and an Associate Member of Hong Kong Institute of Certified Public Accountants.

Mr. TSE is a member of the Audit Committee, the Remuneration Committee, and the Nomination Committee of the Company.

Mr. LAU Siu Ki, Kevin, aged 56, has been an independent non-executive Director since March 2009. He is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants (the "ACCA"). He was a member of the ACCA worldwide Council from May 2002 to September 2011, and was the Chairman of the Hong Kong branch of ACCA in 2000/2001. He has over 30 years' experience in corporate finance, financial advisory and management, accounting and auditing and had worked for an international accounting firm for over 15 years. He is also a consultant in the financial advisory field. Mr. LAU is currently an independent non-executive director of TCL Communication Technology Holdings Limited, COL Capital Limited, Comba Telecom Systems Holdings Limited, FIH Mobile Limited, Samson Holding Limited, Embry Holdings Limited and UKF (Holdings) Limited, all being companies whose shares are listed on the Main Board of the Stock Exchange. Apart from the above office, Mr. LAU is also an independent supervisor of Beijing Capital International Airport Company Limited and the company secretary of Yeebo (International Holdings) Limited, both of which are companies whose shares are listed on the Main Board of the Stock Exchange.

Mr. LAU is the chairman of the Audit Committee and a member of the Nomination Committee and the Remuneration Committee of the Company.

Biographical Information of Directors and Senior Management

SENIOR MANAGEMENT

Mr. XING Dong, aged 47, joined the Group in June 2007. He is currently the Deputy General Manager of the Group. Mr. Xing graduated from Tianjin University (天津大學) in 1989. During the period from 1990 to 2007, he was the Minister of the Engineering Department, Diversion Operation Department and Investment Management Department of Tianjin Economic-Technological Development Area Water Corporation (天津經濟開發區總公司自來水公司).

Mr. ZHANG Zhong Hai, aged 39, accountant, joined the Group in May 2009. He is currently the Chief Finance Officer of the Company and was appointed as a Deputy General Manager of the Group on 25 June 2012. Mr. ZHANG holds a master's degree in accounting in Nankai University (南開大學) and has worked as an accounting manager, finance vice-president and finance minister in other PRC corporations prior to joining the Group.

Mr. YIN Fu Gang, aged 40, joined the Group in September 2009. He is currently the Company Secretary of the Company and was appointed as a Deputy General Manager of the Group on 25 June 2012. Mr. Yin holds a master's degree of Laws in Nankai University (南開大學) and a master's degree of Business Administration in Finance in Chinese University of Hong Kong. Mr. Yin is a qualified lawyer in the PRC and also has the qualifications as a judge, a corporate legal adviser and an intermediate economist in the PRC. He works together with Mr. Yip Wai Yin, a practicing solicitor of the Hong Kong Special Administrative Region and a partner of Messrs. Woo Kwan Lee & Lo, as joint company secretaries of the Company in handling the corporate and secretarial matters of the Company. He has been a director and the company secretary of TEDA HK since 2011. During the period from 1997 to 2002, he was a former court judge of the People's Court of Jinnan District, Tianjin. During the period from 2005 to 2009, he was a Corporate Counsel Section Chief in TEDA.

Directors' Report

The Directors present their report together with the audited financial statements for the year ended 31 December 2014.

PRINCIPAL ACTIVITIES AND OPERATION ANALYSIS

The Company is an investment holding company. Details of the principal activities of the Company's subsidiaries are set out in Note 36 to the financial statements.

The analysis of the Group's performance for the year by business segments is set out in Note 5 to the financial statements.

FINANCIAL RESULTS AND DIVIDEND

The financial results of the Group for the year ended 31 December 2014 are set out in the consolidated income statement on page 51.

Based on the annual profit of the Company for the year ended 31 December 2014 and taking into account the financial position of the Company, the Board recommended a total final dividend of HK$42,808,800 (the "Final Dividend") for the year ended 31 December 2014 (HK$30,384,114.20 for the year ended 31 December 2013).

The amount of the dividend per Ordinary Share to which shareholders of the Company whose names appear on the register of holders of Ordinary Shares as at 22 May 2015 will become entitled, shall depend on the total number of issued Ordinary Shares as at the date of the forthcoming annual general meeting of the Company to be held on 13 May 2015 (the "AGM"). For illustration purpose only, the following indicate the amount of the dividend per Ordinary Share that may be determined under various scenarios:

Total number of issued Ordinary Shares	Amount of dividend per Ordinary Share
9,393,083,004 (as at the date of this report)	HK$ 0.00455
11,743,489,503 (assuming all outstanding convertible preference shares of the Company have been converted into Ordinary Shares)	HK$ 0.00364
12,499,587,063 (assuming all outstanding convertible bonds of the Company have also been converted into Ordinary Shares)	HK$ 0.00342
12,561,587,063 (assuming all outstanding options granted by the Company to subscribe for Ordinary Shares have also been exercised)	HK$ 0.00340

The actual amount of the dividend per Ordinary Share will be determined on the date of the AGM and will be announced by the Company.

Directors' Report

The Final Dividend is subject to approval by holders of the Ordinary Shares at the AGM and is expected to be paid on or about 8 June 2015.

The Company is proposing a share consolidation of every 10 ordinary shares of par value HK$0.01 each into one ordinary share of par value HK$0.10 each which is subject to approval by its shareholders. Subject to the share consolidation being approved by the shareholders of the Company at the AGM and taking effect, the abovementioned final dividend per Ordinary Share will be adjusted by multiplying the amount by ten times. Further details of the share consolidation proposal of the Company are set out in its announcement dated 30 March 2015 and in its circular to shareholders to convene the AGM.

CLOSURES OF REGISTER OF MEMBERS

(a) For determining the entitlement to attend and vote at the AGM

Shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 13 May 2015 will be eligible to attend and, in relation to holders of Ordinary Shares, to vote at the AGM. The register of members of the Company will be closed from Monday, 11 May 2015 to Wednesday, 13 May 2015 (both days inclusive). All completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Hong Kong Registrars Limited of Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 8 May 2015.

(b) For determining the entitlement to the Final Dividend

The Final Dividend will be payable to the holders of Ordinary Shares whose names appear on the register of members of the Company on Friday, 22 May 2015 and the register of members of the Company will be closed from Wednesday, 20 May to Friday, 22 May 2015. In order to qualify for the Final Dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Hong Kong Registrars Limited of Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 19 May 2015.

FINANCIAL HIGHLIGHTS

A summary of the financial results, assets and liabilities of the Group for the last five financial years ended 31 December 2014 is set out on page 150.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 15 to the financial statements.

Directors' Report

SHARE CAPITAL

As at 31 December 2014, the Company had 9,393,083,004 Ordinary Shares, 70,512,195 convertible preference shares at par value of HK$1.00 each ("Convertible Preference Shares") and 8,600,000 redeemable preference shares at par value of HK$50.00 each ("Redeemable Preference Shares") in issue. 130,000,000 Convertible Preference Shares and 8,600,000 Redeemable Preference Shares were issued to Cavalier Asia Limited for the consideration of HK$130 million and HK$430 million respectively on 4 May 2009, all of which were subsequently transferred to TEDA HK in August 2011. 40,000,000 Convertible Preference Shares were issued to the Hong Kong syndicated banks which, together with a repayment of HK$10 million, discharged the syndicate bank loan of HK$210 million on 7 May 2009. These 40,000,000 Convertible Preference Shares were subsequently transferred to TEDA HK on 7 May 2014.

The Convertible Preference Shares are convertible into Ordinary Shares during the period from the fifth anniversary of the date of issue but before the tenth anniversary thereof at the conversion price of HK$0.03 per Ordinary Share (subject to adjustment and no fractional Ordinary Shares will be issued). All outstanding Convertible Preference Shares will be automatically converted by the Company after the tenth anniversary of the date of issue. For the year ended 31 December 2014, 99,487,805 Convertible Preference Shares were converted into 3,316,260,164 Ordinary Shares, with a remainder of 70,512,195 Convertible Preference Shares convertible into 2,350,406,503 Ordinary Shares.

The Redeemable Preference Shares are redeemable at the discretion of the Company at their par value of HK$50.00 per Redeemable Preference Share as from the fifth anniversary of the date of resumption of trading of the Ordinary Shares on The Growth Enterprise Market on the Stock Exchange (i.e. 12 May 2009), subject to various conditions.

Details of the movements in the share capital of the Company during the year ended 31 December 2014 are set out in Note 22 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 impose an obligation on the Company to offer new shares on a pro-rata basis to the Shareholders.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in Note 24 to the financial statements and in the consolidated statement of changes in equity.

Directors' Report

DISTRIBUTABLE RESERVES

The Company had no reserves available for cash distribution and/or distribution in specie as calculated under the Companies Act of Bermuda as at 31 December 2014 (31 December 2013: Nil).

CHARITABLE DONATIONS

During the year ended 31 December 2014, the Group made charitable donations in the amount of HK$1 million (year ended 31 December 2013: Nil).

SHARE OPTION SCHEME

At the annual general meeting of the Company held on 20 August 2010, the Shareholders approved the adoption of a new share option scheme (the "2010 Scheme") in place of the previous scheme which had lapsed. The Company has been operating the 2010 Scheme for the purpose of providing the Company with a flexible means of giving incentives to, rewarding, remunerating, compensating and/or providing benefits to the eligible participants of the 2010 Scheme (the "Participants"). Participants include the Directors (including independent non-executive Directors) and employees of the Group. The 2010 Scheme became effective on 20 August 2010 and, unless otherwise cancelled or amended, will remain in force until 19 August 2020.

The maximum number of share options permitted to be granted under the 2010 Scheme was an amount equivalent, upon their exercise, to 10% of the Ordinary Shares in issue as at the date of approval of the 2010 Scheme. The total number of Ordinary Shares issued under the 2010 Scheme and to be issued upon exercise of the options granted to each Participant (including both exercised and outstanding options) under the 2010 Scheme in any 12-month period shall not exceed 1% of the total number of Ordinary Shares in issue unless approved by the Shareholders.

There is no minimum period for which an option under the 2010 Scheme must be held before such option can be exercised. HK$1 is payable by each Participant to the Company upon acceptance of an offer under the 2010 Scheme.

The exercise price of the share options under the 2010 Scheme is determinable by the Board and will at least be the highest of (a) the closing price of the Ordinary Shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer under the 2010 Scheme; (b) the average closing prices of the Ordinary Shares as stated in the Stock Exchange's quotations sheets for the 5 business days immediately preceding the date of the offer under the 2010 Scheme; and (c) the par value of the Ordinary Shares.

Pursuant to the 2010 Scheme, the Company granted 90,500,000 share options to the Directors and certain employees under continuous contract with the Group on 27 September 2010. As at 31 December 2014, 7,000,000 of these share options had lapsed.

As at 31 December 2014, a total of 537,281,200 Ordinary Shares (representing approximately 5.72% of the issued Ordinary Shares as at 31 December 2014) could be issued upon exercise of all options which may be but were not yet granted under the 2010 Scheme, and a total of 62,000,000 Ordinary Shares (representing approximately 0.66% of the issued Ordinary Shares as at 31 December 2014) could be issued upon exercise of all options which had been granted and yet to be exercised under the 2010 Scheme.

Details of movement of share options granted under the 2010 Scheme during the year ended 31 December 2014 were as follows:

Grantee	Date of grant	Exercise Period *(Note)*	Exercise Price *(HK$)*	Number of Ordinary Shares subject to outstanding options as at 1 January 2014	Number of options lapsed during the year	Number of Ordinary Shares subject to outstanding options as at 31 December 2014	Approximate percentage of the Company's total issued Ordinary Share capital as at 31 December 2014
Directors	27.9.2010	27.9.2010 – 26.9.2020	0.56	46,000,000	(7,000,000)	39,000,000	0.42%
Employees	27.9.2010	27.9.2010 – 26.9.2020	0.56	23,000,000	—	23,000,000	0.24%
Total				69,000,000	(7,000,000)	62,000,000	0.66%

Note: The exercisable period of the share options is 10 years from the date of grant.

Save as disclosed above, no share option was granted, exercised or cancelled during the year ended 31 December 2014.

Directors' Report

DIRECTORS

The Directors during the year and up to the date of this report are:

Executive Directors:

Mr. ZHANG Bing Jun *(Chairman)*
Mr. GAO Liang *(General Manager)*

Non-executive Directors:

Mr. SHEN Xiao Lin
Mr. ZHANG Jun
Mr. WANG Gang
Ms. ZHU Wen Fang
Mr. LI Wei *(appointed on 5 May 2014)*
Ms. SHI Jing *(appointed on 29 September 2014)*
Mr. DAI Yan *(resigned after the close of business on 30 June 2014)*

Independent Non-executive Directors:

Mr. IP Shing Hing, *J.P.*
Mr. LAU Siu Ki, Kevin
Professor Japhet Sebastian LAW
Mr. TSE Tak Yin

The Company has received an annual confirmation of independence from each of its independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors to be independent.

Pursuant to Bye-Law 86(2) of the Bye-Laws, Ms. SHI Jing, who was appointed as Director on 29 September 2014, will retire from office at the forthcoming annual general meeting and being eligible, offer herself for re-election.

In accordance with code provision A.4.2 of Appendix 14 of the Listing Rules and Bye-Law 87(1) of the Bye-laws of the Company, Mr. GAO Liang (an executive Director), Mr. WANG Gang and Ms. ZHU Wen Fang (both non-executive Directors) and Mr. IP Shing Hing, *J.P.* (an Independent non-executive Director), who are longest in office, will retire by rotation and will be eligible for re-election at the forthcoming annual general meeting of the Company.

Directors' Report

DIRECTORS' SERVICE CONTRACTS

Independent non-executive Directors have a term of office of two years and non-executive Directors have a term of office of three years, both subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Bye-Laws.

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

MATERIAL CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save for the contracts with TEDA and its subsidiaries and associates which are set out in the sections headed "CONTINUING CONNECTED TRANSACTIONS", there were no material contracts between the Group and its controlling shareholder or its associates during the year ended 31 December 2014.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year ended 31 December 2014.

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a material interest, whether 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 which subsisted at the end of the year ended 31 December 2014 or at any time during the year.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year ended 31 December 2014 were rights to acquire benefit by means of the acquisition of any class of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire such right in any other body corporate.

DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' remuneration and the five highest paid individuals are set out in Note 8 to the consolidated financial statement to this report. More particulars are also set out in the section headed "REMUNERATION COMMITTEE" in "CORPORATE GOVERNANCE REPORT".

Directors' Report

CHANGE IN DIRECTOR'S INFORMATION

Mr. LAU Siu Ki, Kevin, an independent non-executive Director, was appointed an independent non-executive director of UKF (Holdings) Limited (a company previously listed on the Growth Enterprise Market and now listed on the Main Board of the Stock Exchange) on 16 March 2015.

Save as disclosed above and as at the date of this report, the Company is not aware of other change in the Directors' information required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, CHIEF EXECUTIVES, SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

(a) Interests and short positions of the Directors and the chief executives in the share capital of the Company and its associated corporations

As at 31 December 2014, the interests or short positions of the Directors and the chief executives of the Company in the shares and underlying shares of the Company which were required to be: (a) recorded in the register kept by the Company pursuant to section 352 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"); or (b) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules were as follows:

		Interest in Ordinary Shares						
Name of Director	Capacity	Personal interests	Corporate interests	Family interests	Total interests	Interests in underlying Ordinary Shares pursuant to share options	Total aggregate interests in Ordinary Shares and underlying Ordinary Shares	Approximate percentage of the Company's total issued ordinary share capital as at 31 December 2014
Mr. GAO Liang	Beneficial owner	–	–	–	–	10,000,000	10,000,000	0.11%
Mr. ZHANG Jun	Beneficial owner	–	–	–	–	7,000,000	7,000,000	0.07%
Mr. WANG Gang	Beneficial owner	–	–	–	–	7,000,000	7,000,000	0.07%
Ms. ZHU Wen Fang	Beneficial owner	–	–	–	–	7,000,000	7,000,000	0.07%
Mr. IP Shing Hing, *J.P.*	Beneficial owner	–	–	–	–	2,000,000	2,000,000	0.02%
Professor Japhet Sebastian LAW	Beneficial owner	1,000,000	–	–	1,000,000	2,000,000	3,000,000	0.03%
Mr. TSE Tak Yin	Beneficial owner	–	–	–	–	2,000,000	2,000,000	0.02%
Mr. LAU Siu Ki, Kevin	Beneficial owner	–	–	–	–	2,000,000	2,000,000	0.02%

Details of the Director's interests in share options granted by the Company were set out below under the heading "Director's rights to acquire shares".

