2016
Annual Report

AVIC Joy Holdings (HK) Limited
幸福控股(香港)有限公司
(Incorporated in Hong Kong with limited liability)
(Stock Code: 260)

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Zhu Dong *(Chairman)*
Wang Xiaowei *(Chief Executive Officer)*
Zang Zheng
Xiao Wei

Independent Non-executive Directors

Hu Xiaowen
Gong Changhui
Wu Meng *(resigned with effect from 1 April 2017)*

COMPANY SECRETARY

Cheung Hoi Fun

SHARE REGISTRAR

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

AUDITORS

Ernst & Young
Certified Public Accountants

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited
Chiyu Banking Corporation Limited

REGISTERED OFFICE

Room A02, 35/F.,
United Centre
95 Queensway
Hong Kong

WEBSITE

www.avicjoyhk.com

STOCK CODE

260

CHAIRMAN'S STATEMENT

2016 was another difficult year for the Company and its subsidiaries (the "**Group**") amid intensified competition in China market and pressure on lower gas prices. The consolidated revenue of the Group for the year ended 31 December 2016 reduced from HK$1,236.1 million to HK$357.6 million due to reduction in revenue contribution from the gas segment subsequent to completion of the disposal of certain gas business in 2015. Being affected by the increase in finance cost, the impairment losses recognized in gas business, and also a significant impairment of an available-for-sales investment, the Group made a loss attributable to the owners of the parent of HK$259.7 million (2015: HK$295 million) for the year ended 31 December 2016.

For the year ended 31 December 2016, as impacted by the intense competition in the downstream gas markets, gas price was under pressure and sales volume decreased during 2016. As a result, gas business segment of the Group recorded a reduced total revenue of HK$214.3 million (2015: HK$1,041.6 million), decreased by 79.4% compared to last year. Following the termination of the share transfer agreement to dispose of the natural gas companies in Shandong Province, Sichuan Province and Anhui Province, the Group will strive to improve the performance of gas business and will continue to consider disposing the remaining gas business when suitable opportunities arise in the future.

Although the Group's subsidiary Guangdong Zi Yu Tai Finance Leasing Company Limited*（廣東資雨泰融資租賃有限公司）has undertaken a few new finance leasing projects in the second half of 2016, the business segment recorded a turnover of HK$16.7 million (2015: HK$18.2 million), representing a decrease of 8.2% from the previous year as a result of the reducing interest income of existing light-emitting diode ("**LED**") finance leasing contracts. With an objective of balancing sustainable revenue growth and prudent risk management, the Group has been diversifying customer base in various industries, including healthcare sector in the People's Republic of China (the "**PRC**").

The Grade-A office markets within the core business district in Shanghai remained relatively stable in 2016, the Group will study the prevailing market conditions to formulate an optimal business strategy for the commercial property.

* *For identification purpose only*

CHAIRMAN'S STATEMENT

During the year, the Group's business in Fuqing City, Fujian Province recorded sales revenue of HK$126.6 million (2015: HK$97.5 million) which was mainly attributed to sales of construction materials. In respect of the PPP Class 1 land development of New Central Coastal City* (中部濱海新城) (the "**Project Land**") and the construction work of Ronggang Boulevard* (融港大道), approximately 500 mu parcel of land within an aggregate developable commercial and residential land of 3,990 mu has been developed. The Group will continue with land development and launch land auctioning in 2017 as and when market conditions are right.

Looking into 2017, the Group will continue to look for ways to improve the efficiency of resources allocation, enhance capital structure, as well as seek potential acquisition and business opportunities to increase the value of the shareholders of the Company (the "**Shareholders**").

Finally, I would also like to extend my appreciation to all the Shareholders, the board (the "**Board**") of directors (the "**Directors**") of the Company, the management team, employees and stakeholders for their support during the year.

Zhu Dong
Chairman

Hong Kong
24 March 2017

* *For identification purpose only*

BUSINESS REVIEW – MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 December 2016, the principal business activities of the Group comprise operation of compressed natural gas ("**CNG**") and liquefied petroleum gas ("**LPG**") refueling stations, provision of finance lease and loan financing services and properties investment, class 1 land development and sales of construction materials in the PRC.

During the year, the Group recorded consolidated revenue amounted to HK$357.6 million (2015: HK$1,236.1 million), decreased by HK$878.5 million from last year, which was mainly due to reduction in revenue contribution from gas segment subsequent to the completion of the disposal of certain gas business in 2015.

The Group's gross profit for the year ended 31 December 2016 was HK$84.3 million (2015: HK$202.1 million), representing a decrease of 58.3% as compared with last year.

The net loss of the Group amounted to HK$265.3 million during the year, slightly narrowed by HK$12.8 million from HK$278.1 million in 2015. The net loss was mainly attributable to (i) the increase in finance cost; (ii) the impairment losses on prepayments and other receivables in gas business; and (iii) the impairment loss of an available-for-sales investment amounted to HK$81.3 million during the year.

BUSINESS REVIEW – MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL REVIEW

(1) Gas Business

Against the backdrop of the intensified market competition and the deconsolidation of the disposal of certain gas subsidiaries since October 2015, the total revenue of the gas business slid to HK$214.3 million (2015: HK$1,041.6 million), representing a decline of 79.4% from last year, as the sales volume of CNG dropped to 56,708,000 m^3 (2015: 132,161,000 m^3). In 2016, the gas segment recorded a segment loss of HK$27.1 million against a profit of HK$10.8 million in last year.

On 10 October 2016, the Group had entered into a share transfer agreement to dispose of the natural gas companies in Shandong Province, Sichuan Province and Anhui Province whereas the disposal was eventually terminated as disclosed in the Company's announcement dated 5 January 2017. The Company and the purchaser are still handling the post-termination matters after the termination of the share transfer agreement and considered that there is no material adverse impact to the Group.

(2) Finance Leasing Business and Properties Investment

Although certain new finance leasing projects in healthcare sector has been obtained in the second half of 2016, the Group's finance leasing and loan services and properties investment segment recorded a total revenue of HK$16.7 million (2015: HK$18.2 million) for the year, representing a decrease of 8.2% as a result of the reducing interest income of existing LED finance leasing contracts.

During the year, the Group's commercial property in Shanghai has not been leased out as the Group is still in the process of formulating plans based on market conditions, including but not limited to lease the property or realize the property at an enhanced capital value.

The segment loss decreased to HK$3.6 million during the year (2015: HK$10.9 million), mainly because of the reduction of administration and property tax expenses incurred for the properties investment during the year.

OPERATIONAL REVIEW (continued)

(3) PPP Class 1 Land Development Business and Sales of Construction Materials

The Group's business in Fuqing City, Fujian Province recorded sales revenue of HK$126.6 million (2015: HK$97.5 million) which was mainly generated from trading of construction materials. During the year, the Group's PPP class 1 land development business has made some positive progress. Approximately 500 mu parcel of Project Land located within the Fuqing City Central Baigeshanken District* (福清市中部白鴿山墾區) has been developed, while the construction of Ronggang Boulevard has progressed in an orderly manner.

The loss of the segment slightly reduced to HK$8.2 million during the year (2015: HK$10.4 million), mainly due to the increase in revenue and lowered administration cost incurred during the year.

BUSINESS OUTLOOK

The intensifying market competition and surging operating cost are expected to impose severe pressure to the Group's natural gas business. Looking ahead, in addition to improving the operating efficiency in the gas business, the Group will continue the restructuring plan and consider to dispose of the gas business when suitable opportunities arise in the future.

In 2016, Guangzhou municipal government has issued a work plan to further accelerate the development of finance leasing industry in respect of easing market operation requirements, in favor of the industry. The Group will continue to explore finance leasing opportunities in other business sectors with an aim to expand customer base and diversify income streams.

In order to facilitate the structural reform and industry upgrading, the Chinese Government is committed to accelerating opening up of the domestic economy and support the national development of the high-end service industry. As the commercial and financial center of China, Shanghai is expected to attract more business investments in financial services, technology, e-commerce and trade sectors, which will continue to support the demand for office space in Shanghai which is favorable to the Group's commercial building in Shanghai.

According to the 13th Five-Year Plan on National Economic and Social Development of Fuqing City, Fuqing city is to be developed into a new city which integrates, inter alia, high-tech companies, cultural and tourism industries, corporate headquarters. The Group will position itself to capitalize on the business opportunities arising from the development plan of the local government to maximize the return for the PPP class 1 land development business.

* For identification purpose only

FINANCIAL RESOURCES

As at 31 December 2016, the Group's total borrowings (including interest-bearing bank and other borrowings, loans from related companies, loans from non-controlling shareholders and convertible bonds) amounted to approximately HK$2,556.3 million (2015: HK$2,859.3 million), of which HK$1,746.6 million (2015: HK$1,979.5 million) was related to bank and other borrowings at operating subsidiaries level funding the local PRC operations and the new mortgage loan for Shanghai property investment denominated in Renminbi. Cash and bank balances amounted to HK$154 million (2015: HK$446.5 million). Net borrowing amounted to HK$2,402.3 million (2015: HK$2,412.8 million). As a result, the Group's gearing ratio, representing the ratio of the Group's net borrowing divided by equity attributable to owners of the parent of HK$938 million (2015: HK$1,287.6 million) plus net borrowing, was 71.9% (2015: 65.2%).

During the year, the Group was not materially exposed to foreign currency risk.

MATERIAL ACQUISITION AND DISPOSAL

On 7 October 2016, the Company, Great Concept Investments Holdings Limited (偉念投資集團有限公司) ("**Great Concept**") as vendor, a direct wholly-owned subsidiary of the Company, Best Creation Group Holdings Limited (創隆集團控股有限公司) ("**Best Creation**") as purchaser and Sino Gas Holdings Group Limited (中油潔能控股集團有限公司) ("**Sino Gas BVI**"), an associated company of the Company as at the date of the Agreement, have entered into an agreement (the "**Agreement**"), in relation to (i) the disposal of 40% of the total issued share capital of Sino Gas BVI to Best Creation for a consideration of HK$79,000,000; and (ii) the disposal of the loan in the amount of HK$11,134,480 owed to the Company by China Full Company Limited (創意豐有限公司), a subsidiary of Sino Gas BVI as at the date of the Agreement, for a consideration of HK$9,300,000 (the "**Disposal**"). The Disposal was completed in October 2016. Details of the Agreement were disclosed in the Company's announcement dated 7 October 2016.

MATERIAL ACQUISITION AND DISPOSAL (continued)

On 10 October 2016, the Company and 廣州佳聯能源有限公司 (Guangzhou Jialian Energy Company Limited*) ("**Guangzhou Jialian**") as purchaser have entered into a share transfer agreement (the "**Share Transfer Agreement**") in relation to the disposal of the entire equity interest in (i)山東中油潔能天然氣有限公司 (Shandong Sinogas Company Limited*); (ii) Winfield Innovations Limited (永輝創建有限公司); and (iii)安徽中油潔能燃氣有限公司 (Anhui Sinogas Company Limited*), indirect wholly-owned subsidiaries of the Company, at an aggregate consideration of RMB175,818,678.25 (equivalent to approximately HK$203.9 million). The Share Transfer Agreement has been approved by the Shareholders at the extraordinary general meeting of the Company held on 22 December 2016. However, the Share Transfer Agreement was terminated on 31 December 2016 (being the long stop date of the Share Transfer Agreement) as the necessary approvals and consents from the relevant governmental and regulatory authorities for the transactions contemplated under the Share Transfer Agreement had not been obtained and no agreement was reached by the Company and Guangzhou Jialian to extend the relevant long stop date. Details of the Share Transfer Agreement were disclosed in the Company's announcements dated 10 October 2016, 25 October 2016, 22 December 2016, 5 January 2017 and the Company's circular dated 18 November 2016.

STAFF BENEFITS

As at 31 December 2016, the Group had a total of 491 employees (2015: 590). The staff costs for the year ended 31 December 2016 amounted to approximately HK$49 million (2015: HK$101.2 million). The Group continues to provide remuneration package to employees according to market practices, their experience, professional qualification and performance. Other benefits include contribution of statutory mandatory provident fund for the employees, medical scheme and share option schemes. There was no major change to staff remuneration policies during the year.

HUMAN RESOURCES

Apart from remunerating and promoting staff according to an established mechanism based on individual performance, experience, professional qualification and prevailing market practices, the Group actively encouraged and subsidized staff to participate in job-related study, trainings and seminars as part of the welfare and incentive scheme. This aims to encourage staff to embark on life-long study, and to formulate a feasible plan to their career development, which lays a solid foundation for sound and sustainable development of the Group.

PLEDGE OF ASSETS

As at 31 December 2016, the Group had pledged certain land use rights, trade receivables, properties and finance lease receivables for bank and other borrowings granted.

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BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Zhu Dong, aged 43, has been the chairman of the Board and an executive Director since December 2015. He is also a member of the remuneration committee of the Company, and the chairman and a member of the nomination committee of the Company. Mr. Zhu holds a Master's degree and a Bachelor's degree in Management Accounting and is a senior accountant. He has over 23 years of experience in accounting, corporate finance and advisory. He is also a director of certain companies controlled by certain substantial shareholders of the Company and of certain subsidiaries of the Company. Mr. Zhu is an executive director and a deputy chief executive officer of Peace Map Holding Limited ("**Peace Map**"), the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 402). The Company holds approximately 6.8% of the issued share capital of Peace Map. Mr. Zhu was the deputy chief financial officer of AVIC International (HK) Group Limited, a substantial shareholder of the Company, until his resignation with effect from 1 February 2016.

Mr. Wang Xiaowei, aged 55, has been an executive Director since June 2014 and became the chief executive officer of the Company in August 2015. Mr. Wang holds a Bachelor's degree from Tianjin Armed Police Engineering College, the PRC. He has over 15 years of management experiences in real estate, infrastructure, engineering and energy saving sectors. He is also the vice president of a subsidiary of the Company and a director of certain associates of the Company. Mr. Wang had served as the general manager of Fujian Huayuan Property Limited and a manager of AVIC International (HK) Group Limited, a substantial shareholder of the Company.

Mr. Zang Zheng, aged 66, has been an executive Director since December 2010. Mr. Zang was educated in Northwestern Polytechnical University, the PRC in Aeronautics Material. He has over 36 years of experience in management and investment. Mr. Zang is a vice president of a subsidiary of the Company and a director of certain subsidiaries of the Company. Mr. Zang served as a professional senior engineer and had held various executive positions in the Aviation Industry Corporation of China (the "**AVIC Group**"), a substantial shareholder of the Company.

Mr. Xiao Wei, aged 54, has been re-designated as an executive Director from an independent non-executive Director since November 2012. He was an independent non-executive Director from May 2005 to November 2012, and the chairman and a member of each of the audit committee and the remuneration committee of the Company from April 2008 to November 2012, as well as a member of the nomination committee of the Company from March 2012 to November 2012. Mr. Xiao graduated from the Electrical Engineering Department of Shanghai Tong Ji University, the PRC. He has over 32 years of experience in engineering and management. He is also a director of an associate of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hu Xiaowen, aged 41, has been an independent non-executive Director since November 2012. He is the chairman and a member of each of the audit committee and the remuneration committee of the Company, and a member of the nomination committee of the Company. Mr. Hu holds a Master's degree in Accounting from Capital University of Economics and Business, the PRC and a Bachelor's degree in Accountancy from Central University of Finance and Economics, the PRC. Mr. Hu served as the chief financial officer of 北京中財龍馬投資管理有限公司 (Beijing Longmacufe Investment Management Ltd.*) since April 2016. From April 2014 to April 2015, Mr. Hu had been the chief financial officer of Hanwang Technology Co., Ltd., a company listed on The Shenzhen Stock Exchange. From August 2012 to April 2014, he had served as the financial controller of Beijing Bosheng Advanced Technology Co. Ltd. From June 2004 to April 2012, Mr. Hu had worked in Tongfang Co. Ltd. as the financial manager and financial controller respectively in digital TV department. From April 2001 to January 2003, he had served as the financial controller of Beijing Foseb Auctioneers. Mr. Hu has over 15 years of experience in financial planning and management, mergers and acquisitions and corporate finance.

Mr. Gong Changhui, aged 37, has been an independent non-executive Director since August 2014. He is a member of each of the audit committee, the remuneration committee and the nomination committee of the Company. He holds a Bachelor's degree in Computer Science and Technology from Harbin Institute of Technology, the PRC. Mr. Gong served as the Software R&D Director and Supervisor of 博睿康科技(常州)股份有限公司 (Neuracle Technology Co., Ltd.*) (formerly known as: 中國常州博睿康科技有限公司 Changzhou Neuracle Technology Ltd.*) in the PRC since March 2016. From the end of 2011 to September 2015, he had worked at Beijing Xinyueqi Technology and Trade Limited, responsible for project management and development. Mr. Gong had held positions of project manager and senior software engineer in several computer software companies and has over 13 years of experience in corporate operation, project management and computer software development.

Mr. Wu Meng, aged 44, has been an independent non-executive Director since August 2014. He is a member of each of the audit committee, the remuneration committee and the nomination committees of the Company. He holds a Bachelor's degree in Mechanical Casting Engineering from Guizhou University of Technology, the PRC. He has engaged in the manufacturing, international trading, investment and financing businesses since 2004 and served as the general manager in two manufacturing companies in Shenzhen, the PRC. Mr. Wu had served as structural engineer in a manufacturing company in the PRC from 1999 to 2003. From 1996 to 1998, he had served as an assistant engineer in a subsidiary of Aviation Industry Corporation of China, a substantial shareholder of the Company. Mr. Wu has over 21 years of experience in manufacturing, corporate management, trading, investment and financing. Mr. Wu has resigned from the Company with effect From 1 April 2017.

* *For identification purpose only*

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of its principal subsidiaries are set out in note 1 to the financial statements.

BUSINESS REVIEW

A fair review of the business of the Group and particulars of important events affecting the Group that have occurred since the end of the financial year 2016 as well as discussion on the future business development, principal risks and uncertainties of the Group are provided in the Chairman's Statement on pages 3 to 4, the Business Review – Management Discussion and Analysis on pages 5 to 9, and note 45 to the financial statements of this annual report (the "**Annual Report**"). An analysis using financial key performance indicators can be found in the Business Review – Management Discussion and Analysis on pages 5 to 9 of the Annual Report. The above sections form part of this report.

In addition, discussions on the Group's environmental policies and performance, compliance with the relevant laws and regulations which have a significant impact on the Group and relationships with its key stakeholders are provided in the paragraphs below.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") introduced Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") which took effect in 2016. We have envisaged and adopted the ESG Reporting Guide in writing of the said report. Please refer to pages 40 to 42 of the Annual Report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

RELATIONSHIPS WITH KEY STAKEHOLDERS

Employees are regarded as the most valuable assets of the Group. The Group believes that the knowledge and expertise of our employees are crucial to the long-term success of the Group. To assist our staff to develop their potential, enhance their job competence and continue the Group's development, the Group actively encouraged and subsidized staff to participate in external job-related courses and seminars.

The Group will strive to maintain a long-term good relationship with all stakeholders such as shareholders, suppliers, business partners and professional bodies in the future development of the Group's business.

RESULTS AND DIVIDEND

The Group's loss for the year ended 31 December 2016 and the Group's financial position as at that date are set out in the financial statements on pages 52 to 186.

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements is set out on page 187. This summary does not form part of the audited financial statements.

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE BONDS

Details of movements in the Company's share capital, share options and convertible bonds during the year are set out in notes 36, 37 and 33 to the financial statements, respectively.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group are set out in note 34 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

SHARES ISSUED

As at 31 December 2016, the total number of issued shares of the Company (the "**Shares**") was 5,943,745,741. As compared with the position as of 31 December 2015, no new Shares were issued during the year.

FUND RAISING ACTIVITY

On 3 November 2016, the Company had entered into a placing agreement (the "**Placing Agreement**") with a placing agent, pursuant to which, the Company agreed to issue and the placing agent agreed to procure not less than six independent placees, on a best effort basis, to subscribe for the convertible notes (the "**Convertible Notes**") in the aggregate principal amount of up to HK$140 million at the initial conversion price of HK$0.140 per Share, an aggregate of 1,000,000,000 conversion Shares shall be allotted and issued upon fully converted.

On 17 November 2016, the listing of and permission to deal in the new Shares to be issued by the Company upon exercise of the conversion rights attaching to the Convertible Notes by the subscribers, among other things, had been obtained by the Company and Convertible Notes with an aggregate principal amount of HK$140 million at an annual interest rate of 4% were issued to not less than six independent placees. Pursuant to the Placing Agreement, the Company shall be obliged to issue conversion Shares upon receipt of conversion notice as stipulated in the Placing Agreement. The principal terms and conditions of the Placing Agreement were set out in the Company's announcement dated 3 November 2016. During the year, no Convertible Notes were converted.

The conversion Shares would rank *pari passu* in all respects with the Shares in issue as at the date of conversion.

The Company raised net proceeds of approximately HK$139 million which had been used for repayment of short term borrowings of approximately HK$110 million and the remaining had been used for general working capital of the Group as disclosed in the Company's announcements dated 3 November 2016 and 17 November 2016.

EQUITY-LINKED AGREEMENTS

On 3 November 2016, the Company had entered into an equity-linked agreement that may result in the Company issuing 1,000,000,000 Shares. Details of such equity-linked agreement are set out in the section headed "Fund Raising Activity" of this report and in the note 33 to the financial statements.

EQUITY-LINKED AGREEMENTS (continued)

The Company also has another 2% convertible note in an aggregate principal amount of HK$51,775,872 (being partial payment for an acquisition under the Finance Leasing Acquisition Agreement dated 2 November 2011 entered into by the Company) at the adjusted conversion price of HK$0.23 (the initial conversion price is HK$0.236) per conversion Share due 6 March 2018 (the extended maturity date) issued to Billirich Investment Limited ("**Billirich**") on 6 March 2012 (the "**2% Convertible Note**"). The Company shall be obliged to allot and issue up to 225,112,486 conversion Shares under the 2% Convertible Note upon receipt of conversion notice from Billirich. Such conversion Shares would rank *pari passu* in all respects with the Shares in issue as at the date of conversion (details of the 2% Convertible Note were set out in the Company's announcements dated 9 November 2011, 20 January 2015 and 20 May 2015, and the Company's circulars dated 16 December 2011 and 9 February 2015).

