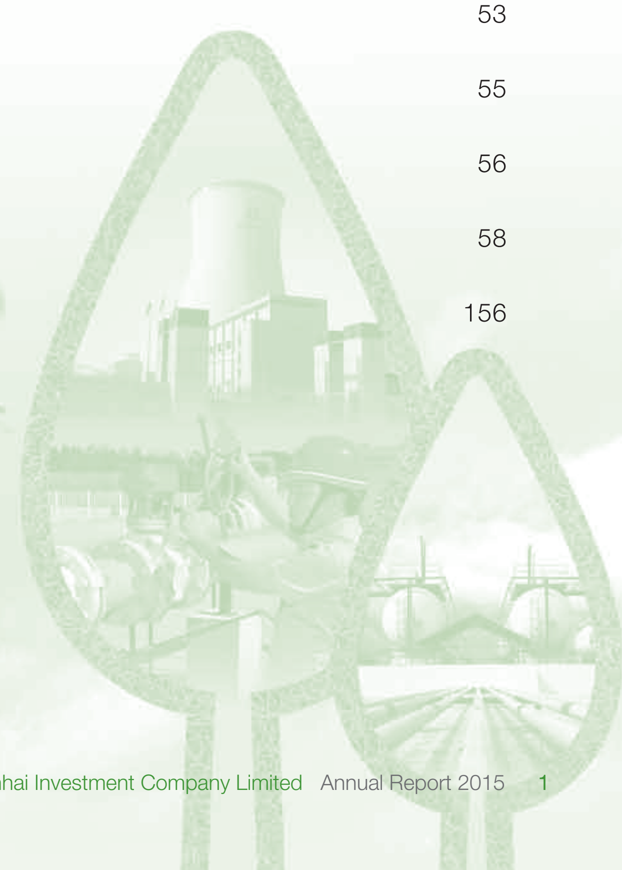
濱海投資有限公司
BINHAI INVESTMENT COMPANY LIMITED
(Incorporated in the Bermuda with limited liability)
Stock Code: 2886

泰达控股

清潔能源倡導者

2015
Annual Report

Content



Corporate Information

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
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

Deloitte Touche Tohmatsu

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
China Merchants Bank
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**	**Tianjin**
100%	**Binhai Investment (Tianjin) Company Limited**	**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 Gas 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 TEDA Gas Company Limited	Shandong Province
100%	Dezhou Binhai Gas Company Limited	Shandong Province
100%	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

100%	Zhangjiagang Wah Sang Gas Company Limited	Jiangsu Province
100%	Jingjiang Wah Sang Gas Company Limited	Jiangsu Province
90%	Deqing Binhai Gas Company Limited	Zhejiang Province
100%	Haiyan Tian Tai 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
99.8%	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

Year ended 31 December	2015 HK$'000	2014 HK$'000	Changes Percentage
Revenue	**2,554,762**	2,543,237	0.5%
Gross profit	**543,161**	465,083	16.8%
Profit for the year	**203,586**	218,970	-7.0%
Earnings attributable to owners of the Company during the year	**198,860**	213,635	-6.9%
	HK$ cents	*HK$ cents*	*Percentage*
Earnings per share *(Note 1)*			
— Basic	**16.9**	18.2	-7.1%
— Diluted	**13.4**	16.2	-17.3%
	Percentage	*Percentage*	*Percentage point*
Gross profit margin *(Note 2)*	**21%**	18%	3
Profit margin for the year *(Note 2)*	**8%**	9%	-1

As at 31 December	2015 HK$'000	2014 HK$'000	Changes Percentage
Current assets	**1,082,723**	1,256,012	-13.8%
Total assets	**3,967,942**	3,988,555	-0.5%
Total equity	**1,179,037**	1,083,450	8.8%
Current liabilities	**1,255,494**	1,966,537	-36.2%
Total liabilities	**2,788,905**	2,905,105	-4.0%
	Percentage	*Percentage*	*Percentage point*
Average finance costs *(Note 2)*	**6%**	6%	0
Return on average equity *(Note 2)*	**18%**	22%	-4

Financial Highlights

Note:

1. On 14 May 2015, the Company implemented a share consolidation on the basis that every ten issued and unissued ordinary shares of par value HK$0.01 each in the share capital of the Company be consolidated into one ordinary share of par value HK$0.10 each. To reflect the effect of the above share consolidation in the comparison of basic earnings per share attributable to owners of the Company, for the twelve months ended 31 December 2014, the basic earnings per share is adjusted to HK$18.2 cents, while the diluted earnings per share is adjusted to HK$16.2 cents. On such basis the change of basic earnings per share and diluted earnings per share attributable to owners of the Company during the Period amounted to a decrease of HK$1.3 cents and HK$2.8 cents respectively.

2. Definitions.

- **Gross profit margin**
  Gross profit/Revenue

- **Profit margin for the year**
  Profit for the year/Revenue

- **Average finance costs**
  Interest expenses for the year/Average borrowings

- **Return on average equity**
  Profit attributable to owners of the Company during the year/Average equity attributable to owners of the Company

Chairman’s Statement

On behalf of the board of directors (the “Board”) 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 year ended 31 December 2015. The Group recorded a revenue of approximately HK$2.55 billion for the year ended 31 December 2015 (2014: HK$2.54 billion), which represented a 0.5% increase compared with last year. Profit of the Group amounted to approximately HK$204 million for the year (2014: HK$219 million), representing a decrease of 7% from last year.

PERFORMANCE REVIEW

In 2015, as affected by the downturn of export and property investments and the very limited growth of domestic demands, the Chinese economy continued to slow down. To stimulate economic growth, measures were successively adopted by the central government, and it was anticipated that the on-going reform would help to address the risks of economic downturn and benefit the medium- to long-term economic development. Efforting for the development goals of Binhai New Area, namely “Three Steps”, the New Area is striving for an aggregate economic volume of RMB2 trillion by 2020 and the realisation of the functions of Binhai New Area positioned by the central government. At present, in face of the four development opportunities of national strategy of development and opening, national key strategy of Beijing-Tianjin-Hebei coordinated development, application for establishment of the Free Trade Area, and establishment of the National Innovation Demonstration Zone in Tianjin currently, the New Area is backed by the strong impetus created from the synergistic effect of such opportunities for development of Binhai New Area.

2015 was a year of satisfactory improvements for the Group. With conscientious effort, the Group established a more consolidated foundation for further rapid development, including the following:

- The Company was assigned a credit rating of BBB- for the first time by Fitch (Hong Kong) Limited (“Fitch”), an international credit rating agency, and a rating of “Baa3” by Moody’s. Benefiting from the sound prospects of the natural gas market in Tianjin and the Group’s prominent operating advantages in the Tianjin area, which would contribute to profit growth of the Company;

- The Company issued US$200 million 3.25% bonds due 2018 for the first time, making another significant move in the offshore capital market following the issuance of Offshore Renminbi Bonds in 2012 and Convertible Hong Kong Dollar Bonds in 2013. It was also the first case of US dollar bonds issuance in the overseas market relying on its own credit by the first local state-owned enterprise in Tianjin to have obtained international rating. The issuance of bonds would optimize the assets structure of the Company, whereby not only successfully expanded the overseas financing channel of the Group, but also laid a strong foundation for enterprises in Tianjin venturing overseas in the future;

Chairman’s Statement

- The Company prioritized the development of the business zones with immense potential in Tianjin, such as Ninghe Development Zone, Wuqing District, Lingang Economic Zone, Jinnan District, Hangu East Expansion Zone, Dongli District, Nangang Industrial Zone, etc., and increased efforts for expanding the new zones in other cities, such as the Zhuozhou Subsidiary and the Gaoan Subsidiary.

PROSPECTS

Looking forward to 2016, with the promulgation of the Tianjin Clean Air Action Plan by the Tianjin Municipal Government, pursuant to which, the mean concentration of PM2.5 shall be reduced by 25% in 2017 compared to 2012, the supply level of natural gas shall be increased, and coal-to-gas transformation and pipeline protection shall be implemented. Since Beijing and Zhangjiakou are confirmed to be the host cities of the 2022 Winter Olympics, the government will unquestionably step up the input in environmental protection in Beijing-Tianjin-Hebei and the greater region, especially in improving the air pollution treatment. The Group is confident in the enhanced development opportunities for the natural gas industry in China.

The major tasks of the Group in 2016 include the following:

1. tangibly implement the work of the adjustment of city-gate prices of natural gas, leverage the benefits of price reduction; actively develop the market, and expand the significant industrial and commercial users;

2. continue to study the expansion of procurement channels of upstream gas source, and pay attention to and appropriately promote gas multi-purpose utilization projects; and

3. further strengthen the close communication and cooperation amongst stakeholders such as shareholders, investors, the government and creditors to achieve win-win results for all parties.

On behalf of the Board, I hereby extend my sincere gratitude to the shareholders, customers, staff, 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, 23 March 2016

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 2015, the aggregate length of all of the gas pipeline networks owned by the Group was approximately 1,974 kilometers, representing an increase of 184 kilometers from the length of 1,790 kilometers as at 31 December 2014. For the year ended 31 December 2015, connection service fees received by the Group amounted to approximately HK$493,818,000, representing a decrease of HK$65,021,000 or 12% compared to the HK$558,839,000 service fees received in the year ended 31 December 2014.

Piped Gas Sales

For the year ended 31 December 2015, consumption of piped gas by domestic and industrial users amounted to approximately $2,901 \times 10^6$ and $16,914 \times 10^6$ mega-joules respectively, as compared to $2,418 \times 10^6$ and $14,853 \times 10^6$ mega-joules respectively for the year ended 31 December 2014. During the year, sales income of the Group from piped gas amounted to HK$2,034,598,000, representing an increase of HK$206,475,000 or 11% compared to the amount of HK$1,828,123,000 recorded for the year ended 31 December 2014.

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 2015 was HK$543 million (for the year ended 31 December 2014: HK$465 million) and the gross profit margin for the Group was 21% (for the year ended 31 December 2014: 18%). The increase in gross profit margin was mainly due to the gross profit margin of the Group's piped gas sales of 11%, representing an increase of 6 percentage points or 120% as compared with 5% for the year ended 31 December 2014. On 28 February 2015, the National Development and Reform Commission announced adjustments to the natural gas city-gate prices for non-residential use. Effective from 1 April 2015, the price of incremental volume has been reduced by

RMB0.44 per cubic metre and the price of existing volume has been increased by RMB0.04 per cubic metre. Due to the proportion of the Group's incremental gas, the price adjustment has substantially improved the gross profit margin of the Group's piped gas. In addition, the Group has developed a new gas source, the competitive supply price of which reduced the Group's procurement costs.

Administrative Expenses

Administrative expenses of the Group for the year ended 31 December 2015 amounted to HK$163 million, representing an increase of HK$6 million or 3.6% compared to HK$157 million for the year ended 31 December 2014. Management expenses essentially unchanged 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 2015 was approximately HK$199 million, as compared to HK$214 million for the year ended 31 December 2014. Profit attributable to equity owners of the Company excluding the unrealised exchange loss amounted to HK$261 million for the year ended 31 December 2015. The Group recorded an unrealised exchange loss of HK$62 million caused by fluctuations in RMB exchange rate in 2015.

Basic earnings per share for the year ended 31 December 2015 was HK16.9 cents. On 14 May 2015, the Company implemented a share consolidation on the basis that every ten issued and unissued ordinary shares of par value HK$0.01 each in its share capital be consolidated into one ordinary share of par value HK$0.10 each ("Ordinary Share"). To reflect the effect of the above share consolidation in the comparison of basic earnings per share attributable to owners of the Company, the basic earnings per share for the twelve months ended 31 December 2014 is adjusted to HK18.2 cents. On such basis the change of basic earnings per share attributable to owners of the Company during the year amounted to a decrease of HK1.3 cents.

Liquidity and Financial Resources

As at 31 December 2015, the total borrowings of the Group amounted to HK$1,794,307,000 (as at 31 December 2014: HK$1,803,871,000) and the cash and bank deposits of the Group amounted to HK$343,815,000 (as at 31 December 2014: HK$484,841,000), which included cash and cash equivalents of HK$331,184,000 and pledged bank deposits of HK$12,631,000. As at 31 December 2015, the Group had consolidated current assets of HK$1,082,723,000 and its current ratio was approximately 0.86. As at 31 December 2015, the Group had a gearing ratio of approximately 152%, measured by the ratio of total consolidated borrowings of HK$1,794,307,000 to consolidated total equity of HK$1,179,037,000.

On 6 May 2015, the Company completed the issuance of US$200,000,000 3.25% bonds due 2018. The proceeds from the bonds have been used for the repayment of borrowings and other indebtedness (including borrowings of HK$775,000,000 from syndicated banks in Hong Kong) and for working capital purposes.

Management Discussion and Analysis

Borrowings Structure

As at 31 December 2015, the total borrowings of the Group amounted to HK$1,794,307,000 (as at 31 December 2014: HK$1,803,871,000). Unsecured bonds of US Dollars 200,000,000 were issued at 100% of the issue price, bearing interest at a rate of 3.25%. The outstanding Convertible Bonds of HK$279,000,000 were issued at an issue price of 100%; unsecured, bearing interest at a rate of 1.00%.

Directors' Opinion on Sufficiency of Working Capital

As at 31 December 2015, the current liabilities of the Group exceeded its current assets by HK$173 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 available banking facilities, 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 consolidated 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. For the year ended 31 December 2015, net unrealized foreign losses for the financing activities was HK$62 million. 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 arise.

Interest Rate Swap Contract

For the year ended 31 December 2015, the Group recognized a fair value loss of HK$7,552,000 on derivative financial instrument (as compared with a loss of HK$5,099,000 for the year ended 31 December 2014). In order to minimise the risk of rising interest rates and control borrowing costs, the Group entered into an interest rate 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 deferred payment Swap Contract took effect on 30 September 2013 and would expire on 30 September 2018. Pursuant to the Swap Contract, the Group would pay interest at a fixed rate of 2.25%, and would receive interest at a floating rate with reference to the HIBOR as published by the Hong Kong Association of Bank.

As the Group repaid the syndicated loan of HK$775,000,000 early in June 2015, the Group terminated the Swap Contract accordingly on 23 June 2015. The termination settlement amount was HK$27,606,000.

Management Discussion and Analysis

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 2014 to 31 December 2015 resulted in a fair value gain of HK$62 million, which has been recorded in the consolidated statement of profit or loss for the year ended 31 December 2015.

Charge on the Group's Assets

As at 31 December 2015, the Group had restricted cash of HK$12,631,000 (as at 31 December 2014: HK$21,605,000).

Save as disclosed above, there were no charges on any of the Group's assets as at 31 December 2015.

Convertible Bonds

The Company issued in August 2013 convertible bonds of HK$310,000,000. The convertible bonds are convertible under the circumstances set out in their terms and conditions into ordinary shares at an initial conversion price of HK$0.3690 per ordinary share of HK$0.01 each (subject to adjustments). Assuming full conversion of the convertible bonds at the initial conversion price, the convertible bonds would 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 issuance 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.