Directors' Report

Director's rights to acquire shares

Pursuant to the 2010 Scheme, the Company granted options to subscribe for Ordinary Shares to the Directors, the details of which were as follows:

Name of Director	Date of grant	Exercise Period	Exercise Price *(HK$)*	Number of Ordinary Shares subject to outstanding options as at 1 January 2014	Number of Ordinary Shares subject to outstanding options as at 31 December 2014	Approximate percentage of the Company's total issued ordinary share capital as at 31 December 2014
Mr. GAO Liang	27.9.2010	27.9.2010 – 26.9.2020	0.56	10,000,000	10,000,000	0.11%
Mr. ZHANG Jun	27.9.2010	27.9.2010 – 26.9.2020	0.56	7,000,000	7,000,000	0.07%
Mr. DAI Yan	27.9.2010	27.9.2010 – 26.9.2020	0.56	7,000,000	–	–
Mr. WANG Gang	27.9.2010	27.9.2010 – 26.9.2020	0.56	7,000,000	7,000,000	0.07%
Ms. ZHU Wen Fang	27.9.2010	27.9.2010 – 26.9.2020	0.56	7,000,000	7,000,000	0.07%
Mr. IP Shing Hing, *J.P.*	27.9.2010	27.9.2010 – 26.9.2020	0.56	2,000,000	2,000,000	0.02%
Professor Japhet Sebastian LAW	27.9.2010	27.9.2010 – 26.9.2020	0.56	2,000,000	2,000,000	0.02%
Mr. TSE Tak Yin	27.9.2010	27.9.2010 – 26.9.2020	0.56	2,000,000	2,000,000	0.02%
Mr. LAU Siu Ki, Kevin	27.9.2010	27.9.2010 – 26.9.2020	0.56	2,000,000	2,000,000	0.02%

Note: The exercisable period of the above share options is 10 years from the date of grant.

Save as disclosed above, as at 31 December 2014, there were no other interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (as defined under Part XV of the SFO) entered in the register kept by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Interests and short positions of substantial shareholders and other persons in the share capital of the Company

As at 31 December 2014, the persons (not being a Director or chief executive of the Company) or companies who had interests or short positions in the shares or underlying shares of the Company which were notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under section 336 of the SFO are listed as follows:

			Interests in Ordinary Shares/underlying Ordinary Shares							Approximate percentage of the total issued ordinary share capital of the Company as at 31 December 2014
			Number of Ordinary Shares				Number of underlying Ordinary Shares			
Name of shareholder	Position	Capacity	Beneficial interest	Family interest	Corporate interest	Other interest	Corporate interest	Other interest	Total interest	
Tianjin Bohai State-owned Assets Management Co., Ltd. ("Tianjin Bohai")	Long	Interest of controlled corporation	–	–	496,188,000 *(Note 1)*	–	–	–	496,188,000	5.28%
Tianjin Tsinlien Investment Holdings Ltd ("Tianjin Tsinlien")	Long	Interest of controlled corporation	–	–	496,188,000 *(Note 1)*	–	–	–	496,188,000	5.28%
Tianjin Pharmaceutical Group Co., Ltd ("Tianjin Pharmaceutical")	Long	Interest of controlled corporation	–	–	496,188,000 *(Note 1)*	–	–	–	496,188,000	5.28%
Tsinlien Group Company Limited ("Tsinlien")	Long	Interest of controlled corporation	–	–	496,188,000 *(Note 1)*	–	–	–	496,188,000	5.28%
Tianjin Development Holdings Limited	Long	Interest of controlled corporation	–	–	496,188,000 *(Note 1)*	–	–	–	496,188,000	5.28%
Santa Resources Limited	Long	Beneficial owner	496,188,000 *(Note 1)*	–	–	–	–	–	496,188,000	5.28%
Tianjin TEDA Investment Holding Co., Ltd. ("TEDA")	Long	Interest of controlled corporation	–	–	5,303,987,207 *(Note 3)*	–	2,106,504,066 *(Note 3)*	–	7,410,491,273	78.89%
Mr. SHUM Ka Sang ("Mr. SHUM")	Long	Beneficial owner/ Interest of controlled Corporation/Interest of Spouse	18,312,000	1,279,234 *(Note 5)*	738,046,000 *(Note 4)*	–	–	–	757,637,243	8.07%
Wah Sang Gas Development Group (Cayman Islands) Limited	Long	Beneficial owner	738,046,000 *(Note 4)*	–	–	–	–	–	738,046,000	7.86%
Ms. WU Man Lee	Long	Beneficial owner/Interest of spouse	1,279,243	756,358,000 *(Note 5)*	–	–	–	–	757,637,243	8.07%
China Everbright Holdings Company Limited ("CEHCL")	Long	Interest of controlled corporation/Interest of any parties to an agreement	–	–	363,008,132 *(Note 6)*	265,040,666 *(Note 7)*	242,005,419 *(Note 6)*	176,693,766 *(Note 7)*	1,046,747,983	11.14%

Name of shareholder	Position	Capacity	Interests in Ordinary Shares/underlying Ordinary Shares: Number of Ordinary Shares: Beneficial interest	Family interest	Corporate interest	Other interest	Number of underlying Ordinary Shares: Corporate interest	Other interest	Total interest	Approximate percentage of the total issued ordinary share capital of the Company as at 31 December 2014
China Everbright Limited ("CEL")	Long	Interest of controlled corporation/Interest of any parties to an agreement	–	–	363,008,132 *(Note 6)*	265,040,666 *(Note 7)*	242,005,419 *(Note 6)*	176,693,766 *(Note 7)*	1,046,747,983	11.14%
China Everbright Group Limited	Long	Interest of controlled corporation/Interest of any parties to an agreement	–	–	363,008,132 *(Note 6)*	265,040,666 *(Note 7)*	242,005,419 *(Note 6)*	176,693,766 *(Note 7)*	1,046,747,983	11.14%
Central Huijin Investment Ltd.	Long	Interest of controlled corporation	–	–	363,008,132 *(Note 6)*	265,040,666 *(Note 7)*	242,005,419 *(Note 6)*	176,693,766 *(Note 7)*	1,046,747,983	11.14%
Forebright Partners Limited ("Forebright")	Long	Interest of controlled corporation/Interest of any parties to an agreement	–	–	265,040,666 *(Note 8)*	127,235,766 *(Note 9)*	176,693,766 *(Note 8)*	84,823,848 *(Note 9)*	653,794,046	6.96%
CSOF III GP Limited ("CSOF III")	Long	Interest of controlled corporation/Interest of any parties to an agreement	–	–	265,040,666 *(Note 8)*	127,235,766 *(Note 9)*	176,693,766 *(Note 8)*	84,823,848 *(Note 9)*	653,794,046	6.96%
China Special Opportunities Fund III, L.P. ("China Special")	Long	Interest of controlled corporation/Interest of any parties to an agreement	–	–	265,040,666 *(Note 8)*	127,235,766 *(Note 9)*	176,693,766 *(Note 8)*	84,823,848 *(Note 9)*	653,794,046	6.96%

Notes:

1. Such interest disclosed represents the interest in the Company held by Santa Resources Limited, a company which is directly wholly-owned by Tianjin Development Holdings Limited, a company incorporated in Hong Kong with its shares listed on the Main Board. Tianjin Tsinlien wholly owns Tianjin Bohai which in turn wholly owns Tianjin Pharmaceutical. Tianjin Pharmaceutical wholly owns Tsinlien. Tsinlien, through its wholly-owned subsidiaries, is a controlling shareholder of Tianjin Development Holdings Limited. All of them are deemed to be interested in those Ordinary Shares held by Santa Resources Limited.

2. 40,000,000 Convertible Preference Shares issued to the syndicated banks under a settlement agreement were bought back by Cavalier Asia Limited (a wholly-owned subsidiary of Tsinlien) pursuant to the agreement from the syndicated banks on 7 May 2014, being the 5th anniversary of the date of issue of such Convertible Preference Shares. Cavalier Asia Limited on the same date transferred such Convertible Preference Shares to TEDA HK, a wholly-owned subsidiary of TEDA.

3. These Ordinary Shares and underlying Ordinary Shares respectively represent (i) 5,303,987,207 Ordinary Shares held by TEDA HK, a wholly-owned subsidiary of TEDA; and (ii) 2,106,504,066 potential Ordinary Shares which are issuable to TEDA HK assuming full conversion of 63,195,122 Convertible Preference Shares held by TEDA HK (including the 40,000,000 Convertible Preference Shares that TEDA HK acquired from Cavalier Asia Limited as referred to Note 2 above).

4. Wah Sang Gas Development Group (Cayman Islands) Limited is a company entirely owned by Mr. Shum. The corporate interests held by Mr. Shum refers to his deemed interests in the Ordinary Shares held by Wah Sang Gas Development Group (Cayman Islands) Limited.

5. Ms. Shum and Ms. Wu are a couple and are deemed to be interested in such Ordinary Shares by virtue of the interests in such Ordinary Shares owned by each other.

6. CEHCL, through a number of direct and indirect wholly-owned subsidiaries, holds 49.39% interests in CEL. The corporate interests in 363,008,132 Ordinary Shares represent (i) 127,235,766 Ordinary Shares held by Everbright Inno Investments Limited ("Everbright Inno"), a wholly-owned subsidiary of Windsor Venture Limited ("Windsor"), which is a wholly-owned subsidiary of CEL; and (ii) 235,772,366 Ordinary Shares held by Energy Empire Limited ("Energy Empire"), a wholly-owned subsidiary of China Everbright Venture Capital Limited, which is a wholly-owned subsidiary of CEL. The corporate interests in 242,005,419 underlying Ordinary Shares represent potential Ordinary Shares issuable upon conversion of the Convertible Bonds, and are held respectively as to (i) 84,823,848 underlying Ordinary Shares by Everbright Inno and (ii) 157,181,571 underlying Ordinary Shares by Energy Empire. Central Huijin Investment Ltd. holds 55.67% interest in China Everbright Group Ltd., which in turn wholly-owns CEHCL. Accordingly, Central Huijin Investment Ltd., China Everbright Group Ltd., CEHCL and CEL are each deemed to be interested in both of the aforesaid 363,008,132 Ordinary Shares and 242,005,419 underlying Ordinary Shares.

7. The 265,040,666 Ordinary Shares and 176,693,766 underlying Ordinary Shares (which are issuable upon conversion of the Convertible Bonds) are both held by CSOF Inno Investments Limited ("CSOF Inno"), a wholly-owned subsidiary of China Special, which is controlled by CSOF III (which owns 1.45% commitment in China Special). Forebright is interested in 90% of CSOF III. Windsor (an indirect wholly-owned subsidiary of CEHCL held through CEL) is a party to an agreement under section 317 of the SFO with Forebright and CSOF III, and accordingly, Central Huijin Investment Ltd., China Everbright Group Ltd., CEHCL and CEL are each deemed to be interested in both of the aforesaid 265,040,666 Ordinary Shares and 176,693,766 underlying Ordinary Shares.

8. The corporate interests in 265,040,666 Ordinary Shares and 176,693,766 underlying Ordinary Shares (which are issuable upon conversion of the Convertible Bonds) are both held by CSOF Inno, a wholly-owned subsidiary of China Special, which is controlled by CSOF III (which owns 1.45% commitment in China Special). Forebright is interested in 90% of CSOF III. Accordingly, Forebright, CSOF III and China Special are each deemed to be interested in both of the aforesaid 265,040,666 Ordinary Shares and 176,693,766 underlying Ordinary Shares.

9. The 127,235,766 Ordinary Shares and 84,823,848 underlying Ordinary Shares (which are issuable upon conversion of the Convertible Bonds) are both held by Everbright Inno, a wholly-owned subsidiary of Windsor. Forebright and CSOF III are parties to an agreement under section 317 of the SFO with Windsor, and accordingly, Forebright, CSOF III and China Special (which is controlled by CSOF III, which in turn is held as to 90% by Forebright) are each deemed to be interested in both of the aforesaid 127,235,766 Ordinary Shares and 84,823,848 underlying Ordinary Shares.

Other than as disclosed above, as at 31 December 2014, the Company had not been notified of any other interests or short positions representing 5% or more of the Company's issued share capital.

Directors' Report

CONTROLLING SHAREHOLDER'S INTERESTS IN NON-COMPETING GAS SUPPLY BUSINESSES

The Group disposed of its interests in thirty subsidiaries ("Disposed Subsidiaries") to Cavalier Asia Limited to hold on behalf of TEDA HK pursuant to an agreement (the "2008 Disposal Agreement") dated 28 May 2008 (as amended) between Cavalier Asia Limited and a subsidiary of the Company. The 2008 Disposal Agreement was deemed completed in May 2009. Since then, the Group has repurchased interests in six of the Disposed Subsidiaries from TEDA HK, TEDA HK has disposed of interests in eighteen of the Disposed Subsidiaries to independent third parties, and three of the Disposed Subsidiaries were de-registered. As at 31 December 2014, TEDA HK still held interests in four of the Disposed Subsidiaries, namely, Huaining Wah Sang Gas Co., Ltd., Weishan Wah Sang Gas Co. Ltd., Suqian Wah Sang Gas Co., Ltd. and Jinan Wah Sang Gas Co., Ltd.. Although the businesses carried on by these four Disposed Subsidiaries are similar to the business of the Group, they operate in areas where the Group does not have any business, namely, Huaining in Anhui province, Weishan in Shandong province, Suqian in Jiangsu province and Jinan in Shandong province. Therefore, the Directors are of the view that the business of those four Disposed Subsidiaries which TEDA HK is currently interested in do not compete directly with the business of the Group.

Apart from the four Disposed Subsidiaries as mentioned above, TEDA only has a minority interest in Tianjin TEDA Tsinlien Gas Company Limited ("TEDA Gas") and Tianjin Eco-City Energy Investment Construction Company Limited ("Tianjin Eco-City") which are engaged in the supply of gas to end users.

TEDA Gas mainly serves the purpose of supplying natural gas to the Tianjin Economic and Technological Development Area at preferential rates in order to enhance the appeal of such area to investors and is not a purely commercial enterprise. As the Company understands, TEDA Gas is loss making and requires government subsidies to operate, whereas the Group supplies gas to TEDA Gas on a market basis and accordingly earns profit. The Group does not have the operating right granted by the government of the Tianjin Economic and Technological Development Area to supply gas to the local end users in such area. Besides, the Company does not consider it commercially desirable for the Group to supply gas to the local end users in such area.

Tianjin Eco-City is directly owned as to 51% by Tianjin Eco-City Investment Development Company Limited (owned by TEDA as to 35% since December 2007), a company established under a national-grade cooperation project between the PRC government and the Singapore Government that manages and operates a particular district in the Binhai New Area. Tianjin Eco-City purchases gas from the Group for its own use and to satisfy the demand of end users in such district in accordance with the intention of the local government, and does not carry out the business of sale of gas to customers. The Group does not have the operating right granted by the government of such district to supply gas to the local end users.

Directors' Report

As the businesses of the four former subsidiaries of the Group held by TEDA HK are differentiated from the business of the Group by location, and the businesses of TEDA Gas and Tianjin Eco-City are differentiated from the business of the Group by target customers, the Directors consider that there is no business competition between the Group and the TEDA Group. Save for TEDA's interest in the abovementioned four Disposed Subsidiaries, TEDA Gas and Tianjin Eco-City, none of the Directors or controlling shareholders of the Company or their respective associates had any interest in a business which may compete with the business of the Group.

CONTINUING CONNECTED TRANSACTIONS

TEDA through its wholly-owned subsidiary holds approximately 56.47% of the total issued ordinary shares of the Company, and is the controlling shareholder and a connected person of the Company.

Tianjin Eco-City is a direct subsidiary of Tianjin Eco-City Investment Development Company Limited which is owned by TEDA as to 35%. As an associate of TEDA, Tianjin Eco-City is regarded as a connected person of the Company.

