濱海投資有限公司

BINHAI INVESTMENT COMPANY LIMITED

(Incorporated in the Bermuda with limited liability)

Stock Code: 2886

TEDA 泰达控股

2016 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. Wang Gang
Mr. Zhang Jun
Ms. Zhu Wen Fang
Mr. Li Wei (resigned on 17 March 2017)
Ms. Shi Jing
Mr. He Xiang Li (appointed on 17 March 2017)

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

RISK 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**
Share-holding		
100%	**Tianjin Binhai Xinda Real Estate Company Limited**	**Incorporated: Tianjin**
100%	**Binhai Investment (Tianjin) Company Limited**	**Incorporated: Tianjin**
		Incorporated
100%	Tianjin Binda Gas Enterprise Company Limited	Tianjin
100%	Tianjin HuaTai Xinda Company Limited	Tianjin
100%	Tianjin Taigang Gas Company Limited	Tianjin
80%	Tianjin BinMing Gas Company Limited	Tianjin
85%	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
80%	Qingdao Jiaonan Wah Sang Gas Company Limited	Shandong Province
100%	Qingdao Jiaozhou Binhai Gas Company Limited	Shandong Province
100%	Haiyang Wah Sang Gas Company Limited	Shandong Province
100%	Zhaoyuan Binhai Gas Company Limited	Shandong Province
100%	Yishui Binhai Gas Company Limited	Shandong Province
100%	Rizhao Binhai Gas Company Limited	Shandong Province
100%	Funing TEDA Gas Company Limited	Jiangsu Province
100%	Jinhu Wah Sang Gas Company Limited	Jiangsu Province
100%	Yizheng TEDA Gas Company Limited	Jiangsu Province
100%	Nanjing Binhai Gas Company Limited	Jiangsu Province

Corporate Profile

99%	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
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
100%	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	2016 *HK$'000*	2015 *HK$'000*	Changes Percentage
Revenue	**2,145,194**	2,554,762	-16%
Gross profit	**540,392**	543,161	-1%
Profit for the year	**177,603**	203,586	-13%
Earnings attribute to owners of the Company during the year	**172,226**	198,860	-13%
	HK cents	*HK cents*	*Percentage*
Earnings per ordinary share			
— Basic	**14.7**	16.9	-13%
— Diluted	**14.7**	13.4	10%
	Percentage	*Percentage*	*Percentage point*
Gross profit margin *(Note 1)*	**25%**	21%	4
Profit margin for the year *(Note 1)*	**8%**	8%	—

As at 31 December	2016 *HK$'000*	2015 *HK$'000*	Changes Percentage
Current assets	**1,091,716**	1,082,723	1%
Total assets	**4,071,674**	3,967,942	3%
Total equity	**1,221,861**	1,179,037	4%
Current liabilities	**1,094,769**	1,255,494	-13%
Total liabilities	**2,849,813**	2,788,905	2%
	Percentage	*Percentage*	*Percentage point*
Average finance costs *(Note 1)*	**4%**	6%	-2
Return on average equity *(Note 1)*	**15%**	18%	-3

Financial Highlights

Note:

1. 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 2016. The Group recorded a revenue of approximately HK$2.15 billion for the year ended 31 December 2016 (2015: HK$2.55 billion), which represented an approximately 16% decrease compared with last year. Profit of the Group amounted to approximately HK$178 million for the year (2015: HK$204 million), representing a decrease of approximately 13% from last year.

PERFORMANCE REVIEW

In 2016, the world experienced many challenges. Under the circumstances of uncertain economic outlook and the international unstable political environment, the pace of growth remains fragile. However, approaching the fourth quarter, benefiting from inventory replenishment for China's real estate and industrial enterprises and the US government's infrastructure and other economic expansion plans, indicators such as core prices, commodity prices and inflation have risen, the economy is expected to have lower risk of deflation and enter into reflationary and recovery cycles. In the energy sector, the Chinese government expects oil production to fall by 7% and natural gas production to increase by 63% by 2020. Overall, China will rely more on imported crude oil to meet the energy demand gap, especially a significant increase in the use of clean energy such as natural gas to reduce pollution, which will promote healthy growth in China's natural gas industry.

2016 was a crucial year in which the Group seized every opportunity, through strenuous efforts, to lay a more solid foundation for the realisation of faster development. Major steps taken by the Group included:

- Entered into a letter of intent on gas supply with China Huadian Group Clean Energy Co., Ltd ("Letter of Intent") on 13 June 2016. Under the Letter of Intent, China Huadian Group Clean Energy Co., Ltd, Binhai Investment (Tianjin) Company Limited ("Binhai Investment Tianjin"), a subsidiary of the Company, and Sinopec Gas Company reached the cooperative intent to construct the gas pipelines from the Nangang transmission substation of China Petroleum & Chemical Corporation to Dagang Regulating and Metering Station of the Company and the section from Nanjiang Power Plant to Junliangcheng Power Plant in Tianjin. It is provisionally determined that the supply of gas through those pipelines will commence in September 2017 for 20 years.

Chairman's Statement

- Tianjin Binda Gas Enterprise Company Limited ("Tianjin Binda"), a wholly-owned subsidiary of the Company, has entered into an agreement with Bank of Communications Financial Leasing Co., Ltd. ("BoCom Leasing"). Pursuant to the agreement, Tianjin Binda agreed to sell certain pipelines (the "Assets") to BoCom Leasing, and concurrently lease the Assets back for a term of 5 years with quarterly lease payments. After the expiry of the term of the agreement, Tianjin Binda shall have the option to acquire the ownership of the Assets from BoCom Leasing at a nominal amount of RMB1.00. The average effective interest rate of the transaction is 4.72% per annum after adjusting the effect of initial direct costs. Two wholly-owned subsidiaries of the Company, namely, Binhai Investment Tianjin and Tianjin Bintai Energy Development Company Limited (which was acquired by Tianjin Binda in 2016), have each executed a guarantee as a guarantor in favour of BoCom Leasing to guarantee all payment obligations of Tianjin Binda under the agreement. The term of this transaction is the longest among all the domestic financing projects of the Group so far, and the interest rates of the transaction is the lowest among the financing projects with the same term. Moreover, it is the first time for the Group to enter into such transaction, which created a new financing channel for the Group.

- Obtained a 30-year operating right for the operation of piped gas in Xin Shi Town, Zhong Guan Town, Yu Yue Town, Mo Gan Mountain Town (including Mo Gan Moutain Scenic Area) and Fa Tou Xiang Administrative Region of Deqing County in Zhejiang Province, and the Group's market share in the domestic natural gas business will be further strengthened and enlarged.

- Expected to complete the constructions of heating steam boiler-to-gas grid in the downtown area and core areas in Binhai New Area, and the areas of our existing pipeline network in Dongli, Wuqing, Baodi, Binhai New Area and Ninghe being all major development areas. There are currently 9 projects of "coal to gas" in Binhai New Area and 7 of those project companies have entered into gas supply agreement with the Group. The Group will continue to concentrate on developing "coal to gas" customers.

PROSPECTS

Beijing has incorporated air quality compliance programs of 2022 Winter Olympics into the Beijing environmental plan, the corresponding government authorities will boost commitment to environment protection in Beijing, Tianjin, Hebei province and greater areas, especially on reduction of haze. The requirement of a 40% reduction in the level of PM2.5 in 2017 comparing to that in 2013 is clearly specified. The Group is confident in the enhanced development opportunities for the natural gas industry in China.

Chairman's Statement

The major tasks of the Group in 2017 include the followings:

1. a number of new projects had settled in Binhai New Area in 2016, projects with enormous potentials entering into production stage will promote a boom in gas sales volume growth in coming years. We will seize the development opportunities of the gas industry in the PRC, exploit in depth the opportunities of the integration of Binhai New Area, Beijing, Tianjin and Hebei and continue to expand the Company's geographical advantage;

2. endeavoring to leverage on opportunities related to environmental policies of the PRC state and regional government such as those on promotion of the use of clean natural gas energy and "conversion of coal to gas". We pro-actively develop downstream markets for natural gas and has continuously made progress. Obtaining new customers and the successful implementation of the supply of natural gas to them have positive meaning in terms of expansion of the scope of operation of the Group, enlarging the customer base of the Group and diversifying the risk of customer concentration; 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, 17 March 2017

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 companies. As at 31 December 2016, the aggregate length of all of the gas pipeline networks owned by the Group was approximately 2,129 kilometers, representing an increase of 155 kilometers from the length of 1,974 kilometers as at 31 December 2015. For the year ended 31 December 2016, connection service fees received by the Group amounted to approximately HK$459,759,000, representing a decrease of HK$34,059,000 or 7% compared to the HK$493,818,000 service fees received in the year ended 31 December 2015.

Piped Gas Sales

In the year ended 31 December 2016, consumption of piped gas by domestic and industrial users amounted to approximately $3,576 \times 10^6$ and $17,177 \times 10^6$ mega-joules respectively, as compared to $2,901 \times 10^6$ and $16,914 \times 10^6$ mega-joules respectively for the year ended 31 December 2015. During the year, sales income of the Group from piped gas amounted to HK$1,671,742,000, representing a decrease of HK$362,856,000 or 18% compared to the amount of HK$2,034,598,000 recorded in the year ended 31 December 2015.

Property Development

As of 31 December 2016, the Group held a piece of land under development of approximately 15899.6 square meters located to the east of Central West Road, west of Central Road, north of Xi San Road and south of Xi Er Road in the Tianjin Airport Economic Area in the Binhai New Area of the PRC, under land use rights for commercial use for a term of 40 years from 31 December 2009.

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, the Group plans to dispose of the above property under development. The management emphasized the decision of the disposal of the real estate, and appointed professional staff to actively contact agents and potential buyers and has made positive progress in the negotiation. It is estimated that the real estate will be sold within one year under the situation of the brisk real estate market around Tianjin Airport Economic Area.

Management Discussion and Analysis

FINANCIAL REVIEW

Gross Profit Margin

Gross profit of the Group for the year ended 31 December 2016 was HK$540 million (for the year ended 31 December 2015: HK$543 million) and the gross profit margin for the Group was 25% (for the year ended 31 December 2015: 21%). The increase in gross profit margin was mainly due to the gross profit margin of the Group's piped gas sales of 13%, representing an increase of 2 percentage points as compared with 11% for the year ended 31 December 2015. On 20 November 2015, the National Development and Reform Commission of the PRC decided to reduce the natural gas city-gate prices for non-residential use by RMB0.7 per cubic meter. The price adjustment has lowered the Group's average purchase cost and the gross margin of residential use natural gas has risen sharply, which led to the improvement in the gross profit margin of the Group's piped gas.

Administrative Expenses

Administrative expenses of the Group for the year ended 31 December 2016 was HK$156 million, representing a decrease of HK$7 million or 4% compared to HK$163 million for the year ended 31 December 2015. Management expenses reduced 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 2016 was approximately HK$172 million, as compared to HK$199 million for the year ended 31 December 2015. Profit attributable to equity owners of the Company excluding the unrealised exchange loss amounted to HK$287 million for the year ended 31 December 2016. The Group recorded an unrealised exchange loss of HK$115 million caused by fluctuations in RMB exchange rate in 2016.

Basic earnings per share for the year ended 31 December 2016 was HK14.7 cents, as compared to HK16.9 cents for the year ended 31 December 2015.

Liquidity and Financial Resources

As at 31 December 2016, the total borrowings of the Group amounted to HK$1,789,740,000 (as at 31 December 2015: HK$1,794,307,000) and the cash and bank deposits of the Group amounted to HK$332,012,000 (as at 31 December 2015: HK$343,815,000), which included cash and cash equivalents of HK$323,361,000 and pledged bank deposits of HK$8,651,000. As at 31 December 2016, the Group had consolidated current assets of HK$1,091,716,000 and its current ratio was approximately 1.00. As at 31 December 2016, the Group had a gearing ratio of approximately 146%, measured by the ratio of total consolidated borrowings of HK$1,789,740,000 to consolidated total equity of HK$1,221,861,000.

Borrowings Structure

As at 31 December 2016, the total borrowings of the Group amounted to HK$1,789,740,000 (as at 31 December 2015: HK$1,794,307,000). Unsecured borrowings from PRC banks were denominated in RMB, carrying interest at the rate of 4.35% per annum. Unsecured bonds of US Dollars 200,000,000 were issued at 100% of the issue price, bearing interest at a rate of 3.25%. Secured other borrowing had a principal amount of RMB230,000,000 with the annual interest rate being 12% less than the RMB benchmark lending rate published by the People's Bank of China for the same period. As at 31 December 2016, short-term borrowings and current portion of long-term borrowings amounted to HK$68,036,000, while the remainder were long-term borrowings falling due after one year or above.

Directors' Opinion on Sufficiency of Working Capital

As at 31 December 2016, the current liabilities of the Group exceeded current assets by approximately HK$3 million (31 December 2015: 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 majority of the Group's transactions are denominated in the functional currency of the respective group entities. Part of the 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 2016, net foreign exchange losses for the financing activities was HK$115 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.

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 2015 to 31 December 2016 resulted in a fair value gain of HK$9.8 million, which has been recorded in the consolidated statement of profit or loss for the year ended 31 December 2016.

Charge on the Group's Assets

As at 31 December 2016, the Group had restricted cash of HK$8,651,000 (as at 31 December 2015: HK$12,631,000).

The net carrying amount of pipelines as at 31 December 2016 amounting to HK$256 million (approximately RMB 229 million) were pledged as security for the related borrowing.

Convertible Bonds

The Company issued in August 2013 convertible bonds of HK$310,000,000 ("Convertible Bonds"). The Convertible Bonds were convertible under the circumstances set out in their terms and conditions into ordinary shares of the Company (the "Ordinary Shares") at an initial conversion price of HK$0.3690 per ordinary share of HK$0.01 each (subject to adjustments). 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.

Immediately prior to the maturity of the Convertible Bonds, its then outstanding principal amount was HK$279,000,000, which were convertible into 78,963,009 ordinary shares at the then adjusted conversion price of HK$3.5333 per ordinary share of HK$0.10 each. The Convertible Bonds became due on 5 August 2016 and had been redeemed.

Contingent Liabilities

As at 31 December 2016, the Group did not have any significant contingent liabilities.

EMPLOYEES

As at 31 December 2016, the Group had 1,521 employees (as at 31 December 2015: 1,495 employees). For the year ended 31 December 2016, the salaries and wages of the employees amounted to HK$103 million (year ended 31 December 2015: HK$110 million) and among these, HK$8 million were recorded in research and development expenses (year ended 31 December 2015: Nil).

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 13 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 2016.

CORPORATE GOVERNANCE PRACTICES

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 (the "Shareholders"). During the year ended 31 December 2016, the Company had fully complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "Corporate Governance Code") under Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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 2016.

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 (the "Chairman") and an executive Director, Mr. GAO Liang is the general manager of the Company (the "General manager") and an executive Director. Mr. SHEN Xiao Lin, Mr. ZHANG Jun, Mr. WANG Gang, Ms. ZHU Wen Fang, Mr. LI Wei (resigned on 17 March 2017), Ms. SHI Jing and Mr. HE Xiang Li (appointed on 17 March 2017) are non-executive Directors. Mr. IP Shing Hing, *J.P.*, Professor Japhet Sebastian LAW, Mr. LAU Siu Ki, Kevin and Mr. TSE Tak Yin 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 are no financial business, family or other material/relevant relationships among the Board members (including between the chairman of the Board and the General Manager).

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, risk management and internal control 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 2016 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	4/4	100%
Mr. ZHANG Jun	4/4	100%
Mr. WANG Gang	4/4	100%
Ms. ZHU Wen Fang	3/4	75%
Mr. LI Wei (resigned on 17 March 2017)	4/4	100%
Ms. SHI Jing	4/4	100%
Mr. HE Xiang Li (appointed on 17 March 2017)	N/A	N/A

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	4/4	100%
Mr. TSE Tak Yin	4/4	100%

DIRECTORS' TRAINING

Corporate Governance Code A.6.5 requires that all directors should participate in continuing professional development, develop and update their knowledge and skills in order to ensure that they contribute to the Board with a comprehensive information. 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 2016 is summarized below:

Directors	Contents of the training
Mr. ZHANG Bing Jun	A,B
Mr. GAO Liang	C,D
Mr. SHEN Xiao Lin	E
Mr. ZHANG Jun	E
Mr. WANG Gang	E
Ms. ZHU Wen Fang	E
Mr. LI Wei (resigned on 17 March 2017)	B
Ms. SHI Jing	F
Mr. HE Xiang Li (appointed on 17 March 2017)	N/A
Professor Japhet Sebastian LAW	G,H
Mr. LAU Siu Ki, Kevin	I
Mr. TSE Tak Yin	I
Mr. IP Shing Hing, *J.P.*	J

A. Summer Davos Forum

B. Asian Financial Forum

C. Middle-Level Management Cadre Training Class

D. China Debt Capital Market Summit 2016

E. 2016 First Half Forum on Analysis of Economy

F. Competing Business under the Listing Rules and Non-Competition and Clear Delineation of Business

G. Study of six HKSE/SFC cases of regulation violations

H. Attended training provided by Woo Kwan Lee & Lo, Solicitors on updates of the Listing Rules and discussion of regulation violations

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

J. Attended Internet Age organized by the Hong Kong Institute of Directors

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. 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-laws and the "Regulation on Operation of the Board and its Committees" of the Company.

