濱海投資有限公司

BINHAI INVESTMENT COMPANY LIMITED

(Incorporated in the Bermuda with limited liability)
Stock Code: 2886

TEDA
泰达控股

2017
Annual Report

Content

Corporate Information

EXECUTIVE DIRECTORS

Mr. Zhang Bing Jun *(Chairman)*
Mr. Gao Liang *(General Manager)*

NON-EXECUTIVE DIRECTORS

Mr. Shen Xiao Lin
Mr. Wang Gang
Mr. Zhang Jun
Ms. Zhu Wen Fang
Mr. Li Wei *(resigned on 17 March 2017)*
Ms. Shi Jing
Mr. He Xiang Li *(appointed on 17 March 2017 and resigned on 5 December 2017)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ip Shing Hing, *J.P.*
Mr. Lau Siu Ki, Kevin
Professor Japhet Sebastian Law
Mr. Tse Tak Yin

AUDIT COMMITTEE

Mr. Lau Siu Ki, Kevin *(Chairman)*
Mr. Ip Shing Hing, *J.P.*
Professor Japhet Sebastian Law
Mr. Tse Tak Yin

REMUNERATION COMMITTEE

Professor Japhet Sebastian Law *(Chairman)*
Mr. Gao Liang
Mr. Ip Shing Hing, *J.P.*
Mr. Lau Siu Ki, Kevin
Mr. Tse Tak Yin

NOMINATION COMMITTEE

Mr. Ip Shing Hing, *J.P. (Chairman)*
Mr. Gao Liang
Professor Japhet Sebastian Law
Mr. Lau Siu Ki, Kevin
Mr. Tse Tak Yin

RISK COMMITTEE

Mr. Ip Shing Hing, *J.P. (Chairman)*
Mr. Gao Liang
Professor Japhet Sebastian Law
Mr. Lau Siu Ki, Kevin
Mr. Tse Tak Yin

JOINT COMPANY SECRETARIES

Mr. Yin Fu Gang
Mr. Yip Wai Yin

AUTHORISED REPRESENTATIVES

Mr. Gao Liang
Mr. Yin Fu Gang

AUDITOR

Deloitte Touche Tohmatsu

REGISTERED OFFICE

Clarendon House, 2 Church Street, Hamilton
HM 11 Bermuda

HEAD OFFICE

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

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

LEGAL ADVISER ON HONG KONG LAW

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

PRINCIPAL BANKERS

Standard Chartered Bank China
China Merchants Bank
Hang Seng Bank Limited

STOCK CODE

2886

WEBSITE

www.binhaiinv.com

Corporate Profile

	Company	Incorporated
	Binhai Investment Company Limited	**Incorporated: Bermuda**
100%	**Winstar Venture Limited**	**Incorporated: BVI**
100%	**Binhai Investment Hong Kong Limited**	**Incorporated: Hong Kong**

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

Share-holding	Company	Incorporated
100%	Tianjin TEDA Binhai Clean Energy Group Co., LTD	Tianjin
100%	Tianjin HuaTai Xinda Company Limited	Tianjin
100%	Tianjin Taigang Gas Company Limited	Tianjin
100%	Tianjin BinNing Gas Company Limited	Tianjin
100%	Tianjin Tai Gas Energy Technology Development Limited	Tianjin
80%	Tianjin BinMing Gas Company Limited	Tianjin
85%	Beijing Airport Wah Sang Gas Company Limited	Beijing
90%	Sanhe TEDA Gas Company Limited	Hebei Province
85%	Zhuozhou Binhai Gas Company Limited	Hebei Province
100%	Qinhuangdao TEDA Gas Company Limited	Hebei Province
100%	Zibo Jin Bin Gas Company Limited	Shandong Province
100%	Binzhou TEDA Gas Company Limited	Shandong Province
100%	Changle TEDA Gas Company Limited	Shandong Province
100%	Dezhou Binhai Gas Company Limited	Shandong Province
80%	Qingdao Jiaonan Wah Sang Gas Company Limited	Shandong Province
100%	Qingdao Jiaozhou Binhai Gas Company Limited	Shandong Province
100%	Haiyang Wah Sang Gas Company Limited	Shandong Province
100%	Zhaoyuan Binhai Gas Company Limited	Shandong Province
100%	Yishui Binhai Gas Company Limited	Shandong Province
100%	Rizhao Binhai Gas Company Limited	Shandong Province
100%	Funing TEDA Gas Company Limited	Jiangsu Province
100%	Yizheng TEDA Gas Company Limited	Jiangsu Province
100%	Nanjing Binhai Gas Company Limited	Jiangsu Province