The Company currently maintains the share option scheme as disclosed under the section headed "Share Option Scheme" in this report.

Save for disclosed above, no equity-linked agreements that will or may result in the Company issuing Shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Company during the year or subsisted at the end of the year 2016.

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company had no reserves available for distribution in accordance with the provisions of section 297 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for 35.8% of the total sales for the year and sales to the largest customer included therein amounted to 17.9%. Purchases from the Group's five largest suppliers accounted for 65.8% of the total purchases for the year and purchases from the largest supplier included therein amounted to 21.1%.

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

REPORT OF THE DIRECTORS

DIRECTORS

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

Executive Directors:

Zhu Dong *(Chairman)*
Wang Xiaowei *(Chief Executive Officer)*
Zang Zheng
Xiao Wei

Independent Non-executive Directors:

Hu Xiaowen
Gong Changhui
Wu Meng *(resigned with effect from 1 April 2017)*

A full list of the names of the directors of the Group's subsidiaries can be found in the Company's website at www.avicjoyhk.com under "Corporate Governance".

According to Article 86(B) of the articles of association of the Company (the "**Articles**"), any Director appointed either to fill a casual vacancy or as an additional Director shall hold office only until the next following general meeting of the Company (in the case of filling a casual vacancy) or until the next annual general meeting of the Company (in the case of an addition to the number of Directors) and shall then be eligible for re-election at that meeting provided that any Director who so retires shall not be taken into account in determining the number of Directors who are to retire at such meeting by rotation pursuant to Article 87 of the Articles.

According to Article 87 of the Articles, at each annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires.

In accordance with Article 87 of the Articles, Mr. Wang Xiaowei and Mr. Gong Changhui will retire by rotation at the forthcoming annual general meeting of the Company ("**AGM**"), and, being eligible, each of Mr. Wang Xiaowei and Mr. Gong Changhui will offer himself for re-election as executive Director or independent non-executive Director, respectively (as the case may be). The terms of office of all Directors (including independent non-executive Directors) are subject to re-appointment or retirement by rotation in accordance with Articles 86(B), 87 and 88 of the Articles.

DIRECTORS (continued)

The Company has received from each of its independent non-executive Directors an annual confirmation of independence and as at the date of this report still considers them to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 10 to 11 of the Annual Report. Mr. Zhu Dong and Mr. Wang Xiaowei, the chairman of the Board and the chief executive officer of the Company, respectively, are the senior management of the Group.

CHANGES IN INFORMATION OF DIRECTORS

Save for changes in the biographical details of the Directors, there was no other change in the information of the Directors required to be disclosed pursuant to Rule 13.51B of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' emoluments are determined by the remuneration committee of the Company with reference to Directors' duties, responsibilities, the Company's remuneration policy and performance and the results of the Group pursuant to the power conferred on it at the Company's general meetings.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Save as disclosed in the Annual Report, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, the holding company of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party subsisted at any time during the year or at the end of the year.

PERMITTED INDEMNITY PROVISION

Subject to the provisions of and so far as may be consistent with the statutes, every Director, secretary or other officer of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred by him/her in the execution and/or discharge of his/her duties and/or the exercise of his/her powers and/or otherwise in relation thereto. Subject to the applicable laws and the Articles, the Company has taken out and maintained Directors' liability insurance, throughout the year, against the liability and costs associated with legal actions against the Directors arising out of corporate activities, and the level of the coverage is reviewed annually. Such provisions were in force during the course of the financial year ended 31 December 2016 and remained in force as of the date of this report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2016, the interests and short positions of the Directors and chief executive in the shares or underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") in the Listing Rules were as follows:

Long positions in ordinary Shares of the Company:

	Number of Shares held, capacity and nature of interests		
Name of Director	**Interest of spouse**	**Total**	**Percentage of the Company's issued Shares**
Zhu Dong*	1,740,000	1,740,000	0.03%

Note:

* Mr. Zhu is deemed to be interested in the Shares held by his spouse under the SFO.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

Long positions in share options of the Company:

Name of Director	Number of share options beneficially owned
Wang Xiaowei	8,980,000

Save as disclosed above, as at 31 December 2016, none of the Directors and chief executive of the Company had interests or short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of SFO), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

At the annual general meeting held on 25 June 2015, the Company adopted a share option scheme, following the Company's share option scheme expired on 14 April 2015 (the "**Expired Share Option Scheme**"), for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's business development and growth and to enable the Group to recruit high-calibre employees and attract or retain human resources valuable to the Group. The Expired Share Option Scheme was valid and effective for a period of 10 years from the date of its adoption. Further details of the Share Option Scheme are disclosed in note 37 to the financial statements.

SHARE OPTION SCHEME (continued)

The following table discloses movements in the Company's share options granted under the Expired Share Option Scheme, which shall continue to be valid and exercisable, outstanding during the year:

Name or category of participant	At 1 January 2016	Granted during the year	Exercised during the year	Transfer in/(out) during the year	Cancelled during the year	Lapsed during the year	At 31 December 2016	Date of grant[1]	Exercise period	Exercise price per share[2] HK$
Director										
Wang Xiaowei	4,490,000	–	–	–	–	–	4,490,000	13-6-12	13-6-13 to 12-6-22	0.236
	4,490,000	–	–	–	–	–	4,490,000	13-6-12	13-6-14 to 12-6-22	0.236
	8,980,000	–	–	–	–	–	8,980,000			
Consultants										
In aggregate	150,000,000	–	–	(30,000,000)	–	–	120,000,000	31-8-10	31-8-10 to 30-8-20	0.227
Other employees										
In aggregate	86,250,000	–	–	30,000,000	–	(30,000,000)	86,250,000	31-8-10	31-8-10 to 30-8-20	0.227
	245,230,000	–	–	–	–	(30,000,000)	215,230,000			

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.

2. The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

Save as disclosed above, neither the Company nor any of its subsidiaries was a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate at any time during the year or at the end of the year.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2016, the following interests and short positions of 5% or more of the issued share capital and convertible bonds of the Company were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name	Notes	Long/ short position	Capacity and nature of interest	Number of ordinary Shares held	Percentage of the Company's Issued Shares	Number of convertible shares (issuable under the convertible bonds held)	Percentage of the Company's Issue Shares if the convertible bonds were converted
Billirich Investment Limited ("**Billirich**")	(a)	Long	Beneficial owner	1,031,595,000	17.36%	225,112,486	3.79%
AVIC International Holding (HK) Limited ("**AVIC Int'l**")	(a)	Long	Interest of controlled corporation	1,031,595,000	17.36%	225,112,486	3.79%
Tacko International Limited	(a)	Long	Interest of controlled corporation	1,031,595,000	17.36%	225,112,486	3.79%
AVIC International (HK) Group Limited	(a)	Long	Beneficial owner and interest of controlled corporation	1,535,618,891	25.84%	225,112,486	3.79%
AVIC Joy Air Holdings Limited	(b)	Long	Beneficial owner	60,810,000	1.02%	–	–
AVIC Joy Air (HK) Group Limited	(b)	Long	Interest of controlled corporation	60,810,000	1.02%	–	–
幸福航空控股有限公司	(b)	Long	Interest of controlled corporation	60,810,000	1.02%	–	–
AVIC International Holding Corporation	(a), (b)	Long	Interest of controlled corporation	1,596,428,891	26.86%	225,112,486	3.79%
Aviation Industry Corporation of China ("**AVIC**")	(a), (b)	Long	Interest of controlled corporation	1,596,428,891	26.86%	225,112,486	3.79%
Grand Win Overseas Ltd. ("**Grand Win**")	(c)	Long	Beneficial owner	313,965,000	5.28%	–	–
Sun Shining Investment Corp.	(c)	Long	Interest of controlled corporation	313,965,000	5.28%	–	–
Tai Yuen Textile Company Ltd.	(c)	Long	Interest of controlled corporation	313,965,000	5.28%	–	–

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

Notes:

(a) Billirich is a wholly-owned subsidiary of AVIC Int'l. Tacko International Limited, together with its wholly-owned subsidiary, hold in aggregate approximately 34.34% of the issued share capital of AVIC Int'l. Tacko International Limited is a wholly-owned subsidiary of AVIC International (HK) Group Limited, which in turn is a wholly-owned subsidiary of AVIC International Holding Corporation. AVIC International Holding Corporation is a non-wholly-owned subsidiary of AVIC (62.52% interest controlled by AVIC). Accordingly, all these corporations are deemed to be interested in the Shares and convertible bonds held by Billirich.

(b) AVIC Joy Air Holdings Limited is a wholly-owned subsidiary of AVIC Joy Air (HK) Group Limited, which in turn is a wholly-owned subsidiary of 幸福航空控股有限公司. 幸福航空控股有限公司 is owned as to approximately 57.14% by AVIC and as to approximately 42.86% by AVIC International Holding Corporation, which is a non-wholly-owned subsidiary of AVIC (62.52% interest controlled by AVIC). Accordingly, all these corporations are deemed to be interested in the Shares held by AVIC Joy Air Holdings Limited.

(c) Grand Win is a wholly-owned subsidiary of Sun Shining Investment Corp. Tai Yuen Textile Company Ltd. beneficially owns 82.85% equity interest in Sun Shining Investment Corp. and therefore, these corporations are deemed to be interested in the Shares held by Grand Win.

Save as disclosed above, as at 31 December 2016, no other persons, other than the Directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in Shares and underlying shares" above, had any interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year, the Company and the Group had the following connected and continuing connected transactions, certain details of which had been disclosed in compliance with the requirements of Chapter 14A of the Listing Rules:

Connected transactions

The transactions with parent companies and transactions with fellow subsidiaries as disclosed in "Related Party Transactions" under note 42 to the financial statements constituted connected transactions or continuing connected transactions but are exempt from shareholders' approval and disclosure and other requirements under Chapter 14A of the Listing Rules. Save for the aforesaid transactions, the other related party transactions shown in note 42 to the financial statements do not constitute connected transactions or continuing connected transactions under the Listing Rules.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS (continued)

Continuing connected transactions

On 3 May 2013, 廣東資雨泰融資租賃有限公司 (Guangdong Zi Yu Tai Finance Leasing Company Limited*) ("**Ziyutai**"), a wholly-owned subsidiary of the Company, entered into a financing agreement (the "**Financing Agreement**") with 上海藍沛新材料科技股份有限公司 (Shanghai Lanpei New Material Technology Holdings Limited*) ("**Shanghai Lanpei**"), as to 45% owned by 上海瀚中航越企業管理諮詢有限公司 (Shanghai Han Zhong Hang Yue Enterprise Management Consultancy Limited*) ("**Shanghai HZHY**") which was wholly-owned by AVIC Int'l at the date of the Financing Agreement. Pursuant to the Financing Agreement, Ziyutai agreed to provide a revolving facility up to RMB15,700,000 for the aggregate drawdown of financing principal and leasing amount to Shanghai Lanpei for a term of up to three years expired on 2 May 2016. During the year, the outstanding principal and interest income of RMB7,000,000 and RMB189,623, respectively, were received by Ziyutai in accordance with the Financing Agreement. The Financing Agreement was expired on 2 May 2016. Details of the Financing Agreement were disclosed in the Company's announcement dated 3 May 2013.

The independent non-executive Directors have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

According to Rule 14A.56 of the Listing Rules, the auditors of the Company (the "**Auditors**") has provided a letter to the Board confirming that nothing has come to their attention that causes them to believe that the abovementioned continuing connected transactions:

(i) have not been approved by the Board;

(ii) were not, in all material respects, in accordance with the pricing policies of the Group;

(iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and

(iv) have exceeded the annual caps as set by the Company.

* *For identification purpose only*

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued Shares were held by the public as at the date of this report.

AUDITORS

Ernst & Young retire and a resolution for their re-appointment as the Auditors will be proposed at the forthcoming AGM.

ON BEHALF OF THE BOARD

Wang Xiaowei
Chief Executive Officer and Executive Director

Hong Kong
24 March 2017

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to pursuing strict and high standards of corporate governance since the Board believes that good corporate governance practices are essential to achieve the Group's objectives of enhancing corporate value as well as safeguarding the interests of the Shareholders.

The Company has complied with the applicable code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules during the year ended 31 December 2016, save and except as disclosed below:

(i) code provision A.4.1 stipulates that non-executive directors (including independent non-executive directors) should be appointed for a specific term. The non-executive Directors were appointed without specific terms, but they are subject to retirement by rotation and being eligible for re-election at least once every three years in accordance with the Articles;

(ii) code provision D.1.4 stipulates that listed issuer should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not have letters of appointment for Directors, however, the Directors shall be subject to retirement by rotation and being eligible for re-election pursuant to the Articles. Moreover, Directors are required to comply with the requirements under statute and common law, the Listing Rules, the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Companies Ordinance**"), legal and other regulatory requirements, if applicable; and

(iii) Rules 3.10(1) of the Listing Rules stipulates that every board of directors must include at least three independent non-executive directors. Subsequent to Mr. Wu Meng's ("**Mr. Wu**") resignation with effect from 1 April 2017, the number of independent non-executive Directors of the Company fell below the minimum number required under Rule 3.10(1) of the Listing Rules.

Rule 3.21 of the Listing Rules stipulates that the audit committee must comprise a minimum of three members of non-executive directors. Subsequent to Mr. Wu's resignation with effect from 1 April 2017, the audit committee of the Company (the "**Audit Committee**") has two members only that fell below the minimum number required under Rule 3.21 of the Listing Rules.

The Board is in the process of identifying a suitable candidate to fill the vacancy of the independent non-executive Directors as soon as possible and within the three-month period from 1 April 2017 pursuant to Rules 3.11 and 3.23 of the Listing Rules.

DIRECTORS' AND RELEVANT EMPLOYEES' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct regarding securities transactions of the Company by Directors and relevant employees of the Group who, because of their office or employment, are likely to be in possession of unpublished inside information in relation to the Group's securities. The Directors and such relevant employees are required to strictly comply with the Mode Code when dealing in the securities of the Company. Following specific enquiry made by the Company, all Directors and such relevant employees confirmed that they had complied with the required standards as set out in the Model Code during the year.

BOARD OF DIRECTORS

Board Composition

The Board comprised seven Directors, with four executive Directors (the "**Executive Directors**") and three independent non-executive Directors ("**INEDs**") during the year and up to the date of this report* is set out as follows:

Executive Directors:	Zhu Dong *(Chairman)*
	Wang Xiaowei *(Chief Executive Officer)*
	Zang Zheng
	Xiao Wei
INEDs:	Hu Xiaowen
	Gong Changhui
	Wu Meng *(Resigned with effect from 1 April 2017)*

* *with effect from 1 April 2017, the Board comprises six Directors*

Subsequent to Mr. Wu's resignation with effect from 1 April 2017, the Company is in the process of identifying a suitable candidate to fill the vacancy of the INED as soon as possible and within the three-month period from 1 April 2017 pursuant to Rule 3.11 of the Listing Rules.

The biographical details of the Directors are set out in the section headed "Biographical Details of Directors" on pages 10 to 11 of the Annual Report. The Directors have no financial, business, family or other material/relevant relationships with each other.

The Company did not have letters of appointment for Directors, however, the Directors shall be subject to retirement by rotation and being eligible for re-election pursuant to the Articles. Moreover, Directors are required to comply with the requirements under statute and common law, the Listing Rules, the Companies Ordinance, legal and other regulatory requirements, if applicable.

Duties of the Board

The main responsibilities of the Board include determining overall strategic planning, policy formulation, business and investment plans, internal control and risk management systems and reviewing the effectiveness of such systems, monitoring financial and project budget, and developing, reviewing and monitoring corporate governance polices and matters.

Corporate Governance Functions and Duties

The Board is responsible for performing the corporate governance functions with the following duties:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations on any changes and updating;

(b) to review and monitor the training and continuous professional development of Directors and senior management of the Company;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Company and Directors; and

(e) to review the Company's compliance with the CG Code and disclosure in this report.

During the year, the corporate governance duties performed by the Board were summarized as follows:

(a) reviewed the Company's corporate governance policies and practices;

(b) reviewed the Company's policies on compliance with legal and regulatory requirements;

(c) reviewed the Company's compliance with the CG Code and disclosure in this report;

(d) reviewed the training and continuous professional development of the Directors and senior management of the Company; and

(e) reviewed the code of conduct and compliance manual applicable to employees of the Company and the Directors.

Management Functions

Implementation of the decisions and plans of the Board and direction of the day-to-day operation are delegated to the management. The respective functions of the Board and the management of the Company have been formalized and will be reviewed by the Board from time to time to ensure that they are consistent with the existing rules and regulations. All members of the Board are provided with monthly updates giving a balanced and understandable assessment of the performance, position and prospect of the Group.

Board Meetings

The Board meets regularly to discuss the overall strategy of the Group and to review and approve the Group's annual and interim results and other matters which need to be dealt with. At least 14 days' notice of all regular Board meetings is normally given to all Directors, and all Directors are given the opportunity to include matters for discussion in the agenda. The company secretary of the Company (the "**Company Secretary**") assists the Chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are normally sent to all Directors at least 3 days before the intended date of each regular Board meeting or board committee meeting. The Company Secretary is responsible for keeping minutes for the Board meetings.

During the year ended 31 December 2016, seven Board meetings were held and the attendance records of each Director at the Board, Board committees and general meetings are set out below:

	Number of meetings attended/held				
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General Meeting**
Executive Directors					
Mr. Zhu Dong	7/7		1/1	1/1	3/3
Mr. Wang Xiaowei	7/7				0/3
Mr. Zang Zheng	7/7				0/3
Mr. Xiao Wei	7/7				0/3
INEDs					
Mr. Hu Xiaowen	7/7	2/2	1/1	1/1	0/3
Mr. Gong Changhui	7/7	2/2	1/1	1/1	0/3
Mr. Wu Meng*	7/7	1/2	1/1	1/1	3/3

* *Resigned with effect from 1 April 2017*

Board Meetings (continued)

According to the current Board practice, if a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter should be dealt with by the Board at a duly convened Board meeting.

Every Director is entitled to have access to Board papers and related materials, and has access to the advice and services of the Company Secretary. The Board and each Director also have separate and independent access to the Company's management. Where queries are raised by Directors, prompt and full responses will be given if possible. Directors will be continuously updated on the major development of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices. Each Director has the liberty to seek independent professional advice at the Company's expense if so reasonably required. The Company has arranged appropriate insurance cover in respect of legal actions against its Directors and officers. The Company reviews the extent of such insurance every year.

INEDS

During the year ended 31 December 2016, the number of Directors was seven, of which three Directors were INEDs, representing more than one-third of the Board. Subsequent to Mr. Wu's resignation as an INED with effect from 1 April 2017, the number of Directors reduced to six including two INEDs which represents one-third of the Board but fell below the requirement under Rule 3.10(1) of the Listing Rules which stipulates that every board of directors of a listed company must include at least three independent non-executive directors. The Board is in the process of identifying a suitable candidate to fill the vacancy of the INED as soon as possible.

One of the INEDs has the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10 of the Listing Rules. No INED has served the Company for more than 9 years.

The Board has received from each INED an annual confirmation of independence and considers that all the INEDs are independent under the guidelines set out in Rule 3.13 of the Listing Rules.

Continuous Professional Development

Pursuant to code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. During the year, all Directors have participated in continuous professional development by attending seminars or programs or studying relevant materials on the topics related to corporate governance and regulations.

Continuous Professional Development (continued)

The individual training record of each Director received for the year ended 31 December 2016 is summarized as follows:

Name of Directors	Participation in Continuous Professional Development Activities: Attending trainings/ briefing/seminars/ conference	Reading regulatory updates
Executive Directors		
Mr. Zhu Dong	–	✓
Mr.Wang Xiaowei	–	✓
Mr. Zang Zheng	–	✓
Mr. Xiao Wei	–	✓
INEDs		
Mr. Hu Xiaowen	✓	✓
Mr. Gong Changhui	–	✓
Mr. Wu Meng*	–	✓

* *Resigned with effect from 1 April 2017*

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that the roles of the chairman of the Board and the chief executive officer of the Company should be served by different individuals to achieve a balance of authority and power. Mr. Zhu Dong, the chairman of the Board, is primarily responsible for the leadership of the Board ensuring that all significant policy issues are discussed by the Board in a timely and constructive manner by drawing up and approving the agenda and taking into account any matters proposed by other Directors for inclusion in the agenda, and that all Directors are properly briefed on issues arising at Board meetings, and that the Directors receive accurate, timely and clear information. Mr. Wang Xiaowei, the chief executive officer of the Company, is responsible for day-to-day management of the Group's business. Their responsibilities are clearly segregated and have been set out in writing.

Appointment and Re-election of Directors

During the year, the non-executive Directors provide the Group with a wide range of expertise and experience as well as checks and balance in achieving agreed corporate goals and objectives and monitoring performance reporting by their participation in the Board and Board committee meetings with independent judgment on issues relating to the Group's strategy, policy, performance, accountability, resources, key appointments and management process.

Appointment and Re-election of Directors (continued)

The Company did not have formal letters of appointment for Directors. Directors shall be subject to retirement by rotation and eligible for re-election at least once every three years pursuant to the Articles. Moreover, Directors are required to comply with the requirements under statute and common law, the Listing Rules, the Companies Ordinance, legal and other regulatory requirements, if applicable.

In accordance with the Articles, at each annual general meeting of the Company, one-third of the Directors for the time being (or, if the number is not three or a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. Every retiring Director shall be eligible for re-election. As such, no Director has a term of appointment longer than three years.

Further, any Director appointed by the Board to fill a casual vacancy shall hold office only until the next following general meeting whilst for those appointed as an addition to the Board shall hold office until the next following annual general meeting of the Company and in both cases, those Directors shall then be eligible for re-election at the relevant meeting.