The conversion price of the convertible bonds was adjusted from HK$0.3690 per ordinary share of par value HK$0.01 each to HK$0.3648 per ordinary share of par value HK$0.01 each after the record date for the 2013 final dividend of the Company on 12 May 2014. Such adjustment was in accordance with the terms of the convertible bonds and was applicable to those convertible bonds which had not yet been converted at the time the adjustment took effect. The outstanding convertible bonds in the principal amount of HK$279,000,000 which had not yet been converted would be convertible into 764,802,631 ordinary shares at the adjusted conversion price of HK$0.3648 per ordinary share of par value HK$0.01 each.

Management Discussion and Analysis

On 14 May 2015, upon the share consolidation of the Company taking effect, the conversion price of the outstanding convertible bonds was adjusted from HK$0.3648 per ordinary share of par value HK$0.01 each to HK$3.648 per consolidated ordinary share of par value HK$0.10 each. The outstanding convertible bonds in the principal amount of HK$279,000,000 which have not yet been converted will be convertible into 76,480,263 consolidated ordinary shares at the adjusted conversion price of HK$3.648 per consolidated ordinary share of par value HK$0.10 each.

As at 31 December 2015, convertible bonds in the principal amount of HK$31,000,000 (as at 31 December 2014: HK$31,000,000) had been converted into 84,010,840 ordinary shares at a conversion price of HK$0.3690 per ordinary share of par value HK$0.01 each (before the share consolidation of the Company).

Contingent Liabilities

As at 31 December 2015, the Group did not have any significant contingent liabilities.

EMPLOYEES

As at 31 December 2015, the Group had 1,495 employees (as at 31 December 2014: 1,487 employees). For the year ended 31 December 2015, the salaries and wages of the employees amounted to HK$110 million (year ended 31 December 2014: HK$105 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 schemes are set out in Note 2.19 and Note 9 to the consolidated financial statements. In addition, share options may be granted to eligible employees of the Group (including directors of the Company) in accordance with the terms of the share option scheme adopted by the Group.

Corporate Governance Report

The Board presents the corporate governance report of the Company for the year ended 31 December 2015.

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 of the Company ("Shareholders"). During the year ended 31 December 2015, the Company had fully complied with the code provisions set out in Appendix 14 of 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 the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under Appendix 10 to the Listing Rules. Trading of securities by Directors shall be approved by the chairman of the Board and shall be conducted 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 by Directors as set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the year ended 31 December 2015.

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, and 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 on 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 interests), 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 2015 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	3/4	75%
Mr. WANG Gang	4/4	100%
Ms. ZHU Wen Fang	3/4	75%
Mr. LI Wei	3/4	75%
Ms. SHI Jing	4/4	100%

Corporate Governance Report

Independent Non-Executive Directors	Number of meetings attended/Number of meetings held	Attendance percentage
Mr. LAU Siu Ki, Kevin	3/4	75%
Mr. IP Shing Hing, *J.P.*	4/4	100%
Professor Japhet Sebastian LAW	3/4	75%
Mr. TSE Tak Yin	4/4	100%

DIRECTORS' TRAINING

Code provision A.6.5 of the Corporate Governance Code 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. The issuer shall be responsible for arranging and funding appropriate training, placing appropriate emphasis on the roles, functions and responsibilities of directors of the listed company.

Record of training received by each Director during the year ended 31 December 2015 is summarized below:

Directors	Contents of the training
Mr. ZHANG Bing Jun	A
Mr. GAO Liang	B
Mr. SHEN Xiao Lin	A
Mr. ZHANG Jun	A
Mr. WANG Gang	A
Ms. ZHU Wen Fang	A
Mr. LI Wei	C,D
Ms. SHI Jing	E
Professor Japhet Sebastian LAW	F,G,H,I
Mr. LAU Siu Ki, Kevin	J
Mr. TSE Tak Yin	K,L,M
Mr. IP Shing Hing, *J.P.*	N

A. The 9th Summer Davos Forum

B. Lecture on the interpretation of the thirteenth five-year plan and the seeking of long-term development of enterprises

C. Attended SuperReturn China 2015 organized by ICBI in Beijing

D. Healthcare China 2015

E. Listing Rules Update and enforcement strategy, current themes and case studies

F. Study of five HKSE/SFC cases of regulation violations

G. INED Briefing on Mainland Macro Economics and Trends in Equity Capital Raising Cross-border Loan Financing

H. Training on latest HKSE Regulations

I. Spin-offs, Company Trusts, and REITs

J. Attended continuing professional development modules required by Hong Kong Institute of Certificate Public Accountants

K. Business Analysis and moving ahead

L. Big Data and Analytics in Telecom

M. Budgetary Control and Cash Flow Analysis

N. Competition Law seminar organized by the Law Society of Hong Kong

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.

Corporate Governance Report

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.

GENERAL MEETINGS

The following table sets out details of the Directors' attendance of the general meetings of the Company held during the year ended 31 December 2015:

Directors	Number of general meetings attended/ Number of general meetings held	Attendance percentage
Mr. ZHANG Bing Jun	1/2	50%
Mr. GAO Liang	2/2	100%
Mr. SHEN Xiao Lin	2/2	100%
Mr. ZHANG Jun	1/2	50%
Mr. WANG Gang	1/2	50%
Ms. ZHU Wen Fang	2/2	100%
Mr. LI Wei	2/2	100%
Ms. SHI Jing	2/2	100%
Mr. LAU Siu Ki, Kevin	2/2	100%
Mr. IP Shing Hing, *J.P.*	2/2	100%
Professor Japhet Sebastian LAW	2/2	100%
Mr. TSE Tak Yin	2/2	100%

At the annual general meeting of the Company held on 13 May 2015 ("2015 AGM"), a separate resolution was proposed by the Chairman in respect of each separate issue, including the re-election of each of Mr. GAO Liang, Mr. WANG Gang, Ms. ZHU Wen Fang, Ms. SHI Jing and Mr. IP Shing Hing as a Director. The representative of the former external auditor of the Company attended the 2015 AGM to answer questions of the Shareholders.

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" approved by the Board are available on the websites of the Stock Exchange and the Company.

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;

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

3. making recommendations to the Board on the remuneration packages of individual executive directors and senior management.

During the year ended 31 December 2015, 1 meeting was held by the Remuneration Committee. The Remuneration Committee reviewed the remuneration of individual executive Directors and senior management and made recommendations to the Board. Attendance 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)*	1/1	100%
Mr. IP Shing Hing, *J.P.*	1/1	100%
Mr. LAU Siu Ki, Kevin	1/1	100%
Mr. TSE Tak Yin	1/1	100%
Mr. GAO Liang	1/1	100%

Corporate Governance Report

The remuneration of members of the senior management by band for the year ended 31 December 2015 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	1
HK$2,000,001 to HK$3,000,000	2
HK$3,000,001 to HK$4,000,000	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 9 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" 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.

Corporate Governance Report

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.

During the year ended 31 December 2015, 1 meeting was held by the Nomination Committee. The Nomination Committee mainly discussed matters relating to the appointment of the new senior management. Attendance 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)*	1/1	100%
Professor Japhet Sebastian LAW	1/1	100%
Mr. LAU Siu Ki, Kevin	0/1	0%
Mr. TSE Tak Yin	0/1	0%
Mr. GAO Liang	1/1	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 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-year 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.

Corporate Governance Report

3 meetings were held by the Audit Committee during the year ended 31 December 2015.

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 2014;

2. the unaudited interim results of the Group for the 6 months ended 30 June 2015;

3. financial reporting system and internal control procedures;

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

5. function of corporate governance, and disclosure policy.

The following table sets out the details of attendance of each member of the Audit Committee at the meetings held during the year ended 31 December 2015:

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 2015, 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 Report

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 with the Corporate Governance Code.

AUDITOR'S REMUNERATION

The statement of responsibility to the financial statements by Deloitte Touche Tohmatsu, 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 provided by Deloitte Touche Tohmatsu in respect of the year ended 31 December 2015 amounted to RMB2.45 million.

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 2015 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 2015, 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 2015.

Corporate Governance Report

The internal control and legal department carried out 18 audit projects during the year ended 31 December 2015, including financial audit, investigation on integrity, engineering management, security management, records management and operational analysis control, etc. In addition, The Group has reviewed the responsibility, goals, jobs and regulations of each department, which made a basis for the subsequent regulation's optimization.

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.

JOINT COMPANY SECRETARIES

Mr. YIN Fu Gang ("Mr. YIN"), the Executive Deputy General Manager and the Chief Finance Officer of the Group, 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, 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.

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 Memorandum of Association and New 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 New Bye-laws of the Company during the year ended 31 December 2015.

Biographical Information of Directors and Senior Management

BOARD OF DIRECTORS

Executive Directors

Mr. ZHANG Bing Jun, aged 52, 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 63.19% 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 48, 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 PRC 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 48, 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 48, 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 deputy general manager of TEDA. Prior to that, Mr. ZHANG was the general manager of Tianjin TEDA Group Co., Ltd., a wholly owned subsidiary of TEDA, 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). 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) from April 2008 to May 2014.

Biographical Information of Directors and Senior Management

Mr. WANG Gang, aged 50, 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 Tinjian 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 currently assistant general manager of TEDA. He has ample professional experience in thermal engineering. From August 2003 to May 2004, he was the chairman and general manager of TEDA Gas, a subsidiary of Tsinlien Group Company Limited and a fellow subsidiary of Tianjin Development Holdings Limited, 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 general manager of Tianjin TEDA Tsinlien Heat & Power Co., Ltd. (泰達津聯熱電公司), a subsidiary of Tianjin Development Holdings Limited, 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 from May 2004 to July 2007.

Ms. ZHU Wen Fang, aged 48, 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 Financial Business 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) from 2007 to October 2015.

Mr. LI Wei, aged 41, 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 had been the managing director of Shenzhen Everbright Investment Consultant Company Limited (深圳市光控投資諮詢有限公司) from 2008 to 2014, and has been appointed the managing director of Forebright Investment Management L.P. (Shenzhen) (深圳市光遠投資管理合夥企業(有限合夥)) since 2014. 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 was 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) from March 2011 to 31 December 2015.

Biographical Information of Directors and Senior Management

Ms. SHI Jing, aged 45, 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 4.31% 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 60, 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 20 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 64, 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 67, 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. 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 ("HKICPA").

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 57, has been an independent non-executive Director since March 2009. He is currently running his own management consultancy firm, Hin Yan Consultants Limited. Mr. LAU has previously worked at Ernst & Young for over 15 years. He graduated from the Hong Kong Polytechnic in 1981. Mr. LAU is a Fellow Member of both the ACCA and the HKICPA. Mr. LAU was a Member of the World Council of ACCA from May 2002 to September 2011 and the Chairman of ACCA Hong Kong in 2000/2001. Mr. LAU is currently the company secretary of Yeebo (International Holdings) Limited and Hung Fook Tong Group Holdings Limited. He has been appointed an independent non-executive director of China Medical & Healthcare Group Limited, Comba Telecom Systems Holdings Limited, Embry Holdings Limited, FIH Mobile Limited, Samson Holdings Ltd and TCL Communication Technology Holdings Limited respectively and independent supervisors of Beijing Capital International Airport Co., Ltd. and the shares of these companies are listed on the Main Board of the Stock Exchange. Mr. Lau has also been appointed the company secretary of Expert Systems Holdings Limited, the shares of which will be listed on the Growth Enterprise Market 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. YIN Fu Gang, aged 41, joined the Group in September 2009. He is currently the Executive Deputy General Manager, the Company Secretary and the Chief Finance Officer of the Group. 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.

Mr. XING Dong, aged 48, 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 40, accountant, joined the Group in May 2009. He was appointed as a Deputy General Manager and Operating Officer 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.

Directors' Report

The Directors present their report together with the audited financial statements for the year ended 31 December 2015.

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.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2015 is set out in the sections headed "Financial Highlights", "Chairman's Statement", "Management Discussion and Analysis" and this "Directors' Report" from pages 5 to 6, pages 7 to 8, pages 9 to 13 and pages 32 to 48 respectively of this Annual Report.

SOCIAL RESPONSIBILITIES AND ENVIRONMENTAL POLICIES

The Group is committed to the long term sustainability of the environment and communities in which it engages. Acting in an environmentally responsible manner, the Group endeavours to identify and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2015, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

China has implemented a range of environmental policies in respect of air pollution control, including encouraging the use of clean energy such as natural gas, thereby providing a lot of development opportunities for the Company. In light of China's economic downturn, it is uncertain whether policy measures on "coal-to-gas" transformation can be satisfactorily implemented. Nevertheless, the Company remains confident in the enhanced development for the natural gas industry in China.

"Certain Recommendations on the Reform of Petroleum and Natural Gas Systems" is expected to be published in 2016, which will manifest an opening up in the upstream natural gas source and a separation of pipeline networks. The opening up of the market and gas prices will enhance efficiency and bring new opportunities for the natural gas industry. This might bring more development opportunities and a better environment for the Group.

Directors' Report

FINANCIAL RESULTS AND DIVIDEND

The financial results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss on page 51.

Based on the annual profit of the Company for the year ended 31 December 2015 and taking into account the financial position of the Company, the Board recommended a final dividend of HK$0.05 per Ordinary Share (the "Final Dividend") for the year ended 31 December 2015 (year ended 31 December 2014: an amount of HK$42,808,800.00 was recommended).

The Final Dividend is subject to approval by holders of the Ordinary Shares at the annual general meeting of the Company (the "AGM") to be held on 12 May 2016 and is expected to be paid on or about 14 June 2016.

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 Thursday, 12 May 2016 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 Tuesday, 10 May 2016 to Thursday, 12 May 2016 (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 Monday, 9 May 2016.

(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, 20 May 2016 and the register of members of the Company will be closed from Wednesday, 18 May 2016 to Friday, 20 May 2016 (both days inclusive). 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, 17 May 2016.

FINANCIAL HIGHLIGHTS

A summary of the financial results, assets and liabilities of the Group for the last five financial years ended 31 December 2015 is set out on page 156.

Directors' Report

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.

SHARE CAPITAL

As at 31 December 2015, the Company had 1,174,348,950 Ordinary Shares and 8,600,000 redeemable preference shares at par value of HK$50.00 each ("Redeemable Preference Shares") in issue. 8,600,000 Redeemable Preference Shares were issued to Cavalier Asia Limited for the consideration of HK$430 million on 4 May 2009, all of which were subsequently transferred to TEDA Hong Kong Property Company Limited in August 2011.

During the year ended 31 December 2015, all the remaining outstanding 70,512,195 convertible preference shares of the Company ("Convertible Preference Shares") were converted into 2,350,406,499 ordinary shares of HK$0.01 of the Company before the share consolidation of the Company which took effect on 14 May 2015 (such number represents the number of ordinary shares of the Company prior to adjustment made pursuant to the share consolidation).

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 2015 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 during the year are set out in Note 24 to the financial statements and in the consolidated statement of changes in equity.

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 2015 (as at 31 December 2014: Nil).

EQUITY-LINKED AGREEMENTS

Save as disclosed in this Annual Report relating to convertible bonds and share option scheme, no equity-linked agreements were entered into during the year ended 31 December 2015 or subsisted at the end of the year.

CHARITABLE DONATIONS

During the year ended 31 December 2015, the Group made no charitable donations or other donations (year ended 31 December 2014: HK$1 million).

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 determined 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.