Corporate Profile

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

Financial Highlights

Year ended 31 December	2017 HK$'000	2016 HK$'000	Changes Percentage
Revenue	**2,745,687**	2,145,194	28%
Gross profit	**572,329**	540,392	6%
Profit for the year	**223,886**	177,603	26%
Profit for the year attributable to owners of the Company during the year	**221,421**	172,226	29%
	HK cents	*HK cents*	*Percentage*
Earnings per ordinary share			
— Basic	**18.9**	14.7	28%
— Diluted	**18.9**	14.7	28%
	Percentage	*Percentage*	*Percentage point*
Gross profit margin *(Note 1)*	**21%**	25%	-4
Profit margin for the year *(Note 1)*	**8%**	8%	—

As at 31 December	2017 HK$'000	2016 HK$'000	Changes Percentage
Current assets	**4,150,963**	1,091,716	280%
Total assets	**7,875,998**	4,071,674	93%
Total equity	**1,461,840**	1,221,861	20%
Current liabilities	**3,674,767**	1,094,769	236%
Total liabilities	**6,414,158**	2,849,813	125%
	Percentage	*Percentage*	*Percentage point*
Average finance costs *(Note 1)*	**4.1%**	3.5%	0.6
Return on average equity *(Note 1)*	**17%**	15%	2

Financial Highlights

Note:

1. Definitions.

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

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

- **Average finance costs**
  Weighted Average Interest expenses/Weighted Average borrowings

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

Chairman's Statement

On behalf of the board of directors (the "Board") of Binhai Investment Company Limited (the "Company"), I am delighted to present the annual report of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2017. The Group recorded a revenue of approximately HK$2.75 billion for the year ended 31 December 2017 (2016: HK$2.15 billion), which represented an approximately 28% increase compared with last year. Profit of the Group amounted to approximately HK$224 million for the year (2016: HK$178 million), representing an increase of approximately 26% from last year.

PERFORMANCE REVIEW

In 2017, the annual consumption of natural gas in the PRC was 235.2 billion cubic meters, representing a year-on-year increase of 34 billion cubic meters, marking a record high in the consumption growth of natural gas in China, supported by the steadily growing macroeconomy and the "coal to gas conversion" environmental policy at the industrial and residential levels and other favorable factors in China. In the Bohai Sea Region where the Company's operations are principally located, the growth of natural gas consumption outpaced the overall increase with a year-on-year growth of 21.2%, mainly attributable to increases from residential use, heating and industrial "coal to gas conversion". In face of the relatively severe shortage in the natural gas supply in the northern China and high natural gas prices over the heating season under the remarkable increase in natural gas consumption in 2017, the Group has taken proactive measures and effectively deployed its resources to secure the continuously stable and safe natural gas supply in its regions of presence.

With the objective of consolidating its foundations in order to promote expedited development, the Group engaged the following major steps in 2017:

- **The Protection of Gas Sources:**

  On 16 October 2017, the National Development and Reform Commission(國家發展改革委員會)'s Notice on Preparation for Peak Consumption of Natural Gas in the Winter in 2017 (Fa Gai Yun Xing [2017] No.1813)*(關於做好2017年天然氣迎峰度冬工作的通知(發改運行[2017]1813號)) proposed "speeding up the procedures for working on and connecting the Binda Gas Pipelines*(濱達燃氣管線)(the "Pipeline Project") between the Lingang Distribution Station*(臨港分輸站)of LNG receiver station of CNOOC Tianjin Company and PetroChina Tianjin Dagangmen Station*(中石油天津大港門站)". The Pipeline Project, a pipeline network owned by the Group, commenced operations on 6 December 2017. The operations of the Pipeline Project not only generated pipeline transmission income for the Group, improved the value of the pipeline resources of the Group; but also through the pipeline network of the Group achieved the connection of pipelines between CNOOC Gas & Power Group Limited and PetroChina Company Limited for the first time, effectively increasing the protection of gas supply in the northern part of China particularly the Tianjin area, and alleviating the lack of clean heat supply in the winter in the Beijing-Tianjin-Hebei area.

* *For identification purposes only*

Chairman's Statement

- **Business Development:**

  In 2017, the Company was proactive in its foray into new areas, new markets and new clients in an endeavor to gather momentum for the Company's continuous development. In addition to expanding certain new concession areas in Zhuozhou City of Hebei province and Deqing County of Zhejiang province, the Company tapped into new markets of gas-fired power plants among other fields as well as acquired significant new clients such as FAW Volkswagen Base. Such milestones include:

  1. In December 2017, Tianjin TEDA Binhai Clean Energy Group Company Limited ("TEDA Energy")(天津泰達濱海清潔能源集團有限公司), a wholly-owned subsidiary of the Company, entered into the Natural Gas Entrusted Pipeline Transmission Four-party Agreement (the "Agreement") with Tianjin Natural Gas Sales Company of PetroChina Company Limited*(中國石油天然氣股份有限公司天然氣銷售天津分公司), PetroChina Dagang Oil Fields Natural Gas Company*(中國石油大港油田天然氣公司) and Tianjin Huadian Nanjiang Thermal Power Company Limited*(天津華電南疆熱電有限公司)("Tianjin Nanjiang"). The validity period of the Agreement is one year. The entering into of the Agreement is favorable for furthering the development of the Group's pipeline transmission business, increasing the Group's pipeline transmission income and earnings as well as enhancing the usage rate of the Group's pipelines.

  2. In April 2017, "TEDA Energy" entered into an agreement (the "HMIP Gas Supply Agreement") with Tianjin Binhai Heavy Machinery Industrial Park Heat Supply Co., Ltd.* (天津市濱海重機工業園供熱有限公司)(the "Heat Supply Co") in relation to the supply of natural gas by TEDA Energy for the purpose of the "Binhai Heavy Machinery Industrial Park Industrial Boilers — Replacement of Coal by Gas Project" (the "HMIP Replacement Project"); and an agreement (the "HMIP Ancillary Gas Facilities Construction Agreement") with Heat Supply Co in relation to the construction of ancillary gas facilities by TEDA Energy for Heat Supply Co., pursuant to which natural gas would be supplied to the site of the HMIP Replacement Project by way of pipeline transmission for a term of three years from September 2017 to September 2020.

  3. In March 2017, "TEDA Energy" entered into an agreement (the "CITIC Guoan Project Gas Supply Agreement") with Tianjin Guoan MGL New Energy Technology Co., Ltd.*(天津國安盟固利新能源有限公司) in relation to the supply of natural gas by "TEDA Energy" for the purpose of the "CITIC Guoan 300 Million Milliamperes Lithium Battery Project" located in the west expansion area of Tianjin Baodi District Jiuyuan Industrial Park (the "CITIC Guoan Project"), pursuant to which natural gas would be supplied to the site where CITIC Guoan Project operates by way of pipeline transmission for a term of three years commencing in July 2017.

* *For identification purposes only*

Chairman's Statement

- **Finance and Taxation Management:**

  1. In November 2017, the Group once again issued US$300 million 4.45 per cent bonds due in 2020 and obtained a letter of support entered into by Tianjin TEDA Investment Holding Co., Ltd. in favour of the Company, representing the Company's another significant initiative in the offshore capital market following the issuance of US$200 million bonds in 2015. The insurance of bonds this time was set to optimize the asset structure of the Company.