TERM OF OFFICE AND RE-ELECTION

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

Corporate Governance Report

GENERAL MEETINGS

The following table sets out details of the Directors' attendance of the annual general meeting and the special general meeting of the Company held during the year ended 31 December 2016:

Directors	Number of annual general and special general meetings attended/ Number of annual general and special 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	2/2	100%
Mr. WANG Gang	2/2	100%
Ms. ZHU Wen Fang	2/2	100%
Mr. LI Wei (resigned on 17 March 2017)	2/2	100%
Ms. SHI Jing	2/2	100%
Mr. HE Xiang Li (appointed on 17 March 2017)	N/A	N/A
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 12 May 2016 ("2016 AGM"), a separate resolution was proposed by the Chairman in respect of each separate issue, including the re-election of each of Mr. SHEN Xiao Lin , Mr. ZHANG Jun, Mr. LAU Siu Ki, Kevin and Mr. TSE Tak Yin as a Director. The representative of the external auditor of the Company attended the 2016 AGM.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "Remuneration Committee") comprises four independent non-executive Directors, namely Professor Japhet Sebastian LAW (Chairman), Mr. IP Shing Hing, *J.P.*, Mr. TSE Tak Yin, Mr. LAU Siu Ki, Kevin, 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 2016, 1 meeting was held by the Remuneration Committee. The Remuneration Committee reviewed the remuneration of 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%

The remuneration of members of the senior management by band for the year ended 31 December 2016 is set out below:

Remuneration band	Number of individuals
Nil to HK$1,000,000	12
HK$1,000,001 to HK$2,000,000	2
HK$2,000,001 to HK$3,000,000	1
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 13 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.

During the year, there was no change to the composition of the Board. On 17 March 2017, Mr. Li Wei resigned and Mr. HE Xiang Li was appointed as a non-executive Director. The Nomination Committee assessed the candidate on criteria such as integrity, independent mindedness, experience, skill and ability to commit time and effort to carry out his duties and responsibilities effectively, etc. and made recommendation to the Board for approval.

Pursuant to the Corporate Governance Code, 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 2016, 1 meeting was held by the Nomination Committee. The Nomination Committee mainly discussed matters relating to committee responsibility and operating mechanism as well as areas to further utilize its functions. 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	0/1	0%
Mr. LAU Siu Ki, Kevin	1/1	100%
Mr. TSE Tak Yin	1/1	100%
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.

4 meetings were held by the Audit Committee during the year ended 31 December 2016.

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 2015;

2. the unaudited interim results of the Group for the 6 months ended 30 June 2016;

3. financial reporting system and internal control procedures;

4. relationship with the external auditor including approval of the audit fee and introducing and discussing the scope of services it offers and the arrangements of work of external auditor;

5. review of the risk management and internal control systems; and

6. 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 2016:

Committee members	Number of meetings attended/Number of meetings held	Attendance percentage
Mr. LAU Siu Ki, Kevin *(Chairman)*	4/4	100%
Professor Japhet Sebastian LAW	4/4	100%
Mr. TSE Tak Yin	4/4	100%
Mr. IP Shing Hing, *J.P.*	4/4	100%

The Audit Committee has also reviewed the audited annual results of the Group for the year ended 31 December 2016, 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.

RISK COMMITTEE

The Company established the Risk Committee (the "Risk Committee") in March 2016. The Risk Committee comprises four independent non-executive Directors, namely Mr. IP Shing Hing, *J.P.* (Chairman), Professor Japhet Sebastian LAW, Mr. LAU Siu Ki, Kevin, Mr. TSE Tak Yin. and an executive Director, Mr. GAO Liang.

The main responsibilities of the Risk Committee include, but not limited to, the followings:

1. oversee the development, implementation and maintenance of the Company's overall risk management framework and its risk appetite, strategy, principles and policies, to ensure they are in line with relevant requirements under the Listing Rules;

2. review the scope and quality of the Company's ongoing monitoring of risk management systems;

3. consider or advise the Board on any other risk-related matters of the Company.

During the year ended 31 December 2016, 1 meeting was held by the Risk Committee. The Risk Committee mainly discussed matters relating to its terms of reference and operational mechanism as well as the overview of the Group's principal risks. Attendance of each member of the Risk 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	1/1	100%
Mr. TSE Tak Yin	1/1	100%
Mr. GAO Liang	0/1	0%

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 60 to 65 of this Annual Report. The remuneration for the auditor's services provided by Deloitte Touche Tohmatsu in respect of the year ended 31 December 2016 amounted to RMB2.6 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 2016 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.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibilities for maintaining and reviewing the effectiveness of the Group's risk management and internal control systems. The risk management and internal control systems are 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 2016, 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 risk management and internal control systems and procedures. The Audit Committee paid great attention to risk management and internal controls and made efforts to improve the risk management and internal control systems during the year ended 31 December 2016.

During the year ended 31 December 2016, the Internal control department continued to improve the company's management in respects of authority, ethics, related party's transactions as well as the setting up the risk management system. In addition, the Internal control department further focused on the issues previously found in the audit of engineering, operation and finance, promoted the correction and implementation, continuously strengthened the employees' awareness on internal control, and enhanced the overall level of internal control within the whole company.

The Directors conducted annual review on the Company's risk management and internal control systems to ensure the effectiveness and adequacy of the systems. The Company convened meetings regularly to review the finance, operation and compliance controls and to consider the adequacy of resources, staff qualification and experience, training programs and budget of the Company's accounting, internal audit and financial reporting function. The Directors are of the view that the existing risk management and internal control systems are effective and adequate for the Group.

(a) The process used by the Group to identify, evaluate and manage significant risks is summarised as follows:

(1) Risk identification: identify risks that may pose a potential impact on the Group's business and operations through the Risk Committee, the management and the internal control department;

(2) Risk evaluation: evaluate the identified risks based on the likelihood of the occurrence and impact level of the risk;

(3) Response to risk: according to the evaluation results on the magnitude of the risk, risk management strategies are determined by the internal control department, and through appropriate mechanisms of the Company to ensure the effective implementation of internal control procedures to prevent and reduce the risks.

(b) The main features of the Group's risk management and internal control systems are the focus on establishment of a sound internal control environment, continuous improvement in risks evaluation, activities control, information and communication, and internal supervision so as to enhance the Company's operating efficiency and ensure the reliability of financial reporting and effective compliance with applicable laws and regulations, in order to avoid any financial losses as a result of fraud.

(c) The Board is responsible for the risk management and internal control systems and reviewing their effectiveness. However, the internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

(d) The internal control department of the Group reviews the effectiveness of the risk management and internal control systems by reviewing the internal control work program approved by the Audit Committee, it identifies internal control defects through periodic audits and special audits. With the recommendation in the audit proposal and its status of implementation, the department keeps track and resolves areas of serious internal control defects. In 2016, the department had completed six periodic audit reviews and 13 special audit reviews.

(e) In relation to the handling and dissemination of inside information in accordance with the Listing Rules and the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), the Group has adopted measures including raising awareness of confidentiality in the Group, issuing notices regarding "black-out" period and restrictions on dealings to directors and employees on a regular basis to ensure compliance when handling and disclosing inside information.

JOINT COMPANY SECRETARIES

Mr. YIN Fu Gang ("Mr. YIN"), the Chief Finance Officer of the Company and a Deputy General Manager 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, Audit Committee and Risk 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.

Corporate Governance Report

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 2016.

Environmental, Social and Governance Report

1. ABOUT THIS REPORT

The Environmental, Social and Governance Report (the "ESG Report") elaborated on the various work of Binhai Investment Company Limited (the "Company") and its subsidiaries (collectively, the "Group") to fully implement the concept of sustainable development and perform its corporate social responsibilities, and its performance of social governance in 2016.

1.1 Scope of the Report

The ESG Report focused on the environmental and social performance of the core business of the Group in the People's Republic of China (the "PRC") during 1 January 2016 to 31 December 2016. As for the information of corporate governance, please refer to the "Corporate Governance Report" on Pages 14 to 27 in this annual report.

1.2 Reporting Framework

The ESG Report was prepared based on the "Environmental, Social and Governance Reporting Guide" (the "ESG Reporting Guide") under Appendix 27 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited ("the Stock Exchange"). The ESG Report had complied with the "Comply or explain" provisions set out in the ESG Reporting Guide.

1.3 Stakeholder Engagement

The preparation of the ESG Report, which was supported by staff from the Group's different departments, enabled us to have a better understanding of our current environmental and social development. The information we gathered were not only the summary of the environmental and social work carried out by the Group during 2016, but also the basis for us to develop short and long term sustainable development strategies.

1.4 Information and Feedbacks

For detailed information about the environmental and corporate governance of the Group, please refer to the official website (www.binhaiinv.com) and the annual report of the Group. Your opinions will be highly valued by the Group. If you have any advices or suggestions, please send email to prd@binhaiinv.com.

2. ENVIRONMENT AND RESOURCES

Climate change is a critical challenge for the world nowadays. As a professional company providing clean energy such as natural gas for the commercial and industrial users and urban citizens, the Group feels obliged to tackle the problem of drastic deterioration in the ecological environment. Throughout the years, we have been constantly striving to be the national advocator and operator of clean energy. We are committed to protecting the environment, beautifying China and promoting the urbanization and the use of clean energy to grow its popularity. We have also actively participated in environmental conservation work and smog-fighting work.

2.1 Environmental Protection and Waste Management

The Group always acts in strict compliance with the national and regional laws relating to environmental protection and pollutant emission in our daily operation, including the Environmental Protection Law of the People's Republic of China, Law of the People's Republic of China on Appraising of Environment Impacts, Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste, etc. The Group's business nature has minimal impact on the ecological environment and natural resources. The Group's principal activities include the construction of network of gas pipelines, provision of connection services and sales of liquefied petroleum gas ("LPG") and piped gas. Among all, the sales of LPG and piped gas do not involve pollutant emission, the construction of gas pipelines and connection do not involve the release of exhaust gas and effluents. However, the construction and connection projects would produce noise and earthwork. To alleviate the influence on the surrounding environment, workers would control the noise under the "Standards of Environmental Noise Emission for Construction Site" (GB12523-2011) and would refill the land after the pipelines were built (so normally there would be no leftover mud). If there is any leftover mud or waste residue, it will be sent to the specific spots assigned by the local governmental and environmental department. Besides, effective directional drilling has been adopted for the pipeline construction and the underground pipelines in medium and low pressure are made from polyethylene ("PE"), a material which is recyclable and harmless to the environment.

Waste meters and steel pipes are the major solid waste generated by each business line, and specific requirements must be met when disposing them. Once the meters are declared as waste and approved, they would be smashed flat or drilled and photos would be taken for record. They would be handled as recycled waste under the supervision of the Operating Centre. Waste meters are strictly forbidden to enter the market. Nitrogen or water must be used to clean the gas of the old steel pipes if a replacement of steel pipes is needed. Any replacement of steel pipes and the change of the location of the old steel pipes must be reported to the relevant governmental departments for filing. Waste items such as the old valve of pipes must be properly handled, sealed and dismantled if necessary. In 2016, the Group reported around 3,500 pieces of waste meters and reconstructed pipelines in around 15,000 metres long.

Apart from the above aforesaid waste, waste paper, used computers, a small quantity of batteries, useless fluorescent tubes are also generated in the Group's office area. Among these, the used computers would be passed to some qualified companies for handling, and the batteries and useless fluorescent tubes would be collected by cleaners and passed to property companies for central classification and handling.

2.2 Saving Energy and Resources

To save energy and resources, and to reduce carbon emission, the Group has carried out many initiatives. These include dividing the office into different lighting areas with lighting switch with independent control, installing Light Emitting Diode ("LED") luminaires indoors, cleaning air conditioner filters regularly, setting the air-conditioned room temperature at 25.5 °C or above, installing water-saving faucets, urinals and toilets in washrooms with water-saving notices displayed, reviewing the electricity consumption record monthly to monitor the use of electricity, etc.

The Group also pays attention to the generation and management of waste and promotes reducing waste at source and recycling. It is encouraged to purchase recyclable ink cartridges, recycle office supplies and reduce the use of disposable items. To reduce the consumption of paper, the Group implements Office Automation System ("OA System") and promotes double-sided printing and recycling.

2.3 Promoting Clean Energy to Grow its Popularity

2016 is the start of the National 13th Five-Year Plan ("the Plan"). As a responsible corporate devoted to green development, the Group actively responds to the call for energy saving and emission reduction as brought out by the Plan. To promote developing clean energy in cities, the Group continuously promotes different projects in regard to "gas-fired boiler", "tri-generation", "coal-to-gas", vehicle filling in Compressed Natural Gas ("CNG")/Liquefied Natural Gas ("LNG") and ship filing in LNG in the cities where the subsidiaries are located. In addition, the Group puts great efforts in expanding the project of "Construction of New Countryside". The subsidiaries of the Group, working in line with the plan of "Beautiful New Countryside" and the characteristics of the regions, promote the "coal-to-gas" transformation in villages and the use of gas heating instead of coal heating.

3. EMPLOYMENT AND EMPLOYEES' GUIDELINES

Staff plays a significant role in helping to create and realise the core values of a company. The Group sees each of our staff as our trusted business partners with the same goal and our valuable assets during the development process. In view of this, the Group is committed to safeguarding the rights of our staff, providing a healthy and safe working environment and creating a good platform for their growth, so that our staff and the Group can grow together.

3.1 Employees' Rights

The Group acts in strict compliance with the relevant laws and regulations, such as the Labor Contract Law of the People's Republic of China, Labour Law of the People's Republic of China, Employment Ordinance of the Hong Kong Special Administrative Region. Our employment policies ensure fairness and diversification. We employ and appoint employees under the fair and impartial principal, judging on the suitability and capability of the candidates, regardless of their gender, age, nationality and religion, etc. The Group promises not to employ child labour and requests any new joined staff to provide true and accurate personal information. The Group will immediately terminate the probation period or the employment contract of anyone who provides false information or breaches the Group's rules.

The Group implements three different working hours system approved by the Labour Security Administrative Department, namely flexible working hours, cumulative working hours, standard working hours, according to the Group's business nature, work safety guidelines and the duties of the staff. It is guaranteed that the staff do not work more than 8 hours a day, and more than 40 hours a week, with at least one day off per week. Forced labour of any form is forbidden. Staff can enjoy sick leave, personal leave, wedding leave, compassionate leave, maternity leave, sick leave due to work injuries, annual leave and statutory holiday, in accordance with the national and regional laws and regulations.

The remuneration system of the Group is built based on the position, achievement, contribution and capability of the staff. Pay scales of different ranks are consistently designed by reference to the pay in market. Specific factors would also be taken into account to determine the pay, such as duties, all-round capabilities (including work experience, education, qualifications, etc), job performance and contribution. The Group carries out the performance appraisal by end of every year and considers promotion and salary review for those who outperform. The Group also executes the human resources-related policies in accordance with the national and regional laws and regulations. Discretionary bonus is offered based on the individual performance. Different benefits are provided to staff as well, including endowment insurance, unemployment insurance, employment injury insurance, medical insurance, maternity insurance, housing provident fund, etc.

3.2 Occupational Health and Safety

The occupational health and safety of employees are fundamental to the Group's stability. To ensure employees' safety in the working environment, the Group puts the subject of safety at the top of the agenda and places great emphasis on it. The Group's policies focus on identifying potential hazards, promoting rectifications and ensuring safety. There are self-examination by subsidiaries, inspection by headquarters, safety training and regular assessment to reduce the probability of incidents and to protect the safety of employees.

The Group requests the subsidiaries to self-examine their potential hazards and report accordingly, that is to reduce the hazards through regular self-check. The Group also carries out regular inspection of the subsidiaries every year, to urge for rectification, and to check if there is any safety hazard not yet identified. The Group conducts safety training regularly, educating employees about relevant laws and regulations as well as safety knowledge. That could help to boost the alertness and awareness of employees and reducing human risks. The Group has established a long-term mechanism on reward and penalty. The Group reviews and evaluates the subsidiaries every year in regard to their safety performance and practises the reward and penalty system. Rewards will be given to those subsidiaries that have completed thorough safety examinations. If there is any critical safety hazard identified, it will be closely investigated and zero tolerance will be shown to those subsidiaries involved.

In addition, the Group also provides safety education and specialized training for new joined staff or staff who has new job duties, and offers any necessary protective equipment to the staff on-site. Rescue drills and fire drills are conducted regularly, and contingency plan is set up in response to any possible emergency. The Group reported no critical work safety accidents in 2016.