Directors' Report

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. Upon the share consolidation of the Company taking effect on 14 May 2015, the total number of shares that will be issued upon the exercise of the outstanding share options under the 2010 Scheme was adjusted from 55,500,000 ordinary shares of HK$0.01 each to 5,550,000 consolidated ordinary shares of HK$0.10 each, and the exercise price of such options had also been adjusted from HK$0.56 per ordinary share of HK$0.01 each to HK$5.60 per consolidated ordinary share of HK$0.10 each. During the year ended 31 December 2015, 650,000 share options lapsed.

As at 31 December 2015, a total of 54,378,120 Ordinary Shares (representing approximately 4.63% of the issued Ordinary Shares as at 31 December 2015) could be issued upon exercise of all options which may be but were not yet granted under the 2010 Scheme, and a total of 5,550,000 Ordinary Shares (representing approximately 0.47% of the issued Ordinary Shares as at 31 December 2015) 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 2015 (number of share options and the exercise price stated in the table below were adjusted after the share consolidation taking effect on 14 May 2015) are as follows:

Grantee	Date of grant	Exercise Period *(Note)*	Exercise Price *(HK$)*	Number of Ordinary Shares subject to outstanding options as at 1 January 2015	Number of options lapsed during the year	Number of Ordinary Shares subject to outstanding options as at 31 December 2015	Approximate percentage of the Company's total issued Ordinary Share capital as at 31 December 2015
Directors	27.9.2010	27.9.2010 – 26.9.2020	5.6	3,900,000		3,900,000	0.33%
Employees	27.9.2010	27.9.2010 – 26.9.2020	5.6	2,300,000	(650,000)	1,650,000	0.14%
Total				6,200,000	(650,000)	5,550,000	0.47%

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, cancelled or lapsed during the year ended 31 December 2015.

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
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

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.

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. SHEN Xiaolin and Mr. ZHANG Jun (both non-executive Directors) and Mr. LAU Siu Ki, Kevin and Mr. TSE Tak Yin (both independent non-executive Directors), who are longest in office, will retire by rotation and will be eligible for re-election at the AGM.

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 AGM has a service contract with the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

Directors' Report

MATERIAL CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save for the contracts with TEDA and its subsidiaries and associates which are set out in the section headed "CONTINUING CONNECTED TRANSACTIONS" below, there were no material contracts between the Group and its controlling shareholder or its associates during the year ended 31 December 2015.

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 2015.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director or any entity connected with a Director had a material interest, whether directly or indirectly, in any transaction, arrangement or 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 2015 or at any time during the period.

DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' remuneration and the five highest paid individuals are set out in Note 9 to the consolidated financial statement to this report. More particulars are also set out in the section headed "REMUNERATION COMMITTEE" in the "CORPORATE GOVERNANCE REPORT".

CHANGES IN DIRECTORS' INFORMATION

During the year ended 31 December 2015, Mr. LI Wei, a non-executive Director, ceased to be 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). Ms. ZHU Wen Fang, a non-executive Director, ceased to be a director of Tianjin Binhai Energy and Development Co. Ltd.(天津濱海能源發展股份有限公司).

Mr. LAU Siu Ki, Kevin resigned as an independent non-executive director of UKF (Holdings) Limited, a company listed on the Stock Exchange (Stock Code 1468), with effect from 15 March 2016. He has also been appointed the company secretary of Expert Systems Holdings Limited, which will be listed on the Growth Enterprise Market of the Stock Exchange (Stock Code 8319).

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.

PERMITTED INDEMNITY PROVISION

The Bye-Laws of the Company provides that for the time being acting in relation to any of the affairs of the Company, every director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of duties of his/her office or otherwise in relation thereto.

The Company has taken out insurance against the liabilities and costs associated with defending any proceedings which may be brought against the directors of the Company and its subsidiaries.

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 2015, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), Chapter 571 of the Laws of Hong Kong) which were required to be: (a) recorded in the register kept by the Company pursuant to section 352 of the 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 interests in Ordinary Shares and underlying ordinary shares	Approximate percentage of the Company's total issued ordinary shares as at 31 December 2015
Mr. GAO Liang	Beneficial owner	–	–	–	–	1,000,000	1,000,000	0.09%
Mr. ZHANG Jun	Beneficial owner	–	–	–	–	700,000	700,000	0.06%
Mr. WANG Gang	Beneficial owner	–	–	–	–	700,000	700,000	0.06%
Ms. ZHU Wen Fang	Beneficial owner	–	–	–	–	700,000	700,000	0.06%
Mr. IP Shing Hing, *J.P.*	Beneficial owner	–	–	–	–	200,000	200,000	0.02%
Professor Japhet Sebastian LAW	Beneficial owner	100,000	–	–	100,000	200,000	300,000	0.03%
Mr. TSE Tak Yin	Beneficial owner	–	–	–	–	200,000	200,000	0.02%
Mr. LAU Siu Ki, Kevin	Beneficial owner	–	–	–	–	200,000	200,000	0.02%

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

Director's rights to acquire shares or debentures

Pursuant to the 2010 Scheme, the Company granted options to subscribe for ordinary shares of the Company to the Directors, the details of which are as follows:

Name of Director	Date of grant	Exercise Period	Exercise Price *(Note 2)* *(HK$)*	Number of Ordinary Shares subject to outstanding options as at 1 January 2015 *(Note 2)*	Number of Ordinary Shares subject to outstanding options as at 31 December 2015	Approximate percentage of the Company's total issued ordinary shares as at 31 December 2015
Mr. GAO Liang	27.9.2010	27.9.2010 – 26.9.2020	5.6	10,000,000	1,000,000	0.09%
Mr. ZHANG Jun	27.9.2010	27.9.2010 – 26.9.2020	5.6	7,000,000	700,000	0.06%
Mr. WANG Gang	27.9.2010	27.9.2010 – 26.9.2020	5.6	7,000,000	700,000	0.06%
Ms. ZHU Wen Fang	27.9.2010	27.9.2010 – 26.9.2020	5.6	7,000,000	700,000	0.06%
Mr. IP Shing Hing, *J.P.*	27.9.2010	27.9.2010 – 26.9.2020	5.6	2,000,000	200,000	0.02%
Professor Japhet Sebastian LAW	27.9.2010	27.9.2010 – 26.9.2020	5.6	2,000,000	200,000	0.02%
Mr. TSE Tak Yin	27.9.2010	27.9.2010 – 26.9.2020	5.6	2,000,000	200,000	0.02%
Mr. LAU Siu Ki, Kevin	27.9.2010	27.9.2010 – 26.9.2020	5.6	2,000,000	200,000	0.02%

Notes:

(1) The exercisable period of the above share options is 10 years from the date of grant.

(2) Upon the share consolidation taking effect on 14 May 2015, the total number of shares that will be issued upon the exercise of the outstanding share options held by Directors under the 2010 Scheme had been adjusted from 39,000,000 ordinary shares of HK$0.01 each to 3,900,000 consolidated ordinary shares of HK$0.10 each, and the exercise price of such options had also been adjusted from HK$0.56 per ordinary share of HK$0.01 each to HK$5.60 per consolidated ordinary share of HK$0.10 each.

Save as disclosed above, at no time during the year ended 31 December 2015 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.

Save as disclosed above, as at 31 December 2015, 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 2015, the persons (not being a Director or chief executive of the Company) or companies who or which 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:

			Interest in Ordinary Shares/underlying Ordinary Shares							Approximate percentage of the total issued Ordinary Shares of the Company as at 31 December 2015
			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 TEDA Investment Holding Co., Ltd. ("TEDA")	Long	Interest of controlled corporation	–	–	742,049,127	–	–	–	741,049,127	63.19%
Mr. SHUM Ka Sang ("Mr. SHUM")	Long	Beneficial owner/ Interest of controlled Corporation/Interest of Spouse	1,956,000	127,924 *(Note 2)*	73,804,600 *(Note 1)*	–	–	–	75,888,524	6.46%
Wah Sang Gas Development Group (Cayman Islands) Limited	Long	Beneficial owner	72,804,600 *(Note 1)*	–	–	–	–	–	72,804,600	6.20%
Ms. WU Man Lee	Long	Beneficial owner/Interest of spouse	127,924	75,760,600 *(Note 2)*	–	–	–	–	75,888,524	6.46%
China Everbright Holdings Company Limited ("CEHCL")	Long	Interest of controlled corporation/Interest of any parties to an agreement	–	–	33,855,236 *(Note 3)*	25,950,000 *(Note 4)*	24,479,165 *(Note 3)*	17,872,807 *(Note 4)*	102,157,208	8.70%
China Everbright Limited ("CEL")	Long	Interest of controlled corporation/Interest of any parties to an agreement	–	–	33,855,236 *(Note 3)*	25,950,000 *(Note 4)*	24,479,165 *(Note 3)*	17,872,807 *(Note 4)*	102,157,208	8.70%
China Everbright Group Limited	Long	Interest of controlled corporation/Interest of any parties to an agreement	–	–	33,855,236 *(Note 3)*	25,950,000 *(Note 4)*	24,479,165 *(Note 3)*	17,872,807 *(Note 4)*	102,157,208	8.70%
Central Huijin Investment Ltd.	Long	Interest of controlled corporation	–	–	33,855,236 *(Note 3)*	25,950,000 *(Note 4)*	24,479,165 *(Note 3)*	17,872,807 *(Note 4)*	102,157,208	8.70%
Forebright Partners Limited ("Forebright")	Long	Interest of controlled corporation/Interest of any parties to an agreement	–	–	25,950,000 *(Note 5)*	12,250,000 *(Note 6)*	17,872,807 *(Note 5)*	8,580,043 *(Note 6)*	64,652,850	5.51%
CSOF III GP Limited ("CSOF III")	Long	Interest of controlled corporation/Interest of any parties to an agreement	–	–	25,950,000 *(Note 5)*	12,250,000 *(Note 6)*	17,872,807 *(Note 5)*	8,580,043 *(Note 6)*	64,652,850	5.51%
China Special Opportunities Fund III, L.P. ("China Special")	Long	Interest of controlled corporation/Interest of any parties to an agreement	–	–	25,950,000 *(Note 5)*	12,250,000 *(Note 6)*	17,872,807 *(Note 5)*	8,580,043 *(Note 6)*	64,652,850	5.51%

Notes:

1. Wah Sang Gas Development Group (Cayman Islands) Limited is a company entirely owned by Mr. SHUM. The corporate interest held by Mr. SHUM refers to his deemed interests in the 72,804,600 ordinary shares held by Wah Sang Gas Development Group (Cayman Islands) Limited and in the 1,000,000 ordinary shares held by another corporation 100%-controlled by Mr. SHUM.

2. 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.

3. CEHCL, through a number of direct and indirect wholly-owned subsidiaries, holds 49.74% interests in CEL. The corporate interests in 33,855,236 ordinary shares represent (i) 12,250,000 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) 21,605,236 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 24,479,165 underlying ordinary shares represent potential ordinary shares issuable upon conversion of the convertible bonds, and are held respectively as to (i) 8,580,043 underlying ordinary shares by Everbright Inno and (ii) 15,899,122 underlying ordinary shares by Energy Empire. Central Huijin Investment Ltd. holds 55.67% interest in China Everbright Group Limited, which in turn wholly-owns CEHCL. Accordingly, Central Huijin Investment Limited, China Everbright Group Limited, CEHCL and CEL are each deemed to be interested in both of the aforesaid 33,855,236 ordinary shares and 24,479,165 underlying ordinary shares.

4. The 25,950,000 ordinary shares and 17,872,807 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 Limited, CEHCL and CEL are each deemed to be interested in both of the aforesaid 25,950,000 ordinary shares and 17,872,807 underlying ordinary shares.

5. The corporate interests in 25,950,000 ordinary shares and 17,872,807 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 25,950,000 ordinary shares and 17,872,807 underlying ordinary shares.

6. The 12,250,000 ordinary shares and 8,580,043 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 12,250,000 ordinary shares and 8,580,043 underlying ordinary shares.

Other than as disclosed above, as at 31 December 2015, 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 2015, TEDA HK still held interests in three of the Disposed Subsidiaries, namely Huaining Wah Sang Gas Co. Ltd., Weishan Wah Sang Gas Co., Ltd. and Jinan Wah Sang Gas Co. Ltd.. Although the businesses carried on by these three 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, and Weishan and Jinan in Shandong province. Therefore, the Directors are of the view that the businesses of those three Disposed Subsidiaries which TEDA HK is currently interested in do not compete directly with the business of the Group.

Apart from the three 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 three 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 three 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 63.19% of the total issued ordinary shares of the Company and is the controlling shareholder. TEDA and its associates are connected persons of the Company.

During the year, the Group's continuing connected transactions with the above connected persons 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 2015 to 31 December 2015	RMB821,500,000
Actual amount in the period from 1 January 2015 to 31 December 2015	RMB630,551,000

(b) Master gas supply connection agreement

Date of the agreement:	28 March 2013
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 2015 to 31 December 2015	RMB25,344,000
Actual amount in the period from 1 January 2015 to 31 December 2015	RMB9,689,000

Details on related party transactions for the year are set out in note 33 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 its unqualified letter containing its 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 2015 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 agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

EVENTS AFTER THE REPORTING PERIOD

There are no events after the balance sheet date which would have a material impact on the Company's financial position.

MAJOR CUSTOMERS AND SUPPLIERS

In the year ended 31 December 2015, sales to the five largest customers of the Group accounted for 43% (year ended 31 December 2014: 36%) of the total revenue from sales of goods and services, and revenue from sales of goods and services to the largest customer included therein accounted for 22% (year ended 31 December 2014: 23%).

Purchases from the five largest suppliers of the Group accounted for 61% (year ended 31 December 2014: 49%) of the total purchases in the year ended 31 December 2015 and purchases from the largest supplier included therein accounted for 34% (year ended 31 December 2014: 19%).

Among the five largest customers of the Group, Tianjin Pipe and TEDA Gas are connected persons of the Company.

Save as disclosed above, none of the Directors or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the issued ordinary shares of the Company) had any beneficial interest in any of the five largest customers and suppliers of the Group.

Directors' Report

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

As a cross-regional LPG operator, the Group has always paid great attention to and maintained a good working relationship with its upstream gas suppliers, and has been providing quality professional and customer-oriented services for its downstream regional governments, markets and customers. The aforementioned suppliers and customers are good working partners creating value for the Group. The Group also values the knowledge and skills of its employees, and continues to provide favourable career development opportunities for its employees.

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 2015.

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 Deloitte Touche Tohmatsu. PricewaterhouseCoopers resigned as the external auditor of the Company on 4 November 2015. As PricewaterhouseCoopers had continually acted as the external auditor of the Company for a long time since 2004, the Board considers that changing the external auditor of the Company at an appropriate time would enhance the independence of its external auditor, and would also facilitate further improvement on the standard of corporate governance of the Company. Deloitte Touche Tohmatsu has been appointed as the external auditor of the Company at the special general meeting of the Company held on 23 November 2015.

A resolution will be proposed at the forthcoming AGM to re-appoint Deloitte Touche Tohmatsu as external auditor of the Company.