  2. In June 2017, "TEDA Energy" entered into an agreement with Bank of Communications Financial Leasing Co., Ltd. ("BoCom Leasing"), pursuant to which the ownership of the Leased Assets has been transferred from TEDA Energy to BoCom Leasing for a term of 36 months, and TEDA Energy will lease back the Leased Assets from BoCom Leasing. The principal amount of the arrangement under the agreement is RMB130 million. Such transaction provided for substitution of current loans by medium-to-long term loan capital, which is conductive to optimizing the structure of financial statements, increasing working capital, improving the current ratio and mitigating the Group's financial risk.

  3. TEDA Energy and Zhuozhou Binhai Gas Company Limited ("Zhuozhou Binhai Gas")(涿州濱海燃氣有限公司), two important subsidiaries of the Group, have both obtained the High Technology Enterprise Certificate (the "Certificate"). Such certificate is valid for a term of three years, thereby bringing about preferential tax treatment which has a positive impact on the operating results of the Group.

Chairman's Statement

PROSPECTS

With continuous progress in China's green and low-carbon energy strategy, the development of clean low-carbon energy has become the prime conduit to enhancing the energy structure, taking up the important role of natural gas in the PRC in the long-term future. As China's economic growth remains on a steady track in 2018, the natural gas industry is anticipated to maintain strong momentum under the support of different policies, with immense potential in the natural gas resources and natural gas markets, whereas the supply of natural gas resources will continue to increase. The Group is confident in the enhanced development opportunities for the natural gas industry in China.

- Stay alert to the national price reform policies for the natural gas industry to increase the weight of natural gas consumption and focus on market development;

- Sustain the development of industrial customers to tap into more consumer markets for natural gas; secure industrial natural gas safety;

- Further strengthen the close communication and cooperation amongst stakeholders such as shareholders, investors, the government and creditors to achieve mutual benefits for all parties.

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

On behalf of the Board
Binhai Investment Company Limited

Zhang Bing Jun
Chairman of the Board

Hong Kong, 16 March 2018

Management Discussion and Analysis

BUSINESS REVIEW

The Group is principally engaged in the construction of gas pipeline networks, provision of connection services, pipeline transportation and sales of piped gas.

Connection Services

The Group constructs gas pipelines for its clients and connects such pipelines to the Group's main gas pipeline networks. The Group then charges connection service fees from industrial and commercial customers, property developers and property management companies. As at 31 December 2017, the aggregate length of all of the gas pipeline networks owned by the Group was approximately 2,299 kilometers, representing an increase of 170 kilometers from the length of 2,129 kilometers as at 31 December 2016. For the year ended 31 December 2017, connection service fees received by the Group amounted to approximately HK$691,015,000, representing an increase of HK$231,256,000 or approximately 50% compared to the HK$459,759,000 service fees received in the year ended 31 December 2016.

Piped Gas Sales

In the year ended 31 December 2017, consumption of piped gas by domestic and industrial users amounted to approximately $4,754 \times 10^6$ and $19,297 \times 10^6$ mega-joules respectively, as compared to $3,576 \times 10^6$ and $17,177 \times 10^6$ mega-joules respectively for the year ended 31 December 2016. During the year, sales income of the Group from piped gas amounted to HK$2,004,645,000, representing an increase of HK$332,903,000 or approximately 20% compared to the amount of HK$1,671,742,000 recorded in the year ended 31 December 2016.

Pipeline Transportation

The Group transports gases for clients through gas pipeline networks and charges transportation fees. For the year ended 31 December 2017, the volume of gases transported by the Group for its clients amounted to 288,458,254 square meters and pipeline transportation income amounted to HK$33,428,000, representing an increase of HK$28,490,000 compared to the amount of HK$4,938,000 recorded in the year ended 31 December 2016.

Property Development

As of 31 December 2017, the Group held a piece of land under development of approximately 15,899.6 square meters located to the east of Central West Road, west of Central Road, north of Xi San Road and south of Xi Er Road in the Tianjin Airport Economic Area in the Binhai New Area of the PRC, under land use rights for commercial use for a term of 40 years from 31 December 2009.