Every newly appointed Director will receive an induction pack from the legal advisor of the Company on the first occasion of his/her appointment. This induction pack is a comprehensive, formal and tailored induction on the responsibilities and on-going obligations to be observed by a Director pursuant to the Companies Ordinance, the Listing Rules and the SFO. Directors will be continuously updated on any major developments of the Listing Rules and other applicable regulatory requirements to ensure compliance and upkeep of good corporate governance practices.

Board Committees

The Company has established three Board committees (the "**Board Committees**"), namely the Audit Committee, the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") of the Company, each of which has its specific written terms of reference, to assist the Board Committees in discharging their duties and responsibilities. Minutes of all meetings and resolutions of the Board Committees, which are kept by the Company Secretary, are circulated to all Board Committees' members and the Board Committees are required to report back to the Board on their decisions and recommendations, where appropriate. The Board Committees are provided with sufficient resources to perform their duties and have access to independent professional advice at the Company's expense if so reasonably requested.

Audit Committee

From 1 January 2016 to 31 March 2017, the Audit Committee comprised three INEDs, namely Mr. Hu Xiaowen (chairman of the Audit Committee), Mr. Gong Changhui and Mr. Wu Meng. During the year ended 31 December 2016, the number of members of the Audit Committee is three, the Company has complied with Rule 3.21 of the Listing Rules. The Audit Committee is chaired by an INED with appropriate professional qualifications or accounting or related financial management expertise.

Subsequent to Mr. Wu's resignation and his cessation to be a member of the Audit Committee with effect from 1 April 2017, the Audit Committee comprises two INEDs, namely, Mr. Hu Xiaowen and Mr. Gong Changhui, that fell below the minimum of three members as required under Rule 3.21 of the Listing Rules. The Company is in the process of identifying a suitable candidate to fill the vacancy of the Audit Committee as soon as possible and within the three-month period from 1 April 2017 pursuant to Rule 3.23 of the Listing Rules.

The Audit Committee shall meet at least twice a year. During the year, two meetings of the Audit Committee were held and attended by the external auditors of the Company. The attendance of the members was set out in the sub-section headed "Board Meetings" of this Corporate Governance Report.

The primary duties of the Audit Committee include acting as the key representative body for overseeing the relationship with the external auditors; reviewing and monitoring the effectiveness of the audit process; reviewing the Group's financial information; overseeing the Group's financial reporting system and risk management and internal control systems. The latest terms of reference of the Audit Committee can be viewed on the websites of the Stock Exchange and the Company at www.hkexnews.hk and www.avicjoyhk.com.hk, respectively.

During the year, the Audit Committee has held two meetings and has reviewed and discussed the financial reporting matters, including:

(i) reviewed and recommended for the Board's approval the interim and annual results, the interim report and annual report and other financial statements;

(ii) considered and discussed the reports and presentations from the external auditors and the senior management, respectively, with particular focus on the appropriateness of accounting policies and practices, areas of judgment, compliance with the Hong Kong Financial Reporting Standards and other legal requirements in relation to financial reporting;

(iii) recommended to the Board on the re-appointment of the external auditors and the relevant terms of engagement, including their remuneration;

Audit Committee (continued)

(iv) reviewed the risk management and internal control systems of the Group and the effectiveness of the Group's internal audit function for the year which covered financial, operational and compliance controls. The process used in such review including discussions with the management of the Company on the risk areas identified and the review of findings and reports from an independent professional advisor. The Audit Committee reviewed and concurred with the management's confirmation that the Group's risk management and internal control systems were effective and adequate for the year; and

(v) reviewed and was satisfied with the adequacy of the resources, staff qualification and experience, training programmes and budget of the Company's accounting, financial reporting and internal audit functions.

Remuneration Committee

From 1 January 2016 to 31 March 2017, the Remuneration Committee comprised four members, including Mr. Hu Xiaowen (chairman of the Remuneration Committee), Mr. Gong Changhui and Mr. Wu Meng, all are INEDs, and Mr. Zhu Dong, an executive Director and the chairman of the Board. Subsequent to Mr. Wu's resignation and his cessation to be a member of the Remuneration Committee with effect from 1 April 2017, the Remuneration Committee comprises three members, namely, Mr. Hu Xiaowen, Mr. Gong Changhui and Mr. Zhu Dong.

The Remuneration Committee shall meet at least once a year. During the year, one meeting of the Remuneration Committee was held and the attendance of the members was set out in the sub-section headed "Board Meetings" of this Corporate Governance Report.

Details of the Directors' emoluments and remuneration payable to members of senior management by band are set out in note 9 to the financial statements. The Remuneration Committee adopted the model "to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management".

The primary duties of the Remuneration Committee include to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration, to review and approve the management's remuneration proposal with reference to the Company's corporate goals and objectives, to determine the remuneration packages of individual executive Directors and senior management including benefits in kind, pension rights and compensation payment comprising any compensation payable for loss or termination of their office or appointment, to make recommendations to the Board on the remuneration of non-executive Directors. The latest terms of reference of the Remuneration Committee can be viewed on the websites of the Stock Exchange and the Company at www.hkexnews.hk and www.avicjoyhk.com.hk, respectively.

Remuneration Committee (continued)

During the year, the Remuneration Committee reviewed and recommended the existing policies and structure of the remuneration of the Directors and senior management of the Group to the Board; reviewed and approved the remuneration packages of the Directors and senior management of the Group with reference to the Company's complexity and its size as well as individual performances; and reviewed and made recommendation to the Board on the remuneration of INEDs.

Nomination Committee

From 1 January 2016 to 31 March 2017, the Nomination Committee comprised four members, including Mr. Zhu Dong (chairman of the Nomination Committee), an executive Director and the chairman of the Board, Mr. Hu Xiaowen, Mr. Wu Meng and Mr. Gong Changhui, all are INEDs. Subsequent to Mr. Wu's resignation and his cessation to be a member of the Nomination Committee with effect from 1 April 2017, the Nomination Committee comprises three members, namely, Mr. Zhu Dong, Mr. Hu Xiaowen and Mr. Gong Changhui.

The Nomination Committee shall meet at least once a year. During the year, one meeting of the Nomination Committee was held and the attendance of the members was set out in the sub-section headed "Board Meetings" of this Corporate Governance Report.

The primary duties of the Nomination Committee include to review the structure, size, composition (including the skills, knowledge and experience) and diversity of the Board at least annually, to identify, screen and recommend to the Board appropriate individuals to serve as Directors, to assess the independence of INEDs, to make recommendations to the Board on the appointment or re-appointment of Directors, and to review the Board diversity policy and to monitor its implementation at least once a year. The latest terms of reference of the Nomination Committee can be viewed on the websites of the Stock Exchange and the Company at www.hkexnews.hk and www.avicjoyhk.com.hk, respectively.

During the year, the Nomination Committee has held one meeting and reviewed the structure, size, composition and diversity of the Board including the skills, knowledge and experience of the Board, reviewed the Board diversity policy, made recommendations to the Board on the re-election of retiring Directors, assessed the independence of INEDs and reviewed the Board diversity policy.

In designing the Board's composition, the Nomination Committee would consider the Board diversity from a number of factors, including but not limited to gender, age, cultural background and ethnicity, educational background, professional experience, skills, knowledge and length of service. The Company will also take into account factors based on the Company's business model and specific needs from time to time. Directors' appointments will continue to be made on a merit basis and candidates will be considered against objective criteria, with due regard for the benefits of diversity on the Board.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Directors acknowledge their responsibilities for preparing the financial statements which give a true and fair view of the state of affairs of the Group in accordance with the relevant statutory requirements and applicable accounting standards. The financial statements are prepared on a going concern basis and the Directors are not aware of any material uncertainties or events which may have a significant impact on the Company's ability to operate as a going concern.

The responsibilities of the auditors with respect to the financial statements are set out in the Independent Auditors' Report annexing in the Annual Report.

The Company has published its annual and interim results, in accordance with the requirements of the Listing Rules and other relevant regulations, in a timely manner within three months and two months respectively after the end of the relevant periods.

Risk Management and Internal Control

The Board is directly responsible for the risk management and internal control systems of the Group and reviewing their effectiveness. The systems are designed for the Group to identify and manage the significant risks to achieve its business objectives, safeguard its assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The systems are designed to manage rather than to eliminate the risk of failure to achieve business objectives of the Group, and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems. The Board conducts reviews of the effectiveness of those systems at least annually through the Audit Committee that covers all material controls in financial, operational and compliance.

The Board has adopted a risk management policy in providing directions in identifying, evaluating and managing significant risks. Pursuant to which, the management of the Company can identify risks that might adversely affect the achievement of the Group's objectives, and assess and prioritize the identified risks, risk mitigation plans will then be established to respond to the those risks considered to be significant.

Risk Management and Internal Control (continued)

An independent professional advisor, Crowe Horwath (HK) Corporate Consultancy Limited has been engaged to assist the Board and the Audit Committee to access the risk management and internal control systems of the Group and perform the internal audit functions for the Group. From which, deficiencies in the design and implementation of internal controls will be identified and recommendations will be proposed for improvement. Such report will be submitted to the Audit Committee and the Board at least once a year.

The Board through the Audit Committee conducted an annual review on the effectiveness of the Group's risk management and internal control systems in its financial, operational and compliance controls and risk management functions, including but not limited to the Group's ability to respond to changes in its business and external environment in terms of significant risks; the scope and quality of management's ongoing monitoring of risks and of the internal control systems, and results of internal audit work; the extent and frequency of communication of monitoring results to the Board in relation to result of risk and internal control review; significant control failing or weakness having been identified and their related implications; and status of compliance with the Listing Rules. The Board is in the opinion that the Group's risk management and internal control systems were adequate and effective during the year.

The Board through the Audit Committee had reviewed the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting functions as well as the qualifications and experience of the outsourced internal auditors.

The Company formulated the inside information policy and that is reviewed at least once a year to ensure its update with the latest regulatory requirements. Pursuant to such policy, the Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the Securities and Futures Ordinance. The Group ensures that the information is kept strictly confidential before it is fully disclosed to the public.

Auditors' Remuneration

During the year, the remuneration paid or payable to the Company's auditor, Ernst & Young, is set out below:

Service rendered for the Group	HK$'000
Audit services	3,300
Non-audited services	
(including review of interim results and transactions)	1,060
Total	4,360

COMPANY SECRETARY

The Company engages external service providers to provide company secretarial services and has appointed Ms. Ngan Wai Kam Sharon ("**Ms. Ngan**") as the Company Secretary from 1 June 2015 to 31 May 2016 and Ms. Cheung Hoi Fun ("**Ms. Cheung**") with effect from 1 June 2016 following Ms. Ngan's resignation. Ms. Ngan is a lawyer and Ms. Cheung is a chartered company secretary. Both Ms. Ngan and Ms. Cheung fulfilled the requirements under Rules 3.28 and 3.29 of the Listing Rules and have attained not less than 15 hours of relevant professional training during the year. The Company Secretary provided advices to the Board to ensure that the Board procedures and all applicable laws are followed. Both Ms. Ngan and Ms. Cheung are not employees of the Group and Mr. Zhu Dong, the Chairman of the Board, is the person whom Ms. Ngan and Ms. Cheung can contact for the purpose of code provision F.1.1 of the CG Code.

COMMUNICATION WITH SHAREHOLDERS

The Board recognizes the importance of good communication with Shareholders. Information in relation to the Group is disseminated to the Shareholders in a timely manner through a number of formal channels, which include interim and annual reports, announcements and circulars. Such published documents together with the latest corporate information and news are also made available on the websites of the Stock Exchange and the Company at www.hkexnews.hk and www.avicjoyhk.com, respectively.

The general meetings of the Company provide a forum for communication between the Board and the Shareholders. Code provision E.1.2 of the CG Code stipulates that the chairman of the Board should invite the chairmen of audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or, failing this, his/her duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting.

During the year, due to other business engagements at the relevant time, the chairman of the Audit Committee and the Nomination Committee did not attend the annual general meeting of the Company held on 28 June 2016 and two extraordinary general meetings of the Company held on 22 December 2016. Nevertheless, Mr. Wu Meng, an INED, being a member of the Audit Committee, the Remuneration Committee and the Nomination Committee was present thereat and was available to answer questions to ensure effective communication with the Shareholders.

Separate resolutions are proposed at the general meeting for each substantial issue, including the re-election of retiring Directors.

The notice to Shareholders is to be sent at least 20 clear business days before an annual general meeting and at least 10 clear business days before a meeting other than an annual general meeting. An explanation of the detailed procedures of conducting a poll is provided to the Shareholders at the commencement of the meeting. The chairman of the general meeting answers questions from Shareholders regarding voting by way of a poll. The poll results are published in the manner prescribed under the requirements of the Listing Rules.

SHAREHOLDERS' RIGHTS

Shareholders' Right to Convene Extraordinary General Meeting

Pursuant to section 566 of the Companies Ordinance, Shareholders representing at least 5% of the total voting rights of all the Shareholders having a right to vote at general meetings as at the date of deposit of the requisition can deposit a written request to convene an extraordinary general meeting (the "**EGM**") at the registered office of the Company (the "**Registered Office**") for the attention of the Company Secretary (the "**Requisition**").

Such Requisition must state the general nature of the business to be dealt with at the EGM and must be authenticated by the person or persons making it.

If the Directors do not within 21 days from the date of the deposit of the Requisition proceed duly to convene an EGM to be held on a date not more than 28 days after the date of the notice convening the EGM, the Shareholders concerned, or any of them, representing more than one half of the total voting rights of all of them, may themselves convene an EGM in the same manner, as nearly as possible, as that in which the EGM is required to be called by the Directors, provided it is held within three months of the date of the deposit of the Requisition.

Shareholders' Right to Put Enquiries to the Board

The Board has established a shareholders' communication policy and reviews it at least once a year. Shareholders should direct any questions about their shareholdings to the Company's share registrar, Tricor Tengis Limited.

Shareholders may make reasonable requests to the Company for information regarding the Company which has been made publicly available. Such requests should be directed to the Company Secretary at the Registered Office.

If a Shareholder wishes to make an enquiry of the Board (the "**Enquiry**"), the Enquiry must be served at the Registered Office for the attention of the Board and set out in written form, stating the nature of the Enquiry, and the reason for making the Enquiry.

Shareholders' Right to Put Forward Proposals at General Meetings

The Companies Ordinance provides that, a company must give notice of a resolution if it has received requests that to do so from: (a) the members of the company representing at least 2.5% of the total voting rights of all the members who have a right to vote on the resolution at the annual general meeting to which the requests relate; or (b) at least 50 members who have a right to vote on the resolution at the annual general meeting to which the requests relate.

The Companies Ordinance also provides that, the request (a) may be sent to the company in hard copy form or in electronic form; (b) must identify the resolution of which notice is to be given; (c) must be authenticated by the person or persons making it; and (d) must be received by the company not later than (i) 6 weeks before the annual general meeting to which the requests relate; or (ii) if later, the time at which notice is given of that meeting. All requests shall be sent to the Registered Office for the attention of the Company Secretary.

CONSTITUTIONAL DOCUMENTS

At the 2016 AGM, a special resolution was passed regarding the adoption of a new Articles of Association in respect of the Companies Ordinance which came into effect on 3 March 2014. Summary of the key amendments to the Articles of Association are set out in the circular of the Company dated 26 May 2016.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING

The Group strives to be a responsible enterprise by carrying out its business in a socially responsible way, with an aim to create long-term values for its stakeholders, and contribute to make the world a better place. In 2016, the Group continues to fulfill its social responsibility and achieves its sustainable development by carrying out various measures.

ENVIRONMENTAL

The Group engages in PPP class 1 land development industry which may generate construction waste as a result of construction work and site clearance, etc. The Group takes all reasonable steps to closely monitor and manage the environmental effect of the operations. The Group targets to minimize the impact on the environment and always seeks less harmful ways to the environment in its PPP class 1 land development operation. The Group has adopted certain control measures including but not limited to dispose construction wastes to designated disposal facilities, prohibit burning solid wastes in construction sites and watering dusty materials before loading and unloading on site when necessary.

The Group also engages in investment properties and financing lease operations, which are mainly office-based operation and produce a small amount of waste water, solid wastes and to a lesser extent emission in operations. For environmental benefits, the Group advocates resources saving and efficiency measures including but not limited to use light emitting dioxide lamps in some office areas, recommend staff to switch off lights and electronic appliances before leaving office, install lamp sensors, keep lights clean to attain their highest efficiency, encourage double-sided printing, use recycle paper, encourage internal meetings' materials being circulated in electronic mode, implement regular water leakage check, and install of water saving taps.

Being a responsible enterprise and for its sustainability, the Company commenced using papers certified by Forest Stewardship Council (the "**FSC-Certified Paper**") for printing its annual report and interim report since 2015. FSC-Certified Paper is sourced from environmentally-friendly, socially responsible and economically viable manner forests.

SOCIAL

Employment and Labour Practices

The Group regards staff as its greatest asset. The Group adjusts staff's remuneration based on their nature of work, performance, continuous education, professional qualification, experience, contribution and market standard through performance appraisal. The Group also delivers a fair and safe working environment for staff to support their career advancement and foster their personal development.

Staff is required to have good standards of ethics and personal qualities. There are strict requirements regarding employees' conduct in each employee's employment contract in corporate level.

The Group recognizes the importance of providing a safe and healthy working environment for our staff. In addition to complying with the relevant occupational safety and health legislations, we endeavor to protect our staff from work related accidents/injuries by providing employees with safe working environment and recommend staff to attend building's fire drills to well-equip themselves. In addition, the office of PPP class 1 land development business has established rules and regulations for "Safety Management", "Code of Conduct for Employee Safety", "Elevator Safety Management" and "Safety Plan", and made emergency contingency plans for earthquake, fire, typhoon, elevator accident, etc.

The Group encourages staff for life-long learning to further enhance their professional knowledge and skills for the Group's further development. Staffs are encouraged and subsidized to participate in job-related trainings or seminars for all-round development to continuously enhance their contribution to the Group.

Other staff benefits include 3-day paid maternity leave since 2015 and extension of medical coverage to staffs' dependents.

The Group strictly complies with the local relevant employment ordinances and fully understands that employing child labour and forced labour are prohibited. The Company reviews each job applicant's identity information during the recruitment process and each applicant is also required to provide document proofs of academic qualifications and working experience for verifications.

SOCIAL (continued)

Operating Practices

The Group has internal control measures to ensure the impartiality of the process and the performance of all suppliers and contractors are reported and monitored. The factors that the Group takes into consideration during the selection of suppliers or contractors include: price, specification and quality of the product, service quality and product support.

The Group recognizes the importance of the quality services provided by the Group. The Group has practical measures which cover service quality and safety in order to ensure relevant measures comply with the laws and regulations. If a complaint shall arise, the Company will immediately assess the complaint and conduct an investigation into the matter to identify the issues, and rectify the situation as soon as practicable.

The Group upholds high standards on promoting anti-corruption for its employees and directors. They are required to maintain a high level of business ethics and must maintain honesty, refuse corruption and must not abuse power for their own interest.

Community

Being a responsible enterprise, the Group would like to offer help to those who are in need. With the goal of sharing its loving heart and helping hand, the Group will conduct charity work in order to contribute to society. In the future, the Group aims to encourage staff to join more community activities, to raise civil awareness of all staff within the Group, and to offer help to those in need in the society.

INDEPENDENT AUDITOR'S REPORT

Ernst & Young 22/F, CITIC Tower 1 Tim Mei Avenue Central, Hong Kong	安永會計師事務所 香港中環添美道1號 中信大廈22樓	Tel 電話：+852 2846 9888 Fax 傳真：+852 2868 4432 ey.com

To the members of AVIC Joy Holdings (HK) Limited
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of AVIC Joy Holdings (HK) Limited (the "Company") and its subsidiaries (the "Group") set out on pages 52 to 186, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	**How our audit addressed the key audit matter**
Goodwill impairment assessment	
The Group has accumulated net unimpaired goodwill balance of HK$87.2 million which arose through various business combinations over the years of the following businesses which are also the underlying cash-generating units adopted for impairment testing: (i) gas refueling station operation; (ii) finance lease and loan services; and (iii) land development services. The recoverable amounts of the gas refueling station operation and the finance lease and loan services cash-generating units have been determined based on value in use calculations using discounted cash flow projections based on financial budgets approved by senior management.	Our procedures in relation to management's impairment assessment included, among others, evaluation of the objectivity, independence and competency of the external valuer; involvement of our internal valuation specialists to assist us to evaluate the bases and assumptions adopted in the valuation of the cash generating units; and checking, on a sample basis, the accuracy and relevance of the input data used by reference to historical gross margins, revenue trend and trade receivables turnover ratios.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
The recoverable amount of the land development services cash-generating unit has been determined based on the present value of contract income attributable to the land development contract by applying a discount rate based on the weighted average cost of capital required under Multi-Period Excess Earnings Method for the land development project. The impairment assessment process is complex and involved significant judgements and estimates. The key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill are forecasted revenue, budgeted gross margins and discount rates. The Group engaged an external valuer to perform the valuation for the recoverable amount of each cash-generating unit. The accounting policies, significant accounting judgements and estimates and disclosures for impairment testing of goodwill are included in notes 3, 4 and 16 to the financial statements, respectively.	