3.3 A Platform for Growth

On-the-job training and learning help to enhance the quality of staff, paving the way for their career development. The Group formulates annual training programme every year, involving all kinds of internal and external training and learning (on the subject of marketing, operation, engineering, safety, law, finance, human resources and administration, skills of frontline staff, etc), to enhance the professional and technical capabilities and management skills of the staff. In 2016, the Group had organized 21 training sessions for all staff on the topic of orientation, business development, engineering, financial management, safety production, gas-related project management, new version of OA System, etc.

4. OPERATIONAL MANAGEMENT

Good operational management is the fundamental element of a company. In view of this, the Group acts in strict compliance with the relevant policies and rules on supply chain management, products and services, product promotion, privacy protection and anti-corruption, and pays full attention to every single detail of the daily operation.

4.1 Supply Chain Management

The materials and devices purchased, for the use of the construction and connection of gas pipelines, such as PE pipes and fittings, gas meters, galvanized pipes, pressure regulators, valves, flow meters, all conform to the standards of the country and the industry. The Group has developed "Tender Process", "Notice of Centralized Procurement", "Regulations Guiding the Procurement of Gas Materials and Devices", to regulate the procurement of these materials and devices. For the procurement of those commonly used materials and devices which are of higher value, the tender team makes the selection list based on recommendations and their past experience in partnering with some contractors, and prepares the invitations for tender. Once the evaluation result is confirmed, the headquarters will issue the list of finalists and the subsidiaries will select a supplier from the list for procuring the materials and devices. For those materials and devices which are not commonly used and are of lower value, if there is no list provided by the headquarters, the procuring staff would have to check with 3 parties for comparison before confirming the supplier. The headquarters will assign the procuring staff of managerial grade to review the procurement contract during the procurement process. If there is anything that fails to meet the standard, it will be handled in accordance with the relevant regulations.

For the sales of LPG and piped gas, the items procured would be piped gas, CNG, LNG and LPG. The Group has numerous subsidiaries which are spread across different locations. To lower the cost, the procurement of gas is subject to the distance from the suppliers, that nearby suppliers would be preferred. When choosing a supplier, each subsidiary would mainly consider its credit rating, qualification, capability of gas supply, source of gas, way of gas supply, capability of gas supply equipment and quality. There are three types of procedures for appointing a gas supplier: I) For the suppliers of piped gas, if there is a feasibility of connection with a single gas source in an area, the Operation Centre, together with the Gas Department and Strategic Investment Department, will measure the return of investment for the connection of gas. The result will then be reported to the General Manager's Office to consider a possible connection. If double gas source or multiple gas source is identified in an area, the most favourable plan will be determined based on the comparison (of gas price, cost for connection, etc). II) For the suppliers of non-piped gas, the Group mainly selects those quality suppliers to make up a directory of suppliers, in accordance with the "Measures on Administration of Tendering for Construction Projects". The subsidiary will then choose the supplier from the directory according to its actual needs. If a subsidiary has identified another better supplier in practice, it will conduct an internal comparison according to the "Measures on Administration of the Suppliers of Non-piped gas" and report the result through the OA System. The Gas Department will then evaluate the suppliers judging by qualifications and the market price of gas and decide if the supplier should be changed. III) For the existing suppliers of non-piped gas, when selecting the target gas source which is currently in use and of highly fluctuating price, the subsidiary will report through the OA system, according to the "System on Administration of the Procurement of Non-piped gas". The Operation

Centre will then review the necessity for procurement, and the Gas Department will review the market price and the upstream suppliers. The result will then be sent to the subsidiary. If the procurement is allowed, the subsidiary will submit the latest pricing for approval. If the procurement is disapproved, the subsidiary will have to re-negotiate the pricing with the supplier.

4.2 Products and Services

For products and services, to protect health and safety, the Group has set the following regulations in relation to the quality of natural gas and petroleum procured by the subsidiaries: the quality of the natural gas must meet the national level of the Gas II category as set in the "Natural Gas" (GB17820-2012) standard. The hydrocarbon dewpoint should be 5°C lower than the lowest temperature. No substance of solid form, liquid form and plastic form should be found in the natural gas. The quality of the LPG must meet the relevant requirements as set in the "Oilfield Liquefied Petroleum Gas" (GB9052.1-1998) or "Liquefied Petroleum Gas" (GB11174-2011) national standard. For the gas stations with higher intake, they must monitor the quality of the natural gas in real time through the online chromatography. For the gas stations with lower intake, they must collect the "Certification of Product Quality" of the suppliers to monitor the gas quality. The suppliers of natural gas are required to submit a report on gas quality on a quarterly basis and the suppliers of LPG are required to submit this report on a monthly basis. In the meantime, the Group is planning to build a gas laboratory for quality testing, so as to better control the quality of natural gas upon the completion of the laboratory.

For the services and complaints, the Group issued the "Measures on Administration of customers' complaints" for the subsidiaries and enforced the compliance with it. The customers can raise their problems and needs to the customer service centre through the customer service hotline. The customer service centre will then deliver the issues of complaints to each of the centres, and the centres are required to handle the issues within 24 hours, and report how the case is handled to the customer service centre of the Operation Department of the regional Management Company for record.

4.3 Product Promotion and Privacy Protection

The Group acts in strict compliance with the relevant laws and regulations on logo and advertisement as stipulated in the Advertisement Law of the People's Republic of China and the Trademark Law of the People's Republic of China. The Group promises that the products and market information available to the market are rigidly censored. The use of the false and misleading description is strictly forbidden under any circumstances of product promotion and transactions.

The Group also values the privacy of the Group and the customers. Staff with the access to confidential information must have to sign the confidentiality agreement with the Group and are strictly required to protect the personal information of the customers.

4.4 Anti-corruption

Anti-corruption is an indispensable element of the Group's culture, playing an important role in the course of our development. The Group acts in strict compliance with the related laws and regulations, such as the Criminal Law of the People's Republic of China, Anti-Corruption and Bribery Law of the People's Republic of China, Prevention of Bribery Ordinance in Hong Kong, etc. Standing on these, the Group has promulgated the relevant regulations and policies, such as "Measures on Administration of Complaints and Reports of Binhai Investment", "Interim Measures for Audit Management of Economic Liability" and "Measures on Administration of Specialist Audit Taskforce". A mechanism has been built to regulate the reporting of any cases involving the offer or acceptance of a bribe, to prevent corruption and bribery.

For the procurement of materials and devices for projects, the Group has specified the duties and procedures in relation to procurement. To prevent the suppliers from bribing the subsidiaries, the Group has limited the procurement rights to different levels. For example, for those materials and devices which are commonly used and over RMB200,000 in value, the tender team led by the headquarters will confirm the supplier through tender, and all gas meters, flow meters and PE pipes will be centrally procured by the headquarters. During the review process, the Group checks carefully the information provided by the shortlisted companies about the materials and devices, including the price and the quantity of the procured items. It is required that anyone who signs the procurement agreement must have to get the authorization from the General Manager of the Group, to prevent the procuring staff from misusing the power.

To ensure that the procurement procedures are open, fair and impartial, the Group has set the following rules under the "Procurement Procedures". For the structure of the tender team, the team is composed of members from different departments. Supervising officers with the function of internal control will be involved in all tender projects. For each of the tender project, the phone number and email address of the supervising officers will be disclosed to the public. The whole process of evaluation and result announcement will be filmed and people are required to hand in their communication devices on-site. The original files about the shortlisted companies would be filed by a designated person, to ensure that all information about the shortlisted suppliers of each of the material is traceable. Research and investigation of the market price will be carried out before inviting tender. Once the tender is confirmed, a comparison of prices on a horizontal level will be conducted. People with some core roles in managing procurement, contracts, payment and tender will be further educated to make clear the serious consequences of offering or accepting a bribe.

For the procurement of gas, the Group has also adopted a series of anti-corruption policies. A complete set of system and procedures about the appointment of suppliers is formulated. The tender team is built based on the function of each department, so as to prevent anyone from “taking the control”. The budget for procurement is determined by the tenders. The contract on gas provision will be signed with those parties who offer lower price. The procuring staff have no rights of setting the price and the quota. The price and the quota are suggested internally by the subsidiaries based on the comparison, and are finally confirmed by the headquarters.

Members from all levels of the Group have been persistently and earnestly upholding honesty and the Group reported no litigation cases of corruption in 2016.

5. CONTRIBUTION TO THE COMMUNITY

It has always been our mission to contribute to the community and give back to the society. The Group actively organises volunteering activities for staff and encourages voluntary blood donation, showing care for the needy people and sharing positive energy.

Biographical Information of Directors and Senior Management

BOARD OF DIRECTORS

Executive Directors

Mr. ZHANG Bing Jun, aged 53, 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 49, 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, the Nomination Committee and the Risk Committee of the Company.

Biographical Information of Directors and Senior Management

Non-Executive Directors

Mr. SHEN Xiao Lin, aged 49, 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 49, 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 51, 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 49, 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 42, graduated from Huazhong University of Science and Technology (華中理工大學) with a bachelor's degree in Computer Science in July 1994 and a master's degree in business management at Fudan University (復旦大學) in June 2011. Mr. LI has been the managing director of Shenzhen Everbright Investment Consultant Company Limited(深圳市光控投資諮詢有限公司)from 2008 to 2014, and has been 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)) from 2014 to 2016. 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. Mr LI has been a partner of Zhuhai Hengqin Huaxin Zhiyuan Investment Management Ltd (Limited Partnership) (珠海橫琴華新致遠投資管理有限公司(有限合夥))since June 2016.

Mr. LI Wei resigned as non-executive Director of the Company with effect from 17 March 2017.

Biographical Information of Directors and Senior Management

Ms. SHI Jing, aged 46, 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 4.23% 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).

Mr. HE Xiang Li, aged 41, was appointed as a non-executive Director of the Company on 17 March 2017. Mr. HE graduated from Shanghai University of Finance and Economics with a Bachelor's Degree in Economics in 1997 and obtained a Master's Degree in Finance from Fudan University in 2006. From 2003 to 2014, Mr. HE was investment director of direct investment department of China Everbright Limited（中國光大控股有限公司）(Stock Code: 165). Mr. HE joined Forebright Capital Management Limited（光遠資本管理有限公司）since 2014 and currently serves as a director and the general manager of the said company.

Independent Non-Executive Directors

Mr. IP Shing Hing *J.P.*, aged 61, 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 the Risk 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 65, 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 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, the Nomination Committee and the Risk Committee of the Company.

Mr. TSE Tak Yin, aged 68, 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, the Nomination Committee and the Risk Committee of the Company.

Mr. LAU Siu Ki, Kevin, aged 58, 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, the Remuneration Committee and the Risk Committee of the Company.

Biographical Information of Directors and Senior Management

SENIOR MANAGEMENT

Mr. YIN Fu Gang, aged 42, joined the Group in September 2009. He is currently the Company Routine Deputy General Manager, the Company Secretary and the Chief Finance Officer of the Company. 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 senior 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 49, 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. DONG Jian Min, aged 50, joined the Group in August 2009 and is currently the Deputy General Manager. Mr. Dong graduated from Tianjin University of Finance and Economics in 1990. He holds a bachelor's degree and qualifications in economics, human resources management and senior professional management. He was appointed as assistant to the Chairman of Tianjin Jingzhao Investment Group and assistant to Chairman of Tianjin 609 Cable Co., Ltd.

Mr. LUO Dong Xiao, aged 55, joined the Group in 2015 and is currently the chief engineer of the Group and a senior engineer at the professor level. Mr. Luo graduated from Wuhan Engineering University in 1983. He has long term experiences working in the energy industry of production and operation, research, development and management in a large energy and chemical enterprise. He is a part-time professor in the Zhongshan University, Tongji University and other colleges and universities, and a member of the editorial board in the published works such as "Natural Gas Industry" and "Gas and Heat". He has 20 national technology invention patents, published nearly 100 papers and a number of projects which received provincial and ministerial level science and technology awards and has won the Guangzhou high-level talent with the title of outstanding experts.

Directors' Report

The Directors present their report together with the audited financial statements for the year ended 31 December 2016.

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 37 to the financial statements.

The analysis of the Group's performance for the year by business segments is set out in Note 7 to the financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2016 is set out in the sections headed "Financial Highlights", "Chairman's Statement" and "Management Discussion and Analysis" from pages 5 to 6, pages 7 to 9 and pages 10 to 13 respectively of this Annual Report.

SOCIAL RESPONSIBILITIES AND ENVIRONMENTAL POLICIES AND PERFORMANCE

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. Details of which are set out in the "Environmental, Social and Governance Report" on pages 28 to 36 of this Annual Report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2016, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

PRINCIPAL RISKS AND UNCERTAINTIES

An official regulation about the acceleration of the use of natural gas is anticipated to be published by the National Energy Administration Department of the PRC around first half of 2017, which is a great development opportunity for the Company. This bright opportunity is still accompanied with the Company's relatively great dependence on related-party sales. However, the Company has confidence in the continuous development of the markets on the following two basis: firstly, Tianjin Binhai area became the first economic development zone in China during 2016, and is still maintaining strong economic development; secondly, the Company has finished most of its coal-to-gas transformation constructions in Tianjin Binhai area, and is constructing a coal-to-gas project in its another main market in Zhuozhou city of Heibei Province. These projects will bring the Company with huge increase in gas supply sales. As the number of customers increases, the customer base of the Company will be further diversified.

Based on the Company's financial strategy, an uncertainty exists about the depreciation of the RMB against the USD on account of its USD bonds that will expire in May 2018. The Company does not currently have a foreign currency hedging policy. Nevertheless, the Company has been monitoring foreign exchange risks and broadly contacting with banks and financial agencies considering the use of hedging instrument.

FINANCIAL RESULTS AND DIVIDEND

The financial results of the Group for the year ended 31 December 2016 are set out in the consolidated statement of profit or loss on page 66.

Based on the annual profit of the Company for the year ended 31 December 2016 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 2016 (year ended 31 December 2015: HK$0.05 per ordinary share).

The Final Dividend is subject to approval by holders of the ordinary shares at the annual general meeting (the "AGM") of the Company to be held on 5 May 2017 and is expected to be paid on 30 June 2017.

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 Friday, 5 May 2017 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 Friday, 28 April 2017 to Friday, 5 May 2017 (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 Thursday, 27 April 2017.

(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, 12 May 2017 and the register of members of the Company will be closed from Thursday 11 May to Friday, 12 May 2017 (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 Wednesday, 10 May 2017.

Directors' Report

FINANCIAL HIGHLIGHTS

A summary of the financial results, assets and liabilities of the Group for the last five financial years ended 31 December 2016 is set out on page 166.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 17 to the financial statements.

SHARE CAPITAL

As at 31 December 2016, the Company had 1,174,348,950 ordinary shares at par value of HK$0.10 each ("Ordinary Share(s)") and 8,600,000 redeemable preference shares at par value of HK$50.00 each ("Redeemable Preference Share(s)") 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.

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 2016 are set out in Note 25 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which impose an obligation on the Company to offer new shares on a pro-rata basis to the Shareholders.

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in Note 27 and Note 38 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 2016 (as at 31 December 2015: Nil).

EQUITY-LINKED AGREEMENTS

Save as disclosed in this Annual Report relating to the share option scheme of the Company, which subsisted as at 31 December 2016, no equity-linked agreements were entered into during the year ended 31 December 2016 or subsisted at the end of the year.

CHARITABLE DONATIONS

During the year ended 31 December 2016, the Group made no charitable donations or other donations (year ended 31 December 2015: Nil).

SHARE OPTION SCHEME

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

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

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

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

Pursuant to the 2010 Scheme, the Company granted 90,500,000 share options to the Directors and certain employees under continuous contract with the Group on 27 September 2010. 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 2016, 500,000 share options lapsed.

As at 31 December 2016, a total of 53,878,120 Ordinary Shares (representing approximately 4.59% of the issued Ordinary Shares as at 31 December 2016) could be issued upon exercise of all options which may be but were not yet granted under the 2010 Scheme, and a total of 5,050,000 Ordinary Shares (representing approximately 0.43% of the issued Ordinary Shares as at 31 December 2016) 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 2016 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 2016	Number of options lapsed during the year	Number of Ordinary Shares subject to outstanding options as at 31 December 2016	Approximate percentage of the Company's total issued Ordinary Share capital as at 31 December 2016
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	1,650,000	(500,000)	1,150,000	0.10%
Total				5,550,000	(500,000)	5,050,000	0.43%

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 2016.

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 (resigned on 17 March 2017)
Ms. SHI Jing
Mr. HE Xiang Li (appointed on 17 March 2017)

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. ZHANG Bing Jun (executive Director), Ms. SHI Jing (non-executive Director) and Professor Japhet Sebastian LAW (Independent non-executive Director), who are longest in office, will retire by rotation and will be eligible for re-election at the AGM of the Company. Mr. HE Xiang Li, who was appointed by the Board as non-executive Director on 17 March 2017, shall hold office until the AGM and, will be eligible for re-election at the AGM of the Company.