During the year, the Group's continuing connected transactions with the above connected persons or their respective associates were as follows:

(a) Master gas supply agreement

Date of the agreement:	28 February 2013
Duration:	From 1 April 2013 up to and including 31 December 2015
Parties:	TEDA The Company
Transaction involved:	Supply of natural gas by the Group to TEDA and its subsidiaries and associates
Annual cap for the period from 1 January 2014 to 31 December 2014	RMB626,700,000
Actual amount in the period from 1 January 2014 to 31 December 2014	RMB580,676,000

(b) Master gas supply connection agreement

Date of the agreement:	28 March 2013 and revised the annual cap under the master agreement on 28 October 2014
Duration:	From 1 April 2013 up to and including 31 December 2015
Parties:	TEDA the Company
Transaction involved:	Provision of gas supply connection services by the Group to TEDA and its subsidiaries and associates from time to time
Annual cap for the period from 1 January 2014 to 31 December 2014	RMB47,500,000
Actual amount in the period from 1 January 2014 to 31 December 2014	RMB 24,368,000

(c) Sales of gas to Tianjin Eco-City

Date of the agreement:	30 December 2011 and revised the period of annual cap under the gas supply agreement on 7 February 2013
Duration:	From 30 December 2011 up to and including 30 December 2014
Parties:	Binda Gas Tianjin Eco-City
Transaction involved:	Supply of gas by Binda Gas to Tianjin Eco-City
Annual cap for the period from 1 January 2014 to 31 December 2014	RMB36,000,000
Actual amount in the period from 1 January 2014 to 31 December 2014	RMB23,665,000

Details on related party transactions for the year are set out in note 35 to the consolidated financial statements. Details of any related party transaction which also constitute connected transaction or continuing connected transaction not exempted under paragraph 14A.73 of the Listing Rules are disclosed above. The Group has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of such transactions.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 45 and 46 of the Annual Report in accordance with paragraph 14A.56 of the Listing Rules.

The independent non-executive Directors have reviewed the continuing connected transactions referred to above for the year ended 31 December 2014 and confirm that these transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms; and

(c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

MAJOR CUSTOMERS AND SUPPLIERS

In the year ended 31 December 2014, sales to the five largest customers of the Group accounted for 36% (year ended 31 December 2013: 30%) of the total sales, and sales to the largest customer included therein accounted for 20% (year ended 31 December 2013: 16%).

Purchases from the five largest suppliers of the Group accounted for 49% (year ended 31 December 2013: 48%) of the total purchases in the year ended 31 December 2014 and purchases from the largest supplier included therein accounted for 19% (year ended 31 December 2013: 17%).

Among the five largest customers of the Group, Tianjin Pipe, TEDA Gas, and Tianjin Sai-rui Machinery Equipment Company Limited are connected persons of the Company.

Save as disclosed above, none of the Directors of 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 ordinary share capital) had any beneficial interest in any of the five largest customers and suppliers of the Group.

Directors' Report

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2014.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, as at the date of this report, there is sufficient public float of not less than 25% of the total issued Ordinary Shares as required under the Listing Rules.

AUDITORS

The financial statements have been audited by PricewaterhouseCoopers who are due to retire and, being eligible, have offered themselves for re-appointment at the forthcoming annual general meeting. There was no change in auditors of the Company in any of the 3 years immediately preceding the date of this report.

On behalf of the Board
Binhai Investment Company Limited

Gao Liang
Executive Director

Hong Kong, 30 March 2015

Independent Auditor's Report

羅兵咸永道

To the shareholders of Binhai Investment Company Limited
(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Binhai Investment Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 51 to 149, which comprise the consolidated and company balance sheets as at 31 December 2014, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the 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 Companies Act 1981 of Bermuda 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.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Independent Auditor's Report

羅兵咸永道

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.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2015

Consolidated Income Statement

For the year ended 31 December 2014

	Note	**Year ended 31 December 2014 HK$'000**	Year ended 31 December 2013 HK$'000
Revenue	5	**2,543,237**	2,229,133
Cost of sales	7	**(2,078,154)**	(1,769,834)
Gross profit		**465,083**	459,299
Administrative expenses	7	**(162,419)**	(167,508)
Other income and gains/(losses) — net	6	**127,774**	(11,002)
		430,438	280,789
Finance income	9	**3,409**	10,147
Finance expenses	9	**(134,639)**	(77,370)
Finance expenses — net	9	**(131,230)**	(67,223)
Share of profit/(loss) of investments accounted for using the equity method	10B	**505**	(33)
Profit before income tax		**299,713**	213,533
Income tax expenses	11	**(80,743)**	(72,271)
Profit for the year		**218,970**	141,262
Attributable to:			
— Owners of the Company		**213,635**	135,722
— Non-controlling interests		**5,335**	5,540
		218,970	141,262
Earnings per ordinary share	13		
— basic *(HK cents)*		**1.8 cents**	1.2 cents
— diluted *(HK cents)*		**1.6 cents**	1.2 cents
Dividends	31	**42,809**	30,384

The notes on page 60 to 149 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	Year ended 31 December 2014 HK$'000	Year ended 31 December 2013 HK$'000
Comprehensive income		
Profit for the year	**218,970**	141,262
Other comprehensive income		
Items that may be reclassified to profit or loss		
Currency translation differences	**(21,092)**	18,653
Total comprehensive income for the year	**197,878**	159,915
Attributable to:		
— Owners of the Company	**193,146**	153,777
— Non-controlling interests	**4,732**	6,138
Total comprehensive income for the year	**197,878**	159,915

The notes on page 60 to 149 are an integral part of these consolidated financial statements.

Consolidated Balance Sheet

As at 31 December 2014

	Note	Year ended 31 December 2014 HK$'000	Year ended 31 December 2013 HK$'000
ASSETS			
Non-current assets			
Land use rights	14	**50,286**	48,098
Property, plant and equipment	15	**2,583,654**	2,250,548
Investments accounted for using the equity method	10B	**56,513**	45,781
Trade and other receivables	19	**42,090**	—
Deferred income tax assets	30	**—**	8,924
		2,732,543	2,353,351
Current assets			
Inventories	18	**53,716**	49,344
Trade and other receivables	17, 19	**572,490**	594,117
Amounts due from immediate holding company	27	**—**	1,368
Restricted cash	17, 20	**21,605**	6,368
Cash and cash equivalents	17, 20	**463,236**	685,086
		1,111,047	1,336,283
Assets held for sale	21	**144,965**	157,695
		1,256,012	1,493,978
Total assets		**3,988,555**	3,847,329
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital			
— Ordinary shares	22	**93,931**	59,955
— Convertible preference shares	22	**70,512**	170,000
— Redeemable preferences shares	22	**430,000**	430,000
Share premium	24	**110,514**	1,141
Other reserves	24	**(79,084)**	(56,574)
Retained earnings	25	**428,413**	243,141
		1,054,286	847,663
Non-controlling interests		**29,164**	24,432
Total equity		**1,083,450**	872,095

Consolidated Balance Sheet

As at 31 December 2014

	Note	Year ended 31 December 2014 HK$'000	Year ended 31 December 2013 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	*17, 28*	**846,633**	1,496,829
Derivative financial instruments	*17, 29*	**91,935**	149,206
		938,568	1,646,035
Current liabilities			
Trade and other payables	*17, 26*	**947,887**	1,005,629
Amounts due to immediate holding company	*17, 27*	**5,557**	—
Current income tax liabilities		**55,855**	58,564
Borrowings	*17, 28*	**957,238**	265,006
		1,966,537	1,329,199
Total liabilities		**2,905,105**	2,975,234
Total equity and liabilities		**3,988,555**	3,847,329
Net current (liabilities)/assets		**(710,525)**	164,779
Total assets less current liabilities		**2,022,018**	2,518,130

The notes on page 60 to 149 are an integral part of these consolidated financial statements.

The financial statements on pages 51 to 149 were approved by the Board of Directors on 30 March 2015 and were signed on its behalf.

Director	*Director*
Zhang Bing Jun	**Gao Liang**

Balance Sheet

As at 31 December 2014

	Note	31 December 2014 HK$'000	31 December 2013 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	10A	**63,395**	—
Amounts due from subsidiaries	10A	**1,852,454**	1,768,129
		1,915,849	1,768,129
Current assets			
Cash and cash equivalents	17,20	**48,927**	57,196
Total assets		**1,964,776**	1,825,325
EQUITY AND LIABILITIES			
Equity attributable to owners of the company			
Share capital			
— Ordinary shares	22	**93,931**	59,955
— Convertible preference shares	22	**70,512**	170,000
— Redeemable preferences shares	22	**430,000**	430,000
Share premium	24	**110,514**	1,141
Other reserves	24	**13,840**	34,512
Retained earnings	25	**308,140**	122,459
Total equity		**1,026,937**	818,067

Balance Sheet

As at 31 December 2014

	Note	31 December 2014 HK$'000	31 December 2013 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	17, 28	**233,097**	860,347
Derivative financial instruments	17, 29	**71,881**	134,251
		304,978	994,598
Current liabilities			
Trade and other payables	17, 26	**11,068**	12,660
Borrowings	28	**621,793**	—
		632,861	12,660
Total liabilities		**937,839**	1,007,258
Total equity and liabilities		**1,964,776**	1,825,325
Net current (liabilities)/assets		**(583,934)**	44,536
Total assets less current liabilities		**1,331,915**	1,812,665

The notes on page 60 to 149 are an integral part of these financial statements.

The financial statements on pages 51 to 149 were approved by the Board of Directors on 30 March 2015 and were signed on its behalf.

Director
Zhang Bing Jun

Director
Gao Liang

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to Owners of the Company						
	Share capital *HK$'000*	**Share premium** *(Note 24)* *HK$'000*	**Other reserves** *(Note 24)* *HK$'000*	**Retained earnings/ (accumulated losses)** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total** *HK$'000*
Balance at 1 January 2013	659,928	424,737	111,523	(503,470)	692,718	18,294	711,012
Comprehensive income							
Profit for the year	–	–	–	135,722	135,722	5,540	141,262
Other comprehensive income							
Currency translation differences	–	–	18,055	–	18,055	598	18,653
Total comprehensive income for the year	–	–	18,055	135,722	153,777	6,138	159,915
Ordinary shares issued for exercising of conversion rights	27	1,141	–	–	1,168	–	1,168
Set-off and elimination the accumulated losses	–	(424,737)	(184,709)	609,446	–	–	–
Forfeiture of employee share options	–	–	(1,443)	1,443	–	–	–
Total transfers with owners, recognised directly in equity	27	(423,596)	(186,152)	610,889	1,168	–	1,168
Balance at 31 December 2013	659,955	1,141	(56,574)	243,141	847,663	24,432	872,095
Balance at 1 January 2014	**659,955**	**1,141**	**(56,574)**	**243,141**	**847,663**	**24,432**	**872,095**
Comprehensive income							
Profit for the year	**–**	**–**	**–**	**213,635**	**213,635**	**5,335**	**218,970**
Other comprehensive income							
Currency translation differences	**–**	**–**	**(20,489)**	**–**	**(20,489)**	**(603)**	**(21,092)**
Total comprehensive income for the year	**–**	**–**	**(20,489)**	**213,635**	**193,146**	**4,732**	**197,878**
Ordinary shares issued for exercising of conversion rights – convertible bonds	**813**	**43,048**	**–**	**–**	**43,861**	**–**	**43,861**
Ordinary shares issued for exercising of conversion rights – convertible preference shares	**(66,325)**	**66,325**	**–**	**–**	**–**	**–**	**–**
Forfeiture of employee share options	**–**	**–**	**(2,021)**	**2,021**	**–**	**–**	**–**
Dividends relating to 2013	**–**	**–**	**–**	**(30,384)**	**(30,384)**	**–**	**(30,384)**
Total transfers with owners, recognised directly in equity	**(65,512)**	**109,373**	**(2,021)**	**(28,363)**	**13,477**	**–**	**13,477**
Balance at 31 December 2014	**594,443**	**110,514**	**(79,084)**	**428,413**	**1,054,286**	**29,164**	**1,083,450**

The notes on page 60 to 149 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2014

	Note	**Year ended 31 December 2014** ***HK$'000***	Year ended 31 December 2013 *HK$'000*
Cash flows from operating activities			
Cash generated from operations	*32(a)*	**321,713**	249,543
Income tax paid		**(74,629)**	(57,311)
Net cash generated from operating activities		**247,084**	192,232
Cash flows from investing activities			
Interest paid		**(38,743)**	(28,667)
Purchase of property, plant and equipment		**(379,716)**	(346,107)
Assets held for sale		**(6,990)**	(55,252)
Purchase of land use rights		**(6,447)**	(59)
Investment in a joint venture		**(11,379)**	(25,218)
Proceeds from disposal of property, plant and equipment, land use rights and assets held for sales		**65,648**	3,903
(Increase)/decrease in restricted cash		**(15,237)**	24,706
Interest received		**3,409**	10,147
Net cash used in investing activities		**(389,455)**	(416,547)

Consolidated Cash Flow Statement

For the year ended 31 December 2014

	Note	**Year ended 31 December 2014** ***HK$'000***	Year ended 31 December 2013 *HK$'000*
Cash flows from financing activities			
Proceeds from issuance of convertible bond		**–**	300,119
Proceeds from borrowings		**964,656**	532,010
Repayments of borrowings		**(921,397)**	(672,010)
Interest paid		**(82,289)**	(65,700)
Commitment and agency fee paid		**(1,006)**	(8,801)
Dividend paid		**(30,384)**	–
Net cash (used in)/generated from financing activities		**(70,420)**	85,618
Net decrease in cash and cash equivalents		**(212,791)**	(138,697)
Cash and cash equivalents at beginning of year		**685,086**	818,231
Exchange difference on cash		**(9,059)**	5,552
Cash and cash equivalents at end of year		**463,236**	685,086

The notes on page 60 to 149 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

For the year ended 31 December 2014

1. GENERAL INFORMATION

Binhai Investment Company Limited (the "Company") was incorporated in Bermuda on 8 October 1999, with its principal place of business at Suites 3205-07, 32/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 36 to these consolidated financial statements. The Company and its subsidiaries are hereafter together referred to as the Group.

For the purpose of these financial statements, the directors regard Tianjin TEDA Investment Holdings Co., Ltd. ("TEDA") as being the ultimate holding company.

Up to 10 February 2014, the Company's ordinary shares were listed on the Growth Enterprise Market Board ("GEM") of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). On 28 November 2013, an application was made by the Company to the Stock Exchange for the transfer of listing of its ordinary shares from GEM to the Main Board. The approval was granted by the Stock Exchange on 30 January 2014 for its ordinary shares to be listed on the Main Board and de-listed from GEM effective 11 February 2014.

These financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments, which are carried at fair value.

The consolidated financial statements are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.1.1 Going concern

As at 31 December 2014, the current liabilities of the Group exceeded current assets by HK$ 711 million. The Group's ability to continue as a going concern depends on the financial resources presently available to the Group. Taking into account the expected financial performance, net cash to be generated from operations of the Group and the financial support from ultimate holding company, the directors of the Company are of the opinion that the Group is able to meet its liabilities as and when they fall due and to carry on its business without a significant curtailment of operations for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

2.1.2 Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on 1 January 2014:

Amendment to HKAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the group financial statements.

Amendments to HKAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in HKAS 36 by the issue of HKFRS 13. It also enhanced the disclosures of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

Amendment to HKAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under HKAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The Group has applied the amendment and there has been no significant impact on the group financial statements as a result.

HK (IFRIC) 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of HKAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to the payment a levy and when a liability should be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Group.

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

(b) *New standards and interpretations not yet adopted*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statement. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess HKFRS 9's full impact.

HKFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of HKFRS 15.

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

(i) Common control acquisitions:

For common control combination, the consolidated financial statements incorporate the financial entities of the combining entities or businesses as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party. The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration of goodwill or excess of acquirer's interest in the net fair value of acquirer's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The consolidated financial statements are presented as if the entities or business had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the year in which it is incurred.

(ii) Other acquisitions:

The Group applies the acquisition method to account for business combinations except for those under common control by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to chief operating decision-maker. The chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company and each of its subsidiaries is determined to be Renminbi ("RMB").

The financial statements of the Company and the Group are presented in HK$ as the Directors are of the view that presenting the consolidated financial statements in HK$ will provide a better reference to its readers.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or expenses. All other foreign exchange gains and losses are presented in the income statement within 'other income and gains/(losses) — net'.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Construction-in-progress represents gas station properties, machinery, pipelines and related assets under construction/installation and is stated at cost less any provision for impairment. Cost comprises direct costs of construction, installation and testing. No depreciation is provided in respect of construction-in-progress until the construction and installation work is completed. On completion, construction-in-progress is transferred to appropriate categories of property, plant and equipment.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	30 years
Machinery and equipment	20 years
Gas pipelines	30 years
Office equipment and motor vehicles	5 years

The assets' residual value and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the assets' carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains or losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other income and gains/(losses) — net' in the income statement.

2.7 Intangible assets

Intangible assets represent cost of acquisition of operating licenses. They are stated at cost less amortisation and any identified impairment.

2.8 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9 Assets held for sale

Non-current assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The assets are stated at the lower of carrying amount and fair value less costs to sell.