KEY AUDIT MATTERS (continued)

Key audit matter	**How our audit addressed the key audit matter**
Impairment assessment for land development contract	
As at 31 December 2016, the Group's interest in a land development contract was recognised as an intangible asset, with carrying amount of HK$964 million. For impairment assessment, the Group engaged an external valuer to perform a valuation on the land development contract. The valuation process is inherently subjective, and dependent on a number of estimates. The significant accounting judgements and estimates and disclosure of the land development contract are included in notes 4 and 17 to the financial statements, respectively.	Our procedures in relation to management's impairment assessment included, among others, evaluation of the objectivity, independence and competency of the external valuer; involvement of our internal valuation specialists to assist us to evaluate the bases and assumptions adopted in estimating the fair value of the land development contract; and checking, on a sample basis, the accuracy and relevance of the input data used by reference to the market selling prices of adjacent lands, historical construction costs and other operating expenses.
Valuation of investment properties	
As at 31 December 2016, the Group had investment properties measured at fair value of approximately HK$1,911.4 million, with the corresponding fair value loss of HK$0.2 million recognised in profit or loss. The valuation process is inherently subjective, and dependent on a number of estimates. The Group engaged an external valuer to perform the valuation for the properties. The significant accounting judgements and estimates and disclosures for the fair value measurement of investment properties are included in notes 4 and 14 to the financial statements, respectively.	Our procedures in relation to management's valuation of investment properties included, among others, evaluation of the objectivity, independence and competency of the external valuer; involvement of our internal valuation specialists to assist us to assess the bases and assumptions adopted in estimating the fair value of the investment properties; and benchmarking the values of investment properties held by the Group to other comparable properties.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Initial measurement of convertible bonds issued during the year	
On 17 November 2016, the Group issued new convertible bonds with an aggregate principal amount of HK$140 million to six independent placees through a placing agent. The fair values of the liability component of the new convertible bonds were estimated at the issuance date using equivalent market interest rates for similar bonds without a conversion option which includes significant unobservable inputs and significant management estimates. The residual amount was assigned as the equity component and included in shareholders' equity. The fair value of the liability component was determined by the directors of the Company based on the valuation by an independent valuer. The accounting policies, significant accounting judgements and estimates and disclosure of convertible bonds are included in notes 3, 4 and 33 to the financial statements, respectively.	Our procedures in relation to management's valuation of convertible bonds included, among others, evaluation of the independent external valuer's competence, independence and objectivity; assessment of the methodologies used and the key assumptions based on our knowledge on convertible bonds and the assistance of our internal valuation experts; and checking, on a sample basis, the accuracy and relevance of the input data used such as interest rate, credit spread and credit rating by reference to comparable bonds and market data.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism 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.

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

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

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

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

From the matters communicated with the Audit Committee, 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 this independent auditor's report is Ms. Dilys Chau Suet Fung.

Ernst & Young
Certified Public Accountants

Hong Kong
24 March 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
REVENUE	6	**357,628**	1,236,123
Cost of sales		**(273,330)**	(1,034,050)
Gross profit		**84,298**	202,073
Other income and gain	6	**50,723**	82,547
Selling and distribution expenses		**(39,979)**	(85,612)
Administrative expenses		**(117,372)**	(199,285)
Other operating and non-operating expenses, net		**(45,946)**	(45,136)
Fair value losses on investment properties, net	14	**(234)**	(32,675)
Impairment of goodwill	16	**–**	(83,241)
Gain/(loss) on disposal of subsidiaries	39	**(5,938)**	32,271
Gain on disposal of an associate		**25,105**	–
Impairment of an available-for-sale investment (transfer from available-for-sale investment revaluation reserve)	20(a)	**(81,303)**	–
Finance costs	8	**(146,132)**	(115,986)
Share of profits and losses of joint ventures		**4,741**	4,357
Share of profits and losses of associates		**7,721**	(26,243)
LOSS BEFORE TAX	7	**(264,316)**	(266,930)
Income tax expense	11	**(1,030)**	(11,161)
LOSS FOR THE YEAR		**(265,346)**	(278,091)
Attributable to:			
Owners of the parent		**(259,711)**	(294,968)
Non-controlling interests		**(5,635)**	16,877
		(265,346)	(278,091)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	12	**(HK4.37 cents)**	(HK5.45 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
LOSS FOR THE YEAR		**(265,346)**	(278,091)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Available-for-sale investment:			
Change in fair value	20(a)	**(144,061)**	22,163
Reclassification adjustment for impairment loss included in the consolidated statement of profit or loss	20(a)	**81,303**	–
		(62,758)	22,163
Exchange differences:			
Exchange differences on translation of foreign operations		**(32,593)**	(84,506)
Reclassification adjustments for foreign operations disposed of during the year	39	**(23,589)**	(4,954)
		(56,182)	(89,460)
NET OTHER COMPREHENSIVE LOSS TO BE RECLASSIFIED TO PROFIT OR LOSS IN SUBSEQUENT PERIODS AND OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(118,940)**	(67,297)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(384,286)**	(345,388)
Attributable to:			
Owners of the parent		**(380,344)**	(357,754)
Non-controlling interests		**(3,942)**	12,366
		(384,286)	(345,388)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**68,379**	128,653
Investment properties	14	**1,911,392**	2,010,548
Prepaid land lease payments	15	**18,222**	9,670
Goodwill	16	**87,242**	87,242
Intangible assets	17	**964,672**	964,764
Investments in joint ventures	18	**58,399**	53,658
Investments in associates	19	**–**	53,653
Available-for-sale investments	20	**63,719**	207,780
Other asset	21	**2,680**	2,680
Prepayments and deposits	23	**14,483**	19,576
Finance lease receivables	24	**19,414**	–
Promissory notes receivable	25	**168,000**	256,514
Total non-current assets		**3,376,602**	3,794,738
CURRENT ASSETS			
Inventories	27	**3,511**	2,871
Contract for services	28	**116,602**	96,429
Trade and bills receivables	22	**88,672**	60,846
Prepayments, deposits and other receivables	23	**217,670**	215,846
Finance lease receivables	24	**4,817**	1,208
Promissory notes receivable	25	**91,126**	85,314
Due from joint ventures	18	**235,104**	240,234
Due from associates	19	**–**	16,546
Due from non-controlling shareholders	26	**4,657**	14,972
Loan receivable from a related company	26	**–**	3,581
Cash and bank balances	29	**153,990**	446,546
Total current assets		**916,149**	1,184,393

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
CURRENT LIABILITIES			
Trade and bills payables	30	**3,771**	18,057
Other payables and accruals	31	**145,063**	163,340
Finance lease payable	32	**801**	763
Convertible bonds	33	**–**	321,445
Interest-bearing bank and other borrowings	34	**549,585**	245,149
Loans from related companies	26	**146,966**	251,620
Due to a joint venture	18	**8,596**	11,072
Due to an associate	19	**–**	2,720
Tax payable		**445**	1,804
Total current liabilities		**855,227**	1,015,970
NET CURRENT ASSETS		**60,922**	168,423
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,437,524**	3,963,161
NON-CURRENT LIABILITIES			
Convertible bonds	33	**167,000**	42,218
Finance lease payable	32	**1,128**	1,929
Interest-bearing bank and other borrowings	34	**1,196,983**	1,736,491
Loan from a related company	26	**210,612**	223,820
Loans from non-controlling shareholders	26	**285,124**	38,640
Deferred tax liabilities	35	**244,161**	245,054
Total non-current liabilities		**2,105,008**	2,288,152
Net assets		**1,332,516**	1,675,009

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	36	**2,234,815**	2,232,696
Equity component of convertible bonds	33	**61,314**	90,139
Other reserves		**(1,358,190)**	(1,035,269)
		937,939	1,287,566
Non-controlling interests		**394,577**	387,443
Total equity		**1,332,516**	1,675,009

Zhu Dong
Director

Wang Xiaowei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

		Attributable to owners of the parent											
	Notes	Share capital HK$'000	Share option reserve HK$'000	Equity component of convertible bonds HK$'000	Available-for-sale investment revaluation reserve HK$'000	Capital reserve HK$'000	Special capital reserve HK$'000	Exchange fluctuation reserve HK$'000	Reserve funds HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2015		1,729,752	41,349	83,312	40,595	–	828,646	96,332	4,657	(1,717,759)	1,106,884	360,120	1,467,004
Loss for the year		–	–	–	–	–	–	–	–	(294,968)	(294,968)	16,877	(278,091)
Other comprehensive income/(loss) for the year:													
Change in fair value of an available-for-sale investment	20(a)	–	–	–	22,163	–	–	–	–	–	22,163	–	22,163
Exchange differences related to foreign operations		–	–	–	–	–	–	(79,995)	–	–	(79,995)	(4,511)	(84,506)
Reclassification adjustment for foreign operation disposed of during the year	39(b),(c)	–	–	–	–	–	–	(4,954)	–	–	(4,954)	–	(4,954)
Total comprehensive income/(loss) for the year		–	–	–	22,163	–	–	(84,949)	–	(294,968)	(357,754)	12,366	(345,388)
Issue of shares upon exercise of convertible bonds	33,36(a)	94,011	–	(11,510)	–	–	–	–	–	–	82,501	–	82,501
Issue of shares upon exercise of share options	36(b)	43,268	(11,852)	–	–	–	–	–	–	–	31,416	–	31,416
Transfer of share option reserve upon lapse of share options	36	12,280	(12,280)	–	–	–	–	–	–	–	–	–	–
Extension of convertible bonds	33(a)	–	–	18,337	–	–	(5,289)	–	–	–	13,048	–	13,048
Disposal of subsidiaries	39(b),(d)	–	–	–	–	–	–	–	–	–	–	(82,488)	(82,488)
Disposal of interests in subsidiaries	1	–	–	–	–	58,086	–	–	–	–	58,086	97,445	155,531
Share placement and top-up subscription	36(c)	353,385	–	–	–	–	–	–	–	–	353,385	–	353,385
At 31 December 2015		2,232,696	17,217*	90,139	62,758*	58,086*	823,357*	11,383*	4,657*	(2,012,727)*	1,287,566	387,443	1,675,009

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

		Attributable to owners of the parent												
	Notes	Share capital HK$'000	Share option reserve HK$'000	Equity component of convertible bonds HK$'000	Available-for-sale investment revaluation reserve HK$'000	Capital reserve HK$'000	Special capital reserve HK$'000	Exchange fluctuation reserve HK$'000	Reserve funds HK$'000	Property revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2016		2,232,696	17,217*	90,139	62,758*	58,086*	823,357*	11,383*	4,657*	–	(2,012,727)*	1,287,566	387,443	1,675,009
Loss for the year		–	–	–	–	–	–	–	–	–	(259,711)	(259,711)	(5,635)	(265,346)
Other comprehensive income/(loss) for the year:														
Change in fair value of an available-for-sale investment	20(a)	–	–	–	(144,061)	–	–	–	–	–	–	(144,061)	–	(144,061)
Reclassification adjustment for impairment loss of an available-for-sale investment included in consolidated statement of profit or loss	20(a)	–	–	–	81,303	–	–	–	–	–	–	81,303	–	81,303
Exchange differences on translation of foreign operations		–	–	–	–	–	–	(34,286)	–	–	–	(34,286)	1,693	(32,593)
Reclassification adjustment for foreign operations disposed of during the year	39(a)	–	–	–	–	–	–	(23,589)	–	–	–	(23,589)	–	(23,589)
Total comprehensive loss for the year		–	–	–	(62,758)	–	–	(57,875)	–	–	(259,711)	(380,344)	(3,942)	(384,286)
Revaluation of land and building transferred to an investment property	14	–	–	–	–	–	–	–	–	9,426	–	9,426	–	9,426
Issuance of convertible bonds	33	–	–	21,291	–	–	–	–	–	–	–	21,291	–	21,291
Transfer to accumulated losses upon maturity of convertible bonds	33	–	–	(50,116)	–	–	–	–	–	–	50,116	–	–	–
Transfer of share option reserve upon lapse of share options	36	2,119	(2,119)	–	–	–	–	–	–	–	–	–	–	–
Disposal of subsidiaries	39(a)	–	–	–	–	–	–	–	(2,610)	–	2,610	–	11,076	11,076
At 31 December 2016		2,234,815	15,098*	61,314	–	58,086*	823,357*	(46,492)*	2,047*	9,426*	(2,219,712)*	937,939	394,577	1,332,516

* These reserve accounts comprise the consolidated debit reserves of HK$1,358,190,000 (2015: consolidated debit reserves of HK$1,035,269,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(264,316)**	(266,930)
Adjustments for:			
Finance costs	8	**146,132**	115,986
Interest income	6	**(5,435)**	(10,091)
Finance income on concession finance and trade receivables	6	**–**	(37,233)
Share of profits and losses of joint ventures		**(4,741)**	(4,357)
Share of profits and losses of associates		**(7,721)**	26,243
Depreciation of items of property, plant and equipment	7	**19,838**	39,699
Amortisation of prepaid land lease payments	7	**651**	4,563
Amortisation of intangible assets	7	**47**	1,044
Impairment of items of property, plant and equipment	7	**2,801**	22,445
Impairment of an available-for-sale investment (transfer from available-for-sale investment revaluation reserve)	7	**81,303**	–
Fair value losses on investment properties, net	7	**234**	32,675
Impairment of goodwill	7	**–**	83,241
Impairment of an investment in an associate	7	**2,822**	8,525
Impairment of an amount due from an associate	7	**4,585**	–
Impairment of trade receivables	7	**2,014**	917
Impairment of prepayments and other receivables	7	**17,793**	5,313
Impairment of available-for-sale investments	7	**5,915**	5,000
Write-off of other loan		**(2,150)**	–
Loss on disposal of items of property, plant and equipment	7	**7,372**	2,936
Loss on disposal of an investment property	7	**2,644**	–
Gain on deemed disposal of subsidiaries	7	**–**	(2,848)
(Gain)/loss on disposal of subsidiaries	7	**5,938**	(29,423)
Gain on disposal of an associate	7	**(25,105)**	–
		(9,379)	(2,295)

	Notes	2016 HK$'000	2015 HK$'000
Increase in inventories		**(640)**	(5,129)
Increase in contract for services		**(20,173)**	(59,869)
(Increase)/decrease in trade and bills receivables		**(29,841)**	159,033
Increase in prepayments, deposits and other receivables		**(72,580)**	(113,742)
Increase in concession finance receivables		**–**	(319,528)
(Increase)/decrease in finance lease receivables		**(23,023)**	19,312
(Increase)/decrease in amounts due from joint ventures		**5,130**	(340,471)
Decrease in amounts due from associates		**779**	7,827
Increase/(decrease) in an amount due to a joint venture		**(2,476)**	225,508
Increase/(decrease) in an amount due to an associate		**(2,600)**	2,559
Increase/(decrease) in trade and bills payables		**(13,153)**	40,974
Increase in other payables and accruals		**24,854**	488,993
Decrease in deferred income		**–**	(29,916)
Cash generated from/(used in) operations		**(143,102)**	73,256
Overseas taxes paid		**(3,282)**	(20,139)
Net cash flows from/(used in) operating activities		**(146,384)**	53,117
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**3,260**	9,365
Purchases of items of property, plant and equipment	13	**(5,434)**	(21,984)
Proceeds from disposal of items of property, plant and equipment		**1,365**	18,725
Proceed from disposal of an investment property		**9,360**	–
Proceeds on redemption of promissory notes receivable		**67,853**	–
Increase in prepaid land lease payments	15	**(10,553)**	(795)
Addition of an available-for-sale investment		**–**	(5,000)
Acquisition of investment properties	14	**–**	(1,945,390)
Acquisition of associates		**–**	(10,000)
Disposal of interests in subsidiaries		**–**	(83,482)
Disposal of subsidiaries	39(a)	**(34)**	–
Disposal of an associate	19(c)	**88,300**	–
Capital injection to joint ventures		**–**	(9,418)
Redemption of held-to-maturity debt securities		**–**	4,410
Additions of other asset		**–**	(2,680)
Net cash flows from/(used in) investing activities		**154,117**	(2,046,249)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		–	359,160
Proceeds from exercise of share options	36(b)	–	31,416
Share issue expenses	36(c)	–	(5,775)
Interest paid on bank loans		(76,765)	(57,829)
Interest paid on other loans		(14,860)	–
Interest paid on convertible bonds	33	(3,334)	(4,582)
Interest paid on loans from related companies		(21,490)	(18,842)
Interest paid on promissory notes payable		–	(2,000)
Repayment of bank loans		(417,997)	(387,566)
New bank and other loans		306,908	1,644,768
Loans from related companies		–	358,025
Repayment of loans receivable from related companies		3,581	–
Repayment of loans from related companies		(99,875)	–
Repayment to non-controlling shareholders, net		27,591	(11,758)
Issuance of convertible bonds for cash	33	140,000	–
Repayment of convertible bonds	33	(115,000)	–
Repayment of promissory notes		–	(100,000)
Repayment of finance leases		(873)	(726)
Net cash flows from/(used in) financing activities		(272,114)	1,804,291
NET DECREASE IN CASH AND CASH EQUIVALENTS		(264,381)	(188,841)
Cash and cash equivalents at beginning of year		446,546	650,461
Effect of foreign exchange rate changes, net		(28,175)	(15,074)
CASH AND CASH EQUIVALENTS AT END OF YEAR		153,990	446,546
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		153,990	446,546

1. CORPORATE AND GROUP INFORMATION

AVIC Joy Holdings (HK) Limited is a limited liability company incorporated in Hong Kong whose shares are listed on the main board of The Stock Exchange of Hong Kong Limited (The "Stock Exchange"). The registered office of the Company is located at Room A02, 35/F, United Centre, 95 Queensway, Hong Kong.

During the year, the Group was principally involved in the operation of compressed natural gas ("CNG") and liquefied petroleum gas ("LPG") refueling stations; management and operation of light-emitting diode ("LED") energy management contracts ("EMC"); provision of finance lease and loan services and properties investment; and provision of land development services and sale of construction materials in the People's Republic of China (the "PRC"). The Group operates LED EMC business through its investment in a joint venture. The principal activity of the Company is investment holding.

Information about subsidiaries

Particulars of the Company's principal subsidiaries at the end of the reporting period are as follows:

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share/registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Jetco Innovations Limited	British Virgin Islands/Hong Kong	US$1	100	–	Investment holding
Anhui Sinogas Company Limited#	PRC/ Mainland China	HK$30,000,000	–	100	Operation of gas refueling stations
Chengdu Sheng Yuan Natural Gas Company Limited*^	PRC/ Mainland China	RMB5,000,000	–	38.5	Operation of gas refueling stations
Chengdu Sinogas Company Limited^	PRC/ Mainland China	HK$20,000,000	–	70	Operation of gas refueling stations

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share/registered capital	Percentage of equity attributable to the Company Direct %	Percentage of equity attributable to the Company Indirect %	Principal activities
Chuang Jie Ran Qi (Chengdu) Company Limited^	PRC/ Mainland China	HK$30,000,000	–	91	Operation of gas refueling stations
Guangdong Zi Yu Tai Finance Leasing Company Limited#	PRC/ Mainland China	US$100,000,000	–	100	Provision of finance lease and loan services
Ontex Enterprises Limited*	British Virgin Islands/Hong Kong	US$100	–	60	Provision of land development and sale of construction materials
Shandong Sinogas Company Limited^	PRC/ Mainland China	RMB40,000,000	–	100	Operation of gas refueling stations
Shenzhen Sinogas Environmental Protection Technology Limited#	PRC/ Mainland China	RMB20,000,000	–	100	Investment holding
Sinogas (Xuzhou) Cleanly Fuel Co., Limited#	PRC/ Mainland China	HK$10,000,000	–	100	Operation of gas refueling stations
Spotwin Investment Limited*	British Virgin Islands/Hong Kong	US$100	–	49.5	Provision of land development and sale of construction materials
Xuzhou Sinogas Bus Fuel Company Limited^	PRC/ Mainland China	US$2,500,000	–	70	Operation of gas refueling stations

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

* These companies are subsidiaries of non-wholly-owned subsidiaries of the Company and are accordingly accounted for as subsidiaries by virtue of the Company's control in the boards of directors of these companies.

^ These subsidiaries are registered as co-operative joint ventures under PRC law.

\# These subsidiaries are registered as wholly-foreign-owned enterprises under PRC law.

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

During the year, the Group entered into share transfer agreements with third party purchasers, to sell 100% interest in the issued share capital of certain wholly-owned subsidiaries. Details of the disposal are set out in note 39(a) to the financial statements.

In the prior year, on 4 December 2015, the Group entered into a share transfer agreement with Kingfun Investment Limited, a third party purchaser, (i) to sell 17.5% of the issued share capital of Spotwin Investment Limited ("Spotwin"), an indirect non-wholly-owned subsidiary of the Group and; (ii) 17.5% of the shareholders' loan due from Spotwin to Spotwin's shareholders as at 16 December 2015. The excess of the net consideration of HK$155,531,000, over the non-controlling interests of 17.5% of the net assets of Spotwin disposed of, HK$97,445,000, amounting to HK$58,086,000, was credited to capital reserve.

On 10 October 2016, the Company and 廣州佳聯能源有限公司 (Guangzhou Jialian Energy Company Limited*) ("Guangzhou Jialian") as purchaser have entered into a share transfer agreement (the "Share Transfer Agreement") in relation to the disposal of the entire equity interest in (i) 山東中油潔能天然氣有限公司 (Shandong Sinogas Company Limited*); (ii) Winfield Innovations Limited（永輝創建有限公司）; and (iii) 安徽中油潔能燃氣有限公司 (Anhui Sinogas Company Limited*), indirect wholly-owned subsidiaries of the Company, at an aggregate consideration of RMB175,819,000 (equivalent to approximately HK$203.9 million). The Share Transfer Agreement has been approved by the shareholders at the extraordinary general meeting of the Company held on the conclusion of 22 December 2016. However, the Share Transfer Agreement was terminated on 31 December 2016 (being the long stop date of the Share Transfer Agreement) as the necessary approvals and consents from the relevant governmental and regulatory authorities for the transactions contemplated under the Share Transfer Agreement had not been obtained and no agreement was reached by the Company and Guangzhou Jialian to extend the relevant long stop date.