DIRECTORS' SERVICE CONTRACTS

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

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

MATERIAL CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save for the contracts with TEDA and its subsidiaries and associates which are set out in the sections headed "CONTINUING CONNECTED TRANSACTIONS", there were no material contracts between the Group and its controlling shareholder or its associates during the year ended 31 December 2016.

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 2016.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

No Director had any interest in any business which competes or is likely to compete with the business of the Group as at 31 December 2016.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No 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 2016 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 13 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".

CHANGE IN DIRECTOR'S INFORMATION

As at the date of this report, the Company is not aware of any 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 2016, 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:

Name of Director	Capacity	Interest in Ordinary Shares				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 share capital as at 31 December 2016
		Personal interests	Corporate interests	Family interests	Total interests			
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".

Directors' Report

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 (HK$)	Number of Ordinary Shares subject to outstanding options as at 1 January 2016 and 31 December 2016	Approximate percentage of the Company's total issued ordinary share capital as at 31 December 2016
Mr. GAO Liang	27.9.2010	27.9.2010 – 26.9.2020	5.6	1,000,000	0.09%
Mr. ZHANG Jun	27.9.2010	27.9.2010 – 26.9.2020	5.6	700,000	0.06%
Mr. WANG Gang	27.9.2010	27.9.2010 – 26.9.2020	5.6	700,000	0.06%
Ms. ZHU Wen Fang	27.9.2010	27.9.2010 – 26.9.2020	5.6	700,000	0.06%
Mr. IP Shing Hing, *J.P.*	27.9.2010	27.9.2010 – 26.9.2020	5.6	200,000	0.02%
Professor Japhet Sebastian LAW	27.9.2010	27.9.2010 – 26.9.2020	5.6	200,000	0.02%
Mr. TSE Tak Yin	27.9.2010	27.9.2010 – 26.9.2020	5.6	200,000	0.02%
Mr. LAU Siu Ki, Kevin	27.9.2010	27.9.2010 – 26.9.2020	5.6	200,000	0.02%

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

Save as disclosed above, at no time during the year ended 31 December 2016 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 2016, 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.

Directors' Report

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

As at 31 December 2016, 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							
			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	Approximate percentage of the total issued Ordinary Shares of the Company as at 31 December 2016
Tianjin TEDA Investment Holding Co., Ltd. ("TEDA")	Long	Interest of controlled corporation	–	–	742,049,127 *(Note 1)*	–	–	–	742,049,127	63.19%
Mr. SHUM Ka Sang ("Mr. SHUM")	Long	Beneficial owner/ Interest of controlled Corporation/Interest of Spouse	1,926,000	127,924 *(Note 3)*	73,804,600 *(Note 2)*	–	–	–	75,858,524	6.46%
Wah Sang Gas Development Group (Cayman Islands) Limited	Long	Beneficial owner	72,804,600 *(Note 2)*	–	–	–	–	–	72,804,600	6.20%
Ms. WU Man Lee ("Ms. WU")	Long	Beneficial owner/ Interest of spouse	127,924	75,730,600 *(Note 3)*	–	–	–	–	75,858,524	6.46%
China Everbright Holdings Company Limited ("CEHCL")	Long	Interest of controlled corporation	–	–	33,855,236 *(Note 4)*	25,950,000 *(Note 5)*	–	–	59,805,236	5.09%
China Everbright Limited ("CEL")	Long	Interest of controlled corporation/Interest of any parties to an agreement	–	–	33,855,236 *(Note 4)*	25,950,000 *(Note 5)*	–	–	59,805,236	5.09%
China Everbright Group Ltd.	Long	Interest of controlled corporation	–	–	33,855,236 *(Note 4)*	25,950,000 *(Note 5)*	–	–	59,805,236	5.09%
Central Huijin Investment Ltd.	Long	Interest of controlled corporation	–	–	33,855,236 *(Note 4)*	25,950,000 *(Note 5)*	–	–	59,805,236	5.09%

Notes:

1. The 742,049,127 Ordinary Shares held by TEDA was disclosed in the Company's announcement dated 1 September 2015.

2. 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 Wah Sang Gas Development (Group) Limited which is 100%-controlled by Mr. Shum.

3. 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.

4. 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; and (ii) 21,605,236 Ordinary Shares held by Energy Empire Limited, both being wholly-owned subsidiaries of CEL. Cential Huijin Investment Ltd. holds 55.67% interest in China Everbright Group Ltd., which in turn wholly-owns CEHCL. Accordingly, Central Huijin Investment Ltd., China Everbright Group Ltd., CEHCL and CEL are each deemed to be interested in the aforesaid 33,855,236 Ordinary Shares.

5. The 25,950,000 Ordinary Shares are held by a corporation controlled by CSOF III GP Limited ("CSOF III"). Windsor Venture Limited, a subsidiary of CEL, is a party to an agreement under section 317 of the SFO with Forebright Partners Limited and CSOF III, and accordingly, Central Huijin Investment Ltd., China Everbright Group Ltd., CEHCL and CEL are each deemed to be interested in the aforesaid 25,950,000 Ordinary Shares.

Other than as disclosed above, as at 31 December 2016, the Company had not been notified of any other interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept under section 336 of the SFO.

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 2016, 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 Jiangsu 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.

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.

Directors' Report

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 of the Company. 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:	2 December 2015
Duration:	From 1 January 2016 to 31 December 2018
Parties:	TEDA The Company
Transaction involved:	Supply of natural gas by the Group to TEDA and its subsidiaries and associates pursuant to agreements for supply of natural gas to be entered into from time to time
Annual cap for the period from 1 January 2016 to 31 December 2016	RMB547,243,000
Actual transaction amount in the period from 1 January 2016 to 31 December 2016	RMB446,296,000

(b) Master gas supply connection agreement

Date of the agreement:	2 December 2015
Duration:	From 1 January 2016 to 31 December 2018
Parties:	TEDA
	the Company
Transaction involved:	Provision of gas supply connection services by the Group to TEDA and its subsidiaries and associates pursuant to the agreement for services of construction of gas connection facilities entered into from time to time
Annual cap for the period from 1 January 2016 to 31 December 2016	RMB13,996,000
Actual transaction amount in the period from 1 January 2016 to 31 December 2016	RMB1,626,000

Details on related party transactions for the year are set out in Note 36 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 56 and 57 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 2016 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 is no event after the reporting period which would have a material impact on the Company's financial position.

MAJOR CUSTOMERS AND SUPPLIERS

In the year ended 31 December 2016, sales to the five largest customers of the Group accounted for 32% (year ended 31 December 2015: 43%) of the total revenue from sales of goods and service, and revenue from sales to the largest customer included therein accounted for 13% (year ended 31 December 2015: 22%).

Purchases from the five largest suppliers of the Group accounted for 50% (year ended 31 December 2015: 61%) of the total purchases in the year ended 31 December 2016 and purchases from the largest supplier included therein accounted for 25% (year ended 31 December 2015: 34%).

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 of or any of their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued ordinary share capital) had any beneficial interest in any of the five largest customers and suppliers of the Group.

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 2016.

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.

Directors' Report

AUDITOR

The financial statements have been audited by Deloitte Touche Tohmatsu who are due to retire and, being eligible, have offered themselves for re-appointment at the forthcoming AGM. A resolution will be proposed at the forthcoming AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as external auditor of the Company.

Pricewaterhouse Coopers was an external auditor of the Company for the financial year of 2012, 2013 and 2014 and resigned as external auditor of the Company on 4 November 2015.

Deloitte Touche Tohmatsu was appointed as the external auditor of the Company at the special general meeting of the Company held on 23 November 2015, and was re-appointed at the annual general meeting of the Company held on 12 May 2016.

On behalf of the Board
Binhai Investment Company Limited

Gao Liang
Executive Director

Hong Kong, 17 March 2017

Deloitte.
德勤

TO THE SHAREHOLDERS OF
BINHAI INVESTMENT COMPANY LIMITED
(incorporated in Bermuda with limited liability)

OPINION

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 66 to 165, which comprise the consolidated statement of financial position as at 31 December 2016, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of property, plant and equipment	
We identified the impairment assessment of property, plant and equipment as a key audit matter because the carrying value of property, plant and equipment is significant to the Group's consolidated financial statements and that value in use calculation based on management's view of future business prospects is inherently judgmental. The recoverable amounts of the Group's gas pipelines and gas supply machinery and equipment are determined based on the higher of fair value less costs of disposal and 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 ("CGUs") and a suitable discount rate in order to calculate the present value. Details of the related key estimation uncertainties and property, plant and equipment are set out, respectively, in Note 5 and Note 17 to the consolidated financial statements.	Our procedures of evaluating and corroborating the key inputs of the forecast cash flows in respect of the CGUs identified by management as having impairment indicators or a potential reversal of impairment allowance previously made included: • Analysing the growth rates assumed by comparing them to those achieved historically; • Examining management's methodologies and models used for assessing the valuation of the CGUs, and challenging management's future cash flow forecast through a comparison of the underlying cash flows in the forecast with those in the budgets prepared by management; • Analysing the historical accuracy of prior period budget to actual results for evidence of the reliability of the Group's budgeting process; and • Engaging our internal valuation specialists to compare the discount rates used by management with benchmarks including the cost of capital for the Group and comparable organisations and considering the sensitivity of discount rates and the resulting impact on the impairment charge.

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables	
We identified the impairment of trade receivables as a key audit matter because the impairment assessment has involved significant estimation and judgments regarding the identification of impaired trade receivables and regarding the amount of impairment. The Group makes allowance for doubtful debts based on an assessment of the recoverability of trade receivables. Allowance is applied to these receivables where events or changes in circumstance indicate that the balances may not be collectible. The Group recorded an impairment charge of HK$9 million on trade receivables in 2016. Details of the related key estimation uncertainties and trade receivables are set out, respectively, in Note 5 and Note 21 to the consolidated financial statements.	Our procedures in relation to impairment of trade receivables included: • Testing the aged analysis prepared by management on sample basis by comparing the age classification with the corresponding supporting documents; and • Considering the sufficiency and reasonableness of assumptions used by the management for the determination of allowance for doubtful debts with reference to aged analysis, historical credit record, subsequent collection, past payment practices and previous experiences of bad debt exposure.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Tsang Kai Tai.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

17 March 2017

Consolidated Statement of Profit or Loss

For the year ended 31 December 2016

	Notes	Year ended 31 December 2016 HK$'000	Year ended 31 December 2015 HK$'000
Revenue	6, 7	**2,145,194**	2,554,762
Cost of sales and services		**(1,604,802)**	(2,011,601)
Gross profit		**540,392**	543,161
Other income	8	**18,773**	7,277
Other gains and losses	9	**(79,376)**	13,866
General and administrative expenses		**(156,421)**	(162,547)
Interest income	10	**3,293**	7,659
Interest expenses	10	**(66,170)**	(113,101)
Share of profit of an associate		**3,228**	2,664
Share of losses of joint ventures		**(3,091)**	(1,103)
Profit before income tax	11	**260,628**	297,876
Income tax expense	12	**(83,025)**	(94,290)
Profit for the year		**177,603**	203,586
Profit for the year attributable to:			
— Owners of the Company		**172,226**	198,860
— Non-controlling interests		**5,377**	4,726
		177,603	203,586
Earnings per ordinary share			
— basic *(HK cents)*	15	**14.7**	16.9
— diluted *(HK cents)*	15	**14.7**	13.4

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Year ended 31 December 2016 *HK$'000*	Year ended 31 December 2015 *HK$'000*
Comprehensive income		
Profit for the year	**177,603**	203,586
Other comprehensive expenses		
Item that will not be reclassified to profit or loss:		
Currency translation differences	**(76,062)**	(65,253)
Total comprehensive income for the year	**101,541**	138,333
Attributable to:		
— Owners of the Company	**98,748**	135,113
— Non-controlling interests	**2,793**	3,220
Total comprehensive income for the year	**101,541**	138,333

Consolidated Statement of Financial Position

At 31 December 2016

	Notes	31 December 2016 HK$'000	31 December 2015 HK$'000
ASSETS			
Non-current Assets			
Land use rights	16	**66,033**	45,249
Property, plant and equipment	17	**2,833,956**	2,732,293
Intangible assets	18	**13,047**	—
Interest in an associate	19	**23,001**	21,262
Interests in joint ventures	20	**29,009**	34,226
Advance payment for pipeline construction	21	**2,036**	52,189
Long-term deposit	28(d)	**7,702**	—
Deferred tax assets	30	**5,174**	—
		2,979,958	2,885,219
Current Assets			
Inventories	22	**44,123**	52,668
Trade and other receivables	21	**589,109**	549,135
Restricted cash	23	**8,651**	12,631
Bank balances and cash	23	**323,361**	331,184
		965,244	945,618
Assets held for sale	24	**126,472**	137,105
		1,091,716	1,082,723
Total Assets		**4,071,674**	3,967,942
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	25		
— Ordinary shares		**117,435**	117,435
— Redeemable preferences shares		**430,000**	430,000
Share premium		**157,522**	157,522
Other reserves	27	**(199,802)**	(144,707)
Retained earnings		**681,529**	586,403
		1,186,684	1,146,653
Non-controlling interests		**35,177**	32,384
Total Equity		**1,221,861**	1,179,037

Consolidated Statement of Financial Position

At 31 December 2016

	Notes	31 December 2016 HK$'000	31 December 2015 HK$'000
LIABILITIES			
Non-current Liabilities			
Borrowings	28	**1,721,704**	1,533,411
Deferred income	29	**33,340**	—
		1,755,044	1,533,411
Current Liabilities			
Trade and other payables	31	**982,689**	935,839
Tax liabilities		**44,044**	48,966
Borrowings	28	**68,036**	260,896
Derivative financial instruments	32	**—**	9,793
		1,094,769	1,255,494
Total Liabilities		**2,849,813**	2,788,905
Total Equity and Liabilities		**4,071,674**	3,967,942
Net current liabilities		**(3,053)**	(172,771)
Total Assets less Current Liabilities		**2,976,905**	2,712,448

The consolidated financial statements on pages 66 to 165 were approved and authorised for issue by the board of directors on 17 March 2017 and are signed on its behalf by:

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company						
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Other reserves** *(Note 27)* *HK$'000*	**Retained earnings** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
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 expenses for the year – Currency translation differences	–	–	(63,747)	–	(63,747)	(1,506)	(65,253)
Total comprehensive income (expenses) 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)
At 31 December 2015	**547,435**	**157,522**	**(144,707)**	**586,403**	**1,146,653**	**32,384**	**1,179,037**
Profit for the year	**–**	**–**	**–**	**172,226**	**172,226**	**5,377**	**177,603**
Other comprehensive expenses for the year – Currency translation differences	**–**	**–**	**(73,478)**	**–**	**(73,478)**	**(2,584)**	**(76,062)**
Total comprehensive income (expenses) for the year	**–**	**–**	**(73,478)**	**172,226**	**98,748**	**2,793**	**101,541**
Employee share options lapsed	**–**	**–**	**(1,443)**	**1,443**	**–**	**–**	**–**
Dividends relating to 2015	**–**	**–**	**–**	**(58,717)**	**(58,717)**	**–**	**(58,717)**
Appropriation	**–**	**–**	**19,826**	**(19,826)**	**–**	**–**	**–**
At 31 December 2016	**547,435**	**157,522**	**(199,802)**	**681,529**	**1,186,684**	**35,177**	**1,221,861**

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 **HK$'000**	2015 HK$'000
Operating activities		
Profit for the year	**260,628**	297,876
Adjustments for:		
Interest income	**(3,293)**	(7,659)
Interest expenses	**66,170**	113,101
Foreign exchange losses	**115,235**	61,916
Share of profit of an associate	**(3,228)**	(2,664)
Share of losses of joint ventures	**3,091**	1,103
Depreciation of property, plant and equipment	**81,968**	81,343
Impairment loss reversed in respect of property, plant and equipment	**(18,710)**	—
Amortisation of land use rights	**2,145**	1,196
Amortisation of intangible assets	**82**	—
Gain on disposal of property, plant and equipment, land use rights	**(2,296)**	(6,881)
Allowance for impairment of trade and other receivables	**10,774**	8,446
Reversal of impairment of trade and other receivables	**(12,228)**	(10,296)
Loss on settlement of interest rate swap contract	**—**	7,552
Fair value gain on derivative component of convertible bonds	**(9,793)**	(62,088)
Gain on redemption of wealth management products purchased from financial institutions	**(442)**	(10,432)
Operating cash flows before movements in working capital	**490,103**	472,513
Decrease in inventories	**8,545**	1,048
Decrease in trade and other receivables	**(59,083)**	(1,020)
Increase in trade and other payables	**95,128**	88,163
Net cash generated from operations	**534,693**	560,704
Income tax paid	**(92,955)**	(101,179)
Net cash generated from operating activities	**441,738**	459,525

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016 HK$'000	2015 HK$'000
Investing activities		
Purchase of property, plant and equipment	**(274,039)**	(426,442)
Purchase of intangible assets	**(13,567)**	—
Purchase of land use rights	**(27,205)**	—
Proceeds from disposal of property, plant and equipment, land use rights	**6,442**	46,077
Withdrawal of restricted cash	**11,629**	21,107
Placement of restricted cash	**(8,364)**	(12,133)
Acquisition of wealth management products	**(250,346)**	(4,888,421)
Proceed from redemption of wealth management products	**250,788**	4,898,853
Interest received	**3,293**	7,659
Government grant received	**35,648**	—
Net cash used in investing activities	**(265,721)**	(353,300)
Financing activities		
Proceeds from borrowings	**395,997**	1,913,175
Repayments of borrowings	**(419,234)**	(1,935,376)
Long-term deposit of other borrowings paid	**(7,960)**	—
Interest paid	**(76,525)**	(122,748)
Dividend paid	**(58,717)**	(42,746)
Transaction cost of borrowings paid	**—**	(11,828)
Early settlement of interest rate swap contract	**—**	(27,606)
Net cash used in financing activities	**(166,439)**	(227,129)
Net increase (decrease) in cash and cash equivalents	**9,578**	(120,904)
Cash and cash equivalents at 1 January	**331,184**	463,236
Effect of foreign exchange rate changes	**(17,401)**	(11,148)
Cash and cash equivalents at 31 December, represented by bank balances and cash	**323,361**	331,184

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

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 a public limited company and its shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 37. The Company and its subsidiaries are hereafter together referred to as the Group.