Management Discussion and Analysis

In view of the incompatibility of real estate business with the Group's current strategic direction which focuses on the development of the gas business, the Group plans to dispose of the above property under development. The management emphasised the decision of the disposal of the real estate, and appointed professional staff to actively contact agents and potential buyers.

FINANCIAL REVIEW

Gross Profit Margin

Gross profit of the Group for the year ended 31 December 2017 was HK$572 million (2016: HK$540 million) and the gross profit margin for the Group was 21% (2016: 25%). During the year, the gas sales volume under the Group's coal-to-fuel project increased substantially, which led to an increase in the Group's profit. However, since the gas sales price under such project during heat supply period was slightly lower than that charged to other clients, gross profit margin has decreased.

Administrative Expenses

Administrative expenses of the Group for the year ended 31 December 2017 was HK$195 million, representing an increase of HK$39 million or 25% compared to HK$156 million for the year ended 31 December 2016, which was mainly attributable to an increase in research and development expenses.

Profit Attributable to Owners of the Company

Profit attributable to equity owners of the Company for the year ended 31 December 2017 was approximately HK$221 million, as compared to HK$172 million for the year ended 31 December 2016. Profit attributable to equity owners of the Company excluding the unrealised exchange gain amounted to HK$108 million for the year ended 31 December 2017. The Group recorded an unrealised exchange gain of HK$113 million caused by fluctuations in RMB exchange rate in 2017.

Basic earnings per share for the year ended 31 December 2017 was HK$18.9 cents, as compared to HK$14.7 cents for the year ended 31 December 2016.

Liquidity and Financial Resources

As at 31 December 2017, the total borrowings of the Group amounted to HK$4,825,079,000 (2016: HK$1,789,740,000) and the cash and bank deposits of the Group amounted to HK$3,271,772,000 (2016: HK$332,012,000), which included cash and cash equivalents of HK$3,260,656,000 and pledged bank deposits of HK$11,116,000. As at 31 December 2017, the Group had consolidated current assets of HK$4,150,963,000 and its current ratio was approximately 1.13. As at 31 December 2017, the Group had a gearing ratio of approximately 330%, measured by the ratio of total consolidated borrowings of HK$4,825,079,000 to consolidated total equity of HK$1,461,840,000.

Management Discussion and Analysis

Borrowings Structure

As at 31 December 2017, the total borrowings of the Group amounted to HK$4,825,079,000 (2016: HK$1,789,740,000). Unsecured borrowings from PRC banks were denominated in RMB, carrying interest at the rate of 4.5% per annum. Secured borrowing from PRC banks were denominated in RMB, carrying interest at the rate from 5% to 5.44% per annum. Unsecured bonds of USD200,000,000 and USD300,000,000 were issued at 100% of the issue price, bearing interest at a rate of 3.25% and 4.45% respectively. Other secured borrowings include borrowings with principal amounts of RMB230,000,000 and RMB130,000,000 respectively with the annual interest rate being 12% less than the RMB benchmark lending rate published by the People's Bank of China for the same period and with the annual interest rate being 2% more than the RMB benchmark lending rate published by the People's Bank of China for the same period. As at 31 December 2017, short-term borrowings and current portion of long-term borrowings amounted to HK$2,120,314,000, while the remainder were long-term borrowings falling due after one year or above.

Directors' Opinion on Sufficiency of Working Capital

As at 31 December 2017, the current assets of the Group exceeded current liabilities by approximately HK$476 million (31 December 2016: the current liabilities of the Group exceeded current assets approximately HK$3 million). The Group's ability to continue as a going concern depends on the financial resources presently available to the Group. Taking into account the expected financial performance, net cash expected to be generated from the operation of the Group and the available banking facilities, the Directors believe that the Group is able to fully meet its liabilities as and when they fall due and to carry on its business without a significant curtailment of operations for the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Exposure to Exchange Rate Fluctuations

The majority of the Group's transactions are denominated in the functional currency of the respective group entities. Part of the deposits and bank borrowings of the Group are denominated in HK Dollars and US Dollars which expose the Group to certain foreign currency risks. For the year ended 31 December 2017, net foreign exchange gain for the financing activities was HK$113 million. The Group does not currently have a foreign currency hedging policy. However, the management has been monitoring foreign exchange risks and will consider hedging significant foreign currency exposure should the need arise.