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets in the following category: loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' (Note 19), 'amounts due from subsidiaries' (Note 10A), 'amounts due from/to immediate holding company' (Note 27) and 'cash and cash equivalents' (Note 20) in the balance sheet.

2.10.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.12 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or Group of financial assets is impaired. A financial asset or a Group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a Group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2.13 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

For derivative financial instruments do not qualify for hedge accounting, changes in fair value are recognised immediately in the consolidated income statement within 'other income and gains/(losses) — net'.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.15 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.16 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Convertible bonds issued by the Company are recognised as liability at fair value at the date of issue. In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method.

Transaction costs that relate to the issue of the bond are allocated to the liability which are included in the carrying amount of the liability portion and amortised over the period of the bond using the effective interest method.

2.20 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.21 Convertible bonds

In the situation when the convertible bonds are denominated in a currency other than the Company's functional currency, and consequently, their conversion options are not settled by the exchange of a fixed amount of cash in the functional currency of the Company, for a fixed number of the Company's shares. The convertible bonds contract must be separated into two component elements: a derivative liability component consisting of the conversion option and a liability component consisting of the host debt component of the bonds.

The derivative liability component is recognised initially at fair value. The host debt component at initial recognition is measured as the difference between the consideration received and the fair value of the derivative liability component.

Transaction costs relating to the issue of the convertible bonds are allocated to the host debt and derivative liability component in proportion to the allocation of the consideration received. The portion of the transaction costs relating to the host debt component is recognised initially as part of that component. The portion relating to the derivative liability component is recognised immediately in the income statement.

Subsequent to initial recognition, the derivative liabilities are carried at fair value with changes in fair value recognised in the income statement. The host debt component is measured at amortised cost using the effective interest method and the interest expense is recognised in the income statement.

If the convertible bonds were converted, the carrying amounts of the derivative and host debt would be transferred to share capital and share premium as consideration for the shares issued. If the convertible bonds were redeemed, any difference between the amount paid and the carrying amounts of both components would be recognised in the income statement.

2.22 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.23 Employee benefits

(a) Pension obligations

All eligible employees of the Group's subsidiaries which operate in the PRC participate in a central pension scheme operated by the local municipal government.

All eligible employees in Hong Kong participate in a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance.

The assets of both the above schemes are held separately from those of the Group in an independently administered fund. Contributions made are based on a percentage of the participating employees' salaries and are charged to the income statement as they become payable in accordance with the rules of the respective scheme.

(b) Profit sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(c) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.24 Share-based payments

The Group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (option) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

— including any market performance conditions (for example, an entity's share price);

— excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

— including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium). For share options lapsed, amount previously recognised as equity are transferred to retained earnings.

2.25 Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.26 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts returns and value added tax and business tax. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Connection services

Connection service connects customers to the Group's pipeline network. When the outcome of a connection service contract can be ascertained with reasonable certainty and the stage of completion at the balance sheet date can be measured reliably, revenue and costs are recognised over the period of the contract. The percentage of completion method is used to determine the appropriate amount of revenue and costs to be recognised in a given period. The stage of completion is measured for each specific contracted work by reference to the proportion of the services performed to date as a percentage of total services to be performed. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. When it is probable that total costs will exceed total revenue, the expected loss is recognised as an expense immediately.

When the outcome of a contract cannot be estimated with reasonable certainty, revenue is recognised only to the extent of costs incurred that it is probably recoverable. Costs are recognised when incurred.

(b) Sale of gases

Revenue from the sale of gases is recognised on the transfer of risks and rewards of ownership (which generally coincides with the time when the gas is delivered to customers and title has passed) and when it is probable that future economic benefits will flow to the Group.

2.27 Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

2.28 Leases (as the lessee for operating leases)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.29 Financial guarantee contract

Financial guarantee contracts are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary holder of the guarantee (i.e. the holder) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantee contracts are initially recognised at their fair values, and subsequently measured at the higher of (i) the amount initially recognised less accumulated amortisation; and (ii) the amount required to be settled by the guarantor in respect of the financial guarantee contracts at the balance sheet date.

2.30 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. FINANCIAL RISK MANAGEMENT

3.1 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as debt divided by total capital. Debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet). Total capital is calculated as 'equity' as shown in the consolidated balance sheet excluding non-controlling interests.

The Group's gearing ratio decreased during the year, because increase in equity due to comprehensive income attributable to the Owners of the Company is higher than the increase in debt.

	2014	2013
	HK$'000	*HK$'000*
Debt *(Note (i))*	**1,803,871**	1,761,835
Equity *(Note (ii))*	**1,083,450**	872,095
Debt to equity ratio	**166%**	202%

Notes:

(i) Debt is defined as long and short-term borrowings, as detailed in Note 28.

(ii) Equity includes all capital and reserves of the Group.

3.2 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

(a) Cash flow and fair value interest rate risks

The Group's interest rate risk arises from deposits and borrowings which are obtained at variable rates and fixed rates. The deposits interest rate risk is considered not material. The borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk.

The Group manages its cash flow interest rate risk of certain long-term bank borrowings by using floating-to-fixed interest rate swap in order to minimise the potential impact of increase in interest rate. Such interest rate swap has the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

Management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

For 31 December 2014, if interest rate has been 50 basis points higher/lower with all other variables held constant, the Group's profit before tax for the year would have been approximately HK$1.27 million higher/lower, mainly as a result of higher/lower interest costs from borrowings and lower/higher fair value change on derivative financial instrument (Year ended 31 December 2013: HK$5.2 million).

(b) Foreign exchange risk

The Group collects most of its revenue in RMB and incurs most of its expenditure including capital expenditure in RMB. The directors considered that the Group's exposure to foreign currency exchange risk from daily operation is insignificant as the majority of the Group's transactions are denominated in the functional currency of the respective Group entities.

Certain bank balances and bank borrowings are denominated in HK Dollars and US Dollars which exposes the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

The following table details the Group's sensitivity to a 10% (Year ended 31 December 2013: 10%) appreciation in RMB against HK$ and US Dollars, mainly as a result of foreign exchange gain on translation of HK$ denominated borrowings.

	Year ended 31 December 2014	Year ended 31 December 2013
	HK$'000	*HK$'000*
Increase in post-tax profit and equity	**101,291**	60,676

For a 10% (Year end 31 December 2013: 10%) depreciation of RMB against HK Dollars, there would be an equal and opposite impact on the profit and equity.

(c) Credit risk

The maximum credit risk of the Company includes the carrying value of its financial assets on books.

In order to minimise the credit risk over trade receivables, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each half-year end date and balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced. Management believes that no additional credit risk beyond the amount of allowance for impairment made is inherent in the Group's trade receivables.

The credit risk on bank deposits is limited because the counterparties are reputational PRC banks. The Group has no significant concentration of credit risk as the exposure is spreaded over a number of counterparties.

(d) *Liquidity risk*

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities which has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to repay, including both interest and principal cash flows.

Group	Weighted average effective interest rate	Less than 1 year	1 to 5 years	Over 5 years	Total undiscounted cash flow	Carrying amount
	%	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
As at 31 December 2014						
Payables	**N/A**	**841**	**–**	**–**	**841**	**841**
Borrowings	**3.87%-6.6%**	**373**	**653**	**–**	**1,026**	**949**
Convertible bonds	**13.13%**	**3**	**282**	**–**	**285**	**233**
RMB bond	**7.25%**	**666**	**–**	**–**	**666**	**622**
Derivative financial instrument	**N/A**	**–**	**20**	**–**	**20**	**20**
Amounts due to immediate holding company	**N/A**	**6**	**–**	**–**	**6**	**6**
As at 31 December 2013						
Payables	N/A	900	–	–	900	900
Borrowings	4.05%-6%	302	710	–	1,012	901
Convertible bonds	13.17%	3	315	–	318	229
RMB bond	7.25%	42	681	–	723	632
Derivative financial instrument	N/A	–	15	–	15	15

Company	Weighted average effective interest rate	Less than 1 year	1 to 5 years	Over 5 years	Total undiscounted cash flow	Carrying amount
	%	HK$ million	HK$ million	HK$ million	HK$ million	HK$ million
As at 31 December 2014						
Payables	**N/A**	**11**	**–**	**–**	**11**	**11**
Convertible bond	**13.13%**	**3**	**282**	**–**	**285**	**233**
RMB bond	**7.25%**	**666**	**–**	**–**	**666**	**622**
Financial guarantee	**N/A**	**787**	**–**	**–**	**787**	**787**
As at 31 December 2013						
Payables	N/A	13	–	–	13	13
Convertible bond	13.17%	3	315	–	318	229
RMB bond	7.25%	42	681	–	723	632
Financial guarantee	N/A	837	–	–	837	837

The Company has given guarantee of approximately HK$787 million to subsidiaries in respect of bank borrowings and related interest expense. Under the term of the financial guarantee contracts, the Company will make payments to reimburse the lenders upon failure of the subsidiaries to make payments when due (Note 33).

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's liabilities that are measured at fair value at 31 December 2014.

	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Liabilities				
Financial liabilities at fair value through profit or loss				
Interest rate swap contract	—	20,054	—	20,054
Derivative liability component of convertible bonds	—	—	71,881	71,881
Total liabilities	—	20,054	71,881	91,935

The financial instrument classified as level 2 is an interest rate swap contract entered into with a commercial bank, the fair value of which is determined using valuation models and observable data either directly or indirectly.

The financial instrument classified as level 3 is the derivative component of the convertible bonds, the fair value of which is determined using valuation models and unobservable inputs.

The following table presents the Group's liabilities that are measured at fair value at 31 December 2013.

	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Liabilities				
Financial liabilities at fair value through profit or loss				
Interest rate swap contract	—	14,955	—	14,955
Derivative liability component of convertible bonds	—	—	134,251	134,251
Total liabilities	—	14,955	134,251	149,206

(a) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

Note that all the resulting fair value estimates are included in level 2 except for certain forward foreign exchange contracts.

(b) Financial instruments in level 3

The following table presents the changes in level 3 instrument, which is the derivative liability component of the convertible bonds for the year ended 31 December 2014.

Group and Company	Derivative financial instruments *HK$'000*
As at 31 December 2013	**134,251**
Exercising of conversion rights	**(21,118)**
Changes in fair value	**(41,252)**
As at 31 December 2014	**71,881**
Total gains for the year included in profit or loss for liabilities held at the end of the year, under "Other income and gains/(losses) — net"	**41,252**
Changes in unrealised gains for the year included in profit or loss at the end of the year	**41,252**

If the significant unobservable inputs of stock price and volatility of the convertible bonds would be increased by HK$0.01 and 1% respectively, the Group's profit for the year would have been approximately HK$5.2 million and HK$1.4 million lower.

Except for the derivative financial instruments, the carrying amounts of the Group's financial assets including cash and cash equivalents, restricted cash and trade and other receivables (except for the prepayments), and financial liabilities including trade and other payables (except for the advance from customers, staff salaries and welfare payables and accrued taxes other than income tax) and short-term borrowings obtained at variable rates, approximate their fair value due to their short maturity. The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair value. The carrying values and fair values of other borrowings are stated in Note 28(f).

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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.

Critical accounting estimates and assumptions

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 addressed below.

(a) Estimated impairment of property, plant and equipment

The Group's major operating assets are gas pipelines and other gas supply machinery and equipment. Management performs review for impairment of these gas pipelines and machinery and equipment whenever events or changes in circumstances indicate that their carrying values may not be recovered.

The recoverable amounts of the gas pipelines and gas supply machinery and equipment are determined based on value-in-use calculations. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual cash flows are less than expected, a material impairment loss may arise. At 31 December 2014 the carrying amount of property, plant and equipment is HK$2,584 million (At 31 December 2013: HK$2,251 million). Details of the recoverable amount calculation are disclosed in Note 15.

(b) Estimated provision for doubtful debts

The Group makes provision for doubtful debts based on an assessment of the recoverability of trade and other receivables. Provisions are applied to these receivables where events or changes in circumstance indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables and doubtful debt expenses in the year in which such estimate has been made.

(c) *Income taxes*

As at 31 December 2014, no deferred tax asset is recognised in the Group's balance sheet in relation to the estimated unused tax losses of HK$116.13 million due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future assessable profits or taxable temporary differences will be available in the future. In cases where the actual future assessable profits generated are more than expected, a recognition of deferred tax asset may arise, which would be recognised in the consolidated income statement for the period in which such recognition takes place.

(d) *Revenue recognition of on-site gas sales*

The Group considered itself as a principal in the on-site gas sales business and hence, recognised the corresponding revenue on a gross basis. As part of the assessment to determine the basis of revenue recognition for on-site gas sales, the directors of the Company have taken into consideration of the price risk, product risk, credit risk and inventory risk involved in this line of business. The Group will regularly review its revenue recognition policy for on-site gas sales and make necessary changes should there be a change in the business model in the future.

(e) *Fair value of derivative financial instruments*

The fair value of derivative financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on inputs existing at the end of each reporting period. The Group has used relevant valuation model to analyse for the derivative financial instruments that are not traded in active market. The carrying amount of derivative financial instruments would be changed if the parameters used in the relevant valuation model are changed.

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5. SEGMENT INFORMATION

The Group currently organises its operations into four reportable operating segments. The principal activities of the reportable segments are as follows:

On-site gas sales	—	Wholesale of liquefied petroleum gas (“LPG”) to individual agents directly from the suppliers’ depots
Bottled gas sales	—	Sales of bottled gas
Piped gas sales	—	Sales of piped gas through the Group’s pipeline networks
Connection service	—	Construction of gas pipelines and installation of appliances to connect customers to the Group’s pipeline networks under connection contracts

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. The chief operating decision makers of the Group have been identified as the executive directors of the Company (the “Executive Directors”).

The Executive Directors assess the performance of the operating segments based on segment results. Segment results are measured as gross profit of each segment.

Amounts of segment assets and liabilities of the Group are not reviewed by the Executive Directors or otherwise regularly provided to the Executive Directors.

All of the Group’s revenue is generated in the PRC (place of domicile of the Group entities that derive revenue). Save for Tianjin Pipe Group Corporation (“Tianjin Pipe”), a related party of the Group which contributed sales of 23% of the total revenue of the Group (Year ended 31 December 2013: 16%), there was no other individual customer of the Group which contributed sales of over 10% of the Group’s total revenue for the year ended 31 December 2014.