* *For identification purpose only*

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for an available-for-sale investment and investment properties which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2016. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012–2014 Cycle	Amendments to a number of HKFRSs

Other than as explained below regarding the impact of amendments to HKAS 1, amendments to HKAS16 and HKAS38 and certain amendments included in the *Annual Improvements 2012–2014 Cycle*, the adoption of the above new and revised HKFRSs has had no significant financial effect on these financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) *Annual Improvements to HKFRSs 2012–2014 Cycle* issued in October 2014 sets out amendments to a number of HKFRSs. Details of the amendments are as follows:

- HKFRS 5 Non-*current Assets Held for Sale and Discontinued Operations*: Clarifies that changes to a plan of sale or a plan of distribution to owners should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. Accordingly, there is no change in the application of the requirements in HKFRS 5. The amendments also clarify that changing the disposal method does not change the date of classification of the non-current assets or disposal group held for sale. The amendments are applied prospectively. The amendments have had no impact on the Group as the Group did not have any change in the plan of sale or disposal method in respect of the disposal group held for sale during the year.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARD

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARD (continued)

[1] Effective for annual periods beginning on or after 1 January 2017
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for annual periods beginning on or after 1 January 2019
[4] No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARD (continued)

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implemention issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARD (continued)

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

Amendments to HKAS 7 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. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARD (continued)

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise 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 type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associates or joint ventures, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties and equity investment at fair value at the end of each reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies: (continued)

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

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset or as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

Land and buildings	2% or over the lease terms, whichever is shorter
Leasehold improvements	4% to 20% or over the lease terms, whichever is shorter
Plant and machinery	10% to 20%
Furniture and fixtures	15% to 25%
Motor vehicles	10% to 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

Construction in progress represents gas refueling stations under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold interest under an operating lease for a property which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties (continued)

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Land development contract

Land development contract is stated at cost less any impairment losses and is amortised on the output-based basis over its estimated useful life.

Service contract

Service contract is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated life of 16 years.

Franchise

Purchased franchise is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated life of 20 years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

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

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

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other operating expenses for receivables.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income, respectively and are recognised in the statement of profit or loss in accordance with the policies set out for "Revenue recognition" below.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other operating expenses in the statement of profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments (continued)

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, accruals and other payables, amounts due to an associate, a joint venture and non-controlling shareholders, loans from a related companies and non-controlling shareholders, promissory notes, convertible bonds, a finance lease payable and interest-bearing loans and other borrowings.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Convertible bonds

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

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories represent finished goods and are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

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

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks which are not restricted as to use.

Provisions

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

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

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

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

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

(b) from concession arrangements, under the financial assets model, as further explained in the accounting policy for "Concession arrangements";

(c) government grants are recognised upon cash receipt and when all the relating conditions have been fulfilled;

(d) rental income, on a time proportion basis over the lease terms; and

(e) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Land development contracts

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

Revenue from fixed price land development contracts is recognised using the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total costs of the relevant contracts.

Revenue from cost plus land development contracts is recognised using the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total costs of the relevant contracts.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Land development contracts (continued)

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction. Where the outcome of a contract cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 37 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

The cost of equity-settled transactions is recognised in employee benefit expense, in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of loss per share.

Other employee benefits

Pension schemes and other retirement benefits

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

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., 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. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification between investment properties and owner-occupied properties

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

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Operating lease commitments – Group as lessor

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

Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2016 was HK$87,242,000 (2015: HK$87,242,000). Further details of the impairment testing of goodwill on acquisition of subsidiaries are given in note 16 to the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences; and

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

The carrying amount of investment properties at 31 December 2016 was HK$1,911,392,000 (2015: HK$2,010,548,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 14 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of property, plant and equipment at 31 December 2016 was HK$68,379,000 (2015: HK$128,653,000). More details are given in note 13 to the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The estimated amounts of unrecognised tax losses arising in Hong Kong and in Mainland China at 31 December 2016 were approximately HK$146,235,000 (2015: HK$146,235,000) and HK$212,077,000 (2015: HK$193,045,000), respectively. Further details are given in note 35 to the financial statements.

Finance lease receivables

To apply finance lease accounting, a number of assumptions in the lease models have been made, such as the determination of minimum lease payments, implicit interest rates and residual values of certain items of equipment at the end of the lease period. When the estimates of these factors are different from the original estimates, such differences will affect the carrying amounts of finance lease receivables. The carrying amount of finance lease receivables as at 31 December 2016 was HK$24,231,000 (2015: HK$1,208,000). Further details are given in note 24 to the financial statements.

Impairment of prepayments, deposits and other receivables

The Group maintains an allowance for the estimated losses arising from the inability of its debtors to make the required payments. The Group makes its estimates based on the aging of its receivable balances, their creditworthiness, and historical write-off experience. If the financial condition of its debtors was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance, and its future results would be affected.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of prepayments, deposits and other receivables (continued)

As at 31 December 2016, the directors had conducted impairment testing on the Group's prepayments, deposits and other receivables, and considered the status of recoverability of certain of these balances based on the financial position of the respective counterparties or the collection of some of the receivables which were provided for in prior years. Accordingly, a provision for impairment of prepayments, deposits and other receivables of HK$17,793,000 (2015: HK$5,313,000) was charged to the consolidated statement of profit or loss during the year. The carrying amount of prepayments, deposits and other receivables at 31 December 2016 was HK$232,153,000 (2015: HK$235,422,000). Further details are given in note 23 to the financial statements.

Impairment of contract for services

The Group determines whether the outcome of the contract for services can be estimated reliably. This requires a continuous estimation of the total contract revenue and costs and stage of completion with reference to work completed/certified and the assessment of the probability of the future economic benefits flows to the Group. The carrying amount of contract for services as at 31 December 2016 was HK$116,602,000 (2015: HK$96,429,000). Further details are set out in note 28 to the financial statements.

Impairment of available-for-sale financial assets

The Group classifies certain assets as available for sale and recognises movements of their fair values in equity. When the fair value declines, management makes assessment about the decline in value to determine whether there is an impairment that should be recognised in the statement of profit or loss. At 31 December 2016, an impairment loss of HK$81,303,000 (2015: Nil) had been recognised for an available-for-sale investment. The carrying amount of available-for-sale investments was HK$63,719,000 (2015: HK$207,780,000). Further details are set out in note 20 to the financial statements.

Impairment of intangible assets

The Group assesses at the end of each of the reporting period whether there is an indication that intangible assets may be impaired. If any indication exists, the Group estimates the recoverable amounts of the intangible assets. The Group measures the recoverable amounts of the intangible assets with reference to their value-in-use. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from intangible assets based on the development plan forecasted by the management, economic outlook, expected selling price, development costs and a suitable discount rate in order to calculate the present value. As at 31 December 2016, the carrying amount of intangible assets was approximately HK$964,672,000 (2015: HK$964,764,000). Further details are set out in note 17 to the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Fair value of convertible bonds on issuance

The fair value of the convertible bonds is based on independent valuation by independent professional valuer. The valuation involves assumptions on the Group's credit spread, expected credit rating and expected volatility rate of the underlying stock price. Changes in underlying assumptions could have impact on profit or loss or equity. Further details are set out in note 33 to the financial statements.

5. SEGMENT INFORMATION

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

(a) Sale of CNG, LPG and petroleum products of the Group's gas refueling station operation;

(b) Management and operation of LED EMC;

(c) Provision of finance lease and loan services and properties investment; and

(d) Provision of land development services and sale of construction materials.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's loss before tax except that interest income, certain finance costs, impairment of goodwill, items of property, plant and equipment, an investment in an associate and available-for-sale investments, gain/loss on disposal of subsidiaries and an associate, loss on disposal of an investment property, share of profits and losses of joint ventures and associates, fair value losses on investment properties, net, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude cash and bank balances, other asset, promissory notes receivable, an available-for-sale investment and other unallocated head office and corporate assets as these assets are managed on a group basis.

5. SEGMENT INFORMATION (continued)

Segment liabilities exclude interest-bearing bank and other borrowings, convertible bonds, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

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

For the presentation of the Group's geographical information, revenues and results information is based on the locations of the customers, and assets information is based on the locations of the assets. As the Group's major operations and markets are located in Mainland China, no further geographical information is provided.

In the prior year, as a result of a restructuring further explained in note 39(c) to the financial statements, the Group's subsidiary operating the business management and operation of LED EMC had become a joint venture of the Group.

5. SEGMENT INFORMATION (continued)

Year ended 31 December 2016

	Sale of CNG, LPG and petroleum products HK$'000	Management and operation of LED EMC HK$'000	Provision of finance lease and loan services and properties investment HK$'000	Provision of land development services and sale of construction materials HK$'000	Total HK$'000
Segment revenue:					
Revenue from external customers	214,309	–	–	126,617	340,926
Interest income	–	–	16,702	–	16,702
	214,309	–	16,702	126,617	357,628
Segment results	(27,142)	(31)	(3,622)	(8,169)	(38,964)
Reconciliation:					
Interest income					5,435
Loss on disposal of subsidiaries					(5,938)
Gain on disposal of an associate	25,105	–	–	–	25,105
Loss on disposal of an investment property	(2,644)	–	–	–	(2,644)
Share of profits and losses of:					
Joint ventures	(6,514)	11,255	–	–	4,741
Associates	9,087	–	–	–	9,087
Share of loss of an associate – unallocated					(1,366)
Impairment of items of property, plant and equipment	(2,801)	–	–	–	(2,801)
Impairment of an investment in an associate					(2,822)
Impairment of available-for-sale investments	(5,915)	–	–	–	(5,915)
Impairment of an available-for-sale investment (transfer from available-for-sale investment revaluation reserve)					(81,303)
Finance costs	(2,904)	–	(70,330)	(3,942)	(77,176)
Finance costs – unallocated					(68,956)
Fair value losses on investment properties, net	–	–	(234)	–	(234)
Corporate and other unallocated expenses					(20,565)
Loss before tax					(264,316)
Income tax expense					(1,030)
Loss for the year					(265,346)

5. SEGMENT INFORMATION (continued)

Year ended 31 December 2016 (continued)

	Sale of CNG, LPG and petroleum products HK$'000	Management and operation of LED EMC HK$'000	Provision of finance lease and loan services and properties investment HK$'000	Provision of land development services and sale of construction materials HK$'000	Total HK$'000
Segment assets	225,503	56,219	2,179,212	1,416,630	3,877,564
Reconciliation:					
Elimination of intersegment receivables					(2,143,470)
Corporate and other unallocated assets					2,558,657
Total assets					4,292,751
Segment liabilities	272,598	208,402	1,076,796	527,951	2,085,747
Reconciliation:					
Elimination of intersegment payables					(2,143,470)
Corporate and other unallocated liabilities					3,017,958
Total liabilities					2,960,235
Other segment information:					
Other impairment losses/provision recognised in the statement of profit or loss	19,087	–	–	–	19,807
Other impairment losses/provision recognised in the statement of profit or loss – unallocated					4,585
Depreciation and amortisation	17,021	–	1,676	569	19,266
Depreciation and amortisation – unallocated					1,270
Investments in joint ventures	25,661	32,738	–	–	58,399
Capital expenditure*	3,828	–	88	–	3,916
Capital expenditure – unallocated*					1,518

* Capital expenditure consists of additions to property, plant and equipment.

5. SEGMENT INFORMATION (continued)

Year ended 31 December 2015

	Sale of CNG, LPG, LNG and petroleum products HK$'000	Management and operation of LED EMC and trading of LED products HK$'000	Provision of finance lease and loan services and properties investment HK$'000	Provision of land development services and sale of construction materials HK$'000	Total HK$'000
Segment revenue:					
Revenue from external customers	1,041,587	95,337	–	97,540	1,234,464
Interest income	–	–	1,659	–	1,659
Finance income on concession finance and trade receivables	–	37,233	–	–	37,233
Intersegment revenue	–	–	16,539	–	16,539
	1,041,587	132,570	18,198	97,540	1,289,895
Reconciliation:					
Elimination of intersegment revenue					(16,539)
Reclassification of finance income to other income					(37,233)
Revenue					1,236,123
Segment results	10,770	32,054	(10,948)	(10,392)	21,484
Reconciliation:					
Interest income					10,091
Gain on disposals of subsidiaries	29,423	–	–	–	29,423
Gain on deemed disposal of subsidiaries	–	2,848	–	–	2,848
Share of profits and losses of joint ventures	4,031	326	–	–	4,357
Share of profits and losses of associates	(26,243)	–	–	–	(26,243)
Impairment of goodwill	(83,241)	–	–	–	(83,241)
Impairment of items of property, plant and equipment	(22,445)	–	–	–	(22,445)
Finance costs	(10,774)	(16,496)	(27,190)	(3,369)	(57,829)
Finance costs – unallocated					(58,157)
Fair value losses on investment properties, net	(4,629)	–	(28,046)	–	(32,675)
Corporate and other unallocated expenses					(54,543)
Loss before tax					(266,930)
Income tax expense					(11,161)
Loss for the year					(278,091)

5. SEGMENT INFORMATION (continued)

Year ended 31 December 2015 (continued)

	Sale of CNG, LPG, LNG and petroleum products HK$'000	Management and operation of LED EMC and trading of LED products HK$'000	Provision of finance lease and loan services and properties investment HK$'000	Provision of land development services and sale of construction materials HK$'000	Total HK$'000
Segment assets	345,753	46,308	2,351,359	1,357,716	4,101,136
Reconciliation:					
Elimination of intersegment receivables					(205,990)
Corporate and other unallocated assets					1,083,985
Total assets					4,979,131
Segment liabilities	72,124	25	129,506	69,644	271,299
Reconciliation:					
Elimination of intersegment payables					(205,990)
Corporate and other unallocated liabilities					3,238,813
Total liabilities					3,304,122
Other segment information:					
Share of profits and losses of:					
Joint ventures	4,031	326	–	–	4,357
Associates	(26,243)	–	–	–	(26,243)
Gain on disposals of subsidiaries	(29,423)	–	–	–	(29,423)
Gain on deemed disposal of subsidiaries	–	(2,848)	–	–	(2,848)
Impairment of goodwill	83,241	–	–	–	83,241
Impairment of items of property, plant and equipment	22,445	–	–	–	22,445
Other impairment losses/ provision recognised in the statement of profit or loss	6,230	–	–	–	6,230
Fair value losses on investment properties, net	4,629	–	28,046	–	32,675
Depreciation and amortisation	33,448	2,416	8,284	–	44,148
Depreciation and amortisation – unallocated					1,158
Investments in joint ventures	32,175	21,483	–	–	53,658
Investments in associates	53,653	–	–	–	53,653
Capital expenditure*	18,418	27	1,945,866	2,672	1,966,983

* Capital expenditure consists of additions to property, plant and equipment and investment properties.

6. REVENUE, OTHER INCOME AND GAIN

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

	2016 HK$'000	2015 HK$'000
Revenue		
Sale of gas and petroleum products	**214,309**	1,041,587
Management and operation revenue of LED EMC	**–**	95,337
Sale of construction materials	**126,617**	97,540
Interest income on finance leases and loans	**16,702**	1,659
	357,628	1,236,123
Other income and gain		
Interest income	**677**	8,905
Loan interest income	**–**	460
Promissory notes interest income	**4,758**	726
Finance income on concession finance and trade receivables	**–**	37,233
Government grants received*	**–**	7,086
Gross rental income	**1,288**	2,802
Compensation income	**22,875**	–
Exchange gain, net	**18,116**	16,272
Others	**3,009**	9,063
	50,723	82,547

* In the prior year, various government grants had been received to subsidise the operation of the Group's gas refueling stations in various provinces in Mainland China. There were no unfulfilled conditions or contingencies relating to these grants.

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	2016 HK$'000	2015 HK$'000
Cost of inventories sold and operation costs of gas refueling stations*		**150,292**	868,338
Construction and operation costs of LED EMC*		**–**	70,338
Cost of construction materials sold*		**123,038**	95,374
Auditor's remuneration		**3,300**	3,450
Depreciation of items of property, plant and equipment**	13	**19,838**	39,699
Amortisation of prepaid land lease payments	15	**651**	4,563
Amortisation of intangible assets	17	**47**	1,044
Gain on deemed disposal of subsidiaries	39(c)	**–**	(2,848)
(Gain)/loss on disposal of subsidiaries	39(a), (b), (d)	**5,938**	(29,423)
Gain on disposal of an associate		**(25,105)**	–
Loss on disposal of items of property, plant and equipment***		**7,372**	2,936
Loss on disposal of an investment property***		**2,644**	–
Impairment of items of property, plant and equipment***	13	**2,801**	22,445
Impairment of trade receivables***	22	**2,014**	917
Impairment of prepayments and other receivables***	23	**17,793**	5,313
Impairment of goodwill	16	**–**	83,241
Impairment of an amount due from an associate***	19(b)	**4,585**	–
Impairment of an investment in an associate***	19(b)	**2,822**	8,525
Impairment of available-for-sale investments***		**5,915**	5,000
Fair value losses on investment properties, net	14	**234**	32,675
Impairment of an available-for-sale investment (transfer from available-for-sale investment revaluation reserve)	20(a)	**81,303**	–
Minimum lease payments under operating leases in respect of land and buildings		**13,485**	14,519
Employee benefit expense (excluding directors' and chief executive's remuneration (note 9)):			
Wages, salaries, allowances and benefits in kind**		**47,524**	96,621
Pension scheme contributions		**381**	326
		47,905	96,947
Foreign exchange differences, net		**(18,116)**	(16,272)

7. LOSS BEFORE TAX (continued)

* Included in cost of sales on the face of the consolidated statement of profit or loss.

** In the prior year, depreciation charges of HK$8,214,000 and wages, salaries, allowance and benefits in kind of HK$6,001,000 were also included in cost of inventories sold and operation costs of gas refueling stations.

*** Included in "Other operating and non-operating expenses, net" on the face of the consolidated statement of profit or loss.

8. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	2016	2015
	HK$'000	HK$'000
Interest on bank loans and other loans (including convertible bonds and promissory notes payable)		
Bank loans	**75,712**	57,829
Other loans	**38,300**	18,842
Convertible bonds (note 33)	**30,657**	37,315
Promissory notes payable	**–**	2,000
Financing arrangement fees	**1,463**	–
	146,132	115,986

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies Regulation (Disclosure of information about Benefits of Directors), is as follows:

	2016 HK$'000	2015 HK$'000
Fees:		
Executive directors	144	152
Non-executive director	–	34
Independent non-executive directors	180	180
	324	366

	2016 HK$'000	2015 HK$'000
Other emoluments (executive directors and a non-executive director):		
Salaries, allowances and benefits in kind	817	3,741
Pension scheme contributions	–	107
	817	3,848
	1,141	4,214

The details of the directors' outstanding share options are set out in page 19 of the Report of the Directors and note 37 to the financial statements. The fair value of such options, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

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

(a) Independent non-executive directors

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

	2016 HK$'000	2015 HK$'000
Hu Xiaowen	**60**	60
Gong Changhui	**60**	60
Wu Meng	**60**	60
	180	180

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

(b) Executive directors and a non-executive director

2016	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Total remuneration HK$'000
Executive directors:			
Zhu Dong	36	–	36
Wang Xiaowei	36	507	543
Zang Zheng	36	310	346
Xiao Wei	36	–	36
	144	817	961

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

(b) Executive directors and a non-executive director (continued)

2015	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Executive directors:				
Zhu Dong*	2	–	–	2
Wang Xiaowei	36	510	–	546
Zang Zheng	36	224	–	260
Xiao Wei	36	418	–	454
Ji Hui**	21	694	11	726
Zhang Chuanjun**	21	350	11	382
	152	2,196	22	2,370
Non-executive director:				
Ji Guirong***	34	1,545	85	1,664
	186	3,741	107	4,034

Notes to the table of executive directors' and a non-executive director's remuneration for the year ended 31 December 2015:

* appointed with effect from 7 December 2015

** resigned with effect from 1 August 2015

*** resigned with effect from 7 December 2015

10. FIVE HIGHEST PAID EMPLOYEES

No director was included in the five highest paid employees during the year (2015: three directors), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the five (2015: two) highest paid employees who are not directors of the Company are as follows:

	2016	2015
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**2,815**	1,227
Discretionary bonuses	**3,220**	900
Pension scheme contributions	**135**	104
	6,170	2,231

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

	Number of employees	
	2016	2015
Nil to HK$1,000,000	**2**	1
HK$1,000,001 to HK$2,000,000	**3**	1
	5	2

11. INCOME TAX

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (2015: Nil). Taxation on Mainland China profits was calculated on the estimated assessable profits for the year at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2016	2015
	HK$'000	HK$'000
Current – Mainland China		
Charge for the year	**1,923**	14,458
Deferred (note 35)	**(893)**	(3,297)
	1,030	11,161

11. INCOME TAX (continued)

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense for the year at the effective rates is as follows:

	2016					
	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Loss before tax	(58,309)		(206,007)		(264,316)	
Tax at the statutory tax rates	(9,621)	16.5	(51,502)	25.0	(61,123)	23.1
Effect of withholding tax at 5% or 10% on the distributable profits of the Group's PRC subsidiaries	–	–	(893)	0.4	(893)	0.3
Profits and losses attributable to joint ventures and associates	–	–	(3,115)	1.5	(3,115)	1.2
Income not subject to tax	(8,096)	13.9	(2,095)	1.0	(10,191)	3.9
Expenses not deductible for tax	17,717	(30.4)	52,972	(25.7)	70,689	(26.7)
Tax losses not recognised	–	–	4,758	(2.3)	4,758	(1.8)
Others	–	–	905	(0.4)	905	(0.3)
Tax charge at the Group's effective rate	–	–	1,030	(0.5)	1,030	(0.3)

11. INCOME TAX (continued)

	2015					
	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Loss before tax	(237,711)		(29,219)		(266,930)	
Tax at the statutory tax rates	(39,222)	16.5	(7,305)	25.0	(46,527)	17.4
Effect of withholding tax at 5% or 10% on the distributable profits of the Group's PRC subsidiaries	–	–	(3,297)	11.3	(3,297)	1.2
Profits and losses attributable to joint ventures and associates	–	–	5,471	(18.7)	5,471	(2.0)
Income not subject to tax	(4,124)	1.7	(10,243)	35.1	(14,367)	5.4
Expenses not deductible for tax	43,870	(18.5)	7,075	(24.2)	50,945	(19.1)
Utilisation of tax losses previously not recognised	–	–	(3,143)	10.8	(3,143)	1.2
Tax losses not recognised	–	–	18,801	(64.3)	18,801	(7.0)
Others	(524)	0.3	3,802	(13.2)	3,278	(1.3)
Tax charge at the Group's effective rate	–	–	11,161	(38.2)	11,161	(4.2)

The share of tax attributable to joint ventures and associates amounting to HK$8,000 (2015: HK$8,000) and HK$1,413,000 (2015: HK$1,077,000) is included in "Share of profits and losses of joint ventures" in the consolidated statement of profit or loss.