For the purpose of these consolidated 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.

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Going concern

As at 31 December 2016, the current liabilities of the Group exceeded its current assets by approximately HK$3 million (31 December 2015: 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 of 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 on a going concern basis.

3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

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

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

Amendments to HKAS 11	*Accounting for Acquisitions of Interest in Joint Operations*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2012-2014 Cycle*

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

Amendments to HKAS 1 Disclosure Initiative

The Group has applied the amendments to HKAS 1 *Disclosure Initiative* for the first time in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by an HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of consolidated financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

As regards the structure of the consolidated financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The Group has applied these amendments retrospectively. The grouping and ordering of certain notes have been revised to give prominence to the areas of the Group's activities that management considers to be the most relevant to an understanding of the Group's financial performance and financial position. Specifically, information relating to financial instruments was reordered to Note 35. Other than the above presentation and disclosure changes, the application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group in these consolidated financial statements.

3.2 New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

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

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2017.

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

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent 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 fair value through other comprehensive income ("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.

- 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 *Financial Instruments: Recognition and Measurement.* 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.

Based on Group's financial instruments and risk management policies as at 31 December 2016, application of HKFRS 9 in the future may have a potential impact on measurement of the Group's financial assets such as wealth management products. Specifically, the expected credit loss model may result in early provision of credit loss which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Directors perform a detailed review.

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. Specifically, 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.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The Directors are in the process of assessing the potential impacts of HKFRS 15 in respect of the Group contracts with customers, in particular, the identification of performance obligations under HKFRS 15 and the allocation of total consideration to the respective performance obligations that will be based on relative fair values in respect of the Group's gas connection contracts. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

HKFRS 16 Leases

HKFRS 16 introduces a comprhensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Lease* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold lands where that Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

Upon application of HKFRS 16, the Group will continue to account for the sale and leaseback transactions entered into by the Group as disclosed in Note 28 as collateralised borrowings.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of HK$17,641,000 as disclosed in Note 33. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Directors perform a detailed review.

Amendments to HKAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The Directors anticipate that the application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

The Directors do not anticipate that the application of other new and amendments to HKFRSs will have a material effect on the Group's financial performance and financial positions and/or the disclosures set out in these consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, 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*.

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

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 or 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 principal accounting policies are set out below.

Basis of 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 policies.

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.

Business combinations

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 amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount 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 relevant subsidiary'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.

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.

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

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.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

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 a 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 or joint venture), 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 or a joint venture. On acquisition of the investment in an associate or a 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.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKAS 39, 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. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant 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.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount 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 transaction 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 (or disposal group) and disposal group.

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Connection services

Connection services connect customers to the Group's pipeline network. When the outcome of a connection services 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.

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.

Gas transportation income

Gas transportation income is recognised when gas has been transported .

Service income

Service income is recognised when services are provided.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

A series of transactions that involve the legal form of a lease is linked and accounted for as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. The accounting reflects the substance of the arrangement.

An arrangement that involves a legal form of a lease is not, in substance, accounted for as a lease if:

- the Group retains all the risks and rewards incident to ownership of an underlying asset and enjoys substantially the same rights to its use as before the arrangement;
- the primary reason for the arrangement is not to convey the right to use an asset; and
- an option is included on terms that make its exercise almost certain.

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

The Group as lessor

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

The Group as lessee

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

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a 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 payments 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.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency (Renminbi (“RMB”)) of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group’s operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars (“HK$”)) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising from the translation of group entities to the presentation currency of the Group which do not constitute foreign operations, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve and will not be reclassified to profit or loss.

Borrowing costs

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 capitalised as part of the cost of those assets until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the year in which they are incurred.

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.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

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.

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.

Share-based payment arrangements

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 at the grant date:

— 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. The impact of the revision of the original estimates, if any, is recognised in the consolidated statement of profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the employee share option reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before income tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in associates and joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Properties in the course of construction for production, supply or administrative purposes represent gas station properties, machinery, pipelines and related assets under construction/installation are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the asset are ready for their intended use.

Depreciation is recognised so as to write off the cost of the assets other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets represent cost of acquisition of operating rights. Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimates being accounted for on a prospective basis (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured at the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss in period when the asset is derecognised.

Impairment on tangible and intangible assets

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 a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated to the assets on a pro-rata basis on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, 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.

Inventories

Inventories, including construction materials, gas appliances and gas for sales, are stated at the lower of cost and net realisable value. Costs are determined using weighted average cost formula. Net realisable value represents the estimated selling price for inventories less all estimated costs to completion and the cost necessary to make the sale.

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 values of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets at 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 other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is designated as at FTVPL.

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

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

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

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest earned on the financial assets and 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. Subsequent to initial recognition, loans and receivables (including trade and other receivables, restricted cash and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

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

Impairment of financial assets

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

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivable could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade 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 and other receivables is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

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 including redeemable preference shares issued by the Company are recognised at the proceeds received, net of direct issue costs.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including borrowings and trade and other payables are subsequently measured at amortised cost, using the effective interest method.

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 is 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 recognised at 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 that relate to the issue of the convertible bonds are all allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative components are charged to profit or loss immediately. Transaction costs relating to the debt components are included in the carrying amount of the debt portion and amortised over the period of the convertible bonds using the effective interest method.

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.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss 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.

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 expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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.

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have significant risks of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year.

Impairment assessment 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. In addition, the management is required to assess whether there is any indication that the impairment allowance previously made may no longer exist or may have decreased and considered any potential reversal of impairment allowance previously made at the end of each reporting period.

The recoverable amounts of the gas pipelines and gas supply machinery and equipment are determined based on the higher of fair value less costs of disposal and 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 or more than expected, or changed in facts and circumstances which result in revision of estimated cash flows, further impairment loss or reversal of impairment allowance may arise. At 31 December 2016 the carrying amount of property, plant and equipment is HK$2,834 million (At 31 December 2015: HK$2,732 million). Details of the calculation of the recoverable amounts are set out in Note 17.

Estimated allowance for doubtful debts

The Group makes allowance for doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowance is applied to these receivables where events or changes in circumstances 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 amounts of trade and other receivables and doubtful debt expenses in the year in which such estimate has been made. At 31 December 2016, the carrying amount of trade and other receivables after deducting the impairment recognised is HK$589 million (31 December 2015: HK$549 million). Details of movement in allowance on trade and other receivables are set out in Note 21.

Income taxes

As at 31 December 2016, 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$196.33 million (2015: HK$172.15 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 allowance of trade and other receivables and 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.

6. REVENUE

Revenue represents revenue from piped gas sales, connection services, on-site gas sales and bottled gas sales, net of discount and returns during the year. An analysis of the Group's revenue for the year is as following:

	31 December 2016 ***HK$'000***	31 December 2015 *HK$'000*
Piped gas sales	**1,671,742**	2,034,598
Connection services	**459,759**	493,818
On-site gas sales	**—**	11,797
Bottled gas sales	**13,693**	14,549
	2,145,194	2,554,762

7. SEGMENT INFORMATION

Information reported to the executive directors of the Company (the "Executive Directors"), being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

The Group's reportable and operating segments under HKFRS 8 are 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 to individual agents directly from the suppliers' depots
Bottled gas sales	—	Sales of bottled gas

Note: In 2015, the management decided to discontinue in on-site gas sales business. The contribution of on-site gas sales business to the results of the Group was insignificant and hence it was not considered as a separate major line of business. Accordingly, it was 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.

Information regarding assets and liabilities of the Group are not regularly reviewed by the Executive Directors for the purpose of resources allocation and assessment of segment performance.

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") and its subsidiaries, which contributed sales of pipeline gas sales of HK$319 million which represented 15% (2015: HK$573 million which represented 22%) 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 2016 and 31 December 2015.

The accounting policies of the reportable operating segments are the same as the Group's accounting policies described in Note 4.

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 2016

	Piped gas sales *HK$'000*	Connection services *HK$'000*	Bottled gas sales *HK$'000*	Total *HK$'000*
Revenue				
— Tianjin Pipe and its subsidiaries *(Note 36)*	**318,643**	**—**	**—**	**318,643**
— Other customers	**1,353,099**	**459,759**	**13,693**	**1,826,551**
Revenue from external customers	**1,671,742**	**459,759**	**13,693**	**2,145,194**
Segment results	**219,657**	**316,782**	**3,953**	**540,392**
Share of profit of an associate				**3,228**
Share of losses of joint ventures				**(3,091)**
Other income				**18,773**
Other gains and losses				**(79,376)**
General and administrative expenses				**(156,421)**
Interest income				**3,293**
Interest expenses				**(66,170)**
Profit before income tax				**260,628**
Other segment information				
Amounts included in the segment results				
Depreciation	**77,123**	**352**	**82**	**77,557**
Amortisation of land use rights	**1,096**	**57**	**8**	**1,161**
Amortisation of intangible assets	**82**	**—**	**—**	**82**

	Depreciation and amortisation 2016 *HK$'000*
Segment total	**78,800**
Unallocated *(Note)*	**5,395**
	84,195

Note: Unallocated depreciation and amortisation represent amounts incurred for corporate headquarters and are not allocated to operating segments.

Year ended 31 December 2015

	Piped gas sales *HK$'000*	Connection services *HK$'000*	On-sit gas sales *HK$'000*	Bottled gas sales *HK$'000*	Total *HK$'000*
Revenue					
— Tianjin Pipe and its subsidiaries *(Note 36)*	573,213	—	—	—	573,213
— Other customers	1,461,385	493,818	11,797	14,549	1,981,549
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
Share of profit of an associate					2,664
Share of losses of joint ventures					(1,103)
Other income					7,277
Other gains and losses					13,866
General and administrative expenses					(162,547)
Interest income					7,659
Interest expenses					(113,101)
Profit before income tax					297,876
Other segment information					
Amounts included in the segment results					
Depreciation	76,125	313	189	84	76,711
Amortisation of land use rights	660	38	4	4	706

	Depreciation and amortisation 2015 *HK$'000*
Segment total	77,417
Unallocated *(Note)*	5,122
	82,539

Note: Unallocated depreciation and amortisation represent amounts incurred for corporate headquarters and are not allocated to operating segments.

8. OTHER INCOME

	Year ended 31 December 2016 *HK$'000*	Year ended 31 December 2015 *HK$'000*
Assembling service	**8,216**	2,915
Pipelines transportation income	**4,938**	—
Compensation	**3,742**	1,343
Rental income	**1,877**	3,019
	18,773	7,277

9. OTHER GAINS AND LOSSES

	Year ended 31 December 2016 *HK$'000*	Year ended 31 December 2015 *HK$'000*
Fair value gain or loss on:		
— Derivative component of convertible bond	**9,793**	62,088
— Redemption of wealth management products purchased from financial institutions	**442**	10,432
Gain on disposal of property, plant and equipment and land use rights	**2,296**	6,881
Reversal of impairment of property, plant and equipment *(Note 17(b))*	**18,710**	—
Allowance for impairment of trade and other receivables	**(10,774)**	(8,446)
Reversal of impairment of trade and other receivables	**12,228**	10,296
Net foreign exchange losses	**(115,235)**	(61,916)
Loss on early settlement of interest rate swap	**—**	(7,552)
Others	**3,164**	2,083
	(79,376)	13,866

10. INTEREST INCOME AND EXPENSES

	Year ended 31 December 2016 HK$'000	Year ended 31 December 2015 HK$'000
Interest on bank and other borrowings	**8,354**	49,068
Interest on USD bonds	**54,808**	35,690
Interest on RMB bonds	**–**	34,871
Interest on convertible bonds	**19,765**	30,596
	82,927	150,225
Less: Amounts capitalised as part of the cost of property, plant and equipment *(Note)*	**(16,757)**	(37,124)
Interest expenses	**66,170**	113,101
Interest income	**(3,293)**	(7,659)

Note: Amount included interest expenses from general borrowings capitalised at a rate of 4.20% (Year ended 31 December 2015: 6.35%).

11. PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging (crediting):

	Year ended 31 December 2016 HK$'000	Year ended 31 December 2015 HK$'000
Cost of gas purchased	**1,298,437**	1,662,840
Staff costs including directors' and supervisors' remuneration *(Note (i))*		
— Salaries, allowances and benefits in kind	**94,724**	110,498
— Retirement benefits	**2,172**	2,376
— Other welfares	**40,703**	43,070
	137,599	155,944
Depreciation of property, plant and equipment		
— Cost of sales	**77,557**	77,827
— General and administrative expenses	**4,411**	3,516
Amortisation of land use rights	**2,145**	1,196
Amortisation of intangible assets	**82**	—
	84,195	82,539
Auditor's remuneration	**3,057**	2,993
Operating lease rentals in respect of rented premises	**8,141**	9,894
Research and development expenses *(Note (ii))*	**35,839**	—

Note: (i) Certain selling and marketing personnel and research and development personnel are also handling administrative activities and their respective employee benefit expenses cannot be allocated reasonably. Therefore, all the employee benefit expenses are included in general and administrative expenses. During the year ended 31 December 2016, staff cost included in general and administrative expenses amounted to HK$75,791,000 (2015: HK$94,354,000).

(ii) Material cost incurred in relation to research and development activities of HK$11,727,000 (2015: Nil) are included in cost of sales and services.

12. INCOME TAX EXPENSES

	Year ended 31 December 2016 *HK$'000*	Year ended 31 December 2015 *HK$'000*
Current tax:		
Current tax on profits for the year	**88,199**	94,290
Deferred tax *(Note 30)*	**(5,174)**	—
Income tax expenses	**83,025**	94,290

There was no Hong Kong profit tax provided for the year ended 31 December 2016 and 2015.

In accordance with the "Notice of the State Tax Bureau of the Ministry of Finance Regarding Certain Preferential Treatment Policies on Enterprise Income Tax", New and High Technical Enterprises was subject to income tax at a tax rate of 15%. The following subsidiaries of the Company were recognised as New and High Technical Enterprise in accordance with the applicable Law of the People's Republic of China of Enterprise Income Tax (the "EIT Law") of the PRC and are subject to income tax at a tax rate of 15% for the respective years.

Tianjin Binda Gas Enterprise Company Limited * ("Tianjin Binda")（天津濱達燃氣實業有限公司）was recognised as New and High Technical Enterprises on 9 December 2016 for 3 years in accordance with the applicable EIT Law of the PRC and is subject to income tax at a tax rate of 15% from 2016 to 2018.

Zhuozhou Binhai Gas Company Limited *（涿州濱海燃氣有限公司）was recognised as New and High Technical Enterprises on 21 November 2016 for 3 years in accordance with the applicable EIT Law of the PRC and is subject to income tax at a tax rate of 15% from 2016 to 2018.

Other subsidiaries established in the PRC are subject to income tax at a tax rate of 25% for the year ended 31 December 2016 (year ended 31 December 2015: 25%).