	Year ended 31 December 2014				
	On-site gas sales *HK$'000*	Bottled gas sales *HK$'000*	Piped gas sales *HK$'000*	Connection services *HK$'000*	Total *HK$'000*
Revenue					
– Tianjin TEDA Tsinlien Gas Co., Ltd. ("TEDA Gas"), Tianjin Pipe and its associates *(Note 35)*	–	–	684,089	–	684,089
– Other customers	135,915	20,360	1,144,034	558,839	1,859,148
Revenue from external customers	135,915	20,360	1,828,123	558,839	2,543,237
Segment results	(1,194)	2,600	85,863	377,814	465,083
– Administrative expenses					(162,419)
– Other income and gains – net					127,774
– Finance expenses – net					(131,230)
– Share of profit of investments accounted for using the equity method					505
Profit before income tax					299,713
Other information for reportable segments:					
Depreciation	(1,480)	(119)	(69,739)	(1,041)	(72,379)
Amortisation	(50)	(7)	(667)	(204)	(928)

	Year ended 31 December 2013				
	On-site gas sales *HK$'000*	Bottled gas sales *HK$'000*	Piped gas sales *HK$'000*	Connection services *HK$'000*	Total *HK$'000*
Revenue					
—TEDA Gas, Tianjin Pipe and its associates *(Note 35)*	–	–	532,723	–	532,723
— Other customers	275,929	18,575	866,859	535,047	1,696,410
Revenue from external customers	275,929	18,575	1,399,582	535,047	2,229,133
Segment results	1,541	1,438	110,670	345,650	459,299
— Administrative expenses					(167,508)
— Other losses — net					(11,002)
— Finance expenses — net					(67,223)
— Share of loss of investments accounted for using the equity method					(33)
Profit before income tax					213,533
Other information for reportable segments:					
Depreciation	(1,141)	(132)	(59,021)	(975)	(61,269)
Amortisation	(144)	(10)	(733)	(280)	(1,167)

6. OTHER INCOME AND GAINS/(LOSSES) – NET

	Year ended 31 December 2014 HK$'000	Year ended 31 December 2013 HK$'000
Other income		
Assembling service	**5,279**	3,388
Compensation	**3,396**	—
	8,675	3,388
Other gains or losses – net:		
Commission on asset disposal entrustment in respect of certain former subsidiaries *(Note 35)*	**–**	18,909
Gain/(loss) on disposal of property, plant and equipment and land use rights	**34,581**	(208)
Reversal of impairment of property, plant and equipment *(Note 15(b))*	**42,801**	7,586
Gain on liquidation of subsidiaries	**4,104**	1,098
Fair value gain/(loss) on derivative financial instruments – net *(Note 3.3(b), Note 29)*	**36,153**	(44,106)
Others	**1,460**	2,331
	119,099	(14,390)
	127,774	(11,002)

7. EXPENSES BY NATURE

	Year ended 31 December 2014 HK$'000	Year ended 31 December 2013 HK$'000
Cost of gas purchased	**1,739,913**	1,432,958
Changes in inventories	**(1,360)**	(1,181)
Cost of pipeline materials	**88,051**	60,151
Subcontractor and other costs	**84,148**	122,484
Employee benefit expense *(Note 8(a))*	**148,778**	146,936
Depreciation		
— Cost of sales	**67,641**	57,205
— Administrative expenses	**4,738**	4,064
Operating lease rental	**12,271**	10,615
Provision for impairment of trade and other receivables	**16,890**	12,731
Reversal of impairment of trade and other receivables	**(11,306)**	(13,083)
Amortisation	**928**	1,167
Auditor's remuneration — as audit service	**3,603**	3,593
Other professional fees	**4,275**	14,921
Others	**82,003**	84,781
Total cost of sales and administrative expenses	**2,240,573**	1,937,342

8. EMPLOYEE BENEFIT EXPENSE

(a) The analysis of employee benefit expense including directors' emoluments is as follows:

	Year ended 31 December 2014 HK$'000	Year ended 31 December 2013 HK$'000
Wages and salaries	**104,998**	107,844
Pension costs	**22,040**	19,599
Other welfares	**21,740**	19,493
	148,778	146,936

(b) The emoluments paid or payable to the each of the directors is as follows:

	Directors' fee *HK$'000*	Salaries and allowances *HK$'000*	Pension cost *HK$'000*	Others *HK$'000*	Total *HK$'000*
For the year ended 31 December 2014					
Executive Directors:					
Mr. ZHANG Bing Jun	400	11	–	–	411
Mr. GAO Liang *(Note)*	200	4,658	39	154	5,051
Non-Executive Directors:					
Mr. DAI Yan	100	–	–	–	100
Mr. ZHANG Jun	200	11	–	–	211
Mr. WANG Gang	200	11	–	–	211
Ms. ZHU Wen Fang	200	11	–	–	211
Mr. SHEN Xiao Lin	200	11	–	–	211
Mr. LI Wei	132	–	–	–	132
Ms. SHI Jing	52	–	–	–	52
Independent Non-Executive Directors:					
Mr. LAU Siu Ki, Kevin	264	11	–	–	275
Mr. IP Shing Hing	264	11	–	–	275
Mr. Japhet Sebastian LAW	264	11	–	–	275
Mr. TSE Tak Yin	264	11	–	–	275
	2,740	4,757	39	154	7,690

	Directors' fee HK$'000	Salaries and allowances HK$'000	Pension cost HK$'000	Others HK$'000	Total HK$'000
For the year ended 31 December 2013					
Executive Directors:					
Mr. ZHANG Bing Jun	400	–	–	–	400
Mr. GAO Liang *(Note)*	200	3,038	34	137	3,409
Non-Executive Directors:					
Mr. DAI Yan	200	–	–	–	200
Mr. ZHANG Jun	200	–	–	–	200
Mr. WANG Gang	200	–	–	–	200
Ms. ZHU Wen Fang	200	–	–	–	200
Mr. SHEN Xiao Lin	200	–	–	–	200
Independent Non-Executive Directors:					
Mr. LAU Siu Ki, Kevin	264	–	–	–	264
Mr. IP Shing Hing	264	–	–	–	264
Mr. Japhet Sebastian LAW	264	–	–	–	264
Mr. TSE Tak Yin	264	–	–	–	264
	2,656	3,038	34	137	5,865

Note:

Mr. GAO Liang is also the chief executive of the Company.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included one director (Year ended 31 December 2013: one director) whose emoluments are reflected in the analysis presented above. The emolument of the remaining four individuals is above HK$1 million. The emoluments paid to the four highest paid individuals are as follows:

	Year ended 31 December 2014 *HK$'000*	Year ended 31 December 2013 *HK$'000*
Wages, salaries and bonus	**9,476**	6,414
Pension costs	**155**	137
Other welfares	**617**	546
	10,248	7,097

No emoluments were paid by the Group to the directors or the five highest individuals as an inducement to join or upon joining the Group or as compensation for leaving office.

None of directors has waived any emoluments in the year ended 31 December 2014.

The emoluments fell within the following bands:

	Number of individuals	
	2014	2013
Emolument bands (in HK dollar)		
HK$1,000,001 — HK$1,500,000	**1**	1
HK$1,500,001 — HK$2,000,000	**1**	2
HK$2,000,001 — HK$2,500,000	**—**	1
HK$3,000,001 — HK$3,500,000	**1**	—
HK$3,500,001 — HK$4,000,000	**1**	—

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9. FINANCE INCOME AND EXPENSES

	Year ended 31 December 2014 *HK$'000*	Year ended 31 December 2013 *HK$'000*
Interest on bank borrowings wholly repayable within 5 years	**73,209**	65,682
Interest on RMB bonds wholly repayable within 5 years	**45,357**	45,042
Interest expense on convertible bonds	**30,116**	11,600
Other borrowing costs	**1,777**	545
Net foreign exchange losses/(gains) on financing activities	**22,923**	(16,832)
Finance expenses	**173,382**	106,037
Less: Amounts capitalised as part of the cost of property, plant and equipment *(Note)*	**(38,743)**	(28,667)
Total finance expenses	**134,639**	77,370
Finance income	**(3,409)**	(10,147)
Net finance expenses	**131,230**	67,223

Note:

Amount included finance costs from general borrowings capitalised at a rate of 7.84% (Year ended 31 December 2013: 7.01%).

10. INVESTMENTS

A. Investments in and loans to subsidiaries — Company

	31 December 2014 HK$'000	31 December 2013 HK$'000
Non-current assets		
Unlisted shares, at cost	**63,395**	47,748
Less: Provision for interest in subsidiaries *(Note i))*	**—**	(47,748)
	63,395	—
Amounts due from subsidiaries	**1,852,454**	1,927,890
Less: Provision for amounts due from subsidiaries *(Note (i))*	**—**	(159,761)
	1,852,454	1,768,129

Notes:

i. Provision for interest in subsidiaries represents the estimated impairment of the Group's interest in the subsidiaries. The amounts due from subsidiaries (which basically represent the Company's indirect investment cost in all of its other subsidiaries) are unsecured and interest free.

ii. The details of the subsidiaries are stated in Note 36 to the financial statements.

iii. The directors consider that the non-controlling interests are not material and hence no summarised financial information of subsidiaries with non-controlling interests is disclosed.

B. Investments accounted for using equity method

The amounts recognised in the consolidated balance sheet are as follows:

	31 December 2014 HK$'000	31 December 2013 HK$'000
Joint ventures	**56,513**	45,781

The amounts recognised in the consolidated income statements are as follows:

	Year ended 31 December 2014 HK$'000	Year ended 31 December 2013 HK$'000
Joint ventures	**505**	(33)

The joint ventures listed below have share capital consisting solely of paid up capital, which is held directly by the Group.

	Year ended 31 December 2014 HK$'000	Year ended 31 December 2013 HK$'000
At 1 January 2014 and 1 January 2013	**45,781**	19,679
Additional investment	**11,379**	25,218
Share of profit/(loss)	**505**	(33)
Currency translation differences	**(1,152)**	917
At 31 December 2014 and 2013	**56,513**	45,781

Nature of investment in joint ventures

Name of entity	Place of business/country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Tianjin Airport Economic Area Gas Co., Ltd. ("Tianjin Airport Gas")	Tianjin, China	40	Connection services and sale of gases	Equity
Qinhuangdao Taixing Gas Co., Ltd. ("Qinhuangdao Taixing")	Qinhuangdao, China	45	Connection services and sale of gases	Equity
Sinopec Binhai Investment (Tianjin) Natural Gas Utilisation ("SBI")	Tianjin, China	50	Gas utilisation technical development	Equity

The joint ventures of the Group are private companies and there is no quoted market price available.

There are no contingent liabilities relating to the Group's interests in the joint ventures.

Summarised financial information for joint ventures

Set out below are the summarised financial information for the three joint ventures which are accounted for using the equity method.

Summarised balance sheet

At 31 December 2014	Tianjin Airport Gas *HK$'000*	Qinhuangdao Taixing *HK$'000*	SBI *HK$'000*	Total *HK$'000*
Current				
Cash and cash equivalents	23,425	34,930	26,832	85,187
Other current assets (excluding cash)	930	12,823	16,510	30,263
Total current assets	24,355	47,753	43,342	115,450
Financial liabilities (excluding trade payables)	–	–	–	–
Other current liabilities (including trade payables)	16,267	25,124	–	41,391
Total current liabilities	16,267	25,124	–	41,391
Non-current				
Assets	25,825	20,791	3,476	50,092
Financial liabilities	–	–	–	–
Other liabilities	–	–	–	–
Total non-current liabilities	–	–	–	–
Net assets	33,913	43,420	46,818	124,151

Summarised statement of comprehensive income

Year ended at 31 December 2014	Tianjin Airport Gas *HK$'000*	Qinhuangdao Taixing *HK$'000*	SBI *HK$'000*	Total *HK$'000*
Revenue	8,454	59,588	–	68,042
Depreciation and amortisation	(8,124)	(55,059)	(2,615)	(65,798)
Interest income	72	–	269	341
Interest expense	–	(19)	–	(19)
Profit/(loss) before income tax	402	4,510	(2,346)	2,566
Income tax expense	–	(1,139)	–	(1,139)
Profit/(loss) for the year	402	3,371	(2,346)	1,427
Dividends received from joint venture	–	–	–	–

Summarised balance sheet

At 31 December 2013	Tianjin Airport Gas *HK$'000*	Qinhuangdao Taixing *HK$'000*	SBI *HK$'000*	Total *HK$'000*
Current				
Cash and cash equivalents	21,670	8,068	43,783	73,521
Other current assets (excluding cash)	90	6,980	5,619	12,689
Total current assets	21,760	15,048	49,402	86,210
Financial liabilities (excluding trade payables)	–	–	–	–
Other current liabilities (including trade payables)	2,937	6,605	–	9,542
Total current liabilities	2,937	6,605	–	9,542
Non-current				
Assets	15,455	6,983	854	23,292
Financial liabilities	–	–	–	–
Other liabilities	–	–	–	–
Total non-current liabilities	–	–	–	–
Net assets	34,278	15,426	50,256	99,960

Summarised statement of comprehensive income

Year ended at 31 December 2013	Tianjin Airport Gas *HK$'000*	Qinhuangdao Taixing *HK$'000*	SBI *HK$'000*	Total *HK$'000*
Revenue	–	14,175	–	14,175
Depreciation and amortisation	(2,809)	(10,672)	(952)	(14,433)
Interest income	909	–	67	976
Interest expense	–	(38)	–	(38)
Profit/(loss) before income tax	(1,900)	3,465	(885)	680
Income tax expense	–	(866)	–	(866)
Profit/(loss) for the year	(1,900)	2,599	(885)	(186)
Dividends received from joint venture	–	–	–	–

The information above reflects the amounts presented in the financial statements of the joint ventures, adjusted for differences in accounting policies between the Group and the joint ventures, and not the Group's share of those amounts.

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the joint ventures is as follows:

Summarised financial information

	Tianjin Airport Gas		Qinhuangdao Taixing		SBI		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Opening net assets 1 January	**34,278**	35,148	**15,426**	12,280	**50,256**	–	**99,960**	47,428
Additions	**–**	–	**25,288**	–	**–**	50,435	**25,288**	50,435
Profit/(loss) for the year	**402**	(1,900)	**3,371**	2,599	**(2,346)**	(885)	**1,427**	(186)
Currency translation differences	**(767)**	1,030	**(665)**	547	**(1,092)**	706	**(2,524)**	2,283
Closing net assets	**33,913**	34,278	**43,420**	15,426	**46,818**	50,256	**124,151**	99,960
Interest in joint ventures (40%; 45%; 50%)	**13,565**	13,711	**19,539**	6,942	**23,409**	25,128	**56,513**	45,781
Carrying value	**13,565**	13,711	**19,539**	6,942	**23,409**	25,128	**56,513**	45,781

11. INCOME TAX EXPENSES

The Hong Kong profit tax of HK$89,133 was provided for the year ended 31 December 2014 (year ended 31 December 2013: Nil).

Subsidiaries established in the PRC are subject to the PRC enterprise income tax ("EIT") at the rate of 25% (year ended 31 December 2013: 25%).

	Year ended 31 December 2014	Year ended 31 December 2013
	HK$'000	*HK$'000*
Current tax:		
Current tax on profits for the year	**71,920**	72,271
Deferred tax *(Note 30)*:		
Utilisation of deferred tax assets recognised on previously tax losses	**8,823**	–
Income tax expenses	**80,743**	72,271

Note:

The tax on the profit before income tax of the Group differs from the theoretical amount that would arise using the statutory enterprise income tax rate applicable to profits of the consolidated entities and details are as follows:

	Year ended 31 December 2014 *HK$'000*	Year ended 31 December 2013 *HK$'000*
Profit before income tax	**299,713**	213,533
Tax calculated at the respective applicable tax rates	**84,038**	59,782
Expenses not deductible for taxation purposes	**1,322**	11,089
Tax losses for which no deferred income tax asset was recongnised	**6,881**	14,843
Income not subject to tax	**(9,298)**	(12,657)
Utilisation of previously unrecognised tax losses	**(2,200)**	(786)
Tax charge	**80,743**	72,271

12. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

During the year ended 31 December 2014, the profit attributable to equity owners of the Company is dealt with in the financial statements of the Company to the extent of HK$214,044,000 (Year ended 31 December 2013: HK$121,016,000).

13. EARNINGS PER SHARE

(a) Basic

The calculation of the basic earnings per share is based on the following data:

	Year ended 31 December 2014	Year ended 31 December 2013
Earnings		
Profit attributable to owners of the Company *(HK$'000)*	**213,635**	135,722
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share *(Note)*	**11,733,020,635**	11,659,627,161

Note:

On 17 February 2014, conversion rights in respect of the convertible bonds in the principal amount of HK$30,000,000 were exercised, pursuant to which 81,300,813 new ordinary shares were issued.

In the year of 2014, conversion rights in respect of the convertible preference shares in the principal amount of HK$99,487,805 were exercised, pursuant to which 3,316,260,166 new ordinary shares were issued.

The calculation has taken into account the 2,350,406,500 new ordinary shares to be issued upon the conversion of the remaining HK$70,512,195 convertible preference shares as these preference shares will be automatically converted into ordinary shares of the Company by the tenth anniversary of issue.

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and share options. The convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense and fair value of derivative component less the tax effect, where applicable. The exercise of share options would have no material dilutive effect to earnings per share.

	Year ended 31 December 2014 *HK$'000*	Year ended 31 December 2013 *HK$'000*
Earnings		
Profit attributable to the owners of the Company	**213,635**	135,722
Interest expense on convertible bond (net of tax) *(Note)*	**30,116**	11,569
Fair value (gain)/loss on derivative component of convertible bonds *(Note)*	**(41,252)**	53,488
Profit used to determine diluted earnings per share	**202,499**	200,779
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**11,733,020,635**	11,659,627,161
Adjustments for assumed conversion of convertible bonds *(Note)*	**766,566,433**	341,842,076
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**12,499,587,068**	12,001,469,237

Note:

The impact of conversion of convertible bonds on earnings per share is anti-dilutive for the year ended 31 December 2013, and as such diluted earnings per share equaled to basic earnings per share in 2013.