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent of HK$259,711,000 (2015: HK$294,968,000), and the weighted average number of ordinary shares of 5,943,745,741 (2015: 5,410,328,440) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2016 and 2015 in respect of a dilution as the impact of the share options and convertible bonds outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

13. PROPERTY, PLANT AND EQUIPMENT

	Notes	Land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2016								
At 31 December 2015 and 1 January 2016:								
Cost		89,334	1,003	104,690	8,649	68,489	8,952	281,117
Accumulated depreciation and impairment		(28,681)	(706)	(82,991)	(5,468)	(33,534)	(1,084)	(152,464)
Net carrying amount		60,653	297	21,699	3,181	34,955	7,868	128,653
At 1 January 2016, net of accumulated depreciation and impairment		60,653	297	21,699	3,181	34,955	7,868	128,653
Additions		239	–	3	146	2,882	2,164	5,434
Disposals		–	–	(3,923)	(19)	(3,959)	(836)	(8,737)
Disposal of subsidiaries	39(a)	–	–	–	(1)	(16)	(1,682)	(1,699)
Transfer to investment property	14	(28,599)	–	–	–	–	–	(28,599)
Impairment	7	–	–	–	–	(148)	(2,653)	(2,801)
Depreciation provided during the year	7	(2,665)	(15)	(6,978)	(2,195)	(7,985)	–	(19,838)
Exchange realignment		(1,670)	(10)	(754)	(111)	(1,215)	(274)	(4,034)
At 31 December 2016, net of accumulated depreciation and impairment		27,958	272	10,047	1,001	24,514	4,587	68,379
At 31 December 2016:								
Cost		61,413	1,003	100,105	8,534	62,775	6,959	240,789
Accumulated depreciation and impairment		(33,455)	(731)	(90,058)	(7,533)	(38,261)	(2,372)	(172,410)
Net carrying amount		27,958	272	10,047	1,001	24,514	4,587	68,379

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Notes	Land and buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2015								
At 1 January 2015:								
Cost		177,434	1,209	208,876	16,761	122,256	17,361	543,897
Accumulated depreciation and impairment		(39,000)	(945)	(88,992)	(8,360)	(64,341)	–	(201,638)
Net carrying amount		138,434	264	119,884	8,401	57,915	17,361	342,259
At 1 January 2015, net of accumulated depreciation and impairment		138,434	264	119,884	8,401	57,915	17,361	342,259
Additions		43	152	4,536	1,134	5,942	10,177	21,984
Disposals		(1,622)	(94)	(19,688)	(199)	(58)	–	(21,661)
Disposal of subsidiaries	39(b),(c)	(61,879)	–	(52,679)	169	(18,092)	(14,404)	(146,885)
Transfers		–	–	4,235	–	–	(4,235)	–
Impairment	7	(2,869)	–	(16,964)	(196)	(1,332)	(1,084)	(22,445)
Depreciation provided during the year	7	(8,255)	(14)	(17,501)	(6,018)	(7,911)	–	(39,699)
Exchange realignment		(3,199)	(11)	(124)	(110)	(1,509)	53	(4,900)
At 31 December 2015, net of accumulated depreciation and impairment		60,653	297	21,699	3,181	34,955	7,868	128,653
At 31 December 2015:								
Cost		89,334	1,003	104,690	8,649	68,489	8,952	281,117
Accumulated depreciation and impairment		(28,681)	(706)	(82,991)	(5,468)	(33,534)	(1,084)	(152,464)
Net carrying amount		60,653	297	21,699	3,181	34,955	7,868	128,653

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The net carrying amount of the Group's property, plant and equipment held under finance leases included in motor vehicles at 31 December 2016 was HK$2,199,000 (2015: HK$2,975,000).

The directors had conducted impairment testing on the Group's property, plant and equipment, and they considered that the carrying amounts of certain plant and equipment are in excess of their recoverable amounts as a result of the continuing operating losses of certain subsidiaries. Accordingly, a provision for impairment of HK$2,801,000 (2015: HK$22,445,000) (note 7) was charged to the consolidated statement of profit or loss as at 31 December 2016.

14. INVESTMENT PROPERTIES

	Note	**HK$'000**
Carrying amount at 1 January 2016		2,010,548
Transfer from owner-occupied property		38,025
Disposal		(11,937)
Net loss from a fair value adjustment	7	(234)
Exchange realignment		(125,010)
Carrying amount at 31 December 2016		1,911,392
Carrying amount at 1 January 2015		114,641
Addition		1,945,390
Net loss from a fair value adjustment	7	(32,675)
Exchange realignment		(16,808)
Carrying amount at 31 December 2015		2,010,548

14. INVESTMENT PROPERTIES (continued)

During the year, a held property which was occupied as office of the Group has been leased to a third party tenant under operating leases. Accordingly, the property was transferred from property, plant and equipment to investment properties. As at 1 July 2016 (the date of transfer), the difference between the net carrying amount of HK$28,599,000 (note 13) and the fair value of the properties of HK$38,025,000 (i.e. HK$9,426,000) was accounted for as property revaluation reserve.

The Group's investment properties consist of five (2015: five) commercial properties and several carparks in the PRC. The directors of the Company have determined that the investment properties consist of only one class of asset, i.e., commercial, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2016 based on valuations performed by RHL Appraisal Limited and Asset Appraisal Limited, independent professionally qualified valuers, at HK$1,911,392,000 (2015: HK$2,010,548,000). Each year, the Group's management decides, after approval from the audit committee, to appoint which external valuers to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management has discussions with the valuers on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 40(a) to the financial statements.

At 31 December 2016, the Group's investment property with a carrying value of HK$1,792,000,000 (2015: HK$1,909,920,000) was pledged as security for the Group's certain bank loans as further detailed in note 34 to the financial statements.

Further particulars of the Group's investment properties are included on page 188.

14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 December 2016 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Commercial properties	–	–	1,911,392	1,911,392

	Fair value measurement as at 31 December 2015 using			
	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Commercial properties	–	–	2,010,548	2,010,548

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2015: Nil).

The fair values of the investment properties were determined using the comparison approach based on market comparables of similar properties and with adjustments made on factors such as location, size, age, condition and aspects of the properties. The weighted average range of the adjusted price per square meter is HK$35,818 to HK$111,328 (2015: HK$7,653 to HK$100,300).

The Group has determined that the highest and best use of the commercial properties at the measurement date would be to convert those properties for residential purposes. For strategic reason, the properties are not being used in this manner.

A significant increase/(decrease) in the adjusted price per square feet would result in a significant increase/(decrease) in the fair value of the investment properties.

15. PREPAID LAND LEASE PAYMENTS

	Notes	2016 HK$'000	2015 HK$'000
Carrying amount at 1 January		**10,167**	27,027
Recognised during the year	7	**(651)**	(4,563)
Additions for the year		**10,553**	795
Disposal of subsidiaries	39(b)	**–**	(12,376)
Exchange realignment		**(599)**	(716)
Carrying amount at 31 December		**19,470**	10,167
Current portion included in prepayments, deposits and other receivables		**(1,248)**	(497)
Non-current portion		**18,222**	9,670

16. GOODWILL

	Notes	HK$'000
Cost at 1 January 2015		188,869
Disposal of subsidiaries	39(b)	(18,386)
Impairment of goodwill	7	(83,241)
Cost and carrying amount, net of accumulated impairment at 31 December 2015		87,242
At 31 December 2015:		
Cost		242,224
Accumulated impairment		(154,982)
Net carrying amount		87,242
Cost and carrying amount, net of accumulated impairment at 1 January and 31 December 2016		87,242
At 31 December 2016:		
Cost		242,224
Accumulated impairment		(154,982)
Net carrying amount		87,242

16. GOODWILL (continued)

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to (i) the gas refueling station operation; (ii) the provision of finance lease and loan services; and (iii) the provision of land development services cash-generating units of HK$25,536,000 (2015: HK$25,536,000), HK$22,056,000 (2015: HK$22,056,000) and HK$39,650,000 (HK$39,650,000), respectively, for impairment testing.

The recoverable amount of the gas refueling station operation cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a 5-year period. The discount rate applied to cash flow projections is 12.8% (2015: 12.58%). Based on management's assessment, the carrying amount of gas refueling station operation cash-generating unit exceeded its recoverable amount at 31 December 2015. Therefore, an impairment loss of HK$83,241,000 on goodwill was recognised in the consolidated statement of profit or loss for the year ended 31 December 2015. No impairment loss is recognised in 2016 as the recoverable amount exceeds the carrying amount of gas refueling stations.

The recoverable amount of the provision of finance lease and loan services cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a 9-year period with reference to the average contract periods of the existing finance lease arrangements. The discount rate applied to cash flow projections is 16.14% (2015: 16.05%).

The recoverable amount of the provision of land development services cash-generating unit has been determined based on the present value of contract income attributable to the subject land development contract covering a 5-year period by applying a discount rate representing the weighted average cost of capital required under Multi-Period Excess Earnings Method for the land development project. According to the cash flow forecast approved by senior management, the net cash generated from the land development contract with a discount rate of 23.78% (2015: 24.47%) was HK$1,026,000,000 (2015: HK$986,000,000).

The key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill are as follows:

Forecast revenue and budgeted gross margins – The basis used to determine the value assigned to the forecast revenue and budgeted gross margins is the past performance of the unit, market selling prices of the adjacent lands and management's expectations of market development.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

The values assigned to key assumptions are consistent with external information sources.

17. INTANGIBLE ASSETS

	Land development contract HK$'000	Service contract HK$'000	Franchise HK$'000	Total HK$'000
31 December 2016				
Cost at 1 January 2016, net of accumulated amortisation	964,000	–	764	964,764
Amortisation provided during the year (note 7)	–	–	(47)	(47)
Exchange realignment	–	–	(45)	(45)
At 31 December 2016	964,000	–	672	964,672
At 31 December 2016:				
Cost	964,000	–	896	964,896
Accumulated amortisation	–	–	(224)	(224)
Net carrying amount	964,000	–	672	964,672
31 December 2015				
Cost at 1 January 2015, net of accumulated amortisation	964,000	13,092	857	977,949
Disposal of subsidiaries (note 39(c))	–	(12,098)	–	(12,098)
Amortisation provided during the year (note 7)	–	(994)	(50)	(1,044)
Exchange realignment	–	–	(43)	(43)
At 31 December 2015	964,000	–	764	964,764
At 31 December 2015:				
Cost	964,000	–	955	964,955
Accumulated amortisation	–	–	(191)	(191)
Net carrying amount	964,000	–	764	964,764

18. INVESTMENTS IN JOINT VENTURES

	2016	2015
	HK$'000	HK$'000
Share of net assets	**58,399**	53,658

The amounts due from joint ventures of HK$235,104,000 (2015: HK$240,234,000) and an amount due to a joint venture of HK$8,596,000 (2015: HK$11,072,000) included in current assets and current liabilities, respectively, are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the Group's joint ventures at the end of the reporting period, which are held indirectly through wholly-owned and non-wholly-owned subsidiaries of the Company, are as follows:

Name	Particulars of registered capital held	Place of incorporation/ registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Jia Lian International Limited ("Jia Lian")	USD1,000	British Virgin Islands	45	45	45	Investment holding
Sinogas Chengdu Company Limited ("Sinogas Chengdu")	RMB38,091,400	PRC/ Mainland China	52.5	50	52.5	Operation of gas refueling stations

The statutory financial statements of all the above joint ventures were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

Jia Lian and Sinogas Chengdu, which are considered material joint ventures of the Group, are engaged in the management and operation of LED EMC and operation of gas refueling stations, respectively, and are accounted for using the equity method.

18. INVESTMENTS IN JOINT VENTURES (continued)

The following table illustrates the summarised financial information in respect of Jia Lian adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2016 HK$'000	2015 HK$'000
Cash and bank balances	**35,564**	19,444
Other current assets	**52,263**	128,837
Current assets	**87,827**	148,281
Non-current assets	**599,072**	583,310
Financial liabilities, excluding trade and other payables	**(119,492)**	(59,617)
Other current liabilities	**(110,175)**	(299,653)
Current liabilities	**(229,667)**	(359,270)
Non-current liabilities	**(401,799)**	(352,669)
Net assets	**55,433**	19,652
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**45%**	45%
Carrying amount of the investment at 1 January	**21,483**	–
Fair value of the retained interest in Jia Lian upon the deemed disposal (note 39(c))	**–**	22,500
Share of profit/(loss) during the year	**11,255**	(1,017)
Carrying amount of the investment at 31 December	**32,738**	21,483
Revenue	**132,532**	132,570
Interest income	**79**	126
Depreciation and amortisation	**(352)**	(428)
Interest expenses	**(15,599)**	(16,496)
Tax	**(2,798)**	(2,745)
Profit and total comprehensive income for the year	**25,011**	16,107

18. INVESTMENTS IN JOINT VENTURES (continued)

The following table illustrates the summarised financial information in respect of Sinogas Chengdu adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2016	2015
	HK$'000	HK$'000
Cash and bank balances	**2,640**	8,006
Other current assets	**5,672**	7,159
Current assets	**8,312**	15,165
Non-current assets	**74,114**	84,915
Financial liabilities, excluding trade and other payables	**(592)**	(131)
Other current liabilities	**(41,106)**	(2,124)
Current liabilities	**(41,698)**	(2,255)
Non-current liabilities	**–**	(41,780)
Net assets	**40,728**	56,045
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**52.5%**	52.5%
Carrying amount of the investment at 1 January	**32,175**	31,740
Share of profit/(loss) during the year	**(6,514)**	435
Carrying amount of the investment at 31 December	**25,661**	32,175
Revenue	**34,262**	75,513
Interest income	**16**	16
Depreciation and amortisation	**(5,804)**	(6,120)
Interest expenses	**(2,038)**	(2,885)
Tax	**(14)**	(15)
Profit/(loss) and total comprehensive income for the year	**(12,408)**	829

18. INVESTMENTS IN JOINT VENTURES (continued)

The following table illustrates the summarised financial information of the Group's joint ventures that are not individually significant:

	2016 **HK$'000**	2015 HK$'000
Share of joint venture's profit for the year	**–**	4,939

19. INVESTMENTS IN ASSOCIATES

	2016 **HK$'000**	2015 HK$'000
Share of net assets	**8,860**	59,691
Provision for impairment	**(8,860)**	(6,038)
	–	53,653

In the prior year, the amounts due from associates of HK$16,546,000 and an amount due to an associate of HK$2,720,000 included in current assets and current liabilities, respectively, were unsecured, interest-free and had no fixed terms of repayment.

19. INVESTMENTS IN ASSOCIATES (continued)

Particulars of the Group's associates, which were held indirectly through wholly-owned subsidiaries of the Company, were as follows:

Name	Particulars of registered capital held	Place of registration and business	Percentage of ownership interest attributable to the Group 2016	2015	Principal activity
Jinan Dongyuan Transportation Company Limited ("Jinan Dongyuan") (note (a))	RMB150,000	PRC/ Mainland China	–	30	Transportation of gas
Shan Dong Languang Sinogas Company Limited ("Shan Dong Languang") (note (a))	RMB8,000,000	PRC/ Mainland China	–	40	Operation of gas refueling stations
Shanghai Internet Scenes Technologies Co., Ltd. ("Shanghai Internet Scenes") (note (b))	RMB62,099,944	PRC/ Mainland China	**24.02**	24.02	E-tourism
Sino Gas Holdings Group Limited (note (c))	USD100	British Virgin Islands	–	40	Investment holding

19. INVESTMENTS IN ASSOCIATES (continued)

The statutory financial statements of the above associate were not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

Notes:

(a) As a result of the change in the Group's management involvement, the Group decided that they were no longer able to exercise any significant influence on Jinan Dongyuan and Shan Dong Languang, which are owned as to 30% and 40%, respectively by the Group.

Accordingly, these 2 companies were no longer accounted for as associates but as available-for-sale investments of the Group with effect from 1 July 2016, based on the fair value of the retained investments upon loss of significant influence pursuant to HKAS 28 *Investments in Associates and Joint Ventures*. The amount due from Jinan Dongyuan of HK$534,000 was reclassified to other receivable.

(b) During the year, Shanghai Internet Scenes commenced liquidation. In the opinion of the directors, the investment cost in Shanghai Internet Scenes exceeds its recoverable amount, impairment provisions for the investment cost and an amount due from an associate of HK$2,822,000 and HK$4,585,000, respectively, were recognised in the consolidated statement of profit or loss for the year.

(c) On 7 October 2016, the Group entered into a sale and purchase agreement with a third party for the disposal of 40% of the issued shares of Sino Gas Holdings Group Limited and the assignment of receivable amount of HK$11,134,000 owing to the Group by China Full Company Limited, a subsidiary of Sino Gas Holding Group Limited at a consideration of approximately HK$88,300,000. A gain on disposal of HK$25,105,000 was recognised in the consolidated statement of profit or loss for the year.

19. INVESTMENTS IN ASSOCIATES (continued)

The following table illustrates the summarised financial information in respect of Sino Gas Holdings Group Limited, a material associate of the Group, adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2016 **HK$'000**	2015 HK$'000
Current assets	**–**	365,207
Non-current assets, excluding goodwill	**–**	283,595
Current liabilities	**–**	(288,368)
Non-current liabilities	**–**	(179,055)
Net assets	**–**	181,379
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**–**	40%
Carrying amount of the investment at 1 January	**41,939**	–
Fair value of the retained interest in Sino Gas Holdings Group Limited upon the disposal (note 39(b))	**–**	60,749
Share of profit/(loss) during the period/year	**10,122**	(18,810)
Disposal during the year (note (c))	**(52,061)**	–
Carrying amount of the investment at 31 December	**–**	41,939
Prior to disposal:		
Revenue	**492,253**	432,576
Profit for the period/year	**25,305**	5,645
Total comprehensive income for the period/year	**25,305**	5,645

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2016 **HK$'000**	2015 HK$'000
Share of the associates' losses for the year	**(2,401)**	(7,433)
Aggregate carrying amount of the Group's investments in associates	**–**	11,714

20. AVAILABLE-FOR-SALE INVESTMENTS

	2016 HK$'000	2015 HK$'000
Listed equity investment, at fair value (note (a))	**63,719**	207,780
Unlisted equity investments, at cost (note (b))	**–**	–
	63,719	207,780

Notes:

(a) The investment represents an investment in the equity securities of Peace Map Holding Limited ("Peace Map") (Stock Code: 402), a company whose shares are listed on the Stock Exchange. The investment was designated as an available-for-sale financial asset and has no fixed maturity date or coupon rate.

As at 31 December 2016, the Group's shareholding in Peace Map maintained at 6.8% (2015: 6.8%). A gross loss of HK$144,061,000 (2015: gross gain of HK$22,163,000) has been recognised in other comprehensive income for the year. As at 24 March 2017, the date of approval of the financial statements, the market value of the listed equity investment was approximately HK$63,719,000.

There was a significant decline in the market value of Peace Map during the year. The directors consider that such a decline indicates that the investment in Peace Map has been impaired and an impairment loss of HK$81,303,000 (2015: Nil) which represented the gross loss of HK$144,061,000 recognised in other comprehensive income for the year net of the available-for-sale investment revaluation reserve of HK$62,758,000 brought forward from prior year, has been recognised in consolidated statement of profit or loss for the year.

(b) The investments in Jinan Dongyuan and Shandong Languang were transferred from interests in associates as detailed in note 19 to the financial statements. Such investments have been stated at cost less impairment as at 31 December 2016 because the range of reasonable fair value estimates are so significant that the directors are of the opinion that the fair values cannot be measured reliably. As at 31 December 2016, impairment losses of HK$5,915,000 and HK$534,000 have been recognised in consolidated statement of profit or loss for the investments in available-for-sale investments and an other receivable, respectively, because these 2 companies have been loss-making in recent years.

21. OTHER ASSET

The other asset represents a golf club membership. Management considers that no impairment is identified with reference to the market price of the club membership.

22. TRADE AND BILLS RECEIVABLES

	2016 HK$'000	2015 HK$'000
Trade and bills receivables	**91,616**	61,776
Impairment	**(2,944)**	(930)
	88,672	60,846

The Group's trading terms with its other trade customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 90 to 120 days, extending up to 180 days for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over these balances. Trade and bills receivables are non-interest-bearing.

As at 31 December 2016, certain trade receivables with aggregate carrying amounts of HK$835,000 (2015: Nil) were pledged to secure a loan advanced from a third party as set out in note 34 to the financial statements.

22. TRADE AND BILLS RECEIVABLES (continued)

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

	2016 HK$'000	2015 HK$'000
0 to 90 days	**88,672**	58,788
91 to 120 days	**–**	388
121 days to 1 year	**–**	1,670
Over 1 year	**2,944**	930
	91,616	61,776

The movements in provision for impairment of trade receivables are as follows:

	2016 HK$'000	2015 HK$'000
At 1 January	**930**	13
Impairment losses recognised (note 7)	**2,014**	917
At 31 December	**2,944**	930

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade and bills receivables of HK$2,944,000 (2015: HK$930,000) with a carrying amount before provision of HK$2,944,000 (2015: HK$930,000) as at 31 December 2016.

22. TRADE AND BILLS RECEIVABLES (continued)

The aging analysis of the trade and bills receivables that are not individually nor collectively considered to be impaired is as follows:

	2016 HK$'000	2015 HK$'000
Neither past due nor impaired	**88,672**	58,788
Less than 30 days past due	**–**	388
31 to 180 days past due	**–**	1,670
	88,672	60,846

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2016 HK$'000	2015 HK$'000
Prepayments	**173,642**	155,153
Deposits and other receivables	**77,256**	231,787
Impairment	**(18,745)**	(151,518)
	232,153	235,422
Non-current portion of prepayments and deposits	**(14,483)**	(19,576)
	217,670	215,846

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

The financial assets included in the above balances which are not considered to be impaired relate to receivables for which there was no recent history of default and are neither past due nor impaired.