On behalf of the Board
Binhai Investment Company Limited

Gao Liang
Executive Director

Hong Kong, 23 March 2016

Independent Auditor's Report

Deloitte.
德勤

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 (collectively referred to as the "Group") set out on pages 51 to 155, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

OTHER MATTER

The consolidated financial statements of the Company for the year ended 31 December 2014 were audited by another auditor who expressed an unmodified opinion on those statements on 30 March 2015.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

23 March 2016

Consolidated Statement of Profit or Loss

For the year ended 31 December 2015

	Notes	**Year ended 31 December 2015 HK$'000**	Year ended 31 December 2014 HK$'000
Revenue	5	**2,554,762**	2,543,237
Cost of sales	8	**(2,011,601)**	(2,078,154)
Gross profit		**543,161**	465,083
Other income	6	**7,277**	8,675
Other gains and losses	7	**13,866**	90,592
General and administrative expenses	8	**(162,547)**	(156,835)
Interest income	10	**7,659**	3,409
Interest expenses	10	**(113,101)**	(111,716)
Share of results of investments accounted for using the equity method	11	**1,561**	505
Profit before income tax		**297,876**	299,713
Income tax expenses	12	**(94,290)**	(80,743)
Profit for the year		**203,586**	218,970
Attributable to:			
— Owners of the Company		**198,860**	213,635
— Non-controlling interests		**4,726**	5,335
		203,586	218,970
Earnings per ordinary share	13		
— basic (HK cents)		**16.9**	18.2
— diluted (HK cents)		**13.4**	16.2

The notes on page 58 to 155 are an integral part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2015

	Year ended 31 December 2015 *HK$'000*	Year ended 31 December 2014 *HK$'000*
Comprehensive income		
Profit for the year	**203,586**	218,970
Other comprehensive expenses		
Item that will not be reclassified to profit or loss:		
Currency translation differences	**(65,253)**	(21,092)
Total comprehensive income for the year	**138,333**	197,878
Attributable to:		
— Owners of the Company	**135,113**	193,146
— Non-controlling interests	**3,220**	4,732
Total comprehensive income for the year	**138,333**	197,878

The notes on page 58 to 155 are an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	31 December 2015 HK$'000	31 December 2014 HK$'000
ASSETS			
Non-current assets			
Land use rights	14	**45,249**	50,286
Property, plant and equipment	15	**2,732,293**	2,583,654
Investments accounted for using the equity method	11	**55,488**	56,513
Advance payment for pipeline construction	17, 19	**52,189**	42,090
		2,885,219	2,732,543
Current assets			
Inventories	18	**52,668**	53,716
Trade and other receivables	17, 19	**549,135**	572,490
Restricted cash	17, 20	**12,631**	21,605
Cash and cash equivalents	17, 20	**331,184**	463,236
		945,618	1,111,047
Assets held for sale	21	**137,105**	144,965
		1,082,723	1,256,012
Total Assets		**3,967,942**	3,988,555
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital			
— Ordinary shares	22	**117,435**	93,931
— Convertible preference shares	22	**—**	70,512
— Redeemable preferences shares	22	**430,000**	430,000
Share premium	24	**157,522**	110,514
Other reserves	24	**(144,707)**	(79,084)
Retained earnings		**586,403**	428,413
		1,146,653	1,054,286
Non-controlling interests		**32,384**	29,164
Total equity		**1,179,037**	1,083,450

Consolidated Statement of Financial Position

As at 31 December 2015

	Notes	31 December 2015 HK$'000	31 December 2014 HK$'000
LIABILITIES			
Non-current liabilities			
Borrowings	17, 27	**1,533,411**	846,633
Derivative financial instruments	17, 28	**—**	91,935
		1,533,411	938,568
Current liabilities			
Trade and other payables	17, 25	**930,770**	947,887
Amounts due to immediate holding company	17, 26	**5,069**	5,557
Current income tax liabilities		**48,966**	55,855
Borrowings	17, 27	**260,896**	957,238
Derivative financial instruments	17, 28	**9,793**	—
		1,255,494	1,966,537
Total liabilities		**2,788,905**	2,905,105
Total equity and liabilities		**3,967,942**	3,988,555
Net current liabilities		**(172,771)**	(710,525)
Total assets less current liabilities		**2,712,448**	2,022,018

The notes on page 58 to 155 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 51 to 155 were approved by the Board of Directors on 23 March 2016 and were signed on its behalf.

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Attributable to Owners of the Company						
	Share capital *HK$'000*	Share premium *HK$'000*	Other reserves *(Note 24)* *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
Balance at 1 January 2014	659,955	1,141	(56,574)	243,141	847,663	24,432	872,095
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	–	–	–	–	–
Employee share options lapsed	–	–	(2,021)	2,021	–	–	–
Dividends relating to 2013	–	–	–	(30,384)	(30,384)	–	(30,384)
	(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
Balance at 1 January 2015	**594,443**	**110,514**	**(79,084)**	**428,413**	**1,054,286**	**29,164**	**1,083,450**
Profit for the year	**–**	**–**	**–**	**198,860**	**198,860**	**4,726**	**203,586**
Other comprehensive income							
Currency translation differences	**–**	**–**	**(63,747)**	**–**	**(63,747)**	**(1,506)**	**(65,253)**
Total comprehensive income for the year	**–**	**–**	**(63,747)**	**198,860**	**135,113**	**3,220**	**138,333**
Ordinary shares issued for exercising of conversion rights – convertible preference shares	**(47,008)**	**47,008**	**–**	**–**	**–**	**–**	**–**
Employee share options lapsed			**(1,876)**	**1,876**	**–**	**–**	**–**
Dividends relating to 2014	**–**	**–**	**–**	**(42,746)**	**(42,746)**	**–**	**(42,746)**
	(47,008)	**47,008**	**(1,876)**	**(40,870)**	**(42,746)**	**–**	**(42,746)**
Balance at 31 December 2015	**547,435**	**157,522**	**(144,707)**	**586,403**	**1,146,653**	**32,384**	**1,179,037**

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Note	Year ended 31 December 2015 HK$'000	Year ended 31 December 2014 HK$'000
Cash flows from operating activities			
Cash generated from operations	31(a)	**560,704**	321,713
Income tax paid		**(101,179)**	(74,629)
Net cash generated from operating activities		**459,525**	247,084
Cash flows from investing activities			
Purchase of property, plant and equipment		**(426,442)**	(379,716)
Assets held for sale		**—**	(6,990)
Purchase of land use rights		**—**	(6,447)
Addition of investments accounted for using the equity method		**—**	(11,379)
Proceeds from disposal of property, plant and equipment, land use rights and assets held for sales		**46,077**	65,648
Withdrawal of restricted cash		**21,107**	6,297
Placement of restricted cash		**(12,133)**	(21,534)
Acquisition of wealth management products		**(4,888,421)**	—
Proceed from redemption of wealth management products		**4,898,853**	—
Interest received		**7,659**	3,409
Net cash used in investing activities		**(353,300)**	(350,712)

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Year ended 31 December 2015 HK$'000	Year ended 31 December 2014 HK$'000
Cash flows from financing activities		
Proceeds from borrowings	**1,913,175**	964,656
Repayments of borrowings	**(1,935,376)**	(921,397)
Interest paid	**(122,748)**	(121,032)
Transaction cost of borrowings paid	**(11,828)**	(1,006)
Dividend paid	**(42,746)**	(30,384)
Early settlement of interest rate swap contract	**(27,606)**	—
Net cash used in financing activities	**(227,129)**	(109,163)
Net decrease in cash and cash equivalents	**(120,904)**	(212,791)
Cash and cash equivalents at beginning of year	**463,236**	685,086
Exchange difference on cash	**(11,148)**	(9,059)
Cash and cash equivalents at end of year	**331,184**	463,236

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

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 34. The Company and its subsidiaries are hereafter together referred to as the Group.

For the purpose of these financial statements, the directors of the Company (the “Directors”) regard Tianjin TEDA Investment Holdings Co., Ltd. (“TEDA”) as being the ultimate holding company, a state-owned enterprise under supervision of the Tianjin State-owned Assets Supervision and Administration Commission.

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 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinances (“HKCO”).

The provisions of the new HKCO (Cap 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new HKCO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor HKCO or Listing Rules but not under the new HKCO or amended Listing Rules are not disclosed in these consolidated financial statement.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instrument, that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets of liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The preparation of financial statements in accordance 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 2015, the current liabilities of the Group exceeded current assets by HK$173 million (31 December 2014: 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 and net cash to be generated from operation of the Group and the available banking facilities, the Directors believe 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 under the going concern basis.

2.1.2 Application of new and revised Hong Kong Financial Reporting Standards ("HKFRS")

2.1.2.1 Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year.

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010—2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011—2013 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

2.1.2.2 New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new or revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]
Amendments to HKAS 1	Disclosure Initiative[2]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle[2]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 10, HKFRS 12 the and HKAS 28	Investment Entities: Applying the Consolidation Exception[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2016.
3 Effective for annual periods beginning on or after a date to be determined.

Other than described below, the Directors consider the application of the new and revised HKFRSs that have been issued but are not yet effective would not have any material impact on the consolidated financial statements.

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include new requirements for hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described as follows:

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

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

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced

Except for the potential early recognition of credit losses based on the expected loss model in relation to the Group's financial assets measured at amortised costs, the Directors anticipate that the adoption of HKFRS 9 in the future may not have other significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 31 December 2015.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers; HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue, HKAS 11 Construction Contracts and the related Interpretations* when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specially, the Standard introduces a 5-step approach to revenue recognition.

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e, when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Directors are in the process of reviewing the application of HKFRS 15 on the amounts reported and disclosures made in the Group's consolidated financial statements. It is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

2.2 Subsidiaries

2.2.1 Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policy.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(a) *Business combinations*

(i) Common control combinations:

For business combination under common control, the consolidated financial statements incorporate the combining businesses as if they had been combined from the date when the combining businesses first came under the control of the controlling party. The net assets of the combining 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 statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income include the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The consolidated statement of financial position are presented as if the business had been combined at the end of the previous reporting period 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:

Acquisitions of businesses not under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

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

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

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

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

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

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

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

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

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

(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.

2.3 Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate and a joint venture. On acquisition of the investment in an associate or joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

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 (the "Executive Directors").

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 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 profit or loss, 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 consolidated statement of profit or loss within 'finance income or expenses. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss within 'other gains and losses'.

(c) Group companies

The results and financial position of the Group are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing rate at the end of each reporting period;

(ii) income and expenses 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.

2.6 Property, plant and equipment

Property, plant and equipment other than construction in progress 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 consolidated statement of profit or loss 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:

Leasehold land and building	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 gains and losses' in the consolidated statement of profit or loss.

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 losses on tangible and intangible assets other than goodwill

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

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

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

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

2.9 Assets held for sale

Non-current assets and disposal groups are classified as held-for-sales if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Events or circumstances may extend the period to complete the sale beyond one year. An extension of the period required to complete a sale does not preclude the non-current asset (or disposal group) from being classified as held-for sale if the delay of the completion of sale is caused by events or circumstances beyond the Company's control and there is sufficient evidence that the Company remains committed to its plan to sell the non-current assets and disposal group.

When the Group is committed to sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held-for-sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal group) classified as held-for-sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

2.10 Financial instruments

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

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

2.10.1 Financial assets

The Group's financial assets are classified into FVTPL and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss is included in the other gains and losses.

Loans and receivables

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

2.10.2 *Financial liabilities and equity instruments*

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

Equity instruments

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

Financial liabilities

Financial liabilities including borrowings, trade and other payables and amount due to immediate holding company are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

2.10.3 *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 debt component consisting of the conversion option and a debt component consisting of the host debt component of the bonds.

At the date of issue, both the debt component and conversion option derivative are fair value. In subsequent period, the debt component of the convertible bonds is carried at amortised cost using the effective interest method. The conversion option derivative is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs relating to the issue of the convertible bonds are allocated to the host debt and derivative debt 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 debt component is recognised immediately in the consolidated statement of profit or loss.

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

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 consolidated statement of profit or loss.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position 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 statement of profit or loss. 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.

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

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 statement of profit or loss.

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. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument for cash flow hedges which will be recognised in other comprehensive income and accumulated in hedging reserve, and are reclassified to profit or loss in the periods when the hedged item affects the profit and loss.

For derivative financial instruments do not qualify for hedge accounting, changes in fair value are recognised immediately in the consolidated statement of profit or loss within 'other gains and losses'.

2.14 Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

2.15 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.

2.16 Borrowings cost

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.

2.17 Current and deferred income tax

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries, associates and joint ventures 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

Deferred income tax is recognised, 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 end of reporting period 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.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, 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 and jointed ventures. 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 ventures 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.

2.18 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 consolidated statement of profit or loss 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.

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 end of the reporting period.

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

2.19 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);

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 consolidated statement of profit or loss, with a corresponding adjustment to equity.

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.

2.20 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 and returns during the year. 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 end of reporting period 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 end of reporting period 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.

2.21 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.

2.22 Leases

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

The Group as lessor

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "land use rights" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payment cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

2.23 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated statement of financial position 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 statement of financial position). Total capital is calculated as 'equity' as shown in the consolidated statement of financial position excluding non-controlling interests.

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

	2015	2014
	HK$'000	*HK$'000*
Debt *(Note (i))*	**1,794,307**	1,803,871
Equity *(Note (ii))*	**1,179,037**	1,083,450
Debt to equity ratio	**152%**	166%

Notes:

(i) Debt is defined as long and short-term borrowings, as detailed in Note 27.

(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), 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 used 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 the year ended 31 December 2014, if interest rate had 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.

No sensitivity analysis related to interest rate changes has presented for the year ended 31 December 2015, as all the borrowings of the Group are fixed rate borrowings.

(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 2014: 10%) appreciation in RMB against HK Dollars and US Dollars, mainly as a result of foreign exchange gain on translation of US Dollars and HK Dollars denominated borrowings.

	US Dollars Impact		**HK Dollars Impact**	
	31 December 2015	31 December 2014	**31 December 2015**	31 December 2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Increase (decrease) in post-tax profit and equity	**155,662**	(1,106)	**27,614**	102,397

For a 10% (Year end 31 December 2014: 10%) depreciation of RMB against US Dollars or HK Dollars, there would be an equal and opposite impact on the profit and equity.

(c) Credit risk

The maximum credit risk of the Group 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 the end of each reporting period 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.

Bank balances are placed in various authorised financial institution and the Directors consider the credit risk of such authorised financial institutions to be low.

The Group do not have significant concentration of credit risk for its trade and other receivables and amounts due from related companies, with exposure spread over a large number of counterparties and customers.

(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.

	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 2015						
Payables	**N/A**	**750**	**–**	**–**	**750**	**750**
Convertible bonds	**13.13%**	**282**	**–**	**–**	**282**	**261**
US Dollar bond	**3.58%**	**50**	**1,620**	**–**	**1,670**	**1,533**
Amount due to immediate holding company	**N/A**	**5**	**–**	**–**	**5**	**5**
As at 31 December 2014						
Payables	N/A	813	–	–	813	813
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
Amount due to immediate holding company	N/A	6	–	–	6	6

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 2015.

	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				
Derivative component of convertible bonds	–	–	9,793	9,793
Total liabilities	**–**	**–**	**9,793**	**9,793**

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 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.

(e) *Fair value*

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured at fair value on a recurring basis.