* *Identification for English translation only*

The Company was established in Bermuda, which is a tax free country. The income tax rate of Binhai Investment Hong Kong Limited is 16.5%. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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 2016	Year ended 31 December 2015
	HK$'000	*HK$'000*
Profit before income tax	**260,628**	297,876
Tax at the domestic income tax rate of 25%	**65,157**	74,468
Tax effect of preferential tax rates on income of certain subsidiaries	**(17,034)**	—
Tax effect of income tax deduction granted to subsidiaries in research and development expenditures	**(4,480)**	—
Tax effect of share of profit of an associate	**(807)**	276
Tax effect of share of losses joint ventures	**773**	(666)
Tax effect of expenses not deductible for the tax purpose	**31,494**	19,847
Tax effect of deductible temporary difference not recognised	**(4,678)**	(2,798)
Tax effect of income not taxable for the tax purpose	**(2,448)**	(15,522)
Tax effect of tax losses not recognised	**16,474**	19,375
Utilisation of tax losses previously not recognised	**(1,634)**	(68)
Others	**208**	(622)
Income tax expenses for the year	**83,025**	94,290

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

(a) Directors' and chief executive's emoluments

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and CO are as follows:

Year ended 31 December 2016

	Directors' fees HK$'000	Salaries HK$'000	Performance related bonus HK$'000 (Note i)	Retirement benefits HK$'000	Others HK$'000	Total HK$'000
Executive directors:						
Mr. ZHANG Bing Jun	400	–	–	–	–	400
Mr. GAO Liang *(Note (ii))*	200	1,071	1,806	39	158	3,274
Sub-total	600	1,071	1,806	39	158	3,674
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
Sub-total	1,200	–	–	–	–	1,200
Independent Non-Executive Directors:						
Mr. LAU Siu Ki, Kevin	264	–	–	–	–	264
Mr. IP Shing Hing, *J.P.*	264	–	–	–	–	264
Professor Japhet Sebastian LAW	264	–	–	–	–	264
Mr. TSE Tak Yin	264	–	–	–	–	264
Sub-total	1,056	–	–	–	–	1,056
Total	2,856	1,071	1,806	39	158	5,930

Note (i): Certain executive directors of the Company are entitled to bonus payments which are determined based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustment.

Year ended 31 December 2015

	Directors' fees *HK$'000*	Salaries *HK$'000*	Performance related bonus *HK$'000*	Retirement benefits *HK$'000*	Others *HK$'000*	Total *HK$'000*
Executive directors:						
Mr. ZHANG Bing Jun	400	–	–	–	–	400
Mr. GAO Liang *(Note (ii))*	200	1,134	2,249	41	162	3,786
Sub-total	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
Sub-total	1,200	–	–	–	–	1,200
Independent Non-Executive Directors:						
Mr. LAU Siu Ki, Kevin	264	–	–	–	–	264
Mr. IP Shing Hing, *J.P.*	264	–	–	–	–	264
Professor Japhet Sebastian LAW	264	–	–	–	–	264
Mr. TSE Tak Yin	264	–	–	–	–	264
Sub-total	1,056	–	–	–	–	1,056
Total	2,856	1,134	2,249	41	162	6,442

Note (ii): Mr. GAO Liang is also the chief executive of the Company and his emolument as chief executive is included in above.

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

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

(b) Employees' Emoluments

Of the five individuals with highest emoluments in the Group for the year ended 31 December 2016 included one director (2015: one director) whose emolument is included in the disclosures above. The remuneration of the remaining four highest paid employees for the year are as follows:

	Year ended 31 December 2016 *HK$'000*	Year ended 31 December 2015 *HK$'000*
Salaries	**2,656**	2,651
Performance related bonuses	**3,275**	4,704
Retirement benefits	**155**	165
Other welfares	**633**	646
	6,719	8,166

The emoluments are within the following bands:

	Number of individuals	
	2016	2015
Nil – HK$1,000,000	**1**	1
HK$1,000,001 – HK$1,500,000	**—**	—
HK$1,500,001 – HK$2,000,000	**2**	1
HK$2,500,001 – HK$3,000,000	**1**	2

No emoluments were paid by the Group to the directors or the five highest paid 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 2016 and 2015.

14. DIVIDENDS

	Year ended 31 December 2016 *HK$'000*	Year ended 31 December 2015 *HK$'000*
Dividend for ordinary shareholders of the Company recognised as distribution during the year	**58,717**	42,746

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 total final dividend of HK$0.05 per ordinary share for the year ended 31 December 2015. The 2015 final dividend was approved by the shareholders of the Company at the annual general meeting of the Company held on 12 May 2016, and was paid on or about 14 June 2016. The actual amount of the total dividend paid was HK$58,717,447.50.

Subsequent to the end of reporting period, a dividend in respect of the year ended 31 December 2016 of HK$0.05 per ordinary share is proposed by the Directors in March 2017. 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 proposed dividend.

15. EARNINGS PER ORDINARY SHARE

(a) Basic

	Year ended 31 December 2016 *HK$'000*	Year ended 31 December 2015 *HK$'000*
Earnings		
Profit attributable to owners of the Company	**172,226**	198,860
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,174,348,950**	1,174,348,950

In the year of 2015, conversion rights in respect of 70,512,195 convertible preference shares were exercised, pursuant to which 2,350,406,499 new ordinary shares before the share consolidation of the Company were issued.

As the convertible preference shares were 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 in 2015. 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 in 2016 and 2015.

(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 had two categories of dilutive potential ordinary shares: convertible bonds and share options. The convertible bonds were assumed to have been converted into ordinary shares, and the net profit was adjusted to eliminate the interest expenses and fair value of derivative component less the tax effect, where applicable. The exercise of share options would have no dilutive effect to earnings per share because the exercise price of those options was higher than the average market price for share for both 2016 and 2015.

	Year ended 31 December 2016 *HK$'000*	Year ended 31 December 2015 *HK$'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**172,226**	198,860
Effect of dilutive potential profit attributable to owners of the Company *(Note)*:		
— Interest expense on convertible bonds	**–**	30,596
— Fair value gain on derivative component of convertible bonds	**–**	(62,088)
Earnings for the purpose of diluted earnings per share	**172,226**	167,368
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,174,348,950**	1,174,348,950
Effect of dilutive potential ordinary shares *(Note)*:		
— Adjustments for assumed conversion of convertible bonds	**–**	76,480,263
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,174,348,950**	1,250,829,213

Note: The convertible bonds of the Company became due and had been redeemed in August 2016. The computation of diluted earnings per share for the year ended 31 December 2016 did not assume the conversion of the Company's outstanding convertible bond because the assumed conversion would result in an increase in earnings per share.

16. 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:

	2016	2015
	HK$'000	*HK$'000*
At 1 January	**45,249**	50,286
Additions	**27,205**	—
Disposals	**(534)**	(1,598)
Amortised for the year	**(2,145)**	(1,196)
Currency translation differences	**(3,742)**	(2,243)
At 31 December	**66,033**	45,249

The Group is in the process of applying for the certificates to certain land use rights with net carrying amounts of approximately HK$14.05 million (approximately RMB12.59 million) as at 31 December 2016 (2015: HK$3.9 million or approximately RMB3.3 million). The Directors believe that certificates will be obtained in due course without significant cost.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings *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 2015						
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)
Accumulated impairment allowance	(30,543)	(58,387)	(62,155)	(4,835)	–	(155,920)
Closing carrying amount	43,288	37,393	1,845,259	17,322	640,392	2,583,654
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	(2,532)	(18,102)	(8,247)	(618)	(19,290)	(48,789)
Transfers	9,732	29,535	509,117	16	(548,400)	–
Depreciation charge	(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)
Accumulated impairment allowance	(25,845)	(52,580)	(54,761)	(4,195)	–	(137,381)
Closing carrying amount	47,468	46,158	2,197,415	12,863	428,389	2,732,293

	Leasehold land and buildings *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 2016						
Opening carrying amount	47,468	46,158	2,197,415	12,863	428,389	2,732,293
Currency translation differences	(4,230)	(2,534)	(147,937)	(145)	(31,763)	(186,609)
Additions	267	1,290	2,451	2,779	348,355	355,142
Disposals	(909)	(21)	(55)	(2,447)	(180)	(3,612)
Transfers	22,654	8,021	201,946	158	(232,779)	–
Depreciation charge	(4,519)	(6,315)	(68,114)	(3,020)	–	(81,968)
Reversal of impairment charge *(Note (b))*	–	–	18,710	–	–	18,710
Closing carrying amount	60,731	46,599	2,204,416	10,188	512,022	2,833,956
At 31 December 2016						
Cost	130,845	133,882	2,477,108	52,224	512,022	3,306,081
Accumulated depreciation	(46,002)	(38,179)	(239,758)	(38,688)	–	(362,627)
Accumulated impairment allowance	(24,112)	(49,104)	(32,934)	(3,348)	–	(109,498)
Closing carrying amount	60,731	46,599	2,204,416	10,188	512,022	2,833,956

Notes:

(a) The Group is in the process of applying for the certificates to certain leasehold land and buildings with net carrying amounts of approximately HK$36.91 million (approximately RMB33.07 million) as at 31 December 2016 (31 December 2015: HK$18.69 million (approximately RMB15.65 million)). The Directors believe that the certificates will be obtained in due course without significant additional cost.

(b) For the year ended 31 December 2016, the PRC government has implemented several policies to promote the usage of more environmental friendly energy. Therefore, the management considered that there has been an increase in the estimated service potential of some impaired assets in a cash-generating unit ("CGU"). After reassessment, there are reversal of impairment of gas pipelines with HK$18.71 million (2015: Nil) in a CGU, which are the primary assets of the relevant CGU.

The Group reviews the carrying amounts of its property, plant and equipment with to determine whether there is any indication that those assets have suffered an impairment loss or have a potential reversal of impairment allowance previously made. For purpose of assessment of the recoverable amount of property, plant and equipment, individual assets are assessed separately and to the extent it is not possible to estimate the recoverable amount of property, plant and equipment individually, such assets are assessed under a CGU, the management considers each subsidiary represents a separate CGU.

The recoverable amount is the higher of fair value less costs of disposal and value in use. The recoverable amounts of the CGU is determined from value in use calculations. The value in use calculation used cash flow projections based on financial budgets approved by management. The key assumptions for the value in use calculations are those regarding the estimated average useful life of identifiable assets, discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rates of 15% (2015: 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 2016 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% (2015: 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. The cash flow projections are based on the management's best estimate of the economic conditions that will exist over the remaining weighted average useful life of the assets.

(c) The impairment allowance of HK$11.2 million was written off because of the assets disposed for the year ended 2015.

(d) Movements of the impairment allowance of property, plant and equipment are as follows:

	2016	2015
	HK$'000	*HK$'000*
At 1 January	**137,381**	155,920
Reversal of impairment allowance	**(18,710)**	—
Write off of impairment allowance on disposals	**—**	(11,191)
Currency translation differences	**(9,173)**	(7,348)
At 31 December	**109,498**	137,381

(e) The net carrying amount of pipelines as at 31 December 2016 amounting to HK$256 million (approximately RMB229 million) are pledged as security for the related borrowing, details of which are set out in Note 28.

18. INTANGIBLE ASSETS

	Operating rights *HK$'000*
COST	
At 1 January 2015, 31 December 2015 and 1 January 2016 *(Note (a))*	4,600
Additions for the year *(Note (b))*	13,567
Currency translation differences	(740)
At 31 December 2016	17,427
AMORTISATION AND IMPAIREMENT	
At 1 January 2015, 31 December 2015 and 1 January 2016	(4,600)
Charge for the year	(82)
Currency translation differences	302
At 31 December 2016	(4,380)
CARRYING AMOUNTS	
At 31 December 2015	—
At 31 December 2016	13,047

Note:

(a) The cost of original operating rights held by the Group of approximately HK$4.6 million (approximately RMB4 million) has been fully impaired since 31 March 2004.

(b) Binhai Investment (Tianjin) Company Limited ("Binhai Investment Tianjin") and Tianjin Binda which are wholly owned subsidiaries of the Company obtained operating rights of piped gas sales in two cities in the PRC with consideration of HK$11,260,000 (equivalent to RMB9,760,000) and HK$2,307,000 (equivalent to RMB2,000,000), respectively. The operating rights are amortised on a straight-line basis over the operation periods of 30 years.

19. INTEREST IN AN ASSOCIATE

The movement of interest in an associate is as follows:

	2016	2015
	HK$'000	*HK$'000*
Cost of unlisted investment	**17,229**	17,229
Share of post-acquisition result of an associate	**7,593**	4,365
Currency translation differences	**(1,821)**	(332)
	23,001	21,262

As at 31 December 2016 and 2015, the Group had interest in an associate:

Name of an Associate	**Place of business/ country of incorporation**	**% of ownership interest**	**Principal activities**
Qinhuangdao Taixing Gas Co., Ltd. ("Qinhuangdao Taixing")	Qinhuangdao, China	45	Connection services and piped gas sales

The associate of the Group is a private company and there is no quoted market price available.

There is no contingent liabilities relating to the Group's interest in an associate.

Summarised financial information

Set out below are the summarised financial information of an associate which is accounted for using equity method:

	31 December 2016 ***HK$'000***	31 December 2015 *HK$'000*
Cash and cash equivalents	**35,368**	19,693
Other current assets (excluding cash and cash equivalents)	**10,290**	25,494
Current assets	**45,658**	45,187
Non-current assets	**30,031**	27,482
Current liabilities	**24,576**	25,420

	Year ended 31 December 2016 ***HK$'000***	Year ended 31 December 2015 *HK$'000*
Revenue	**71,990**	72,938
Profit and total comprehensive income for the year	**7,174**	5,919

Reconciliation of the above summarised financial information to the carrying amount of the interest in an associate recognised in the consolidated financial statements:

	31 December 2016 ***HK$'000***	31 December 2015 *HK$'000*
Net assets of Qinhuangdao Taixing	**51,113**	47,249
Proportion of the Group's ownership interest	**45%**	45%
Carrying amount of the Group's interest	**23,001**	21,262

20. INTERESTS IN JOINT VENTURES

The movement of interests in joint ventures is as follows:

	2016 HK$'000	2015 HK$'000
Cost of unlisted investments	**40,488**	40,488
Share of post-acquisition results of joint ventures	**(6,137)**	(3,046)
Currency translation differences	**(5,342)**	(3,216)
	29,009	34,226

As at 31 December 2016 and 2015, the Group had interests in the following joint ventures:

Name of Joint Ventures	Place of business/ country of incorporation	% of ownership interest	Principal activities
Tianjin Airport Economic Area Gas Co., Ltd. ("Tianjin Airport Gas") *(Note a)*	Tianjin, China	40	Connection services and piped gas sales
Sinopec Binhai Investment (Tianjin) Natural Gas Utilisation ("SBI") *(Note b)*	Tianjin, China	50	Gas utilisation technology development

Note a: On 12 April 2010, Binhai Investment Tianjin, the subsidiary of the Company 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 b: On 28 April 2013, Binhai Investment Tianjin 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 engaged in gas utilisation technology development. 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.

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

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

Summarised financial information

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

	Joint ventures					
	Tianjin Airport Gas		SBI.		Total	
	31 December		31 December		31 December	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Cash and cash equivalents	**14,901**	19,215	**4,899**	11,793	**19,800**	31,008
Other current assets (excluding cash and cash equivalents)	**776**	458	**8,667**	9,115	**9,443**	9,573
Current assets	**15,677**	19,673	**13,566**	20,908	**29,243**	40,581
Non-current assets	**29,777**	29,332	**23,055**	22,915	**52,832**	52,247
Current liabilities	**15,302**	16,915	**931**	1,043	**16,233**	17,958
Non-current liabilities	**2,242**	–	**–**	–	**2,242**	–

	Joint ventures					
	Tianjin Airport Gas Year ended 31 December		SBI. Year ended 31 December		Total Year ended 31 December	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Revenue	**10,445**	16,362	**6,092**	–	**16,537**	16,362
Loss and total comprehensive expenses for the year	**(2,163)**	(298)	**(4,452)**	(1,967)	**(6,615)**	(2,265)

Reconciliation of the above summarised financial information to the carrying amount of the interests in the joint ventures recognised in the consolidated financial statements:

	Joint ventures					
	Tianjin Airport Gas 31 December		SBI. 31 December		Total 31 December	
	2016	2015	**2016**	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Net assets	**27,910**	32,090	**35,690**	42,780	**63,600**	74,870
Proportion of the Group's ownership interests	**40%**	40%	**50%**	50%		
Carrying amount of the Group's interests	**11,164**	12,836	**17,845**	21,390	**29,009**	34,226

21. TRADE AND OTHER RECEIVABLES

	Notes	**31 December 2016 HK$'000**	31 December 2015 HK$'000
Trade receivables			
— Piped gas sales receivables		**116,163**	98,623
— Amounts due from customers for contract work		**218,885**	250,488
Less: allowance for impairment	*(f)*	**(41,365)**	(46,558)
		293,683	302,553
Bills receivables		**22,786**	44,399
	(b)	**316,469**	346,952
Advances to suppliers		**165,586**	202,395
Less: allowance for impairment	*(g)*	**(73,304)**	(79,017)
		92,282	123,378
Prepayments and other receivables		**51,577**	47,874
Less: allowance for impairment	*(h)*	**(7,823)**	(8,424)
		43,754	39,450
Receivables from related parties *(Note 36)*	*(i)*		
— Piped gas sales receivables		**117,805**	69,412
— Amounts due from customers for contract work		**20,835**	22,132
		138,640	91,544
Less: Advance payment for pipeline construction		**(2,036)**	(52,189)
Current portion		**589,109**	549,135

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

(b) The Group has a policy of allowing a credit period of 90 days for piped gas sales customers and average of 91-180 days after the completion of relevant stage of contract work for connection services sales customers whereas longer credit terms are allowed to certain selected customers with good credit histories or settled by bills. The aged analysis of trade and bills receivables (including piped gas sales receivables and amounts due from customers for contract work) net of allowance presented based on the revenue recognition date are as follows:

	31 December 2016 **HK$'000**	31 December 2015 HK$'000
0 — 90 days	**227,391**	158,992
91 — 180 days	**18,937**	44,604
181 — 360 days	**22,682**	64,906
Over 360 days	**47,459**	78,450
	316,469	346,952

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.