The movements in provision for impairment of prepayments, deposits and other receivables are as follows:

	2016	2015
	HK$'000	HK$'000
At 1 January	**151,518**	153,849
Disposal of subsidiaries	**(149,717)**	–
Impairment losses recognised (note 7)	**17,793**	5,313
Exchange realignment	**(849)**	(7,644)
At 31 December	**18,745**	151,518

Included in the above provision for impairment of prepayments, deposits and other receivables of the Group is provision for individually impaired prepayments, deposits and other receivables of HK$18,745,000 (2015: HK$151,518,000) with an aggregate carrying amount before provision of HK$18,745,000 (2015: HK$151,518,000). The individually impaired prepayments, deposits and other receivables relate to the deposits for the purchase of plant and machinery and acquisition of a subsidiary which were considered to be irrecoverable.

24. FINANCE LEASE RECEIVABLES

The Group provides finance leasing services on equipment in Mainland China. These leases are classified as finance leases and have remaining lease terms ranging from one to five years.

	Minimum lease payments		Present value of minimum lease payments	
	2016	**2015**	**2016**	**2015**
	HK$'000	HK$'000	**HK$'000**	HK$'000
Finance lease receivables comprise:				
Within one year	**6,962**	1,496	**4,817**	1,208
In the second to fifth years, inclusive	**23,172**	–	**19,414**	–
	30,134	1,496	**24,231**	1,208
Less: unearned finance income	**(5,903)**	(288)		
Present value of minimum lease payments	**24,231**	1,208		
Analysed for reporting purposes as:				
Current assets	**4,817**	1,208		
Non-current assets	**19,414**	–		
	24,231	1,208		

24. FINANCE LEASE RECEIVABLES (continued)

The Group's finance lease receivables are denominated in Renminbi ("RMB"), which is the functional currency of the relevant group entity.

As at 31 December 2016, the Group's finance lease receivables with aggregate carrying amount of HK$24,231,000 (2015: HK$252,000) are pledged as security for the Group's certain bank loans, as further detailed in note 34 to the financial statements.

25. PROMISSORY NOTES RECEIVABLE

As at 31 December 2016, the promissory notes receivable ("PN1"), ("PN2") and ("PN3") with principal amounts of HK$168,000,000 (2015: HK$182,400,000) and HK$73,126,000 (2015: HK$73,126,000) and HK$18,000,000 (2015: Nil), respectively, formed part of the Group's consideration receivables in relation to the various disposals of interests in Sino Gas BVI and 17.5% of the issued shares of Spotwin in 2015. A promissory note receivable ("PN4") of HK$85,314,000 as at 31 December 2015 with a principal amount of HK$85,314,000 was settled during the year.

Unsecured promissory notes	**Interest rate**	**Maturity date**	**2016 HK$'000**	2015 HK$'000
PN1	1.5% per annum	25 September 2018	**168,000**	183,126
PN2	2.15% per annum	15 June 2017	**73,126**	73,388
PN3	2.15% per annum	15 June 2017	**18,000**	–
PN4	2.15% per annum	29 January 2016	**–**	85,314
			259,126	341,828
Non-current portion			**(168,000)**	(256,514)
Current portion			**91,126**	85,314

26. BALANCES WITH RELATED COMPANIES AND NON-CONTROLLING SHAREHOLDERS

(a) Related companies

Breakdown of balances with related companies are as follows:

	Notes	2016 HK$'000	2015 HK$'000
Loans receivable from a related company			
Shanghai Lanpei New Material Technology Holdings Limited ("Lanpei")	(i)	–	3,581
Loans from related companies			
AVIC International (HK) Group Limited ("AVIC Int'l")	(ii)	146,966	147,172
China Joy Airlines (HK) Holdings Limited ("China Joy")	(iii)	210,612	328,268

Notes:

(i) Lanpei is an associate of AVIC Int'l, whose key management personnel was a director of the Company. The loan was unsecured, bore interest at 9% and was repaid during the year.

(ii) A key management member of AVIC Int'l is also a director of the Company. The loan is unsecured, bears interest at 5% per annum and is repayable in 2017 (2015: Repayable in 2016).

(iii) A key management member of China Joy is also a director of the Company. The loan is unsecured, bears interest at the RMB loan interest rate issued by the People's Bank of China, have no fixed terms of repayment and the directors consider that the amount is not expected to be settled within one year from the end of the reporting period (2015: Repayable in 2017).

26. BALANCES WITH RELATED COMPANIES AND NON-CONTROLLING SHAREHOLDERS (continued)

(b) Non-controlling shareholders

The loans/balances due from non-controlling shareholders are unsecured, non-interest bearing, have no fixed terms of repayment and the directors consider that the loans from non-controlling shareholders are not expected to be settled within one year from the end of the reporting period.

Particulars of loan receivables from related companies and an amount due from a non-controlling shareholder, disclosed pursuant to 383(1)(d) of the Hong Kong Companies Ordinance (Cap. 622), are as follows:

	At 31 December 2016	Maximum amount outstanding during the year	At 31 December 2015 and 1 January 2016	Maximum amount outstanding during prior year	At 1 January 2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Loan receivables from related companies					
Lanpei	–	3,581	3,581	3,581	3,339
Peace Map Holding Limited*	–	–	–	30,000	30,000
	–		3,581		33,339
A non-controlling shareholder					
AVIC Joy Air Holdings Limited*	–	10,112	10,112	10,562	10,000

* A director of the Company is also a director of the above companies.

27. INVENTORIES

	2016 HK$'000	2015 HK$'000
Conversion parts and gas refueling station equipment	**2,691**	2,054
CNG and LPG	**92**	48
Sub-materials	**728**	769
	3,511	2,871

28. CONTRACT FOR SERVICES

	2016 HK$'000	2015 HK$'000
Contract costs in relation to land development services incurred to date and gross amount due from a contract customer	**116,602**	96,429

29. CASH AND BANK BALANCES

	2016 HK$'000	2015 HK$'000
Cash and bank balances	**153,990**	446,546

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounting to HK$128,069,049 (2015: HK$341,814,923). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

30. TRADE AND BILLS PAYABLES

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

	2016	2015
	HK$'000	HK$'000
Within 90 days	**1,278**	16,825
91 to 120 days	**15**	–
Over 120 days	**2,478**	1,232
	3,771	18,057

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

In the prior year, the Group's bills payable which were denominated in RMB amounting to HK$7,162,000 had an average maturity period of 90 days.

31. OTHER PAYABLES AND ACCRUALS

Other payables and accruals are non-interest-bearing and have an average repayment term of three months to ten years.

32. FINANCE LEASE PAYABLE

The Group leases a motor vehicle for its corporate function. This lease is classified as a finance lease and has a remaining lease term of three years.

At 31 December 2016, the total future minimum lease payments under the finance lease and their present values were as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within one year	**873**	873	**801**	763
In the second year	**873**	873	**840**	802
In the third year	**291**	1,163	**288**	1,127
Total minimum finance lease payments	**2,037**	2,909	**1,929**	2,692
Future finance charges	**(108)**	(217)		
Total net finance lease payables	**1,929**	2,692		
Portion classified as current liabilities	**(801)**	(763)		
Non-current portion	**1,128**	1,929		

33. CONVERTIBLE BONDS

The movement of the convertible bonds issued are split into the liability and equity components, and analysed as follows:

	2016	2015
	HK$'000	HK$'000
Nominal value		
At 1 January	**390,006**	478,776
Conversion during the year (note b)	**–**	(88,770)
Issuance of convertible bonds (note c)	**140,000**	–
Derecognition during the year (note d)	**(338,230)**	–
At 31 December	**191,776**	390,006

33. CONVERTIBLE BONDS (continued)

	2016	2015
	HK$'000	HK$'000
Liability components		
At 1 January	**363,663**	426,479
Issuance of convertible bonds (note (c))	**118,709**	–
Extinguishment of the convertible bond upon modification of terms (note (a))	**–**	(51,776)
Recognition of the convertible bond upon modification of terms (note (a))	**–**	38,728
Conversion during the year (note (b)) (note 36(a))	**–**	(82,501)
Repayment during the year (note (d))	**(115,000)**	–
Transfer to a loan from a non-controlling shareholder (note (d))	**(227,695)**	–
Interest expense (note 8)	**30,657**	37,315
Interest paid	**(3,334)**	(4,582)
At 31 December	**167,000**	363,663
Equity components		
At 1 January	**90,139**	83,312
Issuance of convertible bonds (note (c))	**21,291**	–
Transfer to accumulated losses upon maturity of convertible bonds (note (d))	**(50,116)**	–
Extinguishment of the convertible bonds upon modification of terms (note (a))	**–**	(21,686)
Recognition of the convertible bonds upon modification of terms (note (a))	**–**	40,023
Conversion during the year (note (b)) (note 36(a))	**–**	(11,510)
At 31 December	**61,314**	90,139
Convertible bonds, liability components	**167,000**	363,663
Current portion	**–**	(321,445)
Non-current portion	**167,000**	42,218

33. CONVERTIBLE BONDS (continued)

On 6 March 2012 (extended on 6 March 2015), 10 July 2014, 31 October 2014 and 17 November 2016, the Group issued convertible bonds with principal amounts of HK$51,776,000, HK$175,000,000, HK$272,000,000, and HK$140,000,000 respectively. The bonds are convertible at the option of the bondholders into ordinary shares at the initial conversion prices of HK$0.23(adjusted), HK$0.2, HK$0.196(adjusted) and HK$0.14 per share, respectively, anytime after the issuance of the convertible bonds. Any convertible bond not converted will be redeemed at par in three years, two years, two years and two years, respectively, after the dates of issuance or will be further extended as agreed between the bondholders and the Group. The convertible bonds bear interest at 2%, 2%, 1% and 4% per annum, respectively, and are payable semi-annually or annually in arrears or at the maturity date or the conversion date (as the case may be).

(a) On 20 January 2015, the Company and a bondholder, Billirich Investment Limited, entered into a deed of amendment pursuant to which the maturity date of the convertible bond with principal amount of approximately HK$51,776,000 was extended for three years from 6 March 2015 to 6 March 2018. No other terms and conditions of such convertible bond have been amended. Further details are set out in the Company's circular dated 9 February 2015.

On 3 March 2015, the modification of the terms of such convertible bond was approved by the shareholders at the Company's extraordinary general meeting. Upon the modification of the terms, liability component of approximately HK$51,776,000 and equity component of approximately HK$21,686,000 were extinguished and the new convertible bond with fair value of liability component of approximately HK$38,728,000 and residual value of equity component of approximately HK$40,023,000 were recognised. The net difference in liability component of approximately HK$13,048,000 and equity component of approximately HK$18,337,000 were recognised in special capital reserve of approximately HK$5,289,000. The fair values are determined by the directors of the Company based on the valuation by Asset Appraisal Limited, independent valuer.

33. CONVERTIBLE BONDS (continued)

(b) In May 2015, convertible bonds with aggregate principal amount of approximately HK$88,770,000 were converted by the bondholder into 443,847,538 ordinary shares of the Company at a conversion price of HK$0.2 per conversion share. Additional 2,935,664 conversion shares were issued by the Company to a bondholder on 4 June 2015 as a result of the conversion price adjustment from HK$0.2 to HK$0.196 subsequent to the completion of the Company's placing and top-up subscription agreement on 15 May 2015 in accordance with the terms of the convertible bond.

(c) On 17 November 2016, the Company issued convertible bonds in principal amount of HK$140,000,000. The bonds are convertible into 1,000,000,000 ordinary shares at the initial conversion price of HK$0.14 per share at the option of the bondholders any time after the issuance of the convertible bonds. Any convertible bonds not converted will be redeemed by the Company at par on the second anniversary of the date of its issuance. The convertible bonds bear interest at 4% per annum and payable at the time of conversion or redemption of the convertible bonds.

(d) The convertible bonds remained unexercised upon the maturity in July 2016 and October 2016, the liability portion of HK$115,000,000 and HK$227,695,000 was fully derecognised after the repayment of the convertible bonds and the equity portion of HK$12,871,000 and HK$37,245,000, respectively, was released to the accumulated losses within the statement of changes in equity respectively.

The fair values of the liability components were estimated at the issuance dates using equivalent market interest rates for similar bonds without a conversion option. The residual amounts are assigned as the equity components and are included in shareholders' equity.

34. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2016			2015		
	Effective interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Other loan – secured (2015: unsecured)	**24**	**On demand**	**9,766**	–	On demand or 2016	2,150
Bank loans – unsecured	**4.8 to 7.7**	**2017**	**319,200**	5.8 to 7.4	2016	145,712
Bank loans – secured	**4.8 to 7.7**	**2017**	**220,619**	5.8 to 7.4	2016	97,287
			549,585			245,149
Non-current						
Bank loans – unsecured	**4.8 to 7.7**	**2018–2021**	**103,040**	5.8 to 7.6	2017–2020	390,355
Bank loans – secured	**4.8 to 7.7**	**2018–2021**	**1,093,943**	5.8 to 7.6	2017–2020	1,346,136
			1,196,983			1,736,491
			1,746,568			1,981,640

34. INTEREST-BEARING BANK AND OTHER BORROWINGS (continued)

	2016 HK$'000	2015 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**539,819**	242,999
In the second year	**398,921**	519,630
In the third to fifth years, inclusive	**798,062**	1,216,861
	1,736,802	1,979,490
Other borrowings repayable:		
Within one year or on demand	**9,766**	2,150

Notes:

(a) Certain of the bank loans are secured by (i) pledge of the Group's investment property with a carrying amount of HK$1,792,000,000 (2015: HK$1,909,920,000) (note 14); and (ii) pledges of the Group's finance lease receivables with an aggregate carrying amount of HK$24,231,000 (2015: HK$252,000) (note 24).

(b) All bank loans are denominated in RMB.

(c) The Group's other loan is secured by certain trade receivables with an aggregate carrying amounts of HK$835,000 (2015: Nil) (note 22), bears interests at 24% per annum (2015: nil) and are repayable on demand.

35. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Temporary difference in respect of intangible assets	Withholding taxes	Total
	HK$'000	HK$'000	HK$'000
Deferred tax liabilities at 1 January 2015	241,000	7,351	248,351
Deferred tax credited to the statement of profit or loss during the year (note 11)	–	(3,297)	(3,297)
Deferred tax liabilities at 31 December 2015 and 1 January 2016	241,000	4,054	245,054
Deferred tax credited to the statement of profit or loss during the year (note 11)	–	(893)	(893)
Deferred tax liabilities at 31 December 2016	241,000	3,161	244,161

At 31 December 2016, the Group had estimated tax losses arising in Hong Kong of approximately HK$146,235,000 (2015: HK$146,235,000) and in Mainland China of approximately HK$212,077,000 (2015: HK$193,045,000), which have not yet been agreed by the relevant local tax authorities, that are available indefinitely and for five years, respectively, for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses, as in the opinion of the directors, they have arisen in subsidiaries that have been loss-making for some time.

35. DEFERRED TAX (continued)

Deferred tax liabilities (continued)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. For the year ended 31 December 2016, deferred tax liabilities were provided based on the forecasted dividend payout because the directors believe that certain PRC subsidiaries would pay out all their earnings as dividends.

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

36. SHARE CAPITAL

Shares

	2016	2015
	HK$'000	HK$'000
Issued and fully paid:		
5,943,745,741 ordinary shares	**2,234,815**	2,232,696

All the shares issued during the year rank pari passu in all respects with the existing shares.

36. SHARE CAPITAL (continued)

Shares (continued)

A summary of movements in the Company's share capital is as follows:

	Number of share in issue	Share capital HK$'000	Total HK$'000
At 1 January 2015	4,483,782,539	1,729,752	1,729,752
Convertible bonds exercised (note (a))	446,783,202	94,011	94,011
Share options exercised (note (b))	137,180,000	43,268	43,268
Transfer of share option reserve upon lapse of share options	–	12,280	12,280
Share placement and top-up subscription (note (c))	876,000,000	353,385	353,385
At 31 December 2015 and 1 January 2016	5,943,745,741	2,232,696	2,232,696
Transfer of share option reserve upon lapse of share options	–	2,119	2,119
At 31 December 2016	5,943,745,741	2,234,815	2,234,815

Notes:

(a) The subscription rights attaching to convertible bonds in a principal amount of HK$88,770,000 were exercised at the subscription price of HK$0.2 per share, resulting in the issue of 443,847,538 shares at a total consideration, before expenses, of HK$82,501,000. An amount of HK$11,510,000 was transferred from the equity component of convertible bonds to share capital in respect of the exercise of convertible bonds. Additional 2,935,664 conversion shares were issued by the Company to a bondholder on 4 June 2015 as a result of the conversion price adjustment from HK$0.2 to HK$0.196 subsequent to the completion of the placing and top-up subscription agreement on 15 May 2015 in accordance with the terms of the convertible bonds.

36. SHARE CAPITAL (continued)

Notes: (continued)

(b) The subscription rights attaching to 137,180,000 share options were exercised at the subscription prices of HK$0.20 to HK$0.236 per share, resulting in the issue of 137,180,000 shares for a total cash consideration, before expenses, of HK$31,416,000. An amount of HK$11,852,000 was transferred from the share option reserve to share capital upon the exercise of the share options.

(c) On 7 May 2015, the Company entered into a placing and top-up subscription agreement (the "Subscription Agreement"), pursuant to which the Company issued and allotted 876,000,000 new ordinary shares ("Placing Shares") at a price of HK$0.41 per Placing Share on 15 May 2015 to not less than six independent placees, who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons, raising in aggregate HK$359,160,000 (before issue expenses) in cash to provide for general working capital for the Group. After taking into account the share issue expenses of approximately HK$5,775,000, the net price per Placing Share issue was about HK$0.403. The closing price of the Company's share as quoted on The Stock Exchange of Hong Kong Limited on 6 May 2015, being the date immediate preceding the date on which the Company agreed on the terms of the Subscription Agreement including the issue price of the Placing Share, was HK$0.51 per share.

Share options

Details of the Company's share option scheme and the share options issued under the Company's expired share option scheme are included in note 37 to the financial statements.

37. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, customers of the Group, the Company's shareholders, and any non-controlling shareholder in the Company's subsidiaries. The Scheme became effective on 15 April 2005 and expired on 14 April 2015 upon the expiry of the 10-year period. No further options was granted but in all other aspects, the provisions of the Scheme shall remain in full force and effect, for options which were granted during the life of the Scheme, and may continue to be exercisable in accordance with their respective terms of issue.

For the sake of the continuity of a share option scheme for the Company to provide incentives and/or reward to the eligible participants including directors, business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees or sub-licensees, distributors, landlords or tenants or sub-tenants of the Company, or any person who, in the sole discretion of the Board, has contributed or may contribute to the Company. The Shareholders passed an ordinary resolution at the annual general meeting of the Company held on 25 June 2015 to approve the adoption of the new share option scheme (the "New Share Option Scheme") for 10 years period from its adoption date in substantially similar terms as those of the Scheme. Under the terms of the New Share Option Scheme, the Directors may, at their discretion, offer any eligible participants options to subscribe for shares subject to the terms and conditions stipulated in the New Share Option Scheme.

The maximum number of unexercised share options permitted to be granted under the New Share Option Scheme up to the date of this annual report is 593,624,574, that is upon their exercise, equivalent to 10% of the shares of the Company in issue as at the date of the Company's annual general meeting on 25 June 2015. The maximum number of shares issuable under share options to each eligible participant in the New Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

37. SHARE OPTION SCHEME (continued)

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and ends on a date which is not later than ten years from the date of grant of the share options but subject to the provisions for early termination of the New Share Option Scheme.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The movements in share options under the Scheme during the year are as follows:

	2016		2015	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**0.23**	**245,230**	0.23	547,280
Exercised during the year (note 36(b))	**-**	**-**	0.23	(137,180)
Lapse during the year	**0.23**	**(30,000)**	0.23	(164,870)
At 31 December		**215,230**	0.23	245,230

37. SHARE OPTION SCHEME (continued)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2016

Number of options '000	**Exercise price* HK$ per share**	**Exercise period**
206,250	0.227	31–8-10 to 30–8-20
4,490	0.236	13–6-13 to 12–6-22
4,490	0.236	13–6-14 to 12–6-22
215,230		

2015

Number of options '000	Exercise price* HK$ per share	Exercise period
236,250	0.227	31–8-10 to 30–8-20
4,490	0.236	13–6-13 to 12–6-22
4,490	0.236	13–6-14 to 12–6-22
245,230		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

37. SHARE OPTION SCHEME (continued)

The fair value of equity-settled share options granted during 2012 was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2012
Historical volatility (%)	50.33
Risk-free interest rate (%)	1.067
Expected exercise multiple	2
Expected life of options (year)	10
Share price at grant date (HK$ per share)	0.236

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not be the actual outcome.

At the end of the reporting period, the Company had 215,230,000 (2015: 245,230,000) share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 215,230,000 (2015: 245,230,000) additional ordinary shares of the Company and additional share capital of HK$48,938,000 (2015: HK$55,748,000) (before issue expenses).

No other feature of the options granted was incorporated into the measurement of fair value.

At the date of approval of these financial statements, the Company had 215,230,000 (2015: 245,230,000) share options outstanding under the Scheme, which represented approximately 3.6% (2015: 4.1%) of the Company's shares in issue as at that date.

38. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 57 to 58 of the financial statements.

The Group's reserve funds represent the Group's share of the statutory surplus reserve funds of certain subsidiaries operating as co-operative joint ventures/foreign investment enterprises in Mainland China. Pursuant to these subsidiaries' articles of association and the PRC Company Law, each of these subsidiaries shall make an allocation from its profit after tax at the rate of 10% to the statutory surplus reserve fund, until such reserve reaches 50% of its registered capital. Part of the statutory surplus reserve may be capitalised as the subsidiaries' registered capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital of the subsidiaries. The statutory reserve is non-distributable other than in the event of liquidation.