Financial assets/ financial liabilities	Fair value as at 31 December 2015	Fair value as at 31 December 2014	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
Interest rate swaps classified as derivative financial instruments in the statement of financial position	Nil	Liability- HK$20,054,000	Level 2	Discounted cash flow, future cash flows are estimated based on expected annual return rates.	The higher the expected annual return rates, the higher the fair value.
Derivative component of convertible bonds	Liability- HK$9,793,000	Liability- HK$71,881,000	Level 3	Binomial method: The key inputs are: Stock price, exercise price, volatility, dividend yield, risk free rate and option life	Volatility of 59% is applied in the convertible bond by reference to the share price of the Company based on 408 days daily historical volatility, assuming 260 annualized trading day (2014: volatility of 39% based on 408 days daily historical volatility, assuming 260 annualized trading day)

3.3 Fair value estimation

(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.

- 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.

(b) *Financial instruments in level 3*

The following table presents the changes in level 3 instrument, which is the derivative component of the convertible bonds for the years ended 31 December 2015 and 2014.

	Year ended 31 December 2015	Year ended 31 December 2014
Derivative financial instruments		
As at 1 January	**71,881**	134,251
Changes in fair value	**(62,088)**	(41,252)
Exercising of conversion rights	**–**	(21,118)
As at 31 December	**9,793**	71,881
Total gains for the year included in profit or loss for liabilities held at the end of the year, under "Other gains and losses"	**62,088**	41,252
Changes in unrealised gains for the year included in profit or loss at the end of the year	**62,088**	41,252

No sensitivity analysis related to fair value measurement to charges in unobservable inputs of derivative financial instruments has presented for the year ended 31 December 2015 as it is not expected to be significant.

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), 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 of other borrowings are assumed to approximate their fair values.

4. CRITICAL ACCOUNTING ESTIMATES

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

Critical accounting estimates and assumption

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 2015 the carrying amount of property, plant and equipment is HK$2,732 million (At 31 December 2014: HK$2,584 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. At 31 December 2015, the carrying amount of trade and other receivables after deducting the impairment recognised is HK$549 million (31 December 2014: HK$572 million). Details of movement in impairment on trade and other receivables are set out in Note 19.

(c) Income taxes

As at 31 December 2015, no deferred tax asset is recognised in the Group's consolidated statement of financial position in relation to the estimated unused tax losses of HK$172.15 million (2014: 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 statement of profit or loss for the period in which such recognition takes place. In addition, no deferred tax asset is recognised in the Group's consolidated statement of financial position in relation to the impairment loss of property, plant and equipment recognised in previous year due to the unpredictable of the utilisation of the temporary difference in the future.

5A. REVENUE

Revenue represents revenue from piped gas sales, connection service sales, on-site gas sales, stated net of discount and returns during the year.

The following is an analysis of the Group's revenue for its major products and services:

	Year ended 31 December 2015 ***HK$'000***	Year ended 31 December 2014 *HK$'000*
Piped gas sales	**2,034,598**	1,828,123
Connection service sales	**493,818**	558,839
On-site gas sales	**11,797**	135,915
Bottled gas sales	**14,549**	20,360
	2,554,762	2,543,237

5B. SEGMENT INFORMATION

Information reported to the Executive Directors, being the chief operating decision maker ("CODM"), for the purpose of resources allocation and assessment of segment performance focuses on types of goods or services delivered or provided. Therefore, the Group is divided into reportable operating segments as follows:

Piped gas sales	—	Sales of piped gas through the Group's pipeline networks to industrial and residential users
Connection services	—	Construction of gas pipelines and installation of appliances to connect customers to the Group's pipeline networks under connection contracts
On-site gas sales *(note)*	—	Wholesale of liquefied petroleum gas ("LPG") to individual agents directly from the suppliers' depots
Bottled gas sales	—	Sales of bottled gas

Note: During the year, the management decided to discontinue in on-site gas sale business. The contribution of on-site gas business to the results of the Group is insignificant and hence it is not considered as a separate major line of business. Accordingly, it is not presented as a discontinued operation.

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

No operating segments have been aggregated to derive the reportable segments of the Group.

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"), the fellow subsidiaries of the holding company and its subsidiaries, which contributed sales of pipeline gas sales of HK$573 million which represented 22% (2014: HK$575 million which represented 23%) of the total revenue of the Group, there was no other individual customer of the Group which contributed sales of over 10% of the Group's total revenue for the years ended 31 December 2015 and 31 December 2014.

Geographical information

The Group's operations and non-current assets are all located in the PRC by location of assets and all its revenue are earned from customers located in the PRC. Accordingly, no geographical information is presented.

	Year ended 31 December 2015				
	Piped gas sales	Connection services	On-site gas sales	Bottled gas sales	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue					
– Tianjin TEDA Gas Co., Ltd. ("TEDA Gas"), Tianjin Pipe and its subsidiaries *(Note 33)*	719,322	–	–	–	719,322
– Other customers	1,315,276	493,818	11,797	14,549	1,835,440
Revenue from external customers	2,034,598	493,818	11,797	14,549	2,554,762
Segment results	231,066	313,832	(4,377)	2,640	543,161
– Other income					7,277
– Other gains and losses					13,866
– General and administrative expenses					(162,547)
– Interest income					7,659
– Interest expenses					(113,101)
– Share of results of investments accounted for using the equity method					1,561
Profit before income tax					297,876
Other information for reportable segments:					
Depreciation	(80,238)	(680)	(321)	(104)	(81,343)
Amortisation of land use rights	(952)	(231)	(6)	(7)	(1,196)

	Year ended 31 December 2014				
	Piped gas sales *HK$'000*	Connection services *HK$'000*	On-site gas sales *HK$'000*	Bottled gas sales *HK$'000*	Total *HK$'000*
Revenue					
– TEDA Gas, Tianjin Pipe and its subsidiaries *(Note 33)*	684,089	–	–	–	684,089
– Other customers	1,144,034	558,839	135,915	20,360	1,859,148
Revenue from external customers	1,828,123	558,839	135,915	20,360	2,543,237
Segment results	85,863	377,814	(1,194)	2,600	465,083
– Other income					8,675
– Other gains and losses					90,592
– General and administrative expenses					(156,835)
– Interest income					3,409
– Interest expenses					(111,716)
– Share of results of investments accounted for using the equity method					505
Profit before income tax					299,713
Other information for reportable segments:					
Depreciation	(69,739)	(1,041)	(1,480)	(119)	(72,379)
Amortisation of land use rights	(667)	(204)	(50)	(7)	(928)

6. OTHER INCOME

	Year ended 31 December 2015 **HK$'000**	Year ended 31 December 2014 *HK$'000*
Rental income	**3,019**	—
Assembling service	**2,915**	5,279
Compensation	**1,343**	3,396
	7,277	8,675

7. OTHER GAINS AND LOSSES

	Year ended 31 December 2015 **HK$'000**	Year ended 31 December 2014 *HK$'000*
Fair value gain or loss on:		
— Derivative component of convertible bond	**62,088**	41,252
— Redemption of wealth management products purchased from financial institutions	**10,432**	—
— Interest rate swap contract	**—**	(5,099)
Gain on disposal of property, plant and equipment and land use rights	**6,881**	34,581
Reversal of impairment of property, plant and equipment *(Note 15(b))*	**—**	42,801
Gain on liquidation of subsidiaries	**—**	4,104
Provision for impairment of trade and other receivable	**(8,446)**	(16,890)
Reversal of impairment of trade and other receivable	**10,296**	11,306
Net foreign exchange losses	**(61,916)**	(22,923)
Loss on early settlement of interest rate swap contract	**(7,552)**	—
Others	**2,083**	1,460
	13,866	90,592

8. EXPENSES BY NATURE

	Year ended 31 December 2015 *HK$'000*	Year ended 31 December 2014 *HK$'000*
Cost of gas purchased	**1,662,840**	1,739,913
Changes in inventories	**3,889**	(1,360)
Cost of pipeline materials	**74,095**	88,051
Subcontractor and other costs	**72,370**	84,148
Employee benefit expense *(Note 9(a))*	**155,944**	148,778
Depreciation		
— Cost of sales	**77,827**	67,641
— General and Administrative expenses	**3,516**	4,738
Operating lease rental	**9,894**	12,271
Amortisation of land use rights	**1,196**	928
Auditor's remuneration — as audit service	**2,993**	3,603
Other professional fees	**14,505**	4,275
Others	**95,079**	82,003
Total cost of sales and general and administrative expenses	**2,174,148**	2,234,989

Note:

Certain selling and marketing personnel are also handling administrative activities and their respective employee benefit expenses cannot be allocated reasonably. Therefore, all the employee benefit expenses of selling and marketing personnel are included in general and administrative expenses.

9. EMPLOYEE BENEFIT EXPENSE

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

	Year ended 31 December 2015 *HK$'000*	Year ended 31 December 2014 *HK$'000*
Salaries, allowances and benefits in kind	**110,498**	104,998
Retirement benefits	**23,764**	22,040
Other welfares	**21,682**	21,740
	155,944	148,778

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

	Directors' fee *HK$'000*	Salaries *HK$'000*	Performance related bonuses *HK$'000*	Retirement benefits *HK$'000*	Others *HK$'000*	Total *HK$'000*
For the year ended 31 December 2015						
Executive Directors:						
Mr. ZHANG Bing Jun	400	–	–	–	–	400
Mr. GAO Liang *(Note)*	200	1,134	2,249	41	162	3,786
	600	1,134	2,249	41	162	4,186
Non-Executive Directors:						
Mr. ZHANG Jun	200	–	–	–	–	200
Mr. WANG Gang	200	–	–	–	–	200
Ms. ZHU Wen Fang	200	–	–	–	–	200
Mr. SHEN Xiao Lin	200	–	–	–	–	200
Mr. LI Wei	200	–	–	–	–	200
Ms. SHI Jing	200	–	–	–	–	200
	1,200	–	–	–	–	1,200
Independent Non-Executive Directors:						
Mr. LAU Siu Ki, Kevin	264	–	–	–	–	264
Mr. IP Shing Hing	264	–	–	–	–	264
Mr. Japhet Sebastia LAW	264	–	–	–	–	264
Mr. TSE Tak Yin	264	–	–	–	–	264
	1,056	–	–	–	–	1,056
	2,856	1,134	2,249	41	162	6,442

The executive director's emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The non-executive director's emoluments shown above were mainly for their services as directors of the Company.

The independent non-executive director's emoluments shown above were mainly for their services as directors of the Company.

	Directors' fee HK$'000	Salaries HK$'000	Performance related bonuses HK$'000	Retirement benefits HK$'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	1,364	3,294	39	154	5,051
	600	1,375	3,294	39	154	5,462
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
	1,084	44	–	–	–	1,128
Independent Non-Executive Directors:						
Mr. LAU Siu Ki, Kevin	264	11	–	–	–	275
Mr. IP Shing Hing	264	11	–	–	–	275
Mr. Japhet Sebastia LAW	264	11	–	–	–	275
Mr. TSE Tak Yin	264	11	–	–	–	275
	1,056	44	–	–	–	1,100
	2,740	1,463	3,294	39	154	7,690

Note:

Mr. GAO Liang is also the chief executive of the Company and his emolument as Chief Executive Officer is included in above.

(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 2014: one director) whose emoluments are reflected in the analysis presented above. The emoluments paid to the four highest paid individuals are as follows:

	Year ended 31 December 2015 ***HK$'000***	Year ended 31 December 2014 *HK$'000*
Salaries	**2,651**	2,970
Performance related bonuses	**4,704**	6,506
Retirement benefits	**165**	155
Other welfares	**646**	617
	8,166	10,248

The emoluments fell within the following bands:

	Number of individuals	
	2015	2014
Emolument bands (in HK Dollars)		
Nil – HK$1,000,000	**1**	—
HK$1,000,001 — HK$1,500,000	**—**	1
HK$1,500,001 — HK$2,000,000	**1**	1
HK$2,500,001 — HK$3,000,000	**2**	—
HK$3,000,001 — HK$3,500,000	**—**	1
HK$3,500,001 — HK$4,000,000	**—**	1

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 during both years.

None of directors has waived any emoluments in the years ended 31 December 2015 and 2014.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

10. INTEREST INCOME AND EXPENSES

	Year ended 31 December 2015 *HK$'000*	Year ended 31 December 2014 *HK$'000*
Interest on bank borrowings	**49,068**	73,209
Interest on US Dollar bond	**35,690**	—
Interest on RMB bond	**34,871**	45,357
Interest expense on convertible bonds	**30,596**	30,116
Other borrowing costs	**—**	1,777
	150,225	150,459
Less: Amounts capitalised as part of the cost of property, plant and equipment *(Note)*	**(37,124)**	(38,743)
Interest expenses	**113,101**	111,716
Interest income	**(7,659)**	(3,409)

Note:

Amount included interest expenses from general borrowings capitalised at a rate of 6.35% (Year ended 31 December 2014: 7.84%).

11. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

The amounts recognised in the consolidated statement of financial position are as follows:

	31 December 2015 ***HK$'000***	31 December 2014 *HK$'000*
Joint ventures	**34,226**	36,974
An associate	**21,262**	19,539
	55,488	56,513

The amounts recognised in the consolidated statement of profit or loss are as follows:

	Year ended 31 December 2015 ***HK$'000***	Year ended 31 December 2014 *HK$'000*
Joint ventures	**(1,103)**	(1,012)
An associate	**2,664**	1,517
	1,561	505

The movement of investment in associate is as follows:

	Year ended 31 December 2015 ***HK$'000***	Year ended 31 December 2014 *HK$'000*
At 1 January 2015 and 2014	**19,539**	6,941
Additional investment	**–**	11,379
Share of results	**2,664**	1,517
Currency translation differences	**(941)**	(298)
At 31 December 2015 and 2014	**21,262**	19,539

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

The movement of investment in joint ventures is as follows:

	Year ended 31 December 2015 *HK$'000*	Year ended 31 December 2014 *HK$'000*
At 1 January 2015 and 2014	**36,974**	38,840
Share of results	**(1,103)**	(1,012)
Currency translation differences	**(1,645)**	(854)
At 31 December 2015 and 2014	**34,226**	36,974

As at 31 December 2015, the Group had interest in the following joint ventures:

Name of Jointed Ventures	Nature	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") *(Note 1)*	Joint venture	Tianjin, China	40	Connection services and sale of gases	Equity
Sinopec Binhai Investment (Tianjin) Natural Gas Utilisation ("SBI") *(Note 2)*	Joint venture	Tianjin, China	50	Gas utilisation technology development	Equity

Note 1:

On 12 April 2010, the subsidiary of the Group entered into a joint venture agreement ("JV Agreement 1") with two independent third parties for the establishment of Tianjin Airport Gas. The principal activity of Tianjin Airport Gas is the operation and management of gas pipeline connection and the sale and distribution of piped gas. Upon establishment, Tianjin Airport Gas owned as to 40% by the Group, 40% and 20% by the other two investors respectively. The board of directors of Tianjin Airport Gas comprise 5 directors, 2 of which are appointed by the Group. Under the JV Agreement 1, all of the board of directors are required to approve for decision on directing the relevant activities of Tianjin Airport Gas and hence in the opinion of the Directors, the Group's interest in Tianjin Airport Gas is accounted for as a joint venture.