14. LAND USE RIGHTS

Movements of the Group's interests in land use rights held under leases of between 10 to 50 years in the PRC are as follows:

	HK$'000
As at 1 January 2013	48,390
Currency translation differences	1,356
Additions	59
Disposals	(149)
Amortisation charge	(1,167)
Reclassify to assets held for sale	(391)
As at 31 December 2013	48,098
Currency translation differences	(1,103)
Additions	6,447
Disposals	(2,228)
Amortisation charge	(928)
As at 31 December 2014	50,286

The Group is in the process of applying for the title to certain land use rights with cost of approximately HK$7.9 million (approximately RMB6.3 million) as at 31 December 2014 (Year ended 31 December 2013: HK$1.4 million or approximately RMB1.1 million). The directors of the Company believe that the title documents will be obtained in due course without significant cost.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties HK$'000	Machinery and equipment HK$'000	Gas pipelines HK$'000	Office equipment and motor vehicles HK$'000	Construction in-progress HK$'000	Total HK$'000
At 1 January 2013						
Cost	114,368	126,832	1,526,222	76,865	316,620	2,160,907
Accumulated depreciation	(35,918)	(28,924)	(36,156)	(45,666)	–	(146,664)
Impairment charge	(31,025)	(67,927)	(117,634)	(4,956)	–	(221,542)
Carrying amount	47,425	29,981	1,372,432	26,243	316,620	1,792,701
Year ended 31 December 2013						
Opening carrying amount	47,425	29,981	1,372,432	26,243	316,620	1,792,701
Currency translation differences	1,557	684	44,417	382	9,673	56,713
Additions	221	3,628	4,956	6,609	452,699	468,113
Disposals *(Note 32)*	–	(2,843)	(5,548)	(705)	(414)	(9,510)
Transfers	4,088	7,850	391,902	–	(403,840)	–
Transferred to disposal group classified as held for sale	(706)	(4,082)	(4,149)	(397)	–	(9,334)
Depreciation charge *(Note 7)*	(4,856)	(6,582)	(40,836)	(8,995)	–	(61,269)
Reversal of impairment charge	–	3,762	3,824	–	–	7,586
Reversal of impairment on disposals	–	–	5,548	–	–	5,548
Closing carrying amount	47,729	32,398	1,772,546	23,137	374,738	2,250,548
At 31 December 2013						
Cost	121,342	135,014	1,962,325	82,185	374,738	2,675,604
Accumulated depreciation	(41,671)	(36,561)	(78,244)	(53,708)	–	(210,184)
Impairment charge	(31,942)	(66,055)	(111,535)	(5,340)	–	(214,872)
Carrying amount	47,729	32,398	1,772,546	23,137	374,738	2,250,548

	Leasehold properties HK$'000	Machinery and equipment HK$'000	Gas pipelines HK$'000	Office equipment and motor vehicles HK$'000	Construction in-progress HK$'000	Total HK$'000
Year ended 31 December 2014						
Opening carrying amount	47,729	32,398	1,772,546	23,137	374,738	2,250,548
Currency translation differences	(1,188)	(582)	(40,990)	(216)	(11,422)	(54,398)
Additions	593	727	2,495	3,643	428,738	436,196
Disposals *(Note 32)*	(5,411)	(1,821)	(20,016)	(220)	(3,339)	(30,807)
Transfers	5,828	6,591	135,900	4	(148,323)	–
Depreciation charge *(Note 7)*	(4,930)	(6,176)	(52,049)	(9,224)	–	(72,379)
Reversal of impairment charge *(Note (b))*	–	–	42,801	–	–	42,801
Reversal of impairment on disposals *(Note (b))*	667	6,256	4,572	198	–	11,693
Closing carrying amount	43,288	37,393	1,845,259	17,322	640,392	2,583,654
At 31 December 2014						
Cost	116,447	130,377	2,033,793	81,954	640,392	3,002,963
Accumulated depreciation	(42,616)	(34,597)	(126,379)	(59,797)	–	(263,389)
Impairment charge	(30,543)	(58,387)	(62,155)	(4,835)	–	(155,920)
Carrying amount	43,288	37,393	1,845,259	17,322	640,392	2,583,654

Notes:

(a) The Group is in the process of applying for the title to certain buildings with cost of approximately HK$13.82 million (approximately RMB11.06 million) as at 31 December 2014 (31 December 2013: HK$8.1 million (approximately RMB6.3 million)). The directors of the Company believe that the title documents will be obtained in due course without significant additional cost.

(b) For the year ended 31 December 2014, the reversal of impairment included two aspects, the reversal for the disposed assets and the reversal resulted from the assets' reassessment based on the discounted future cash flow.

(i) The reversal of impairment HK$11.69 million resulted from assets disposed because of the proceeds on disposal were higher than the carrying values of the disposed assets.

(ii) The total amount of assets impairment reversal based on reassessment is HK$42.80 million. For purpose of assessment of impairment of property, plant and equipment, management considers each subsidiary represents a separate cash generating unit(“CGU”).

The recoverable amount of CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rates of 15% using pre-tax rates that reflect current market assessment of the time value of money and the risks specific to the CGUs. The number of connection customers is based on the average performance of 2013 and 2014 and no growth rate is assumed. The growth rates of residential customers are based on forecasted number of connection customers with no growth is assumed in the unit price throughout the model. The growth rates of industrial customers are 10% and assumed such growth rate will remain constant throughout the first eight years and the growth rate for the remaining twelve years will be zero.

(c) Movement of the provision for impairment charges is as follows:

	Group	
	Year ended 31 December 2014	Year ended 31 December 2013
	HK$'000	*HK$'000*
At 1 January	**214,872**	221,542
Currency translation differences	**(4,458)**	6,464
Reversal of impairment charge	**(42,801)**	(7,586)
Reversal of impairment charge of disposals	**(11,693)**	(5,548)
At 31 December	**155,920**	214,872

16. INTANGIBLE ASSETS

The cost of license held by the Group of approximately HK$8 million (approximately RMB7 million) has been fully provided for since 31 March 2004.

17. FINANCIAL INSTRUMENTS BY CATEGORY

(a) Group

Assets as per balance sheet	Loans and receivables 31 December 2014 HK$'000	31 December 2013 HK$'000
Trade and other receivables excluding prepayments	**460,155**	432,910
Cash and cash equivalents and restricted cash	**484,841**	691,454
Total	**944,996**	1,124,364

At 31 December 2014

Liabilities as per balance sheet	Financial liabilities at fair value through profit and loss HK$'000	Other financial liabilities at amortised cost HK$'000	Total HK$'000
Borrowings	**—**	**1,803,871**	**1,803,871**
Derivative financial instruments	**91,935**	**—**	**91,935**
Trade and other payables excluding non-financial liabilities	**—**	**826,384**	**826,384**
Total	**91,935**	**2,630,255**	**2,722,190**

At 31 December 2013

Liabilities as per balance sheet	Financial liabilities at fair value through profit and loss *HK$'000*	Other financial liabilities at amortised cost *HK$'000*	Total *HK$'000*
Borrowings	—	1,761,835	1,761,835
Derivative financial instruments	149,206	—	149,206
Trade and other payables excluding non-financial liabilities	—	890,404	890,404
Total	149,206	2,652,239	2,801,445

(b) Company

	Loans and receivables	
	31 December 2014 ***HK$'000***	31 December 2013 *HK$'000*
Cash and cash equivalents	**48,927**	57,196

At 31 December 2014

Liabilities as per balance sheet	**Financial liabilities at fair value through profit and loss** ***HK$'000***	**Other financial liabilities at amortised cost** ***HK$'000***	**Total** ***HK$'000***
Borrowings	**—**	**854,890**	**854,890**
Derivative financial instruments	**71,881**	**—**	**71,881**
Trade and other payables excluding non-financial liabilities	**—**	**11,068**	**11,068**
Total	**71,881**	**865,958**	**937,839**

At 31 December 2013

Liabilities as per balance sheet	Financial liabilities at fair value through profit and loss *HK$'000*	Other financial liabilities at amortised cost *HK$'000*	Total *HK$'000*
Borrowings	—	860,347	860,347
Derivative financial instruments	134,251	—	134,251
Trade and other payables excluding non-financial liabilities	—	12,660	12,660
Total	134,251	873,007	1,007,258

18. INVENTORIES

	31 December 2014 ***HK$'000***	31 December 2013 *HK$'000*
Materials for gas pipelines	**46,867**	43,855
Gases	**6,849**	5,489
	53,716	49,344

The cost of inventories recognised as expense and included in the cost of sales amounted to HK$1,908 million (Year ended 31 December 2013: HK$1,613 million).

19. TRADE AND OTHER RECEIVABLES

	Notes	Group 31 December 2014 HK$'000	 31 December 2013 HK$'000
Trade receivables		**339,981**	310,957
Less: provision for impairment of trade receivables		**(51,370)**	(48,923)
	(c)	**288,611**	262,034
Notes receivables		**56,394**	91,520
		345,005	353,554
Advances to suppliers		**193,340**	195,657
Less: provision for impairment	*(f)*	**(82,398)**	(82,666)
		110,942	112,991
Prepayments and other receivables		**51,936**	56,436
Less: provision for impairment	*(g)*	**(8,453)**	(8,220)
		43,483	48,216
Receivables from related parties *(Note 35)*		**115,150**	79,356
		614,580	594,117
Less: non-current portion: long term prepayment		**(42,090)**	—
Current portion		**572,490**	594,117

(a) The carrying amounts of the Group's trade and other receivables are principally denominated in Renminbi.

(b) The carrying amounts of trade and other receivables approximate their fair values due to their short-term maturities.

(c) The Group credit sales are generally on a credit term of three months to a year. Aging analysis of the trade receivables is as follows:

		Group	
		31 December 2014	31 December 2013
	Note	***HK$'000***	*HK$'000*
0 — 90 days		**181,137**	173,383
91 — 180 days		**19,755**	31,079
181 — 360 days		**41,236**	32,166
Over 360 days		**97,853**	74,329
		339,981	310,957
Less: Provision for impairment of trade receivables	*(e)*	**(51,370)**	(48,923)
		288,611	262,034

Trade receivables net of provision and notes receivables of HK$345 million are expected fully collectible as they are due from active trading customers with low default rate.

(d) The aging analysis of the trade receivables that are past due but not considered impaired is as follows:

	Group	
	31 December 2014	31 December 2013
	HK$'000	*HK$'000*
91 — 180 days	**268**	2,727
181 — 360 days	**221**	2,866
Over 360 days	**48,732**	26,352
	49,221	31,945

(e) Movements of the Group's provision for impairment of trade receivables are as follows:

	Group	
	Year ended 31 December 2014	Year ended 31 December 2013
	HK$'000	*HK$'000*
At 1 January	**(48,923)**	(44,319)
Currency translation differences	**1,128**	(1,305)
Impairment of trade receivables	**(13,332)**	(10,611)
Write back of impairment	**9,757**	7,312
At 31 December	**(51,370)**	(48,923)

The individually impaired receivables mainly relate to customers, which are in unexpectedly difficult economic situations. Amounts charged to the allowance account are generally written back when there is evidence of recovering additional cash.

(f) Movements of the Group's provision for impairment of advances to suppliers are as follows:

	Group	
	Year ended 31 December 2014	Year ended 31 December 2013
	HK$'000	*HK$'000*
At 1 January	**(82,666)**	(84,821)
Currency translation differences	**1,856**	(2,344)
Impairment of trade receivables	**(3,080)**	(1,272)
Write back of impairment	**1,492**	5,771
At 31 December	**(82,398)**	(82,666)

Provision for impairment of approximately HK$82 million (Year ended 31 December 2013: HK$83 million) principally relates to advances to suppliers which arose as a result of termination of trading relationships.

(g) Movements of the Group's provision for impairment of prepayments and other receivables are as follows:

	Group	
	Year ended 31 December 2014	Year ended 31 December 2013
	HK$'000	*HK$'000*
At 1 January	**(8,220)**	(7,156)
Currency translation differences	**188**	(216)
Impairment of prepayments and other receivables	**(478)**	(848)
Write back of impairment	**57**	—
At 31 December	**(8,453)**	(8,220)

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	31 December 2014	31 December 2013	**31 December 2014**	31 December 2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash at bank and in hand	**463,236**	685,086	**48,927**	57,196
Restricted cash	**21,605**	6,368	**–**	–

The carrying amounts of the Group's and the Company's cash and bank balances are denominated in the following currencies:

	Group		Company	
	31 December 2014	31 December 2013	**31 December 2014**	31 December 2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Renminbi	**382,223**	512,021	**34**	56,966
Hong Kong dollars	**42,733**	177,999	**786**	230
US dollars	**59,885**	1,434	**48,107**	–
	484,841	691,454	**48,927**	57,196

Note:

The maximum exposure to credit risk at the reporting date is the fair value of each class of bank deposits mentioned above.

The conversion of Renminbi denominated balances into foreign currencies and remittance out of the PRC is subject to the rules and regulation of foreign exchange controls promulgated by the PRC government.

21. ASSETS HELD FOR SALE

		Group	
		31 December	31 December
		2014	2013
	Note	***HK$'000***	*HK$'000*
Property under development	*(a)*		
Land use rights		**18,982**	19,416
Construction costs and capitalised expenditure		**125,983**	128,554
		144,965	147,970
Other asset held for sale		**–**	9,725
		144,965	157,695

Note:

(a) Property under development is located in Tianjin Airport Economic Area in Binhai New Area, the PRC and is located on land held under land use rights for commercial use for a term of 40 years from 31 December 2009. On 25 June 2012, as approved by the Board, the Group planned to dispose of the property under development.

22. SHARE CAPITAL

	2014		2013	
	Number of shares		Number of shares	
	Thousands	***HK$'000***	*Thousands*	*HK$'000*
Ordinary shares of HK$0.01 each				
Authorised:	**15,000,000**	**150,000**	15,000,000	150,000
Fully paid:				
As at 1 January	**5,995,522**	**59,955**	5,992,812	59,928
Share issued on exercise of convertible bonds	**81,301**	**813**	2,710	27
Share issued on exercise of convertible preferential shares	**3,316,260**	**33,163**	–	–
As at 31 December	**9,393,083**	**93,931**	5,995,522	59,955
Convertible Preference Shares of HK$1.00 each *(Note(i))*				
Authorised:	**170,000**	**170,000**	170,000	170,000
Fully paid:				
As at 1 January	**170,000**	**170,000**	170,000	170,000
Converted to ordinary shares	**(99,488)**	**(99,488)**	–	–
As at 31 December	**70,512**	**70,512**	170,000	170,000

	31 December 2014		31 December 2013	
	Number of shares		Number of shares	
	Thousands	***HK$'000***	*Thousands*	*HK$'000*
Redeemable Preference Shares of HK$50.00 each, issued and fully paid *(Note (ii))*	**8,600**	**430,000**	8,600	430,000
Total				
Authorised:		**750,000**		750,000
Issued and fully paid:		**594,443**		659,955

Notes:

(i) Convertible Preference Shares of HK$1.00

The Company issued 130 million Convertible Preference Shares to Cavalier Asia Limited on 4 May 2009 which were subsequently transferred to TEDA Hong Kong Property Company Limited ("TEDA HK") in August 2011, and 40 million Convertible Preference Shares to syndicate banks on 7 May 2009 which were subsequently transferred to TEDA HK on 7 May 2014. These Convertible Preference Shares are:

- not entitled to dividend;
- non-voting;
- non-redeemable and at zero coupon;
- convertible at a price of HK$0.03 per share at the option of the holder from the date immediately after the fifth anniversary of the date of issuance but before the tenth anniversary; and
- automatically converted by the Company after the tenth anniversary of the date of issue.

During the year, conversion rights in respect of the 99,487,805 Convertible Preference Shares were exercised, pursuant to which 3,316,260,166 new ordinary shares were issued.

(ii) Redeemable Preference Shares of HK$50.00

The Company issued 8.6 million Redeemable Preference Shares on 4 May 2009 to Cavalier Asia Limited. These Redeemable Preference Shares are:

- not entitled to dividend;
- non-voting;
- non-convertible and at zero coupon;
- redeemable into their full nominal amount at the discretion of the Company as from the date immediately after the fifth anniversary of the date of resumption of trading of the Company's shares.

23. SHARE-BASED PAYMENTS

On 27 September 2010, the Company granted share options (the "Share Option") to the directors and certain employees to subscribe for a total 90,500,000 ordinary shares of HK$0.01 each in the share capital of the Company under the share option scheme adopted by the Company on 20 August 2010, all of which are immediately exercisable on date of grant. The Group has no legal or constructive obligation to repurchase or settle the option in cash.