The special capital reserve represents the undertaking given by the Company (the "Undertaking") in connection with the capital reduction during the year ended 31 March 2000. The special capital reserve shall not be treated as realised profits and shall be treated as an undistributable reserve as long as there shall remain any outstanding debts or claims which were in existence on the date of the cancellation of the shares of the Company pursuant to the capital reduction, provided that the amount of the reserve may be reduced by the amount of any future increase in the share capital and the share premium account. Any part of the reserve so reduced is released from the terms of the Undertaking and the Company may apply that part so released as a distributable reserve.

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) During the year, the Group entered into share transfer agreements with individual third parties for the disposal of several subsidiaries. The net assets disposed are as follows:

	Note	2016 HK$'000
Net assets disposed of:		
Property, plant and equipment	13	1,699
Prepayments, deposits and other receivables		24,517
Due from fellow subsidiaries		2,675
Cash and bank balances		34
Trade and bills payables		(1,133)
Other payables and accruals		(9,221)
Due to associates		(120)
Exchange fluctuation reserve released		(23,589)
Non-controlling interest		11,076
		5,938
Loss on disposal of subsidiaries		(5,938)
		–
Satisfied by:		
Cash (HK$49 in total)		–

An analysis of the cash flows in respect of the disposal of subsidiaries was as follows:

	2016 HK$'000
Cash consideration	–
Cash and bank balances disposed of	(34)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(34)

Reserve funds of HK$2,610,000 brought forward from prior years were transferred back to accumulated losses upon disposal of subsidiaries.

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) On 3 December 2014, the Group entered into a sale and purchase agreement with a non-controlling shareholder for the disposal of 10% of the issued shares of Sino Gas BVI and the assignment of a shareholders' loan payable to the non-controlling shareholder. Upon completion of the disposal on 30 September 2015, Sino Gas BVI became an associate of the Group. The net assets disposed of were as follows:

	Notes	2015 HK$'000
Net assets disposed of:		
Property, plant and equipment	13	145,571
Prepaid land lease payments	15	12,376
Goodwill	16	18,386
Investments in joint ventures		124,364
Inventories		1,744
Trade receivables		100,314
Prepayments, deposits and other receivables		165,564
Due from joint ventures		215,500
Due from non-controlling shareholders		28,820
Cash and bank balances		145,239
Trade and bills payables		(91,346)
Other payables and accruals		(251,378)
Interest-bearing bank borrowings		(37,500)
Due to joint ventures		(219,476)
Tax payable		(5,956)
Exchange fluctuation reserve released		(4,793)
Non-controlling interest		(81,238)
		266,191
Investment retained as investments in associates	19	(60,749)
Gain on disposal of subsidiaries		30,886
		236,328
Satisfied by:		
Cash		53,928
Promissory notes receivable		182,400
		236,328

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) On 2 December 2015, Jia Lian, an indirect wholly-owned subsidiary of the Group prior to the disposal, entered into a share subscription agreement whereby Jia Lian issued 550 ordinary shares to two independent third parties. Upon completion of the share subscription, as the percentage of ownership in Jia Lian attributable to the Group diluted from 100% to 45%, a deemed disposal occurred and Jia Lian became a joint venture of the Group. The net assets related to this deemed disposal of were as follows:

	Notes	2015 HK$'000
Net assets disposed of:		
Property, plant and equipment	13	1,314
Intangible assets	17	12,098
Trade receivables		100,720
Prepayments, deposits and other receivables		19,031
Concession finance receivables		578,985
Cash and bank balances		19,444
Trade payables		(10,903)
Other payables and accruals		(639,212)
Interest-bearing bank borrowings		(36,144)
Loan from a related company		(23,474)
Tax payable		(2,046)
Translation reserve released		(161)
		19,652
Investment retained as an investment in joint venture		(22,500)
Gain on disposal of subsidiaries		2,848
		–

39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(d) In the prior year, the Group also disposed of Zhuhai Hengqin Xinqu Sinogas, Henan Sinogas Yonghui Natural Gas Company Limited and Henan Sinogas Company Limited. The net assets disposed of were as follows:

	2015 HK$'000
Net assets disposed of:	
Inventories	2,148
Trade receivables	37,482
Prepayments, deposits and other receivables	3,829
Cash and bank balances	14,915
Trade payables	(23,911)
Other payables and accruals	(1,750)
Non-controlling interest	(1,250)
	31,463
Loss on disposal of subsidiaries	(1,463)
	30,000
Satisfied by:	
Cash	30,000

An analysis of the cash flows in respect of the disposal of subsidiaries and deemed disposal of subsidiaries was as follows:

	2015 HK$'000
Cash consideration	83,928
Cash and bank balances disposed of	(179,598)
Net outflow of cash and cash equivalents included in cash flows from investing activities	(95,670)

(e) Major non-cash transactions

(i) In the prior year, imputed finance income on trade receivables of HK$37,233,000 was recognised as concession finance receivables and trade receivables.

(ii) During the year, the Group had a finance lease arrangement in respect of property, plant and equipment with a total capital value at the inception of the lease of HK$3,880,000 (2015: HK$3,880,000).

40. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain of its buildings and investment properties under non-cancellable operating lease arrangements, with leases negotiated for terms ranging from one to five years.

At 31 December 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2016	2015
	HK$'000	HK$'000
Within one year	**1,809**	2,025
In the second to fifth years, inclusive	**4,019**	5,286
	5,828	7,311

(b) As lessee

The Group leases certain of its office premises, land, buildings and staff quarters under non-cancellable operating lease arrangements. Leases for properties are negotiated for terms ranging between one to twenty years.

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

	2016	2015
	HK$'000	HK$'000
Within one year	**11,305**	12,281
In the second to fifth years, inclusive	**25,244**	36,412
After five years	**31,760**	38,735
	68,309	87,428

41. COMMITMENTS

In addition to the operating lease commitments detailed in note 40 above, the Group had the following capital commitments as at the end of the reporting period:

	2016 HK$'000	2015 HK$'000
Contracted, but not provided for:		
Property, plant and equipment	**31,560**	98,847

42. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

	Notes	2016 HK$'000	2015 HK$'000
Sales of gas to non-controlling shareholders	(i)	**–**	115,839
Sales of gas to a joint venture	(i)	**–**	158
Purchases of gas from a joint venture	(i)	**68**	120
Provision of transportation service to a joint venture	(ii)	**89**	4,701
Interest expenses to related companies	(iii)	**21,427**	18,607
Interest expenses to a non-controlling shareholder	(iv)	**1,903**	—
Interest income from a related company	(v)	**222**	1,080
Interest income from an associate	(vi)	**1,988**	726
Interest income from joint ventures	(vii)	**14,193**	—

42. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

Notes:

(i) The sales/purchases of gas to/from non-controlling shareholders and a joint venture were made at prices mutually agreed between the parties, which approximated market rates.

(ii) The provision of transportation service to a joint venture was conducted at prices mutually agreed between the parties, which approximated market rates.

(iii) The interest expenses paid to related companies, which a member of the key management personnel of the related companies was also a director of the company, were charged at an interest rate of 5% per annum and RMB loan interest rate issued by the People's Bank of China respectively.

(iv) The interest expenses paid to a non-controlling shareholder were charged at interest rate of 5% per annum.

(v) The interest income received from a related company, which is an associate of shareholders of the Company, was charged at interest rates of 9% per annum.

(vi) The interest income received from an associate was charged at interest rate of 5% per annum.

(vii) The interest income received from joint ventures was changed at interest rates from 10.3% to 11% per annum.

(b) Other transactions and outstanding balances with related parties:

Details of the Group's balances with joint ventures, associates, non-controlling shareholders and related companies are included in the respective notes to the financial statements.

42. RELATED PARTY TRANSACTIONS (continued)

(c) Compensation of key management personnel of the Group

	2016 HK$'000	2015 HK$'000
Short term employee benefits	**1,141**	4,107
Post-employment benefits	**–**	107
Total compensation paid to key management personnel	**1,141**	4,214

Further details of directors' and chief executives' emoluments are included in note 9 to the financial statements.

The related party transactions in respect of items (a)(v) above also constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

43. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2016

Financial assets

	Available-for-sale financial assets HK$'000	Loans and receivables HK$'000	Total HK$'000
Trade and bills receivables	–	88,672	88,672
Financial assets included in prepayments, deposits and other receivables	–	60,109	60,109
Finance lease receivables	–	24,231	24,231
Due from joint ventures	–	235,104	235,104
Due from non-controlling shareholders	–	4,657	4,657
Available-for-sale investments	63,719	–	63,719
Promissory notes receivable	–	259,126	259,126
	63,719	671,899	735,618

43. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2016 (continued)

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and bills payables	3,771
Financial liabilities included in other payables and accruals	145,063
Finance lease payable	1,929
Due to a joint venture	8,596
Loans from related companies	357,578
Loans from non-controlling shareholders	285,124
Convertible bonds	167,000
Interest-bearing bank and other borrowings	1,746,568
	2,715,629

43. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2015

Financial assets

	Available-for-sale financial assets HK$'000	Loans and receivables HK$'000	Total HK$'000
Trade and bills receivables	–	60,846	60,846
Financial assets included in prepayments, deposits and other receivables	–	80,269	80,269
Finance lease receivables	–	1,208	1,208
Due from joint ventures	–	240,234	240,234
Due from an associate	–	16,546	16,546
Due from non-controlling shareholders	–	14,972	14,972
Loan receivable from a related company	–	3,581	3,581
Available-for-sale investment	207,780	–	207,780
Promissory notes receivable	–	341,828	341,828
Cash and bank balances	–	446,546	446,546
	207,780	1,206,030	1,413,810

43. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2015 (continued)

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and bills payables	18,057
Financial liabilities included in deferred income, other payables and accruals	163,340
Finance lease payable	2,692
Due to a joint venture	11,072
Due to associates	2,720
Loans from a related company	475,440
Loans from non-controlling shareholders	38,640
Convertible bonds	363,663
Interest-bearing bank and other borrowings	1,981,640
	3,057,264

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2016	2015	**2016**	2015
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Available-for-sale investments	**63,719**	207,780	**63,719**	207,780
Finance lease receivables – non-current portion	**19,414**	–	**19,414**	–
Promissory notes receivable – non-current portion	**168,000**	256,514	**168,000**	256,514
	251,133	464,294	**251,133**	464,294
Financial liabilities				
Loans from a related company – non-current portion	**210,612**	223,820	**210,612**	223,820
Loans from non-controlling shareholders	**285,124**	38,640	**285,124**	38,640
Finance lease payable – non-current portion	**1,128**	1,929	**1,128**	1,929
Interest-bearing bank and other borrowings – non-current portion	**1,196,983**	1,736,491	**1,196,983**	1,736,491
Convertible bonds – non-current portion	**167,000**	42,218	**167,000**	42,218
	1,860,847	2,043,098	**1,860,847**	2,043,098

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Management has assessed that the fair values of trade and bills receivables, cash and bank balances, trade and bills payables, financial liabilities included in other payables and accruals, current portions of financial assets included in prepayments, deposits and other receivables, finance lease receivables, promissory notes receivable, loan receivable from a related company, finance lease payable, loans from related companies, interest-bearing bank and other borrowings, amount due from/to joint ventures, amount due from/to associates and amounts due from non-controlling shareholders approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amounts at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of finance lease receivables, finance lease payable, loan from a related company, loans from non-controlling shareholders and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for the non-current portion of interest-bearing bank and other borrowings as at 31 December 2016 was assessed to be insignificant. The fair value of the liability portion of the convertible bonds is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The fair value of the listed equity investment is based on quoted market prices.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Asset measured at fair value:

As at 31 December 2016

		Fair value measurement using			
	Note	**Quoted prices in active markets (Level 1) HK$'000**	**Significant observable inputs (Level 2) HK$'000**	**Significant unobservable inputs (Level 3) HK$'000**	**Total HK$'000**
Available-for-sale investments	20	63,719	–	–	63,719

As at 31 December 2015

		Fair value measurement using			
	Note	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Available-for-sale investment	20	207,780	–	–	207,780

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The Group did not have any financial liabilities measured at fair value as at 31 December 2016 and 2015.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets (2015: Nil).

Asset for which fair value is disclosed:

As at 31 December 2016

		Fair value measurement using			
	Notes	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Finance lease receivables					
– non-current portion	24	–	19,414	–	19,414
Promissory notes receivable					
– non-current portion	25	–	168,000	–	168,000
		–	187,414	–	187,414

The Group did not have any financial assets for which fair values are disclosed as at 31 December 2015.

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Liabilities for which fair values are disclosed:

As at 31 December 2016

		Fair value measurement using			
	Notes	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Finance lease payable – non-current portion	32	–	1,128	–	1,128
Loans from non-controlling shareholders	26	–	285,124	–	285,124
Loan from a related company – non-current portion	26	–	210,612	–	210,612
Interest-bearing bank and other borrowings – non-current portion	34	–	1,196,983	–	1,196,983
Convertible bonds	33	–	–	167,000	167,000
		–	1,693,847	167,000	1,860,847

44. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Liabilities for which fair values are disclosed: (continued)

As at 31 December 2015

		Fair value measurement using			
	Notes	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Finance lease payable					
– non-current portion	32	–	1,929	–	1,929
Loans from non-controlling shareholders	26	–	38,640	–	38,640
Loans from a related company					
– non-current portion	26	–	223,820	–	223,820
Interest-bearing bank and other borrowings					
– non-current portion	34	–	1,736,491	–	1,736,491
Convertible bonds					
– non-current portion	33	–	–	42,218	42,218
		–	2,000,880	42,218	2,043,098

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, convertible bonds, loans from related companies and non-controlling shareholders and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables, trade and bills payables and finance lease receivables, which arise directly from its operations.

It is, and has been, throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

The Group's functional currency is RMB since the operations of its major subsidiaries are mainly in Mainland China.

The Group's transactions were mainly conducted in RMB and its major trade and bills receivables and borrowings were denominated in RMB and hence the exposure to foreign currency risk is minimal. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposures should the need arise.

Credit risk

As at 31 December 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arose from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of the Group's other financial assets, which comprise cash and bank balances, other receivables, finance lease receivables, loan receivable from a related company, amounts due from joint ventures, associates and non-controlling shareholders, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables and other receivables are disclosed in notes 22 and 23 to the financial statements.

Liquidity risk

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other borrowings, convertible bonds, finance leases and other fund raising activities in the capital market. The Group has detailed operating plans for future development and will also consider arranging necessary financing through fund raising activities in the capital market.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2016					
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade and bills payables	–	3,771	–	–	–	3,771
Convertible bonds	–	–	–	167,000	–	167,000
Other payables and accruals	–	–	145,063	–	–	145,063
Due to a joint venture	8,596	–	–	–	–	8,596
Finance lease payable	–	218	655	1,164	–	2,037
Loans from non-controlling shareholders	–	–	–	285,124	–	285,124
Loans from related companies	–	–	154,314	220,827	–	375,141
Interest-bearing bank and other borrowings	–	–	583,934	1,496,229	–	2,080,163
	8,596	3,989	883,966	2,170,344	–	3,066,895

	2015					
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade and bills payables	–	18,057	–	–	–	18,057
Convertible bonds	–	–	350,407	49,089	–	399,496
Deferred income, other payables and accruals	–	–	163,340	–	–	163,340
Due to a joint venture	11,072	–	–	–	–	11,072
Due to associates	2,720	–	–	–	–	2,720
Finance lease payable	–	218	655	2,036	–	2,909
Loans from non-controlling shareholders	–	–	–	38,640	–	38,640
Loans from related companies	–	–	266,459	234,364	–	500,823
Interest-bearing bank and other borrowings	2,150	–	311,841	1,944,956	–	2,258,947
	15,942	18,275	1,092,702	2,269,085	–	3,396,004

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

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

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

The Group monitors capital using a gearing ratio, which is net debt divided by adjusted capital plus net debt. The Group's policy is to maintain the gearing ratio below 80%. Net debt includes interest-bearing bank and other borrowings, finance lease payable, loans from related companies, trade, bills and other payables, accruals, loans from non-controlling shareholders, an amount due to an associate and an amount due to a joint venture and the liability component of convertible bonds less cash and bank balances. Capital includes the equity attributable to owners of the parent.

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The gearing ratios as at the end of the reporting periods were as follows:

	2016 HK$'000	2015 HK$'000
Trade and bills payables	**3,771**	18,057
Other payables and accruals	**145,063**	163,340
Finance lease payable	**1,929**	2,692
Due to an associate	**–**	2,720
Due to a joint venture	**8,596**	11,072
Loans from related companies	**357,578**	475,440
Loans from non-controlling shareholders	**285,124**	38,640
Interest-bearing bank and other borrowings	**1,746,568**	1,981,640
Convertible bonds – the liability component	**167,000**	363,663
Less: Cash and bank balances	**(153,990)**	(446,546)
Net debt	**2,561,639**	2,610,718
Equity attributable to owners of the parent	**937,939**	1,287,566
Adjusted capital and net debt	**3,499,578**	3,898,284
Gearing ratio	**73.2%**	67.0%

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2016	2015
	HK$'000	HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	3,712	3,475
Investments in subsidiaries	175,622	110,579
Promissory notes receivable	168,000	–
Other asset	2,680	2,680
Total non-current assets	350,014	116,734
CURRENT ASSETS		
Prepayments, deposits and other receivables	2,228	184,405
Due from subsidiaries	1,563,989	2,196,820
Due from associates	–	11,166
Due from joint ventures	108	20
Cash and bank balances	25,921	104,240
Total current assets	1,592,246	2,496,651
CURRENT LIABILITIES		
Other payables and accruals	102,259	91,988
Loans from related companies	146,966	251,620
Finance lease payable	801	763
Convertible bonds	–	321,445
Interest-bearing bank and other borrowings	–	2,150
Due to subsidiaries	49,999	238,025
Total current liabilities	300,025	905,991

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

	2016 HK$'000	2015 HK$'000
NET CURRENT ASSETS	**1,292,221**	1,590,660
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,642,235**	1,707,394
NON-CURRENT LIABILITIES		
Finance lease payable	**1,128**	1,929
Convertible bonds	**167,000**	42,218
Loans from a related company	**210,612**	223,820
Loan from a non-controlling shareholder	**229,597**	–
Total non-current liabilities	**608,337**	267,967
Net assets	**1,033,898**	1,439,427
EQUITY		
Share capital	**2,234,815**	2,232,696
Equity component of convertible bonds	**61,314**	90,139
Other reserves	**(1,262,231)**	(883,408)
Total equity	**1,033,898**	1,439,427

Zhu Dong
Director

Wang Xiaowei
Director

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Notes:

A summary of the Company's reserves is as follows:

	Notes	Share option reserve HK$'000	Equity component of convertible bonds HK$'000	Special capital reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2015		41,349	72,144	828,646	(1,987,889)	(1,045,750)
Total comprehensive loss for the year		–	–	–	263,907	263,907
Issue of shares upon the exercise of convertible bonds	33	–	(11,510)	–	–	(11,510)
Issue of shares upon the exercise of share options	36(b)	(11,852)	–	–	–	(11,852)
Transfer of share option reserve upon lapse of share options	36	(12,280)	–	–	–	(12,280)
Extension of convertible bonds	33(a)	–	18,337	(5,289)	–	13,048
Transfer from an amount due from a subsidiary		–	11,168	–	–	11,168
At 31 December 2015 and 1 January 2016		17,217*	90,139	823,357*	(1,723,982)*	(793,269)
Total comprehensive loss for the year		–	–	–	(426,820)	(426,820)
Transfer of reserve upon maturity of convertible bonds	33	–	(50,116)	–	50,116	–
Issuance of convertible bonds	33	–	21,291	–	–	21,291
Transfer of share option reserve upon lapse of share options	36	(2,119)	–	–	–	(2,119)
At 31 December 2016		15,098*	61,314	823,357*	(2,100,686)*	(1,200,917)

* These reserve accounts comprise a debit reserve of HK$1,262,231,000 (2015: HK$883,408,000) included in the statement of financial position of the Company.

46. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 3 to the financial statements. The amount will either be transferred to the share capital account when the related options are exercised, expire or be forfeited.

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 March 2017.

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements is set out below. This summary is not part of the audited financial statements.

RESULTS

	Year ended 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE	**357,628**	1,236,123	1,619,742	1,282,780	1,177,611
PROFIT/(LOSS) BEFORE TAX	**(264,316)**	(266,930)	(56,428)	9,636	4,783
Income tax expense	**(1,030)**	(11,161)	(15,727)	(23,053)	(25,609)
LOSS FOR THE YEAR	**(265,346)**	(278,091)	(72,155)	(13,417)	(20,826)
Attributable to:					
Owners of the parent	**(259,711)**	(294,968)	(79,799)	(21,600)	(24,990)
Non-controlling interests	**(5,635)**	16,877	7,644	8,183	4,164
	(265,346)	(278,091)	(72,155)	(13,417)	(20,826)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2016	2015	2014	2013	2012
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	**4,292,751**	4,979,131	3,864,552	2,838,936	1,523,702
Total liabilities	**(2,960,235)**	(3,304,122)	(2,397,548)	(1,643,599)	(488,155)
Non-controlling interests	**(394,577)**	(387,443)	(360,120)	(99,867)	(80,928)
	937,939	1,287,566	1,106,884	1,095,470	954,619

PARTICULARS OF INVESTMENT PROPERTIES

Details of the investment properties at the end of the reporting period are as follows:

Location	Use	Tenure	Attributable interest of the Group
Rooms 808–809, Jinma Building, Xue Qing Road, Hai Dian District, Beijing	Office	Medium term lease	100%
Rooms 101–102, 699 Xinhua Road, Xinhua Ja Li Building, Shanghai	Office	Medium term lease	100%
Rooms 103–106, 699 Xinhua Road, Xinhua Ja Li Building, Shanghai	Office	Medium term lease	100%
Rooms 201–208, 699 Xinhua Road, Xinhua Ja Li Building, Shanghai	Office	Medium term lease	100%
Block B, Tower 17, International Shipping Service Center, No. 18 Gong Ping Road, Shanghai	Office and carpark	Medium term lease	100%