Note 2:

On 28 April 2013, the subsidiary of the Group entered into a joint venture agreement ("JV Agreement 2") with an independent third party for the establishment of SBI. The principal activity of SBI is the Gas utilisation technical development operation. Upon establishment, SBI owned as to 50% by the Group and 50% by another investor. The board of directors of SBI comprise 5 directors, 2 of which are appointed by the Group. Under the JV Agreement 2, the quorum of the board of director meeting is required two-third of board of directors to attend and all the directors who attend in the board of directors meeting are required to approve for decision on directing the relevant activities of SBI and hence in the opinion of the Directors, the Group's interest in SBI is accounted for as a joint venture.

As at 31 December 2015, the Group had interest in an associate:

Name of an Associate	Nature	Place of business/ country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Qinhuangdao Taixing Gas Co., Ltd. ("Qinhuangdao Taixing")	Associate	Qinhuangdao, China	45	Connection services and sale of gases	Equity

The associate and 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 associate and joint ventures.

Summarised financial information for joint ventures

Set out below are the summarised financial information for an associate and two joint ventures which are accounted for using the equity method.

Summarised statement of financial position

At 31 December 2015	Joint ventures Tianjin Airport Gas *HK$'000*	 SBI *HK$'000*	 Total *HK$'000*	Associate Qinhuangdao Taixing *HK$'000*
Current				
Cash and cash equivalents	19,215	11,793	31,008	19,693
Other current assets (excluding cash)	458	8,072	8,530	25,494
Total current assets	19,673	19,865	39,538	45,187
Other current liabilities (including trade payables)	16,915	–	16,915	25,420
Total current liabilities	16,915	–	16,915	25,420
Total non-current assets	29,332	22,915	52,247	27,482
Net assets	32,090	42,780	74,870	47,249

Summarised statement of profit or loss

Year ended at 31 December 2015	Joint ventures Tianjin Airport Gas HK$'000	SBI HK$'000	Total HK$'000	Associate Qinhuangdao Taixing HK$'000
Revenue	16,362	–	16,362	72,938
Cost of sales/General and administrative expenses	(17,343)	(2,882)	(20,225)	(64,994)
Interest income	683	915	1,598	67
Profit/(loss) before income tax	(298)	(1,967)	(2,265)	8,011
Income tax expense	–	–	–	(2,092)
Profit/(loss) for the year	(298)	(1,967)	(2,265)	5,919

Summarised statement of financial position

At 31 December 2014	Joint ventures Tianjin Airport Gas HK$'000	SBI HK$'000	Total HK$'000	Associate Qinhuangdao Taixing HK$'000
Current				
Cash and cash equivalents	23,425	26,832	50,257	34,930
Other current assets (excluding cash)	930	16,510	17,440	12,823
Total current assets	24,355	43,342	67,697	47,753
Other current liabilities (including trade payables)	16,267	–	16,267	25,124
Total current liabilities	16,267	–	16,267	25,124
Total Non-current assets	25,825	3,476	29,301	20,791
Net assets	33,913	46,818	80,731	43,420

Summarised statement of profit or loss

Year ended at 31 December 2014	Joint ventures Tianjin Airport Gas HK$'000	SBI HK$'000	Total HK$'000	Associate Qinhuangdao Taixing HK$'000
Revenue	8,454	–	8,454	59,588
Cost of sales/General and administrative expenses	(8,124)	(2,615)	(10,739)	(55,059)
Interest income	72	269	341	–
Interest expense	–	–	–	(19)
Profit/(loss) before income tax	402	(2,346)	(1,944)	4,510
Income tax expense	–	–	–	(1,139)
Profit/(loss) for the year	402	(2,346)	(1,944)	3,371

The information above reflects the amounts presented in the financial statements of the joint ventures and an associate, adjusted for differences in accounting policies between the Group and the joint ventures and an associate.

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

	Joint ventures						Associate	
	Tianjin Airport Gas		SBI		Total		Qinhuangdao Taixing	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Opening net assets 1 January	**33,913**	34,278	**46,818**	50,256	**80,731**	84,534	**43,420**	15,426
Additions	**–**	–	**–**	–	**–**	–	**–**	25,288
Profit/(loss) for the year	**(298)**	402	**(1,967)**	(2,346)	**(2,265)**	(1,944)	**5,919**	3,371
Currency translation differences	**(1,525)**	(767)	**(2,071)**	(1,092)	**(3,596)**	(1,859)	**(2,090)**	(665)
Closing net assets	**32,090**	33,913	**42,780**	46,818	**74,870**	80,731	**47,249**	43,420
Interest in associate and joint ventures (40%; 50%; 45%)	**12,836**	13,565	**21,390**	23,409	**34,226**	36,974	**21,262**	19,539
Carrying value	**12,836**	13,565	**21,390**	23,409	**34,226**	36,974	**21,262**	19,539

12. INCOME TAX EXPENSES

There was no Hong Kong profit tax provided for the year ended 31 December 2015 (year ended 31 December 2014: HK$89,100).

Subsidiaries established in the PRC are subject to the PRC enterprise income tax ("EIT") at the rate of 25% (year ended 31 December 2014: 25%).

	Year ended 31 December 2015	Year ended 31 December 2014
	HK$'000	*HK$'000*
Current tax:		
Current tax on profits for the year	**94,290**	71,920
Deferred tax *(Note 29)*:		
Utilisation of deferred tax assets recognised on previously tax losses	**–**	8,823
Income tax expenses	**94,290**	80,743

The tax charge for the year can be reconciled to the profit before tax per consolidated statement of profit or loss as follows:

	Year ended 31 December 2015 *HK$'000*	Year ended 31 December 2014 *HK$'000*
Profit before income tax	**297,876**	299,713
Calculated at the PRC enterprise income taxation rate of 25%	**74,468**	74,929
Effect of different tax rate of group entity	**(5)**	2,454
Tax effect of income not taxable	**(2,013)**	(2,372)
Tax effect of share of results of investments accounted for using the equity method	**(390)**	(505)
Tax effect of expenses not deductible	**3,545**	5,600
Tax losses for which no deferred income tax asset was recognised	**19,375**	13,373
Tax effect on reversal of deductible temporary differences previously not recognised	**–**	(10,700)
Utilisation of previously unrecognised tax losses	**(68)**	(2,200)
Others	**(622)**	164
Tax charge	**94,290**	80,743

13. EARNINGS PER SHARE

(a) Basic

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

	Year ended 31 December 2015	Year ended 31 December 2014
Earnings		
Profit attributable to owners of the Company *(HK$'000)*	**198,860**	213,635
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,174,348,950**	1,173,302,063

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 2015, conversion rights in respect of 70,512,195 convertible preference shares (2014: 99,487,805) were exercised, pursuant to which 2,350,406,499 (2014: 3,316,260,166) new ordinary shares before the share consolidation of the Company were issued.

As the convertible preference shares would be automatically converted into ordinary shares of the Company by the tenth anniversary of issue, ordinary shares that were issuable solely after the passage of time were not contingently issuable shares and were included in the calculation of basic earnings per share. The remaining convertible preference shares were converted into ordinary shares during the year of 2015.

On 14 May 2015, the Company implemented a share consolidation on the basis that every ten (10) issued and unissued ordinary shares of par value of HK$0.01 each in the share capital of the Company be consolidated into one (1) ordinary share of par value of HK$0.10 each. As a result of the share consolidation, the weighted average number of ordinary shares was 1,174,348,950 consolidated ordinary shares. The weighted average number of ordinary shares adopted in the calculation of the basic and diluted earnings per share for the year ended 31 December 2014 has been adjusted retrospectively.

(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 because the exercise price of those options was higher than the average market price for share for both 2015 and 2014.

	Year ended 31 December 2015 ***HK$'000***	Year ended 31 December 2014 *HK$'000*
Earnings		
Profit attributable to the owners of the Company	**198,860**	213,635
Interest expense on convertible bonds	**30,596**	30,116
Fair value gain on derivative component of convertible bonds	**(62,088)**	(41,252)
Profit used to determine diluted earnings per share	**167,368**	202,499
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,174,348,950**	1,173,302,063
Adjustments for assumed conversion of convertible bonds	**76,480,263**	76,656,643
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,250,829,213**	1,249,958,706

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 2014	48,098
Currency translation differences	(1,103)
Additions	6,447
Disposals	(2,228)
Amortisation charge	(928)
As at 31 December 2014	50,286
Currency translation differences	(2,243)
Disposals	(1,598)
Amortisation charge	(1,196)
As at 31 December 2015	45,249

The Group is in the process of applying for the title to certain land use rights with net carrying value of approximately HK$3.9 million (approximately RMB3.3 million) as at 31 December 2015 (Year ended 31 December 2014: HK$7.9 million or approximately RMB6.3 million). The Directors 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 2014						
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
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 31(b))*	(5,411)	(1,821)	(20,016)	(220)	(3,339)	(30,807)
Transfers	5,828	6,591	135,900	4	(148,323)	–
Depreciation charge *(Note 8)*	(4,930)	(6,176)	(52,049)	(9,224)	–	(72,379)
Reversal of impairment charge *(Note (b))*	–	–	42,801	–	–	42,801
Written off of impairment *(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 to the Consolidated Financial Statements

For the year ended 31 December 2015

	Leasehold land and building 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 2015						
Opening carrying amount	43,288	37,393	1,845,259	17,322	640,392	2,583,654
Currency translation differences	(2,350)	(1,536)	(94,136)	(352)	(24,491)	(122,865)
Additions	522	1,662	5,677	2,406	380,178	390,445
Disposals *(Note 31(b))*	(2,532)	(18,102)	(8,247)	(618)	(19,290)	(48,789)
Transfers	9,732	29,535	509,117	16	(548,400)	–
Depreciation charge *(Note 8)*	(4,551)	(6,009)	(64,836)	(5,947)	–	(81,343)
Written off of impairment *(Note (c))*	3,359	3,215	4,581	36	–	11,191
Closing carrying amount	47,468	46,158	2,197,415	12,863	428,389	2,732,293
At 31 December 2015						
Cost	117,603	134,630	2,437,811	77,724	428,389	3,196,157
Accumulated depreciation	(44,290)	(35,892)	(185,635)	(60,666)	–	(326,483)
Impairment charge	(25,845)	(52,580)	(54,761)	(4,195)	–	(137,381)
Carrying amount	47,468	46,158	2,197,415	12,863	428,389	2,732,293

Notes:

(a) The Group is in the process of applying for the title to certain buildings with net carrying value of approximately HK$18.69 million (approximately RMB15.65 million) as at 31 December 2015 (31 December 2014: HK$13.82 million (approximately RMB11.06 million)). The Directors believe that the title documents will be obtained in due course without significant additional cost.

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

(i) The impairment of HK$11.69 million was written of because of the proceeds on the assets disposal were higher than the carrying values of the disposed assets for the year ended 31 December 2014.

(ii) The total amount of assets impairment reversal based on reassessment was 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 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) The impairment of HK$11.2 million was written of because of the proceeds on the assets disposal were higher than the carrying amount of the disposed assets for the year ended 31 December 2015.

(d) Movements of the provision for impairment charges are as follows:

	Year ended 31 December 2015 ***HK$'000***	Year ended 31 December 2014 *HK$'000*
At 1 January	**155,920**	214,872
Currency translation differences	**(7,348)**	(4,458)
Reversal of impairment charge	**—**	(42,801)
Written off of impairment charge on disposals	**(11,191)**	(11,693)
At 31 December	**137,381**	155,920

16. INTANGIBLE ASSETS

The cost of license held by the Group of approximately HK$4.6 million (approximately RMB4 million) has been fully provided for since 31 March 2004.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

17. FINANCIAL INSTRUMENTS BY CATEGORY

Assets as per consolidated statement of financial position	Loans and receivables 31 December 2015 *HK$'000*	 31 December 2014 *HK$'000*
Trade and other receivables excluding prepayments	**482,531**	507,913
Cash and cash equivalents and restricted cash	**343,815**	484,841
Total	**826,346**	992,754

At 31 December 2015

Liabilities as per consolidated financial position	Financial liabilities at fair value through profit and loss *HK$'000*	Other financial liabilities at amortised cost *HK$'000*	Total *HK$'000*
Borrowings	**—**	**1,794,307**	**1,794,307**
Derivative financial instruments	**9,793**	**—**	**9,793**
Trade and other payables excluding non-financial liabilities	**—**	**764,706**	**764,706**
Amount due to immediate holding company	**—**	**5,069**	**5,069**
Total	**9,793**	**2,564,082**	**2,573,875**

At 31 December 2014

Liabilities as per consolidated statement of financial position	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
Amount due to immediate holding company	—	5,557	5,557
Total	91,935	2,635,812	2,727,747

18. INVENTORIES

	31 December 2015 ***HK$'000***	31 December 2014 *HK$'000*
Materials for gas pipelines	**49,708**	46,867
Gases	**2,960**	6,849
	52,668	53,716

The cost of inventories recognised as expense and included in the cost of sales amounted to HK$1,805 million (Year ended 31 December 2014: HK$1,908 million).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

19. TRADE AND OTHER RECEIVABLES

	Notes	**31 December 2015 HK$'000**	31 December 2014 HK$'000
Trade receivables		**349,111**	339,981
Less: provision for impairment of trade receivables		**(46,558)**	(51,370)
	(c)	**302,553**	288,611
Bills receivables		**44,399**	56,394
		346,952	345,005
Advances to suppliers		**202,395**	193,340
Less: provision for impairment	*(g)*	**(79,017)**	(82,398)
		123,378	110,942
Prepayments and other receivables		**47,874**	51,936
Less: provision for impairment	*(h)*	**(8,424)**	(8,453)
		39,450	43,483
Receivables from related parties *(Note 33)*		**91,544**	115,150
		601,324	614,580
Less: advance payment for pipeline construction		**(52,189)**	(42,090)
Current portion		**549,135**	572,490

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

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

(c) Aging analysis of the trade receivables is as follows:

	31 December 2015 HK$'000	31 December 2014 HK$'000
0—90 days	**121,962**	181,137
91—180 days	**37,235**	19,755
181—360 days	**64,906**	41,236
Over 360 days	**125,008**	97,853
	349,111	339,981
Less: provision for impairment of trade receivables	**(46,558)**	(51,370)
	302,553	288,611

(d) Aging analysis of the trade receivables and bills receivables net of allowance presented based on the date of the billing date which approximate to revenue recognition date are as follows:

	31 December 2015 HK$'000	31 December 2014 HK$'000
0—90 days	**158,992**	236,103
91—180 days	**44,604**	21,183
181—360 days	**64,906**	41,236
Over 360 days	**78,450**	46,483
	346,952	345,005

Before accepting any new customer, the Group will assess credit worthiness by customer in considering the customer's quality and determine the credit terms for that customer. In addition, the Group has reviewed the repayment history of receivables by each customer with reference to the payment terms stated in contracts to determine the recoverability of a trade receivable. In the opinion of the Directors, receivables neither past due nor impaired have good settlement records and no default history at the end of the reporting date.