(a) Movements in the number of share option outstanding and their related weighted average exercise prices are as follows:

	31 December 2014		31 December 2013	
	Average exercise prices	**Share options**	Average exercise prices	Share options
	HK$'000	***'000***	*HK$'000*	*'000*
Beginning balance	**0.56**	**69,000**	0.56	74,000
Forfeited	**0.56**	**(7,000)**	0.56	(5,000)
Ending balance	**0.56**	**62,000**	0.56	69,000

(b) Share options at the balance sheet date and their remaining contractual lives are as follows:

	31 December 2014		31 December 2013	
	Remaining contractual life number of years	**Share options**	Remaining contractual life number of years	Share options
		'000		*'000*
Exercise price HK$0.56	**5.7**	**62,000**	6.7	69,000

24. OTHER RESERVES AND SHARE PREMIUM

	Contributed surplus (Note (i)) HK$'000	Exchange reserve (Note (ii)) HK$'000	Statutory reserves (Note (iii)) HK$'000	Employee share option reserve HK$'000	Others (Note (iv)) HK$'000	Total HK$'000	Share premium HK$'000
Group							
Balance at 1 January 2013	28,800	(82,032)	2,561	21,363	140,831	111,523	424,737
Currency translation differences	–	18,055	–	–	–	18,055	–
Set-off and elimination of the accumulated losses *(Note (iv))*	(24,709)	–	–	–	(160,000)	(184,709)	(424,737)
Forfeiture of employee share options	–	–	–	(1,443)	–	(1,443)	–
Issuance of shares on conversion of convertible bonds	–	–	–	–	–	–	1,141
Balance at 31 December 2013	4,091	(63,977)	2,561	19,920	(19,169)	(56,574)	1,141
Currency translation differences	–	(20,489)	–	–	–	(20,489)	–
Ordinary shares issued for exercising of conversion rights – convertible bonds	–	–	–	–	–	–	43,048
Ordinary shares issued for exercising of conversion rights – convertible preference shares	–	–	–	–	–	–	66,325
Forfeiture of employee share options	–	–	–	(2,021)	–	(2,021)	–
Balance at 31 December 2014	4,091	(84,466)	2,561	17,899	(19,169)	(79,084)	110,514

	Contributed surplus *(Note (i))* HK$'000	Exchange reserve *(Note (ii))* HK$'000	Statutory reserves HK$'000	Employee share option reserve HK$'000	Others *(Note (iv))* HK$'000	Total HK$'000	Share premium HK$'000
Company							
Balance at 1 January 2013	47,547	(10,628)	–	21,363	160,000	218,282	424,737
Currency translation differences	–	21,129	–	–	–	21,129	–
Set-off and elimination of the accumulated losses *(Note (iv))*	(43,456)	–	–	–	(160,000)	(203,456)	(424,737)
Forfeiture of employee share options	–	–	–	(1,443)	–	(1,443)	–
Issue of shares on conversion of convertible bonds	–	–	–	–	–	–	1,141
Balance at 31 December 2013	4,091	10,501	–	19,920	–	34,512	1,141
Currency Translation differences	–	(18,651)	–	–	–	(18,651)	–
Ordinary shares issued for exercising of conversion rights – convertible bonds	–	–	–	–	–	–	43,048
Ordinary shares issued for exercising of conversion rights – convertible preference shares	–	–	–	–	–	–	66,325
Forfeiture of employee share options	–	–	–	(2,021)	–	(2,021)	–
Balance at 31 December 2014	4,091	(8,150)	–	17,899	–	13,840	110,514

Note:

(i) Contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group's reorganisation on 26 February 2000 in preparation for the listing of the Company's shares on Stock Exchange and the nominal value of the Company's shares issued in exchange therefore.

(ii) The exchange reserve arose upon translation of the consolidated financial statements from the functional to the presentation currency.

(iii) In accordance with the relevant PRC regulations, the subsidiaries of the Company established in the PRC are required to transfer a certain percentage (as determined by the Board of Directors of each of the subsidiaries) of their profits after tax (as determined in accordance with PRC generally accepted accounting principles), if any, to the statutory reserves. The statutory reserves can be used to offset accumulated losses or to increase capital upon approval by their respective Board of Directors. The statutory reserves are not distributable unless the respective subsidiaries in the PRC are dissolved.

(iv) A special general meeting of the shareholders was held on 8 November 2013. The shareholders resolved to set-off and eliminate the accumulated losses of the Company in the amount of HK$628,193,531 with the amount of HK$424,737,296 standing to the credit of the share premium account as at 31 December 2012 from HK$424,737,296 to nil, the amount of HK$43,456,235 standing to the credit of the contributed surplus account as at 31 December 2012 from HK$47,547,866 to HK$4,091,631 and the amount of HK$160,000,000 from the item "others" standing to the credit of the other reserves account as at 31 December 2012 from HK$160,000,000 to nil. This would streamline the accounts of the Company and enable the Company to achieve a capital structure that would permit and facilitate the payment of dividends, as and when the directors consider it appropriate.

25. RETAINED EARNINGS

	Group *HK$'000*	**Company** *HK$'000*
At 31 December 2012	(503,470)	(628,193)
Profit for the year	135,722	121,016
Set-off and elimination of the accumulated losses *(Note 24(iv))*	609,446	628,193
Forfeiture of employee share options	1,443	1,443
At 31 December 2013	243,141	122,459
Profit for the year	213,635	214,044
Dividends paid relating to 2013	(30,384)	(30,384)
Forfeiture of employee share options	2,021	2,021
At 31 December 2014	428,413	308,140

26. TRADE AND OTHER PAYABLES

		Group		Company	
		31 December 2014	31 December 2013	**31 December 2014**	31 December 2013
	Note	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Trade payables	*(b)*	**312,099**	340,372	**–**	–
Advance from customers		**106,699**	105,987	**–**	–
Other payables	*(c)*	**500,199**	509,422	**–**	–
Accrued expenses		**28,354**	41,939	**11,068**	12,660
Amounts due to related parties *(Note 35)*		**536**	7,909	**–**	–
	(a)	**947,887**	1,005,629	**11,068**	12,660

(a) The carrying amounts of the Group's trade and other payables are principally denominated in Renminbi:

	31 December 2014	31 December 2013
	HK$'000	*HK$'000*
RMB	**936,698**	987,252
HK dollars	**11,189**	18,377
	947,887	1,005,629

(b) At 31 December 2014, the ageing analysis of the trade payables based on invoice date is as follows:

	31 December 2014 HK$'000	31 December 2013 HK$'000
0 — 90 days	**109,763**	123,454
91 — 180 days	**31,827**	73,753
181 — 360 days	**43,381**	34,618
Over 360 days	**127,128**	108,547
	312,099	340,372

(c) Included in other payables are construction payables and amounts due to non-controlling interests of subsidiaries calculated pursuant to the respective joint venture agreements.

27. AMOUNTS DUE FROM/TO IMMEDIATE HOLDING COMPANY

The amounts due from immediate holding company are unsecured, interest free with no fixed repayment terms.

	31 December 2014 HK$'000	31 December 2013 HK$'000
Amounts due to immediate holding company *(Note(a))*	**5,557**	—
Amounts due from immediate holding company *(Note(a))*	**—**	1,368

Note:

(a) The amounts are unsecured, interest free with no fixed repayment terms.

28. BORROWINGS

	Group		Company	
	31 December 2014	31 December 2013	**31 December 2014**	31 December 2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Non-current				
Secured over shares of subsidiaries *(Note (a))*	**761,434**	447,427	**–**	–
Unsecured *(Note (b))*	**–**	262,245	**–**	–
RMB bond *(Note (c))*	**621,793**	631,806	**621,793**	631,806
Convertible bonds *(Note (d) and (f))*	**233,097**	228,541	**233,097**	228,541
	1,616,324	1,570,019	**854,890**	860,347
Less: Amounts due within one year included in current liabilities	**(769,691)**	(73,190)	**(621,793)**	–
	846,633	1,496,829	**233,097**	860,347
Current				
Unsecured *(Note (e) and Note (h))*	**187,547**	191,816	**–**	–
RMB bond *(Note (c))*	**621,793**	–	**621,793**	–
Current portion of long-term borrowings	**147,898**	73,190	**–**	–
	957,238	265,006	**621,793**	–

Notes:

(a) In November 2011, the Group entered into a 7 year bank borrowing facility of HK$622,400,000 with Hong Kong syndicate banks. The borrowings are secured by the interests in certain of the Group's subsidiaries and guaranteed by the Company. They carry interest at HIBOR plus 3.5% per annum from the first utilisation date up to (but excluding) the second anniversary of the facility agreement and HIBOR plus 4% per annum thereafter, and are repayable semi-annually up to 30 September 2018. The loan was repaid on 10 July 2014.

On 30 June 2014, the Group entered into a 3 year bank borrowing facility of HK$930,000,000 with Hong Kong syndicate banks. On 26 August 2014, the facility was adjusted to HK$775,000,000. The loans carried interest at HIBOR plus 3.5% per annum. The said facilities was used for refinancing the existing indebtedness of the Group and for general corporate purposes.

The first and second drawdown loan of HK$451,000,000 and HK$324,000,000 completed on 10 July 2014 and 19 September 2014 respectively.

(b) The borrowing from Standard Chartered Bank (Hong Kong) Limited which was unsecured, carried interests at a rate of LIBOR plus 5% per annum was repaid in July 2014.

(c) On 18 October 2012, the Group issued RMB500,000,000 bonds (the "Bonds"). The Bonds carried interest at 6.50% per annum payable semi-annually in arrear and will mature in 2015. The listing of and permission to deal with the Bonds on The Stock Exchange of Hong Kong Limited by way of debt issues to professional investors became effective on 25 October 2012.

(d) Convertible bonds

The carrying values of liability component of the convertible bonds as at 31 December 2014 are as follows:

Group and Company

	31 December 2014 ***HK$'000***
Liability component at 31 December 2013	**228,541**
Exercising of conversion rights	**(22,744)**
Amortisation using the effective interest method	**27,300**
Liability component at 31 December 2014	**233,097**
Number of conversion shares at 31 December 2014 (shares)	**756,097,561**

On 5 August 2013, the Company issued the convertible bonds due in 2016 in an aggregate principal amount of HK$310,000,000, which are convertible into fully-paid ordinary shares of the Company with a par value of HK$0.01 each. Based on the initial conversion price of HK$0.3690 per share (subject to adjustments), a maximum of 840,108,401 ordinary shares will be allotted and issued upon the exercise in full of the conversion rights attached to the convertible bonds.

Since the denominated currency (HK$) of the Bonds is different from the functional currency (RMB) of the Company, their conversion options will be settled by the Company delivering a fixed number of its own shares in exchange for a variable amount of cash in the Company's functional currency. Consequently, the conversion options are not equity instruments and are therefore classified as derivative financial liabilities.

Conversion rights in respect of convertible bonds in the principal amount of HK$1,000,000 were exercised, pursuant to which 2,710,027 new shares were issued on 12 December 2013.

Conversion rights in respect of convertible bonds in the principal amount of HK$30,000,000 were exercised, pursuant to which 81,300,813 new shares were issued on 17 February 2014.

The fair value of the derivative component of the convertible bonds was calculated using the Binomial model with the major inputs used in the model as at 31 December 2014 and 31 December 2013 as follows:

	31 December 2014	31 December 2013
Stock price	**0.4150**	**0.4750**
Volatility	**39.43%**	**35.92%**
Dividend yield	**0.62%**	**0%**
Risk free rate	**0.358%**	**0.556%**

Any changes in the major inputs into the model will result in changes in the fair value of the derivative component. The change in the fair value of the conversion option from 31 December 2013 to 31 December 2014 resulted in a fair value gain of HK$41 million, which has been recorded in the income statement for the year ended 31 December 2014.

The initial carrying amount of the liability component was the residual amount after deducting the issuance cost of the convertible bonds and the fair value of the derivative component as at 5 August 2013, and was subsequently carried at amortised cost. Interest expense is calculated using the effective method by applying the effective interest rate of 13.13% per annum to the adjusted liability component.

(e) Included in the balances are borrowings from Bank of Communications which are unsecured, carries interest at the rate of 6.60% per annum, and is repayable within one year.

(f) The carrying amounts and fair values of the borrowings with fixed interest rates for the Group and the Company are as follows:

Group and Company

	Carrying amounts		**Fair values**	
	31 December 2014	31 December 2013	**31 December 2014**	31 December 2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
RMB bond	**621,793**	631,806	**645,892**	632,716
Convertible bonds	**233,097**	228,541	**267,959**	249,215
	854,890	860,347	**913,851**	881,931

The fair values are based on cash flows discounted at rates disclosed in note (g) below. All other borrowings of the Group carry interest at floating rates.

(g) The effective annual interest rates at the balance sheet date were as follows.

	Carrying amounts		Fair values	
	31 December 2014	31 December 2013	**31 December 2014**	31 December 2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
— PRC banks	**6.60%**	6%	**—**	—
— Hong Kong banks	**3.86%-3.87%**	4.05-5.415%	**—**	—
— RMB Bond	**7.25%**	7.25%	**7.25%**	7.25%
— Convertible bonds	**13.13%**	13.17%	**13.13%**	13.17%

(h) The carrying amounts of the borrowings are denominated in the following currencies.

	Group		Company	
	31 December 2014	31 December 2013	**31 December 2014**	31 December 2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong Dollars	**994,531**	675,968	**233,097**	228,541
Renminbi	**809,340**	823,622	**621,793**	631,806
USD	**—**	262,245	**—**	—
	1,803,871	1,761,835	**854,890**	860,347

(i) The maturity of the borrowings included in non-current liabilities is as follows:

	Group		Company	
	31 December 2014	31 December 2013	**31 December 2014**	31 December 2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Over one year, less than two years	**486,181**	358,351	**233,097**	—
Over two years, less than five years	**360,452**	1,138,478	**—**	860,347
	846,633	1,496,829	**233,097**	860,347

(j) As at 31 December 2014, the Group has no undrawn bank borrowing facilities. (Year ended 31 December 2013: HK$107 million).

29. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2014		31 December 2013	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Interest rate swap contract *(Note)*	**–**	**20,054**	–	14,955
Derivative component of convertible bond *(Note 28(d))*	**–**	**71,881**	–	134,251
	–	**91,935**	–	149,206

Note:

On 23 December 2011, the Group entered into a deferred payment interest rate swap contract with Standard Chartered Bank London, with an aggregate notional amount of HK$571,635,500 (the "Swap Contract"). The Swap Contract is effective on 30 September 2013, and will terminate on 30 September 2018.

Pursuant to the Swap Contract, the Group will pay interest at a fixed rate of 2.25%, and will receive interest at floating rate with reference to the HIBOR as published by the Hong Kong Association of Bank, semi-annually on 31 March and 30 September commencing from 30 September 2013 and up to termination date. All settlements of the Swap Contract are aggregated and settled on the termination date of the Swap Contract.

The Swap Contract does not qualify for hedge accounting, so that it is classified as derivative financial instrument on the balance sheet and with fair value changes recognised in the consolidated income statement.

30. DEFERRED INCOME TAX ASSETS

	Tax losses	
	31 December 2014	31 December 2013
	HK$'000	*HK$'000*
Beginning balance	**8,924**	8,678
Debited to income statement	**(8,823)**	–
Currency translation differences	**(101)**	246
At 31 December 2014		
Ending balance	**–**	8,924

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of HK$29.03 million (Year ended 31 December 2013: HK$21.41 million) in respect of losses amounting to HK$ 116.13 million (Year ended 31 December 2013: HK$85.64 million) that can be carried forward against future taxable income. Losses amounting to HK$7.08 million, HK$5.59 million, HK$33.18 million, HK$14.66 million and HK$55.62 million will expire in the following five years respectively.

31. DIVIDENDS

Final dividend in respect of the year ended 31 December 2013 of HK$0.005 per ordinary share, amounting to HK$30,384,114.20 was paid in 2014. A dividend in respect of the year ended 31 December 2014 in the total amount of HK$42,808,800 is proposed by the Directors on 30 March 2015. This proposed dividend is subject to approval by the shareholders of the Company at the forthcoming annual general meeting. These financial statements do not reflect this dividend payable.

The amount of the dividend per ordinary share of the Company shall depend on the total number of issued ordinary shares as at the date of the forthcoming annual general meeting. For illustration purpose only, the following indicates the amount of the dividend per ordinary share that may be determined under various scenarios:

Total number of issued ordinary shares	**Amount of dividend per ordinary share**
9,393,083,004 (as at the date of this report)	HK$ 0.00455
11,743,489,503 (assuming all outstanding convertible preference shares of the Company are converted into ordinary shares)	HK$ 0.00364
12,499,587,063 (assuming all outstanding convertible bonds of the Company are also converted into ordinary shares)	HK$ 0.00342
12,561,587,063 (assuming all outstanding options granted by the Company to subscribe for ordinary shares are also exercised)	HK$ 0.00340

The actual amount of the dividend per ordinary share will be determined on the date of the forthcoming annual general meeting and will be announced by the Company.