(c) Included in the Group's trade receivables balance are debtors with aggregate carrying amount (including piped gas sales receivables and amounts due from customers for contract work) of HK$72 million (2015: HK$147 million) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group holds collateral over part of these receivables. No allowance has been provided for these balances as there is no significant change in credit quality of those customers and the amounts are still considered recoverable.

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

	31 December 2016 ***HK$'000***	31 December 2015 *HK$'000*
91 — 180 days	**1,434**	3,216
181 — 360 days	**1,804**	4,524
Over 360 days	**4,801**	4,912
	8,039	12,652

(e) The Group normally billed the amounts due from customers for contract work on an average of 180 days after the completion of relevant stage of contract work. The aging analysis of the amounts due from customers for contract work that are unbilled over 180 days but not considered impaired are as follows:

	31 December 2016 ***HK$'000***	31 December 2015 *HK$'000*
181 — 360 days	**20,878**	60,382
Over 360 days	**42,658**	73,538
	63,536	133,920

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

	2016 HK$'000	2015 HK$'000
At 1 January	**46,558**	51,370
Impairment losses recognised on receivables	**9,053**	5,464
Impairment losses reversed	**(11,289)**	(8,009)
Amount written off as uncollectible	**—**	(58)
Currency translation differences	**(2,957)**	(2,209)
At 31 December	**41,365**	46,558

The individually impaired receivables mainly relate to customers, which are in unexpectedly difficult economic situations.

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

	2016 HK$'000	2015 HK$'000
At 1 January	**79,017**	82,398
Impairment losses recognised	**1,721**	2,597
Impairment losses reversed	**(884)**	(2,263)
Amount written off as uncollectible	**(1,427)**	—
Currency translation differences	**(5,123)**	(3,715)
At 31 December	**73,304**	79,017

Allowance for impairment of approximately HK$73 million (Year ended 31 December 2015: HK$79 million) principally relates to advances to suppliers which arose as a result of termination of trading relationships.

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

	2016 HK$'000	2015 HK$'000
At 1 January	**8,424**	8,453
Impairment losses recognised	**—**	385
Impairment losses reversed	**(55)**	(24)
Currency translation differences	**(546)**	(390)
At 31 December	**7,823**	8,424

(i) The aged analysis of receivables from related parties (including piped gas sales receivables and amounts due from customers for contract work) presented based on revenue recognition date are as follows:

	31 December 2016 HK$'000	31 December 2015 HK$'000
0 — 90 days	**58,514**	56,485
91 — 180 days	**52,422**	28
181 — 360 days	**1,118**	285
Over 360 days	**26,586**	34,746
	138,640	91,544

In determining the recoverability of receivables from related parties, the Group considers that any change in credit quality of the receivables from the date credit is initially granted up to the financial statements approval dates. Accordingly, the Directors believe no allowance for impairment is required.

The aging analysis of the receivables from related parties of the piped gas sales receivables that are past due but not considered impaired are as follows:

	31 December 2016 HK$'000	31 December 2015 HK$'000
91 — 180 days	51,991	28
Over 360 days	9,133	12,627
	61,124	12,655

The Group normally billed the amounts due from customers for contract work on an average of 180 days after the completion of relevant stage of contract work for connection services to customers. The aging analysis of the amounts due from customers for contract work from related parties that are unbilled over 180 days but not considered impaired are as follows:

	31 December 2016 HK$'000	31 December 2015 HK$'000
181 — 360 days	1,118	285
Over 360 days	17,453	22,119
	18,571	22,404

22. INVENTORIES

	31 December 2016 HK$'000	31 December 2015 HK$'000
Materials for gas pipelines	41,820	49,708
Gases	2,303	2,960
	44,123	52,668

The cost of inventories recognised as an expense and included in the cost of sales and services amounted to HK$1,420 million (2015: HK$1,805 million).

23. BANK BALANCES AND CASH AND RESTRICTED CASH

	31 December 2016 ***HK$'000***	31 December 2015 *HK$'000*
Bank balances and cash	**323,361**	331,184
Restricted cash *(Note)*	**8,651**	12,631

Note: The amount of restricted cash 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 pledged deposits will be released upon the settlement of relevant liabilities under the trade facilities.

Bank balances carry interest at prevailing bank saving deposit rate ranging from at 0.01% to 1.35% (2015: 0.01% to 0.74%) per annum.

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

	31 December 2016 ***HK$'000***	31 December 2015 *HK$'000*
RMB	**321,681**	307,085
HK Dollars	**8,367**	10,841
US Dollars	**1,964**	25,889
	332,012	343,815

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.

24. ASSETS HELD FOR SALE

	31 December 2016 HK$'000	31 December 2015 HK$'000
Property under development		
— Land use rights	**16,947**	18,127
— Construction costs and capitalised expenditure	**109,525**	118,978
	126,472	137,105

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 the property under development, which was measured using cost method prior to classification to assets held for sale. As at 31 December 2015, the sale was considered highly probable as the Company identified a potential buyer. However, the purchase transaction was not completed in 2016 as the potential buyer had internal restructuring and did not pursue the purchase transaction further.

During the year, the Directors are still committed to sell the property under development and consider the disposal remains highly probable. Accordingly, the Directors consider that the completion of sales is highly probable within one year and 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 2016. Subsequent to the end of the reporting period, the Group has negotiated with a potential buyer which is an independent third party and a signed document related to the potential buyer's purchase intention has been obtained.

25. SHARE CAPITAL

	2016 Number of shares Thousands	2016 HK$'000	2015 Number of shares Thousands	2015 HK$'000
Authorised:				
Ordinary shares of HK$0.01 each	**1,500,000**	**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**	1,500,000	150,000
Fully paid:				
As at 1 January	**1,174,349**	**117,435**	9,393,083	93,931
Share issued on exercise of convertible preferential shares	**–**	**–**	2,350,406	23,504
As at 31 December	**1,174,349**	**117,435**	11,743,489	117,435
Share consolidation *(Note (i))*	**–**	**–**	(10,569,140)	–
After share consolidation	**1,174,349**	**117,435**	1,174,349	117,435

	2016 Number of shares *Thousands*	2016 *HK$'000*	2015 Number of shares *Thousands*	2015 *HK$'000*
Convertible preference shares of HK$1.00 each *(Note (ii))*	–	–	170,000	170,000
Fully paid:				
As at 1 January	–	–	70,512	70,512
Converted to ordinary shares	–	–	(70,512)	(70,512)
As at 31 December	–	–	–	–

	2016 Number of shares *Thousands*	2016 *HK$'000*	2015 Number of shares *Thousands*	2015 *HK$'000*
Redeemable preference shares of HK$50.00 each, issued and fully paid *(Note (iii))*	8,600	430,000	8,600	430,000
Issued and fully paid:		547,435		547,435

(i) Share consolidation

On 14 May 2015, the Company implemented 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 of the Group which is 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 ended 31 December 2015, 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.

26. 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:

	2016		2015	
	Exercise prices *HK$*	**Share options** *'000*	Exercise prices *HK$*	Share options *'000*
Beginning balance	**5.6**	**5,550**	0.56	62,000
Shares consolidation	**–**	**–**	–	(55,800)
	5.6	**5,550**	5.6	6,200
Lapsed	**5.6**	**(500)**	5.6	(650)
Ending balance *(Note)*	**5.6**	**5,050**	5.6	5,550

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 2016		31 December 2015	
	Remaining contractual life number of years	**Share options**	Remaining contractual life number of years	Share options
		'000		*'000*
Exercise price HK$5.6 (31.12.2015: HK$5.6)	**3.7**	**5,050**	4.7	5,550

27. OTHER RESERVES

	Capital surplus *(Note (i))*	Exchange reserve *(Note (ii))*	Statutory reserves *(Note (iii))*	Employee share option reserve	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2015	4,091	(84,466)	2,561	17,899	(19,169)	(79,084)
Currency translation differences	–	(63,747)	–	–	–	(63,747)
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)
Currency translation differences	–	(73,478)	–	–	–	(73,478)
Employee share options lapsed	–	–	–	(1,443)	–	(1,443)
Appropriation	–	–	19,826	–	–	19,826
Balance at 31 December 2016	4,091	(221,691)	22,387	14,580	(19,169)	(199,802)

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.

28. BORROWINGS

	Notes	**31 December 2016 *HK$'000***	31 December 2015 *HK$'000*
USD bond	*(a)*	**1,538,899**	1,533,411
Bank borrowing — unsecured	*(b)*	**21,208**	—
Convertible bonds	*(c)*	**—**	260,896
Other borrowing — secured	*(d)*	**229,633**	—
Total		**1,789,740**	1,794,307
Less: Current portion		**(68,036)**	(260,896)
Non-current portion		**1,721,704**	1,533,411

(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 the Company 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"). When the Early Redemption Events occurred, the bond holder has the right to request the Company to redeem the USD bond at 101% of the principal amount. The estimated fair value of the rights on Early Redemption Events is insignificant at initial recognition as at 31 December 2015 and 2016. 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) Bank borrowing — unsecured

Included in the balance is borrowing from China Construction Bank Corporation which is unsecured, carries interest at the rate of 4.35% per annum and is repayable within one year.

(c) 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 were allotted and issued upon the exercise in full of the conversion rights attached to the convertible bonds.

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.

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

The convertible bonds of the Company became due and had been redeemed in August 2016.

The carrying values of debt component of the convertible bonds as at 31 December 2016 are as follows:

	HK$'000
Debt component at 31 December 2014	233,097
Amortisation using the effective interest method	27,799
Debt component at 31 December 2015	260,896
Amortisation using the effective interest method	18,104
Settlement	(279,000)
Debt component at 31 December 2016	—

(d) Other borrowing — secured

On 29 April 2016, Tianjin Binda had entered into an agreement (the "Agreement") with Bank of Communications Financial Leasing Co., Ltd. ("BoCom Leasing") whereby the Group drew down RMB230,000,000 (equivalent to HK$265,344,000) from BoCom Leasing (included in other borrowings) which is to be repayable by 20 quarterly installments plus annual interest rate being the RMB benchmark lending rate published by the People's Bank of China for the same period decreased by 12%. Despite the Agreement involves a legal form of a lease, the Group accounted for the Agreement as collateralised borrowing in accordance with the actual substance of the Agreement.

As collaterals for above financing:

(i) The Group transferred the ownership title of the pipelines to the BoCom Leasing;

(ii) The Group placed a security deposit of RMB6,900,000 (equivalent to HK$7,960,000) with BoCom Leasing;

(iii) Two wholly-owned subsidiaries of the Company, Binhai Investment Tianjin and Tianjin Bintai Energy Development Company Limited (which was acquired by Tianjin Binda in 2016), have each executed a guarantee as a guarantor in favor of BoCom Leasing to guarantee all payment obligations of Tianjin Binda under the agreement.

Upon discharging all the Group's obligations under the Agreement, the BoCom Leasing will return the ownership title of the pipelines to the Group for a nominal amount of RMB1.00.

The carrying amounts of the other borrowing are repayable.

	31 December 2016 *HK$'000*
Within one year	46,828
Within a period of more than one year but not exceeding two years	48,864
Within a period of more than two year but not exceeding five years	133,941
	229,633

(e) The carrying amounts of the borrowings are denominated in the following currencies:

	31 December 2016 ***HK$'000***	31 December 2015 *HK$'000*
US Dollars	**1,538,899**	1,533,411
RMB	**250,841**	—
HK Dollars	**—**	260,896
	1,789,740	1,794,307

(f) The maturity of the borrowings:

	31 December 2016 ***HK$'000***	31 December 2015 *HK$'000*
Within one year	**68,036**	260,896
Over one year, less than two years	**1,587,763**	—
Over two years, less than five years	**133,941**	1,533,411
	1,789,740	1,794,307

29. DEFERRED INCOME

	31 December 2016 ***HK$'000***
Government grants:	
As at 1 January	**—**
Received during the year	**35,648**
Currency translation differences	**(1,158)**
As at 31 December	**34,490**

	31 December 2016 HK$'000
Analysed for reporting purpose as:	
Current portion (included in trade and other payables)	**1,150**
Non-current portion	**33,340**
	34,490

In 2016, Tianjin Binda, a subsidiary of the Group, received a government subsidy of RMB30,900,000 (equivalent to 25,648,000) to subsidies its projects costs related to construction of new gas pipelines for connection to certain heating enterprises in order to promote the usage of more environmental friendly energy. Accordingly, subsidy received is deferred and released to the profit or loss over the estimated useful lives of the relevant gas pipelines constructed.

30. DEFERRED TAX ASSETS

The following is the major deferred tax assets recognised and movements thereon during the year:

	Government grant RMB'000
At 31 December 2015	—
Debit for the year	5,174
At 31 December 2016	5,174

Deferred 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 tax assets of HK$49.08 million (Year ended 31 December 2015: HK$43.04 million) in respect of losses amounting to HK$196.33 million (Year ended 31 December 2015: HK$172.15 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$28.34 million (2015: HK$5.32 million), HK$11.50 million (2015: HK$30.32 million), HK$40.53 million (2015: HK$12.30 million), HK$56.27 million (2015: HK$53.02 million) and HK$59.69 million (2015: HK71.19 million) will expire in the following five years respectively.

Under the new EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profit earned by PRC subsidiaries from 1 January 2008 onwards at 5% or 10% according the relevant tax treaties. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to undistributed profits of the PRC subsidiaries and an associate as at 31 December 2016 amounting to RMB716,815,000 (equivalent to HK$800,106,000) (2015: RMB663,991,000 (equivalent to HK$792,730,000)) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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 and trade and other receivables recognised in previous year due to the unpredictable of the utilisation of the temporary difference in the future.

31. TRADE AND OTHER PAYABLES

	Notes	**31 December 2016 *HK$'000***	31 December 2015 *HK$'000*
Trade payables	*(a)*	**303,498**	279,657
Advance from customers	*(e)*	**235,101**	152,712
Other payables	*(b)*	**414,407**	466,030
Accrued expenses		**16,650**	28,345
Amounts due to related parties *(Note 36)*	*(c)*	**13,033**	9,095
	(d)	**982,689**	935,839

(a) At 31 December 2016, the ageing analysis of the trade payables based on invoice date is as follows:

	31 December 2016 *HK$'000*	31 December 2015 *HK$'000*
0 — 90 days	**120,764**	84,206
91 — 180 days	**22,648**	24,224
181 — 360 days	**39,551**	42,303
Over 360 days	**120,535**	128,924
	303,498	279,657

(b) At 31 December 2016, the details of the Group's other payables are as follows:

	31 December 2016 **HK$'000**	31 December 2015 HK$'000
Other payables for pipeline construction	**341,116**	348,280
Other tax payables	**8,826**	13,983
Payroll payables	**2,085**	1,669
Others	**62,380**	102,098
	414,407	466,030

(c) The aged analysis of payable to related parties presented based on invoice date is as follows:

	31 December 2016 **HK$'000**	31 December 2015 HK$'000
0 — 90 days	**7,360**	69
91 — 180 days	**351**	4,466
Over 360 days	**5,322**	4,560
	13,033	9,095

(d) The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	31 December 2016 **HK$'000**	31 December 2015 HK$'000
RMB	**966,822**	919,691
HK Dollars	**15,867**	16,148
	982,689	935,839

(e) Advance from customers included the amounts due to customers for contract work with HK$81,979,000 (31 December 2015: HK$88,575,000).

32. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2016		31 December 2015	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Derivative component of convertible bonds	**–**	**–**	–	9,793

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 as follows:

Stock price *(Note)*	HK$2.45
Volatility	58.03%
Dividend yield	1.49%
Risk free rate	0.1%

Note: The convertible bonds of the Company became due and had been redeemed in August 2016. The change in the fair value of the conversion option for the year ended 31 December 2016 is recorded in a fair value gain of HK$9,793,000 (2015: HK$62,088,000) which has been recorded in the consolidated statement of profit or loss for the year ended 31 December 2016.