(e) Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$86 million (2014: HK$49 million) which are past due at the end of the reporting period for which the Group has not provided for impairment loss because there is no significant change in credit quality of those customers and the amounts are still considered recoverable. The Group do not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

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

	31 December 2015 *HK$'000*	31 December 2014 *HK$'000*
91 — 180 days	**3,217**	268
181 — 360 days	**4,523**	221
Over 360 days	**78,450**	48,732
	86,190	49,221

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

	Year ended 31 December 2015 *HK$'000*	Year ended 31 December 2014 *HK$'000*
At 1 January	**(51,370)**	(48,923)
Currency translation differences	**2,209**	1,128
Impairment of trade receivables	**(5,464)**	(13,332)
Write back of impairment	**8,009**	9,757
Write off of impairment	**58**	—
At 31 December	**(46,558)**	(51,370)

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.

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

	Year ended 31 December 2015 **HK$'000**	Year ended 31 December 2014 *HK$'000*
At 1 January	**(82,398)**	(82,666)
Currency translation differences	**3,715**	1,856
Impairment of advances to suppliers	**(2,597)**	(3,080)
Write back of impairment	**2,263**	1,492
At 31 December	**(79,017)**	(82,398)

Provision for impairment of approximately HK$79 million (Year ended 31 December 2014: HK$82 million) principally relates to advances to suppliers which arose as a result of termination of trading relationships.

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

	Year ended 31 December 2015 **HK$'000**	Year ended 31 December 2014 *HK$'000*
At 1 January	**(8,453)**	(8,220)
Currency translation differences	**390**	188
Impairment of prepayments and other receivables	**(385)**	(478)
Write back of impairment	**24**	57
At 31 December	**(8,424)**	(8,453)

20. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	31 December 2015	31 December 2014
	HK$'000	*HK$'000*
Cash at bank and in hand	**331,184**	463,236
Restricted cash *(Note)*	**12,631**	21,605

Note: The amount represents deposits pledged to certain banks as collaterals for short-term trade facilities granted to the Group and is therefore classified as a current asset. The deposits carry interest at the prevailing market interest rate. The pledged deposits will be released upon the settlement of relevant liabilities under the trade facilities.

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

	31 December 2015	31 December 2014
	HK$'000	*HK$'000*
RMB	**307,085**	382,223
HK Dollars	**10,841**	90,840
US Dollars	**25,889**	11,778
	343,815	484,841

Note:

The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of bank deposits mentioned above.

The conversion of RMB 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

	31 December 2015 *HK$'000*	31 December 2014 *HK$'000*
Property under development		
Land use rights	**18,127**	18,982
Construction costs and capitalised expenditure	**118,978**	125,983
	137,105	144,965

Note: 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, which was classified as property under development measured using cost method prior to classification to assets held for sale.

During the year, the Directors are still committed to sell the property under development and consider the disposal remains highly probable as the Group has identified a new potential buyer. The Directors consider it is appropriate that the property under development is continued to be classified as held-for-sales in the consolidated statement of financial position as at 31 December 2015.

22. SHARE CAPITAL

	2015		2014	
	Number of shares		Number of shares	
	Thousands	***HK$'000***	*Thousands*	*HK$'000*
Authorised:				
Ordinary shares of HK$0.01 each	**15,000,000**	**150,000**	15,000,000	150,000
Share consolidation *(Note (i))*	**(13,500,000)**	**–**	–	–
Ordinary shares of HK$0.1 each	**1,500,000**	**150,000**	15,000,000	150,000
Fully paid:				
As at 1 January	**9,393,083**	**93,931**	5,995,522	59,955
Share issued on exercise of convertible bonds	**–**	**–**	81,301	813
Share issued on exercise of convertible preferential shares	**2,350,406**	**23,504**	3,316,260	33,163
As at 31 December	**11,743,489**	**117,435**	9,393,083	93,931
Share consolidation *(Note (i))*	**(10,569,140)**	**–**	–	–
After share consolidation	**1,174,349**	**117,435**	9,393,083	93,931
Convertible Preference Shares of HK$1.00 each *(Note (ii))*				
Authorised:	**170,000**	**170,000**	170,000	170,000
Fully paid:				
As at 1 January	**70,512**	**70,512**	170,000	170,000
Converted to ordinary shares	**(70,512)**	**(70,512)**	(99,488)	(99,488)
As at 31 December	**–**	**–**	70,512	70,512

	31 December 2015		31 December 2014	
	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(iii))*	**8,600**	**430,000**	8,600	430,000
Total				
Authorised:		**750,000**		750,000
Issued and fully paid:		**547,435**		594,443

Notes:

(i) Share Consolidation

On 14 May 2015, the Company implement the share consolidation on the basis that every ten (10) issued and unissued existing ordinary shares of HK$0.01 each in the share capital of the Company be consolidated into one (1) consolidated ordinary share of HK$0.10 each.

(ii) 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"), the immediate holding company, a state-owned enterprise under supervision of the Tianjin State-owned Assets Supervision and Administration Commission 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 remaining outstanding 70,512,195 Convertible Preference Shares were exercised, pursuant to which 2,350,406,499 new ordinary shares of HK$0.01 each were issued.

(iii) Redeemable Preference Shares of HK$50.00

The Company issued 8.6 million Redeemable Preference Shares on 4 May 2009 to Cavalier Asia Limited, a company owned by a state-owned enterprise, 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 exercise prices are as follows:

	31 December 2015		31 December 2014	
	Exercise prices	**Share options**	Exercise prices	Share options
	HK$'000	***'000***	*HK$'000*	*'000*
Beginning balance	**0.56**	**62,000**	0.56	69,000
Shares consolidation		**(55,800)**		–
After share consolidation	**5.6**	**6,200**	0.56	69,000
Lapsed	**5.6**	**(650)**	0.56	(7,000)
Ending balance *(Note)*	**5.6**	**5,550**	0.56	62,000

Note:

Upon the share consolidation of the Ordinary Shares of the Company taking effect on 14 May 2015, the total number of shares that will be issued upon the exercise of the outstanding share options under the share option scheme was adjusted from 55,500,000 ordinary shares of HK$0.01 each to 5,550,000 consolidated ordinary shares of HK$0.10 each, and the exercise price of such options had also been adjusted from HK$0.56 per ordinary share of HK$0.01 each to HK$5.60 per consolidated ordinary share of HK$0.10 each.

(b) Share options at the end of reporting period and their remaining contractual lives are as follows:

	31 December 2015		31 December 2014	
	Remaining contractual life number of years	**Share options**	Remaining contractual life number of years	Share options
		'000		*'000*
Exercise price HK$0.56	**4.7**	**55,500**	5.7	62,000
Share consolidation		**(49,950)**		–
Exercise price HK$5.6	**4.7**	**5,550**	5.7	62,000

24. OTHER RESERVES AND SHARE PREMIUM

	Capital surplus	**Exchange reserve**	**Statutory reserves**	**Employee share option reserve**	**Others**	**Total**
	(Note (i))	*(Note (ii))*	*(Note (iii))*			
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2014	4,091	(63,977)	2,561	19,920	(19,169)	(56,574)
Currency translation differences	–	(20,489)	–	–	–	(20,489)
Ordinary shares issued for exercising of conversion rights – convertible bonds	–	–	–	–	–	–
Ordinary shares issued for exercising of conversion rights – convertible preference shares	–	–	–	–	–	–
Employee share options lapsed	–	–	–	(2,021)	–	(2,021)
Balance at 31 December 2014	4,091	(84,466)	2,561	17,899	(19,169)	(79,084)
Currency translation differences	–	(63,747)	–	–	–	(63,747)
Ordinary shares issued for exercising of conversion rights – convertible preference shares	–	–	–	–	–	–
Employee share options lapsed	–	–	–	(1,876)	–	(1,876)
Balance at 31 December 2015	4,091	(148,213)	2,561	16,023	(19,169)	(144,707)

Note:

(i) Capital 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.

25. TRADE AND OTHER PAYABLES

	Notes	**31 December 2015** ***HK$'000***	31 December 2014 *HK$'000*
Trade payables	*(b)*	**279,657**	312,099
Advance from customers		**152,712**	106,699
Other payables	*(c)*	**466,030**	500,199
Accrued expenses		**28,345**	28,354
Amounts due to related parties *(Note 33)*		**4,026**	536
	(a)	**930,770**	947,887

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

	31 December 2015 ***HK$'000***	31 December 2014 *HK$'000*
RMB	**919,691**	936,698
HK Dollars	**11,079**	11,189
	930,770	947,887

(b) At 31 December 2015, the aging analysis of the trade payables based on invoice date is as follows:

	31 December 2015 HK$'000	31 December 2014 HK$'000
0 — 90 days	**84,206**	109,763
91 — 180 days	**24,224**	31,827
181 — 360 days	**42,303**	43,381
Over 360 days	**128,924**	127,128
	279,657	312,099

(c) At 31 December 2015, the details of the Group's other payables are as follows:

	31 December 2015 HK$'000	31 December 2014 HK$'000
Other payable for pipeline construction	**348,280**	384,903
Other Tax Payable	**13,983**	14,136
Payroll Payable	**1,669**	1,469
Others	**102,098**	99,691
	466,030	500,199

26. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

The amounts due to immediate holding as at 31 December 2015 and 31 December 2014 were trade in nature, unsecured and non-interest bearing. The credit period is 90 days.

	31 December 2015	31 December 2014
	HK$'000	*HK$'000*
Amount due to immediate holding company	**5,069**	5,557

27. BORROWINGS

	Notes	**31 December 2015**	31 December 2014
		HK$'000	*HK$'000*
US Dollar bond	*(a)*	**1,533,411**	—
Convertible bonds	*(b)*	**260,896**	233,097
RMB bond	*(c)*	**—**	621,793
Bank borrowings:			
— Secured by share of subsidiaries	*(d)*	**—**	761,434
— Unsecured	*(e)*	**—**	187,547
Total		**1,794,307**	1,803,871
Less: Current portion		**260,896**	957,238
Non-current portion		**1,533,411**	846,633

	Notes	31 December 2015 HK$'000	31 December 2014 HK$'000
Current portion			
Convertible bonds	(b)	**260,896**	—
RMB bond	(c)	**—**	621,793
Bank borrowings:			
— Secured by share of subsidiaries	(d)	**—**	147,898
— Unsecured	(e)	**—**	187,547
		260,896	957,238

Notes:

(a) USD bond

On May 6 2015, the Company issued the bonds in the aggregate principal amount of US$200,000,000 (equivalent to HK$1,546,740,000). The bonds will mature on 6 May 2018, unless purchased for cancelled in accordance with the terms and conditions stated in the agreement, and except for the following early redeemed events which is stated in the terms and conditions of the agreement: (i) as a result of any change in the laws or regulations of Hong Kong, Bermuda or the PRC or any political subdivision or any authority thereof having power to tax or any change in the application or official in interpretation of such laws or regulations which change became effective on or after 28 April 2015, which the Company would be required to pay additional tax amounts in respect of the bonds and such obligation cannot be avoided by the Company taking reasonable measures available to it and (ii) at any time following the occurrence of a change of control of the Company (the "Early Redemption Events"). The estimated fair value of the rights on Early Redemption Events is insignificant at initial recognition. The bonds carried interest at a rate of 3.25% per annum, payable semi-annually in arrears. The effective interest rate of the bonds is 3.58% per annum.

(b) Convertible bonds

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 bond.

Since the denominated currency (HK$) of the convertible bond 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. The convertible bonds are separated into debt and derivative component as initial recognition. Information relating to the derivative component is described in note 28 (a).

The conversion price of the convertible bonds was adjusted from HK$0.3690 per ordinary share of par value HK$0.01 each to HK$0.3648 per ordinary share of par value HK$0.01 each after the record date for the 2013 final dividend of the Company on 12 May 2014. Such adjustment was in accordance with the terms of the convertible bonds and was applicable to those convertible bonds which had not yet been converted at the time the adjustment took effect. The then outstanding convertible bonds in the principal amount of HK$279,000,000 which had not yet been converted would be convertible into 764,802,631 ordinary shares at the adjusted conversion price of HK$0.3648 per ordinary share of par value HK$0.01 each.

On 14 May 2015, upon the share consolidation becoming effective, the conversion price of the outstanding convertible bonds were adjusted from HK$0.3648 per ordinary share of par value of HK$0.01 each to HK$3.648 per consolidated ordinary share of par value HK$0.1 each. The outstanding convertible bonds in the principal amount of HK$279,000,000 which has not yet been converted will be convertible into 76,480,263 consolidated ordinary shares at the adjusted conversion price of HK$3.648 per consolidated ordinary share of par value HK$0.1 each.

The carrying values of debt component of the convertible bonds as at 31 December 2015 are as follows:

	31 December 2015 *HK$'000*
Debt component at 31 December 2013	**228,541**
Exercising of conversion rights	**(22,744)**
Amortisation using the effective interest method	**27,300**
Debt component at 31 December 2014	**233,097**
Amortisation using the effective interest method	**27,799**
Debt component at 31 December 2015	**260,896**
Number of conversion shares at 31 December 2014 (shares)	**764,802,631**
Share Consolidation	**(688,322,368)**
Number of conversion shares at 31 December 2015 (shares)	**76,480,263**

(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. The Bonds were repaid in 2015.

(d) 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 Hong Kong Interbank Offered Rates ("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. The loans were repaid on 29 June 2015.

(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. The loan was repaid in 2015.

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

	31 December 2015 *HK$'000*	31 December 2014 *HK$'000*
US Dollars	**1,533,411**	—
HK Dollars	**260,896**	994,531
RMB	**—**	809,340
	1,794,307	1,803,871

(g) The maturity of the borrowings:

	31 December 2015 *HK$'000*	31 December 2014 *HK$'000*
Within one year	**260,896**	957,238
Over one year, less than two years	**—**	486,181
Over two years, less than five years	**1,533,411**	360,452
	1,794,307	1,803,871

28. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2015		31 December 2014	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Derivative component of convertible bond *(Note a)*	**–**	**9,793**	–	71,881
Interest rate swap contract *(Note b)*	**–**	**–**	–	20,054
	–	**9,793**	–	91,935

Note:

(a) 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 2015 and 31 December 2014 as follows:

	31 December 2015	31 December 2014
	HK$'000	*HK$'000*
Stock price *(Note)*	**2.45**	0.4150
Volatility	**58.03%**	39.43%
Dividend yield	**1.49%**	0.62%
Risk free rate	**0.1%**	0.358%

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 for the year ended 31 December 2015 resulted in a fair value gain of HK$62 million (2014: fair value gain of HK$41 million), which has been recorded in the consolidated statement of profit or loss for the year ended 31 December 2015 and 31 December 2014.

Note: On 14 May 2015, the Company implement the share consolidation on the basis that every ten (10) issued and unissued existing ordinary shares of HK$0.01 each in the share capital of the Company be consolidated into one (1) consolidated ordinary share of HK$0.10 each. The stock price used in calculating the derivative component of the convertible bonds as of 31 December 2014 was before share consolidation.

(b) 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 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 consolidated financial position and with fair value changes recognised in the consolidated statement of profit or loss.

As the Group repaid the syndicated loan of HK$775,000,000, the Group early terminated the Swap Contract on 23 June 2015. The termination settlement amount was HK$27,606,000.