32. CASH GENERATED FORM OPERATIONS

(a) Reconciliation of profit before income tax to net cash generated from operations:

	Year ended 31 December 2014 *HK$'000*	Year ended 31 December 2013 *HK$'000*
Profit before income tax	**299,713**	213,533
Adjustments for:		
— Interest income	**(3,409)**	(10,147)
— Depreciation	**72,379**	61,269
— Amortisation	**928**	1,167
— Reversal of impairment on property, plant and equipment	**(42,801)**	(7,586)
— Provision for impairment of trade and other receivables	**16,890**	12,731
— Reversal of impairment of trade and other receivables	**(11,306)**	(13,083)
— Finance costs	**134,639**	77,370
— Fair value (gain)/loss on derivative financial instruments	**(36,153)**	44,106
— (Gain)/loss on disposal of property, plant and equipment *(Note(i))*	**(34,581)**	208
— Gain on liquidation of subsidiaries	**(4,104)**	(1,098)
— Share of (profit)/loss form investments accounted for using equity method	**(505)**	33
Changes in working capital:		
— Inventories	**(4,372)**	21,631
— Amount due from/to immediate holding company	**6,925**	2,268
— Deferred income tax assets	**8,924**	—
— Trade and other receivables	**(61,735)**	(221,861)
— Trade and other payables	**(19,719)**	69,002
Net cash generated from operations	**321,713**	249,543

(i) Movements on disposal of assets comprise:

	Year ended 31 December 2014	Year ended 31 December 2013
	HK$'000	*HK$'000*
Net book amount of property, plant and equipment, land use rights and assets held for sale	**31,067**	4,111
Proceeds from disposals in current year	**(65,648)**	(3,903)
(Gain)/loss on disposals	**(34,581)**	208

33. FINANCIAL GUARANTEE

The Company has given guarantee of approximately HK$787 million (Year ended 31 December 2013: HK$837 million) to subsidiaries in respect of obtaining bank borrowings and related interests, of which HK$775 million had been utilised as at 31 December 2014.

34. COMMITMENTS

(a) Capital commitments

Capital expenditure and property development commitment of the Group at the balance sheet date contracted but not yet incurred is as follows:

	31 December 2014	31 December 2013
	HK$'000	*HK$'000*
Property, plant and equipment	**421,729**	9,709

(b) Operating leases commitment — Group as lessee

The Group's future aggregate minimum lease payments under non-cancellable operating leases in respect of buildings are as follows:

	31 December 2014 HK$'000	31 December 2013 HK$'000
Not later than one year	**4,950**	11,376
Later than one year and not later than five years	**4,530**	3,399
Later than five years	**4,118**	4,350
	13,598	19,125

35. RELATED PARTY TRANSACTIONS

In addition to those mentioned elsewhere in the financial statements, the followings are significant related party transactions entered between the Group and its related parties:

	Year ended 31 December 2014 HK$'000	Year ended 31 December 2013 HK$'000
(a) Transactions with holdings companies		
Commission for asset disposal entrustment in respect of certain former subsidiaries *(Note (i))*	**—**	18,909

		Year ended 31 December 2014 ***HK$'000***	Year ended 31 December 2013 *HK$'000*
(b)	**Transactions with fellow subsidiaries:**		
	Sale of gas to Tianjin Pipe and its associates *(Note (ii))*	**575,495**	408,661
	Sale of gas to TEDA Gas *(Note (ii))*	**108,594**	124,062
	Sale of gas to Tianjin Sai-rui Machinery Equipment Company Limited ("Sai Rui") *(Note (ii))*	**46,932**	21,314
	Sale of gas to Tianjin Eco-city *(Note (ii))*	**29,921**	32,078
	Provision of connection service to Tianjin Xingcheng Investment Development Co., Ltd. ("Tianjin Xingcheng") *(Note (iii))*	**21,680**	—
	Provision of connection service to Tianjin TEDA Zhongtang Investment Development Co., Ltd. ("TEDA Zhongtang") *(Note (iii))*	**7,395**	—
	Sale of gas to Tianjin TEDA Transportation Hub Operations Management Co., Ltd. ("TEDA Transportation Hub") *(Note (ii))*	**2,186**	—
	Compensation fee received from Tianjin Eco-City *(Note (iv))*	**1,770**	—
	Provision of connection service to Sai Rui *(Note (iii))*	**1,138**	2,435
	Sale of gas to Tianjin YAT-SEN Scientific Industrial Park International Inc ("Tianjin YAT-SEN") *(Note (ii))*	**799**	—
	Provision of connection service to Tianjin Pipe and its associates *(Note (iii))*	**543**	—
	Provision of connection service to Tianjin TEDA BinHai Station Construction Company Limited ("TEDA BinHai Station") *(Note (iii))*	**56**	13,814
	Purchase of steel pipe materials from Tianjin TPCO & TISCO Welding Pipe Co., Ltd. ("Tianguan Taigang") *(Note (v))*	**(9,134)**	(11,729)
	Project management service fee paid to Tianjin Haibin Road Construction Development Limited *(Note (vi))*	**(1,935)**	—
	Insurance premium paid to Bohai Property Insurance Company Limited ("Bohai") *(Note (vii))*	**(1,256)**	(1,513)
	Advertising fee to Tianjin TEDA Football Club Company Limited ("Tianjin TEDA Football Club") *(Note (viii))*	**—**	(2,522)

	Year ended 31 December 2014 HK$'000	Year ended 31 December 2013 HK$'000
(c) Balances with fellow subsidiaries		
Accounts receivable from Tianjin Pipe and its associates	**73,945**	57,000
Accounts receivable/(advance) from Tianjin Xingcheng	**13,618**	(6,703)
Advances to Tianguan Taigang	**11,965**	8,775
Accounts receivable from TEDA Gas	**8,438**	4,762
Accounts receivable from TEDA Zhongtang	**4,651**	—
Accounts receivable from Tianjin Eco-city	**1,638**	8,819
Accounts receivable from Sai Rui	**764**	—
Accounts receivable from Tianjin YAT-SEN	**68**	—
Other receivables from TEDA	**63**	—
Account advance received from TEDA Transportation Hub	**(536)**	(1,149)
Account advance received from TEDA BinHai Station	**—**	(57)

(d) Transactions/balances with other state owned enterprises in the PRC

The Group operates in an economic environment currently predominated by enterprises directly or indirectly owned or controlled by the PRC government (hereinafter collectively referred to as "state-controlled entities"). The directors of the Company consider those state-controlled entities are independent third parties so far as the Group's business transactions with them are concerned.

Other than those mentioned above, during the year, the Group's significant transactions with these state controlled entities are mainly purchases of gases. As at year end, majority of the Group's cash and bank balances and borrowings are also with state controlled banks.

(e) Key management compensation

Key management compensation is set out in Note 8 to these financial statements.

Note:

(i) On 27 September 2013, TEDA HK (the immediate holding company) entered into the Asset Disposal Entrustment Agreement with Binhai Investment (Tianjin) Company Limited ("BITCL"), a wholly-owned subsidiary of the Group, under which TEDA HK engaged BITCL to dispose of assets comprising interest in 15 of such former subsidiaries of the Group. BITCL charged commission at 25.75% of the consideration for disposal of such assets. The total commission receivable was RMB14,997,000.

(ii) The Group supplies gas to related parties via its pipe network at a price regulated by the State Government and the Tianjin Municipal Government.

(iii) The Group was engaged to provide the connection services to related parties located in Tianjin.

(iv) The Group received the accident compensation for the pipeline damaged by subcontractor from Tianjin Eco-City.

(v) The Group entered into the Steel Pipes Agreement Tianguan Taigang for the supply of steel pipe materials by Tianguan Taigang.

(vi) The Group entered into the High Pressure Pipes Agreement for the management of pipelines by Tianjin Haibin Road Construction Development Limited.

(vii) On 5 April 2014, the Group entered into insurance arrangement with Bohai as insurer, pursuant to which Bohai will provide insurance coverage to various subsidiaries of the Group. The insurance policies under the arrangement are for a term from 5 April 2014 to 31 December 2014.

(viii) The Group was provided advertisement service by Tianjin TEDA Football Club located in Binhai New Area of Tianjin.

36. PRINCIPAL SUBSIDIARIES AND JOINT VENTURES

At 31 December 2014, the Group had the following principal subsidiaries and jointly ventures which, in the opinion of the directors of the Company, materially affect the results and/or assets of the Group.

(a) Investment holding companies:

	Kind of legal entity and place of incorporation	Particulars of issued and fully paid capital	Effective interest held
Winstar Venture Limited	British Virgin Islands ("BVI")	US$200 ordinary shares	100%
Binhai Investment Hong Kong Limited	Hong Kong	HK$2 ordinary shares, HK$29 million non-voting deferred shares *(Note (ii))*	100%
Binhai Investment (Tianjin) Company Limited	Wholly foreign owned enterprises, PRC	US$155million	100%

Note:

(i) All companies are indirectly held by the Company except Winstar Venture Ltd which is directly held.

(ii) The principal rights and restrictions of non-voting deferred shares held by Binhai Investment Hong Kong Limited are set out below:

- No part of the profits shall be distributed among the holders of the non-voting deferred shares.
- On return of assets on winding up or otherwise, one half of balance of the assets of Binhai Investment Hong Kong Limited, after the first HK$100,000,000 million, shall belong to the holders of non-voting deferred shares.
- Non-voting deferred shareholders are not entitled to receive notice of or to attend to vote at any general meeting of the Company.

(b) Other subsidiaries:

	Name of entity	Kind of legal entity and place of incorporation	Principal activities and place of operation	Issued and fully paid capital *(Note (i))* *HK$ Million*	Potential capital contributions *(Note (ii))* *HK$ Million*	Effective indirect interest *(Note (iii))* *(%)*
1	Zibo Jin Bin Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	25	–	100
2	Tianjin Binda Gas Enterprise Company Limited	Wholly foreign owned enterprises, PRC	Connection services and sale of gases, PRC	565	–	100
3	Binzhou TEDA Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	27	–	100
4	Zhaoyuan Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	20	–	100
5	Deqing Binhai Gas Company Limited	Sino-foreign equity joint ventures, PRC	Connection services and sale of gases, PRC	18	–	90
6	Zhuozhou Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	11	–	100
7	Nanjing Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	12	–	100
8	Yizheng TEDA Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	13	–	100
9	Qinhuangdao TEDA Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	12	–	100
10	Tianjin Bintai Energy Development Co., Ltd	Wholly foreign owned enterprises, PRC	Connection services and sale of gases, PRC	204	–	100
11	Qingdao Jiaonan Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	11	–	100

Name of entity		Kind of legal entity and place of incorporation	Principal activities and place of operation	Issued and fully paid capital (Note (i)) HK$ Million	Potential capital contributions (Note (ii)) HK$ Million	Effective indirect interest (Note (iii)) (%)
12	Sanhe TEDA Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	7	–	90
13	Changle Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	8	–	100
14	Dezhou Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	12	–	100
15	Zhangjiagang Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	4	18	100
16	Qingdao Jiaozhou Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	17	–	100
17	Jingjiang Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	3	13	100
18	Funing TEDA Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	7	–	100
19	Yishui Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	13	–	100
20	Rizhao Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	13	–	100
21	Haiyan Tian Tai Gas Development Company Limited	Wholly foreign owned enterprises, PRC	Connection services and sale of gases, PRC	25	–	100
22	Huzhou Nanxun Binhai Gas Company Limited	Wholly foreign owned enterprises, PRC	Connection services and sale of gases, PRC	20	–	100
23	Beijing Airport Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	12	–	100

	Name of entity	Kind of legal entity and place of incorporation	Principal activities and place of operation	Issued and fully paid capital (Note (i)) HK$ Million	Potential capital contributions (Note (ii)) HK$ Million	Effective indirect interest (Note (iii)) (%)
24	Haiyang Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	2	10	100
25	Tonglu Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	12	8	98
26	Jinhu Wah Sang Gas Company	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	7	–	100
27	Tianjin Binhai Xinda Real Estate Company Limited	Wholly foreign owned enterprises, PRC	Real estate investment and sale of gases, PRC	–	156	100
28	Yizheng Jin Bin Gas Company Limited	Wholly foreign owned enterprises, PRC	Connection services and sale of gases, PRC	12	–	100
29	Tangshan Binhai Gas Company Limited	Wholly foreign owned enterprises, PRC	Connection services and sale of gases, PRC	24	65	100
30	Tianjin Hua Tai Xinda Gas Company Limited	Wholly foreign owned enterprises, PRC	Connection services and sale of gases, PRC	6	–	100
31	Tangshan TEDA Gas Company Limited	Wholly foreign owned enterprises, PRC	Connection services and sale of gases, PRC	47	–	100
32	Jizhou Binhai Gas Co., Ltd	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	14	–	98
33	Anxin TEDA Gas Co., Ltd	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	2	–	99
34	Qingyuan Binhai Gas Co., Ltd	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	11	–	99.71
35	Liuyang Binhai Gas Co., Ltd	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	19	–	100

	Name of entity	Kind of legal entity and place of incorporation	Principal activities and place of operation	Issued and fully paid capital (Note (i)) HK$ Million	Potential capital contributions (Note (ii)) HK$ Million	Effective indirect interest (Note (iii)) (%)
36	Fengxian Binhai Gas Co., Ltd	Wholly foreign owned enterprises, PRC	Connection services and sale of gases, PRC	16	–	100
37	Gaoan TEDA Gas Co., Ltd	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	18	–	100
38	Tianjin Taigang Gas Company Limited	Wholly foreign owned enterprises, PRC	Connection services and sale of gases, PRC	4	9	100
39	Tianjin BinMing Clean Fuel Technology Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	3	7	80

Notes:

(i) Paid up capital of each subsidiary has been translated from original currency of contributions to HK dollar equivalent.

(ii) The Company's potential capital contributions, through Binhai Investment (Tianjin) Co., Limited, into these subsidiaries amounted to approximately HK$275 million. Although the deadlines for injecting the capital to all these subsidiaries have expired, these subsidiaries are all still operating as at date of these consolidated financial statements.

(iii) Effective interests held are determined by assets appropriation upon the dissolution of the subsidiaries, instead of by proportion of the capital injection and profit share. The position as at 31 December 2014 is unchanged from 31 December 2013.

(c) Joint ventures:

Name of entity	Date of incorporation	Issued share capital	Principal activities
Tianjin Airport Economic Area Gas Co., Ltd	2 June 2010	RMB30 million (approximately HK$38 million)	Connection services and sale of gas
Qinhuangdao Taixing Gas Co., Ltd	19 September 2012	RMB30 million (approximately HK$38 million)	Connection services and sale of gas
Sinopec Binhai Investment (Tianjin) Natural Gas Utilisation	23 May 2013	RMB40 million (approximately HK$51 million)	Gas utilisation technical development

37. IMMEDIATE HOLDING COMPANY AND ULTIMATE HOLDING COMPANY

The directors of the Company consider TEDA HK, a company incorporated in Hong Kong with limited liability and beneficially wholly owned by TEDA, as the immediate holding company and TEDA as the ultimate holding company.

38. EVENT AFTER THE BALANCE SHEET DATE

The Company is proposing a share consolidation of every 10 ordinary shares of par value HK$0.01 each into one ordinary share of par value HK$0.10 each which is subject to approval by its shareholders.

Five-Year Financial Summary

The following table summarized the results, assets and liabilities of the Group for the five years ended 31 December 2014.

	Year ended 31 December 2014 *HK$'000*	Year ended 31 December 2013 *HK$'000*	Nine months ended 31 December 2012 *HK$'000*	Year ended 31 March 2012 (restated) *HK$'000*	Year ended 31 March 2011 (restated) *HK$'000*
Revenue	**2,543,237**	2,229,133	1,206,285	1,678,971	1,270,570
Profit attributable to owners of the Company	**213,635**	135,722	89,615	114,221	71,110

	31 December 2014 *HK$'000*	31 December 2013 *HK$'000*	31 December 2012 *HK$'000*	31 March 2012 (restated) *HK$'000*	31 March 2011 (restated) *HK$'000*
Total assets	**3,988,555**	3,847,329	3,220,300	2,546,603	1,526,793
Total liabilities	**2,905,105**	2,975,234	2,509,288	1,852,713	974,108
Equity holder equity	**1,054,286**	847,663	692,718	678,906	540,673
Non-controlling interest	**29,164**	24,432	18,294	14,984	12,012

Note:

The financial statements of the Group for the year ended 31 March 2012 and 2011 and as at 31 March 2012 and 2011 have been restated on the basis that the structure and business activities of the Group immediately after the acquisition of the Six Subsidiaries completed in 2012 had been in existence throughout the year presented.