33. COMMITMENTS

(a) Capital commitments

	31 December 2016	31 December 2015
	HK$'000	*HK$'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided in the consolidated financial statements	**75,362**	336,335

(b) Operating leases commitment — Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of buildings, which fall due as follows:

	31 December 2016 HK$'000	31 December 2015 HK$'000
Within one year	**6,979**	6,614
In the second to fifth year, inclusive	**9,912**	6,686
Other five years	**750**	3,866
	17,641	17,166

(c) Operating leases commitment — Group as lessor

At the end of the reporting period, the Group had contracted with lessees for the following future minimum lease payments in respect of equipment:

	31 December 2016 HK$'000	31 December 2015 HK$'000
Within one year	**1,879**	2,009
In the second to fifth year, inclusive	**4,742**	6,684
Other five years	**4,890**	5,628
	11,511	14,321

34. 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. The Group's overall strategy remains unchanged from prior year.

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 including 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.

	2016 ***HK$'000***	2015 *HK$'000*
Debt *(Note (i))*	**1,789,740**	1,794,307
Equity *(Note (ii))*	**1,221,861**	1,179,037
Debt to equity ratio	**146%**	152%

Notes:

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

(ii) Equity includes all share capital, reserves and non-controlling interests.

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	31 December 2016 HK$'000	31 December 2015 HK$'000
Financial assets		
Trade and other receivables (excluding prepayments and amount due from customers for contract work)	**301,799**	247,528
Bank balances and cash and restricted cash	**332,012**	343,815
Long-term deposit	**7,702**	—
	641,513	591,343
Financial liabilities		
Financial liabilities at FVTPL		
— Derivative financial instruments	**–**	9,793
Other financial liabilities at amortised cost		
— Borrowings	**1,789,740**	1,794,307
— Trade and other payables excluding non-financial liabilities and amount due to customers for contract work	**738,262**	681,200
	2,528,502	2,485,300

(b) Financial risk management objectives and policies

The principal financial instruments of the Group include trade and other receivables, trade and other payables, borrowings and bank balances and cash. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) ***Currency 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 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% (2015: 10%) increase and decrease in RMB, the functional currency of the Group entities, against relevant foreign currency, i.e. HK Dollars and US Dollars. 10% (2015: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjusts their translation at the end of the reporting period for a 10% (2015: 10%) change in foreign currencies rates. A positive number below indicates an increase in post-tax profit where RMB strengthen 10% (2015: 10%) against the US Dollars and HK Dollars. For a 10% (2015: 10%) weakening of RMB against the US Dollars and HK Dollars, there would be an equal and opposite impact on the result for the year and the balance below would be negative.

	US Dollar Impact		**HK Dollar Impact**	
	31 December 2016	31 December 2015	**31 December 2016**	31 December 2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Increase in post-tax profit for the year	**160,053**	155,662	**30**	27,614

(ii) 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. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk.

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

No sensitivity analysis related to cash flow interest rate risk has been presented for the year ended 31 December 2016 and 2015, as all the borrowings of the Group are fixed rate borrowings.

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.

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

Other than concentration of credit risk on Tianjin Pipe and its subsidiaries, the Group do not have significant concentration of credit risk for its trade and other receivables, with exposure spread over a large number of counterparties and customers.

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 year to 5 year	Total undiscounted cash flows	Carrying amount
	%	HK$ million	HK$ million	HK$ million	HK$ million
2016					
Non-derivative financial liabilities					
Trade and other payables	–	739	–	739	739
USD bond	3.58%	50	1,570	1,620	1,539
Bank borrowing – unsecured	4.35%	21	–	21	21
Other borrowing — secured	4.72%	56	198	254	230
2015					
Non-derivative financial liabilities					
Trade and other payables	–	770	–	770	770
Convertible bonds	13.13%	282	–	282	261
USD bond	3.58%	50	1,620	1,670	1,533

(c) Fair value

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
	–	–	**9,793**	9,793

The financial instrument classified as level 3 is the derivative component of the convertible bonds, the fair value of which is determined using valuation models and unobservable inputs. The convertible bonds of the Company had been redeemed in August 2016. There is no fair value balance as at 31 December 2016.

(i) 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 2016	Fair value as at 31 December 2015	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
Derivative component of convertible bonds	**N/A**	Liability HK$9,793,000	Level 3	Binomial method: The key inputs are: Stock price, exercise price, volatility, dividend yield, risk free rate and option life	In 2015, 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.

(ii) Reconciliation of Level 3 fair value measurements

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 2016 and 2015.

	31 December 2016 ***HK$'000***	31 December 2015 *HK$'000*
Derivative financial instruments		
As at 1 January	**9,793**	71,881
Changes in fair value	**(9,793)**	(62,088)
As at 31 December	**–**	9,793
Changes in realised gains for the year included in profit or loss at the end of the year	**9,793**	62,088

No sensitivity analysis related to fair value measurement to changes in unobservable inputs of derivative financial instruments has been presented for the year ended 31 December 2016 as no convertible bonds was outstanding as at 31 December 2016.

The fair value of other financial assets and financial liabilities, except for the derivative financial instruments, is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

(iii) Fair value of financial assets and financial liabilities that are not measured at fair value on recurring basis

The Directors consider that the carrying amounts of other financial assets and financial liabilities carried at amortised cost in the consolidated financial statements approximate their fair values.

36. RELATED PARTY TRANSACTIONS

The Group's ultimate holding company is TEDA, a state-owned enterprise under supervision of the Tianjin State-owned Assets Supervision and Administration Commission. TEDA is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("government related entities"). Accordingly, the Group is government-related entities in accordance with HKAS 24. In addition to those mentioned elsewhere in the consolidated financial statements, the followings are significant related party transactions entered between the Group, its related parties and other PRC government-related entities.

	Year ended 31 December 2016 *HK$'000*	Year ended 31 December 2015 *HK$'000*
(a) Transactions with related parties:		
Sale of gas to Tianjin Pipe and its subsidiaries *(Note (i))*	**318,643**	573,213
Sale of gas to TEDA Gas *(Note (i))*	**153,133**	146,109
Sale of gas to Tianjin Sai-rui Machinery Equipment Company Limited ("Sai Rui") *(Note (i))*	**35,667**	44,211
Sale of gas to SBI *(Note (i))*	**5,012**	68
Compensation fee received from Tianjin Xing Cheng Investment and Development Company Limited ("Tianjin Xingcheng")*(Note (vi))*	**3,742**	—
Sale of gas to Tianjin Eco-City *(Note (i))*	**3,630**	3,884
Provision of connection service to TEDA Investment Holding Co., Ltd ("TEDA Investment") *(Note (iv))*	**1,707**	—
Sale of gas to Tianjin Eco-City TEDA Thermal Power Co., Ltd. ("Eco-City TEDA Thermal Power") *(Note (i))*	**1,563**	—
Sale of gas to Tianjin TEDA Transportation Hub Operations Management Co., Ltd. ("TEDA Transportation Hub") *(Note (i))*	**1,352**	1,634
Sale of gas to Tianjin YAT-SEN Scientific Industrial Park International Inc. ("Tianjin YAT-SEN") *(Note (i))*	**687**	943
Rental income from SBI*(Note (v))*	**375**	495

	Year ended 31 December 2016 HK$'000	Year ended 31 December 2015 HK$'000
(a) Transactions with related parties:		
Provision of connection service to Tianjin Xingcheng *(Note (iii))*	**169**	26
Sale of gas to Tianjin Xingcheng *(Note (i))*	**76**	112
Sale of gas to Thriving Future Property Management Co., Ltd. ("Thriving Future Property") *(Note (i))*	**67**	—
Sale of gas to Tianjin TEDA Zhongtang Investment Development Co., Ltd. ("TEDA Zhongtang") *(Note (i))*	**58**	78
Sales of property, plant and equipment to SBI *(Note (ii))*	**—**	15,628
Provision of connection service to TEDA Zhongtang *(Note (iii))*	**—**	9,094
Provision of connection service to Tianjin TEDA Urban Development Construction Co., Ltd. ("TEDA Urban Development") *(Note (iii))*	**—**	2,358
Sale of gas to Tianjin YAT-SEN *(Note (i))*	**—**	356
Insurance premium paid to Bohai Property Insurance Company Limited ("Bohai") *(Note (viii))*	**(2,151)**	(1,728)
Purchase gas from Tianjin Binhai Tourist Area Gas Investment Development Co., Ltd. ("Binhai Tourist Area Gas") *(Note (ix))*	**(1,534)**	—
Processing service from SBI *(Note (x))*	**(402)**	—
Construction supervision service from Tianjin Development Zone Construction Engineering Supervision Company ("Development Zone Engineering Supervision") *(Note (xi))*	**(346)**	—
Construction supervision service from Tianjin Eco-City Environmental Technology Consulting Co., Ltd. ("Eco-City Environmental") *(Note (xi))*	**(31)**	—
Purchase of steel pipe materials from Tianjin TPCO & TISCO Welding Pipe Co., Ltd. ("Tianguan Taigang") *(Note (vii))*	**—**	(1,618)

Note:

(i) The Group supplied 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 was engaged to provide the connection services to ultimate holding company located in Tianjin.

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

(vi) The Group received the accident compensation fee for the pipeline damaged by subcontractor from related party.

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

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

(ix) The Group purchased gas from Binhai Tourist Area Gas.

(x) The Group purchased processing services from SBI.

(xi) The Group purchased supervision services of construction from related parties.

	31 December 2016 *HK$'000*	31 December 2015 *HK$'000*
(b) Balances with related parties		
Account receivable fromTEDA Investment	**1,833**	—
Account receivable from Tianjin Pipe	**76,128**	49,868
Account receivable from TEDA Gas	**19,155**	7,186
Account receivable from Sai Rui	**11,181**	534
Account receivable from TEDA Zhongtang	**8,580**	9,202
Advance to Tianguan Taigang	**8,767**	8,182
Account receivable from Tianjin Xingcheng	**8,445**	13,028
Advance to Binhai Tourist Area Gas	**2,743**	—
Account receivable from Tianjin YAT-SEN	**508**	470
Account receivable from SBI	**474**	75
Account receivable from Tianjin Eco-City	**380**	2,077
Account receivable from TEDA Urban Development	**431**	922
Account receivable from Thriving Future Property	**15**	—
	138,640	91,544

	31 December 2016 HK$'000	31 December 2015 HK$'000
(b) Balances with related parties		
Account payable to TEDA Property	**(5,673)**	(5,069)
Account payable to SBI	**(5,928)**	(3,957)
Account advance received from Eco-City TEDA Thermal Power	**(523)**	—
Account payable to Development Zone Engineering Supervision	**(335)**	—
Account advance received from TEDA Transportation Hub	**(295)**	(69)
Account advance received from Tianjin Rail Transit Group Engineering Construction Co., Ltd.	**(279)**	—
	(13,033)	9,095

(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 25, majority of the Group's bank balances and cash as of year ended 31 December 2016 and 2015 and bank borrowing as of year ended 31 December 2016 are also with state controlled banks. In addition, the other borrowing as of year ended 31 December 2016 is with a state controlled financial institution.

(d) Key management compensation

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

	Year ended 31 December 2016 ***HK$'000***	Year ended 31 December 2015 *HK$'000*
Short-term employee benefits	**12,455**	14,402
Retirement benefits costs	**194**	206
	12,649	14,608

37. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

At 31 December 2016 and 2015, the Group had the following subsidiaries.

(a) Investment holding companies:

Name of entity	Kind of legal entity and place of incorporation	Particulars of issued and fully paid capital	Effective interest held
Winstar Venture Limited ("Winstar")	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 enterprise PRC	US$155million	100%

Note:

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

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

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

(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	769	–	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

	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))* *(%)*
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	Qingdao Jiaonan Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	11	–	100
11	Sanhe TEDA Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	7	–	90
12	Changle TEDA Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	8	–	100
13	Dezhou Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	12	–	100
14	Qingdao Jiaozhou Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	17	–	100
15	Jingjiang Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	3	13	100
16	Funing TEDA Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	7	–	100
17	Yishui Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	13	–	100
18	Rizhao Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	13	–	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)) (%)
19	Haiyan Tian Tai Gas Company Limited	Wholly foreign owned enterprises, PRC	Connection services and sale of gases, PRC	25	–	100
20	Beijing Airport Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	12	–	90
21	Haiyang Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	2	10	100
22	Jinhu Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	7	–	100
23	Tianjin Binhai Xinda Real Estate Company Limited	Wholly foreign owned enterprises, PRC	Real estate investment and sale of gases, PRC	–	156	100
24	Yizheng Jin Bin Gas Company Limited	Wholly foreign owned enterprises, PRC	Connection services and sale of gases, PRC	12	–	100
25	Tangshan Binhai Gas Company Limited	Wholly foreign owned enterprises, PRC	Connection services and sale of gases, PRC	24	65	100
26	Tianjin HuaTai Xinda Gas Company Limited	Wholly foreign owned enterprises, PRC	Connection services and sale of gases, PRC	6	–	100
27	Tangshan TEDA Gas Company Limited	Wholly foreign owned enterprises, PRC	Connection services and sale of gases, PRC	47	–	100
28	Jizhou Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	14	–	98
29	Anxin TEDA Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	2	–	100
30	Qingyuan Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	11	–	99.82

	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))* *(%)*
31	Liuyang Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	19	–	100
32	Fengxian Binhai Gas Company Limited	Wholly foreign owned enterprises, PRC	Connection services and sale of gases, PRC	16	–	100
33	Gaoan TEDA Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	18	–	100
34	Tianjin Taigang Gas Company Limited	Wholly foreign owned enterprises, PRC	Connection services and sale of gases, PRC	13	–	100
35	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 committed capital contributions, through Binhai Investment Tianjin, into these subsidiaries amounted to approximately HK$251 million (31 December 2015: 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 2016 is unchanged from 31 December 2015.

38. STATEMENT OF FINANCIAL POSITIONS AND RESERVES OF THE COMPANY

	31 December 2016 HK$'000	31 December 2015 HK$'000
ASSETS		
Non-current Assets		
Interests in subsidiaries	**1,491,920**	1,413,795
Amounts due from subsidiaries	**880,853**	1,351,918
	2,372,773	2,765,713
Current Assets		
Cash and cash equivalents	**547**	6,456
Total Assets	**2,373,320**	2,772,169
EQUITY AND LIABILITIES		
Equity attributable to owners of the company Share capital		
— Ordinary shares	**117,435**	117,435
— Redeemable preferences shares	**430,000**	430,000
Share premium	**157,522**	157,522
Other reserves	**(101,865)**	(50,082)
Retained earnings	**221,254**	302,235
Total Equity	**824,346**	957,110
LIABILITIES		
Non-current Liabilities		
Borrowings	**1,538,899**	1,533,411
Current Liabilities		
Trade and other payables	**10,075**	10,959
Borrowings	**—**	260,896
Derivative financial instruments	**—**	9,793
	10,075	281,648
Total Liabilities	**1,548,974**	1,815,059
Total Equity and Liabilities	**2,373,320**	2,772,169
Net Current Liabilities	**(9,528)**	(275,192)
Total Assets less Current Liabilities	**2,363,245**	2,490,521

The Company's movement in reserves for the years ended 31 December 2016 and 2015 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 2015	110,514	4,091	(8,150)	17,899	13,840	308,140
Profit for the year	—	—	—	—	—	34,965
Other comprehensive income						
Currency translation differences	—	—	(62,046)	—	(62,046)	—
Total comprehensive income for the year	—	—	(62,046)	—	(62,046)	34,965
Ordinary shares issued for exercising of conversion rights — convertible preference share	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
Loss for the year	—	—	—	—	—	(23,707)
Other comprehensive income						
Currency translation differences	—	—	(50,340)	—	(50,340)	—
Total comprehensive income for the year	—	—	(50,340)	—	(50,340)	(23,707)
Employee share options lapsed	—	—	—	(1,443)	(1,443)	1,443
Dividends relating to 2015	—	—	—	—	—	(58,717)
Balance at 31 December 2016	157,522	4,091	(120,536)	14,580	(101,865)	221,254

Five-Year Financial Summary

The following table summarized the results, assets and liabilities of the Group for the five years ended 31 December 2016.

	Year ended 31 December 2016 *HK$'000*	Year ended 31 December 2015 *HK$'000*	Year ended 31 December 2014 *HK$'000*	Year ended 31 December 2013 *HK$'000*	Nine month ended 31 December 2012 *HK$'000*
Revenue	**2,145,194**	2,554,762	2,543,237	2,229,133	1,206,285
Profit attributable to owners of the Company	**172,226**	198,860	213,635	135,722	89,615

	31 December 2016 *HK$'000*	31 December 2015 *HK$'000*	31 December 2014 *HK$'000*	31 December 2013 *HK$'000*	31 December 2012 *HK$'000*
Total assets	**4,071,674**	3,967,942	3,988,555	3,847,329	3,220,300
Total liabilities	**2,849,813**	2,788,905	2,905,105	2,975,234	2,509,288
Equity holder equity	**1,186,684**	1,146,653	1,054,286	847,663	692,718
Non-controlling interest	**35,177**	32,384	29,164	24,432	18,294