29. DEFERRED INCOME TAX ASSETS

	Tax losses	
	31 December 2015	31 December 2014
	HK$'000	*HK$'000*
Beginning balance	**–**	8,924
Debited to consolidated statement of profit or loss	**–**	(8,823)
Currency translation differences	**–**	(101)
At 31 December 2015		
Ending balance	**–**	–

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$43.04 million (Year ended 31 December 2014: HK$29.03 million) in respect of losses amounting to HK$172.15 million (Year ended 31 December 2014: HK$116.13 million) that can be carried forward against future taxable income due to the unpredictability of future profit streams of the respective entities. Losses amounting to HK$5.32 million (2014: HK$7.08 million), HK$30.32 million (2014: HK$5.59 million), HK$12.30 million (2014: HK$33.18 million), HK$53.02 million (2014: HK$14.66 million) and HK$71.19 million (2014: HK$55.62 million) will expire in the following five years respectively.

In addition, no deferred tax asset is recognised in the Group's consolidated statement of financial position in relation to the impairment loss of property, plant and equipment recognised in previous year due to the unpredictable of the utilisation of the temporary difference in the future.

30. DIVIDENDS

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 up to HK$42,808,800 for the year ended 31 December 2014 .The 2014 final dividend was approved by the holders of ordinary shares at the annual general meeting of the Company held on 13 May 2015 (the "AGM"), and was paid before the end of June 2015. The actual amount of the total dividend paid was HK$42,746,301.82.

A dividend in respect of the year ended 31 December 2015 of HK$0.05 per ordinary share is proposed by the Directors in March 2016. This proposed dividend is subject to approval by the shareholders of the Company at the forthcoming annual general meeting. These consolidated financial statements do not reflect this dividend payable.

31. CASH GENERATED FORM OPERATIONS

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

	Year ended 31 December 2015 HK$'000	Year ended 31 December 2014 HK$'000
Profit before income tax	**297,876**	299,713
Adjustments for:		
— Interest income	**(7,659)**	(3,409)
— Depreciation	**81,343**	72,379
— Amortisation of land use rights	**1,196**	928
— Reversal of impairment on property, plant and equipment	**—**	(42,801)
— Provision for impairment of trade and other receivables	**8,446**	16,890
— Reversal of impairment of trade and other receivables	**(10,296)**	(11,306)
— Finance costs	**175,017**	134,639
— Loss on settlement of interest rate swap contract	**7,552**	—
— Fair value loss on derivative financial instruments	**—**	5,099
— Fair value gain on derivative component of convertible bond	**(62,088)**	(41,252)
— Gain on disposal of property, plant and equipment, land use rights and assets-for-held *(Note(b))*	**(6,881)**	(34,581)
— Gain on redemption of wealth management products purchased from financial institutions	**(10,432)**	—
— Gain on liquidation of subsidiaries	**—**	(4,104)
— Share of results from investments accounted for using equity method	**(1,561)**	(505)
Changes in working capital:		
— Inventories	**1,048**	(5,532)
— Amount due to immediate holding company	**(488)**	6,925
— Trade and other receivables	**(532)**	(62,661)
— Trade and other payables	**88,163**	(8,709)
Net cash generated from operations	**560,704**	321,713

(b) Movements on disposal of assets comprise:

	Year ended 31 December 2015 **HK$'000**	Year ended 31 December 2014 *HK$'000*
Net book amount of property, plant and equipment, land use rights and assets held for sale	**39,196**	31,067
Proceeds from disposals in current year	**(46,077)**	(65,648)
Gain on disposals	**(6,881)**	(34,581)

32. COMMITMENTS

(a) Capital commitments

Capital expenditure and property development commitment of the Group at the end of reporting period contracted but not yet incurred is as follows:

	31 December 2015 **HK$'000**	31 December 2014 *HK$'000*
Property, plant and equipment	**336,335**	421,729

(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 2015 *HK$'000*	31 December 2014 *HK$'000*
Not later than one year	**6,614**	4,950
Later than one year and not later than five years	**6,686**	4,530
Later than five years	**3,866**	4,118
	17,166	13,598

(c) Operating leases commitment — Group as lessor

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

	31 December 2015 *HK$'000*	31 December 2014 *HK$'000*
Not later than one year	**2,009**	—
Later than one year and not later than five years	**6,684**	—
Later than five years	**5,628**	—
	14,321	—

33. RELATED PARTY TRANSACTIONS

The Group's ultimate holding company is TEDA, a state-owned enterprise under Tianjin Municipal Government. TEDA is part of large group of companies under the PRC Government. According, the Group is government related entities in accordance with HKAS 24. 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 and other PRC government related entities:

	Year ended 31 December 2015 *HK$'000*	Year ended 31 December 2014 *HK$'000*
(a) Transactions with fellow subsidiaries of holding company:		
Sale of gas to Tianjin Pipe and its associates *(Note (i))*	**573,213**	575,495
Sale of gas to TEDA Gas *(Note (i))*	**146,109**	108,594
Sale of gas to Tianjin Sai-rui Machinery Equipment Company Limited ("Sai Rui") *(Note (i))*	**44,211**	46,932
Sales of property, plant and equipment to SBI *(Note (ii))*	**15,628**	—
Provision of connection service Tianjin TEDA Zhongtang Investment Development Co., Ltd. ("TEDA Zhongtang") *(Note (iii))*	**9,094**	7,395
Sale of gas to Tianjin Eco-city *(Note (i))*	**3,884**	29,921
Provision of connection service to Tianjin TEDA urban development construction Co.,Ltd *(Note (iii))*	**2,358**	—
Sale of gas to Tianjin TEDA Transportation Hub Operations Management Co., Ltd. ("TEDA Transportation Hub") *(Note (i))*	**1,634**	2,186
Sale of gas to Tianjin YAT-SEN Scientific Industrial Park International Inc ("Tianjin YAT-SEN") *(Note (i))*	**943**	799
Rental income from SBI *(Note (iv))*	**495**	—
Sale of gas to Tianjin YAT-SEN *(Note (i))*	**356**	—
Sale of gas to Tianjin Xing Cheng Investment and Development Company Limited ("Tianjin Xingcheng") *(Note (i))*	**112**	95
Sale of gas to TEDA Zhongtang *(Note (i))*	**78**	95
Sale of gas received from SBI *(Note (i))*	**68**	—
Provision of connection service to Tianjin Xingcheng *(Note (iii))*	**26**	21,680
Compensation fee received from Tianjin Eco-City *(Note(v))*	**—**	1,770
Provision of connection service to Sai Rui *(Note (iii))*	**—**	1,138
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
Purchase of steel pipe materials from Tianjin TPCO & TISCO Welding Pipe Co., Ltd. ("Tianguan Taigang") *(Note (vi))*	**(1,618)**	(9,134)
Insurance premium paid to Bohai Property Insurance Company Limited ("Bohai") *(Note (vii))*	**(1,728)**	(1,256)
Project management service fee paid to Tianjin Haibin Road Construction Development Limited *(Note(viii))*	**—**	(1,935)

Note:

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

(ii) The Group sold its property, plant and equipment to SBI.

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

(iv) The Group leased its own equipment to SBI.

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

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

(vii) The Group entered into insurance arrangement with Bohai as insurer, pursuant to which Bohai will provide insurance coverage to various subsidiaries of the Group.

(viii) The Group entered into the high pressure pipes agreement for the management of pipelines by Tianjin Haibin Road Construction Development Limited.

		31 December 2015 HK$'000	31 December 2014 HK$'000
(b)	**Balances with fellow subsidiaries**		
	Accounts receivable from Tianjin Pipe and its associates	**49,868**	73,945
	Accounts receivable from Tianjin Xingcheng	**13,028**	13,618
	Accounts receivable from TEDA Zhongtang	**9,202**	4,651
	Advances to Tianguan Taigang	**8,182**	11,965
	Accounts receivable from TEDA Gas	**7,186**	8,438
	Accounts receivable from Tianjin Eco-city	**2,077**	1,638
	Amount receivable from TEDA Urban Development	**922**	—
	Accounts receivable from Sai Rui	**534**	764
	Accounts receivable from Tianjin YAT-SEN	**470**	68
	Account receivable from Sinopec Binhai Investment	**75**	—
	Other receivables from TEDA	**—**	63
	Account Payables to Sinopec Binhai Investment	**(3,957)**	—
	Account advance received from TEDA Transportation Hub	**(69)**	(536)

(c) 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 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 in note (a) and (b) above and the issuance of Convertible Preference Shares and Redemption Preference Shares mentioned in note 22, majority of the Group's cash and bank balances as of year ended 31 December 2015 and 2014 and borrowings as of year ended 31 December 2014 are also with state controlled banks.

(d) Key management compensation

The remuneration of directors and other members of key management during the year was as follows:

	Year ended 31 December 2015 *HK$'000*	Year ended 31 December 2014 *HK$'000*
Short-term employee benefits	**14,402**	17,744
Retirement benefits	**206**	194
	14,608	17,938

34. PRINCIPAL SUBSIDIARIES

At 31 December 2015 and 2014, the Group had the following principal subsidiaries which, in the opinion of the Directors, 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
12	Sanhe TEDA Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	7	–	90

Notes to the Consolidated Financial Statements

For the year ended 31 December 2015

	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))* *(%)*
13	Changle TEDA 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 Company Limited	Wholly foreign owned enterprises, PRC	Connection services and sale of gases, PRC	25	–	100
22	Beijing Airport Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	12	–	100
23	Haiyang Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	2	10	100
24	Tonglu Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	12	8	98

	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)) (%)
25	Jinhu Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	7	–	100
26	Tianjin Binhai Xinda Real Estate Company Limited	Wholly foreign owned enterprises, PRC	Connection services and sale of gases, PRC	–	156	100
27	Yizheng Jin Bin Gas Company Limited	Wholly foreign owned enterprises, PRC	Connection services and sale of gases, PRC	12	–	100
28	Tangshan Binhai Gas Company Limited	Wholly foreign owned enterprises, PRC	Connection services and sale of gases, PRC	24	65	100
29	Tianjin HuaTai Xinda Gas Company Limited	Wholly foreign owned enterprises, PRC	Connection services and sale of gases, PRC	6	–	100
30	Tangshan TEDA Gas Company Limited	Wholly foreign owned enterprises, PRC	Connection services and sale of gases, PRC	47	–	100
31	Jizhou Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	14	–	98
32	Anxin TEDA Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	2	–	99
33	Qingyuan Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	11	–	99.71
34	Liuyang Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	19	–	100
35	Fengxian Binhai Gas Company Limited	Wholly foreign owned enterprises, PRC	Connection services and sale of gases, PRC	16	–	100
36	Gaoan TEDA Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	18	–	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)) (%)
37	Tianjin Taigang Gas Company Limited	Wholly foreign owned enterprises, PRC	Connection services and sale of gases, PRC	4	9	100
38	Tianjin Binming Gas 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 Dollars equivalent.

(ii) The Company's potential capital contributions, through Binhai Investment (Tianjin) Co., Limited into these subsidiaries amounted to approximately HK$286 million (31 December 2014: HK$286 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 2015 is unchanged from 31 December 2014.

35. IMMEDIATE HOLDING COMPANY AND ULTIMATE HOLDING COMPANY

The Directors 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.

36. STATEMENT OF FINANCIAL POSITIONS AND RESERVES OF THE COMPANY

	31 December 2015 HK$'000	31 December 2014 HK$'000
ASSETS		
Non-current assets		
Interests in subsidiaries	**1,413,795**	1,302,930
Amounts due from subsidiaries	**1,351,918**	612,919
	2,765,713	1,915,849
Current assets		
Cash and cash equivalents	**6,456**	48,927
Total assets	**2,772,169**	1,964,776
EQUITY AND LIABILITIES		
Equity attributable to owners of the company		
Share capital		
— Ordinary shares	**117,435**	93,931
— Convertible preference shares	**—**	70,512
— Redeemable preferences shares	**430,000**	430,000
Share premium	**157,522**	110,514
Other reserves	**(50,082)**	13,840
Retained earnings	**302,235**	308,140
Total equity	**957,110**	1,026,937

	31 December 2015 **HK$'000**	31 December 2014 HK$'000
LIABILITIES		
Non-current liabilities		
Borrowings	**1,533,411**	233,097
Derivative financial instruments	**—**	71,881
	1,533,411	304,978
Current liabilities		
Trade and other payables	**10,959**	11,068
Borrowings	**260,896**	621,793
Derivative financial instruments	**9,793**	—
	281,648	632,861
Total liabilities	**1,815,059**	937,839
Total equity and liabilities	**2,772,169**	1,964,776
Net current liabilities	**(275,192)**	(583,934)
Total assets less current liabilities	**2,490,521**	1,331,915

The Company's movement in reserves for the years ended 31 December 2015 and 2014 are as follows:

	Share premium HK$'000	Capital surplus HK$'000	Other reserve: Exchange reserve HK$'000	Other reserve: Employee share option reserve HK$'000	Other reserve: Total HK$'000	Retained earnings HK$'000
Balance at 1 January 2014	1,141	4,091	10,501	19,920	34,512	122,459
Profit for the period	–	–	–	–	–	214,044
Other comprehensive income						
Currency translation differences	–	–	(18,651)	–	(18,651)	–
Total comprehensive income for the year	–	–	(18,651)	–	(18,651)	214,044
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	–	–	–	–	–
Employee share options lapsed	–	–	–	(2,021)	(2,021)	2,021
Dividends relating to 2013	–	–	–	–	–	(30,384)
Balance at 31 December 2014	110,514	4,091	(8,150)	17,899	13,840	308,140
Profit for the period	–	–	–	–	–	34,965
Other comprehensive income						
Currency ranslation differences	–	–	(62,046)	–	(62,046)	–
Total comprehensive income for the year	–	–	(62,046)	–	(62,046)	34,965

			Other reserve			
	Share premium *HK$'000*	Capital surplus *HK$'000*	Exchange reserve *HK$'000*	Employee share option reserve *HK$'000*	Total *HK$'000*	Retained earnings *HK$'000*
Ordinary shares issued for exercising of conversion rights – convertible preference shares	47,008	–	–	–	–	–
Employee share options lapsed	–	–	–	(1,876)	(1,876)	1,876
Dividends relating to 2014	–	–	–	–	–	(42,746)
Balance at 31 December 2015	157,522	4,091	(70,196)	16,023	(50,082)	302,235

Five-Year Financial Summary

The following table summarized the results, assets and liabilities of the Group for the five years ended 31 December 2015.

	Year ended 31 December 2015 *HK$'000*	Year ended 31 December 2014 *HK$'000*	Year ended 31 December 2013 *HK$'000*	Nine month ended 31 December 2012 *HK$'000*	Year ended 31 March 2012 (restated) *HK$'000*
Revenue	**2,554,762**	2,543,237	2,229,133	1,206,285	1,678,971
Profit attributable to owners of the Company	**198,860**	213,635	135,722	89,615	114,221

	31 December 2015 *HK$'000*	31 December 2014 *HK$'000*	31 December 2013 *HK$'000*	31 December 2012 *HK$'000*	31 March 2012 (restated) *HK$'000*
Total assets	**3,967,942**	3,988,555	3,847,329	3,220,300	2,546,603
Total liabilities	**2,788,905**	2,905,105	2,975,234	2,509,288	1,852,713
Equity holder equity	**1,146,653**	1,054,286	847,663	692,718	678,906
Non-controlling interest	**32,384**	29,164	24,432	18,294	14,984

Note:

The financial statements of the Group for the year ended 31 March 2012 and as at 31 March 2012 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.