Management Discussion and Analysis

Charge on the Group's Assets

As at 31 December 2017, the Group had restricted cash of HK$11,116,000 (2016: HK$8,651,000).

The net carrying amount of pipelines as at 31 December 2017 amounting to HK$419 million (approximately RMB349 million) were pledged as security for the related borrowing.

Contingent Liabilities

As at 31 December 2017, the Group did not have any significant contingent liabilities.

EMPLOYEES

As at 31 December 2017, the Group had 1,554 employees (as at 31 December 2016: 1,521 employees). For the year ended 31 December 2017, the salaries and wages of the employees amounted to HK$117 million (year ended 31 December 2016: HK$103 million) and among these, HK$15 million were recorded in research and development expenses (year ended 31 December 2016: HK$8 million).

REMUNERATION POLICY

The remuneration of the employees of the Group is determined by reference to the market rates, and the performance, qualification and experience of the relevant staff. Also, a discretionary bonus based on individual performance during the year is distributed to reward the contributions of employees to the Group. The Group also provides training opportunity and other benefits to its employees, including pension insurance, unemployment insurance, injury insurance, medical insurance, maternity insurance and housing fund, etc. In addition, share options may be granted to eligible employees of the Group (including directors of the Company) in accordance with the terms of the share option scheme adopted by the Group.

Corporate Governance Report

The Board presents the corporate governance report of the Company for the year ended 31 December 2017.

CORPORATE GOVERNANCE PRACTICES

The Board assumes overall responsibility for the leadership and control of the Group, including provision and formulation of the Group's business directions and strategies in the interests of the Group. The Board believes that good corporate governance practices would strengthen investors' confidence, facilitate the development of the Group, and increase transparency in the operation of the Group, which is in the long term interest of the Group and the Shareholders. During the year ended 31 December 2017, the Company had fully complied with the code provisions set out in Appendix 14 ("Corporate Governance Code and Corporate Governance Report") of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

SECURITIES TRANSACTIONS BY DIRECTORS

The Company adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under Appendix 10 to the Listing Rules. Trading of securities by Directors shall be approved by the chairman of the Board and shall be conducted in accordance with the time frame and the number of securities approved.

All Directors have confirmed, following specific enquiries by the Company, that they complied with the required standard of dealings as set out in the Model Code and the Company's code of conduct regarding Directors' securities transactions throughout the year ended 31 December 2017.

THE BOARD

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

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

There are no financial, business, family or other material/relevant relationships among the Board members (including between the chairman of the Board and the General Manager).

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

A total of 4 Board meetings were held during the year ended 31 December 2017 to discuss and decide on the Company's major strategies, important business matters, financial issues and other matters set forth in the Company's bye-laws. A summary of the Directors' attendance at such meetings held during their office appointment for the year ended 31 December 2017 is as follows:

Executive Directors	Number of meetings attended/Number of meetings held	Attendance percentage
Mr. ZHANG Bing Jun *(Chairman)*	2/4	50%
Mr. GAO Liang *(General Manager)*	4/4	100%

Non-Executive Directors	Number of meetings attended/Number of meetings held	Attendance percentage
Mr. SHEN Xiao Lin	4/4	100%
Mr. ZHANG Jun	4/4	100%
Mr. WANG Gang	2/4	50%
Ms. ZHU Wen Fang	4/4	100%
Mr. LI Wei (resigned on 17 March 2017)	N/A	N/A
Ms. SHI Jing	4/4	100%
Mr. HE Xiang Li (appointed on 17 March 2017 and resigned on 5 December 2017)	1/1	100%

Corporate Governance Report

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

DIRECTORS' TRAINING

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

Record of training received by each Director during the year ended 31 December 2017 is summarized below:

Directors	Contents of the training
Mr. ZHANG Bing Jun	A
Mr. GAO Liang	B
Mr. SHEN Xiao Lin	B
Mr. ZHANG Jun	B
Mr. WANG Gang	B
Ms. ZHU Wen Fang	B
Mr. LI Wei (resigned on 17 March 2017)	Not applicable
Ms. SHI Jing	C,D
Mr. HE Xiang Li (appointed on 17 March 2017 and resigned on 5 December 2017)	E
Professor Japhet Sebastian LAW	D,F
Mr. LAU Siu Ki, Kevin	G
Mr. TSE Tak Yin	G
Mr. IP Shing Hing, *J.P.*	H

A. Summer Davos Forum

B. 2017 First Half Forum on Analysis of Economy

C. Reform orientation of state-own enterprises

D. Attended training provided by PricewaterhouseCoopers on Accounting Standards on Income recognition, Rental and Major trasactions

E. Overview of Legal and Regulatory Framework for Securities and Futures Industry

F. Connected transactions and Aircraft leasing regulations provided by Messrs. Kwok Yih & Chan

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

H. Attended Directors' Conference 2017 organized by the Hong Kong Institute of Directors

CHAIRMAN OF THE BOARD AND GENERAL MANAGER

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

TERM OF OFFICE AND RE-ELECTION

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

Corporate Governance Report

GENERAL MEETINGS

The following table sets out details of the Directors' attendance of the annual general meeting of the Company held during during their office of appointment for the year ended 31 December 2017:

Directors	Number of annual general meeting attended/Number of annual general meeting held	Attendance percentage
Mr. ZHANG Bing Jun	1/1	100%
Mr. GAO Liang	1/1	100%
Mr. SHEN Xiao Lin	1/1	100%
Mr. ZHANG Jun	1/1	100%
Mr. WANG Gang	1/1	100%
Ms. ZHU Wen Fang	1/1	100%
Mr. LI Wei (resigned on 17 March 2017)	N/A	N/A
Ms. SHI Jing	1/1	100%
Mr. HE Xiang Li (appointed on 17 March 2017 and resigned on 5 December 2017)	1/1	100%
Mr. LAU Siu Ki, Kevin	1/1	100%
Mr. IP Shing Hing, *J.P.*	1/1	100%
Professor Japhet Sebastian LAW	1/1	100%
Mr. TSE Tak Yin	1/1	100%

At the annual general meeting of the Company held on 5 May 2017 ("2017 AGM"), a separate resolution was proposed by the Chairman in respect of each separate issue, including the re-election of each of Mr. ZHANG Bing Jun, Ms. SHI Jing, Mr. HE Xiang Li and Professor Japhet Sebastian LAW as a Director. The representative of the external auditor of the Company attended the 2017 AGM.

NOMINATION COMMITTEE

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

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

Corporate Governance Report

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

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

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

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

The nomination procedures of the Nomination Committee include identification and acknowledgement of qualified individuals by the Nomination Committee, and review and approval of such nominations by the Board. The Nomination Committee will evaluate potential candidates considering factors such as professional expertise, relevant experience, personal ethics and integrity.

During the year, the composition of the Board changed from 12 directors to 11 directors. Mr. Li Wei resigned on 17 March 2017 and Mr. HE Xiang Li was appointed on 17 March 2017 and resigned on 5 December 2017. The Nomination Committee assessed the candidate (such as Mr. HE Xiang Li) on criteria such as integrity, independent mindedness, experience, skill and ability to commit time and effort to carry out his duties and responsibilities effectively, etc. and made recommendation to the Board for approval.

Pursuant to the Corporate Governance Code, the Company adopted a board diversity policy (the "Board Diversity Policy") on 29 August 2013 which sets out the approach to achieve and maintain diversity in the Board in order for the Board to maintain a competitive advantage. The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to the talents, skills, regional and industry experience, background, race, age, gender and other qualities. The Nomination Committee will consider and, if appropriate, set measurable objectives to implement the Board Diversity Policy and review such objectives to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Nomination Committee will review the Board Diversity Policy from time to time to ensure its continued effectiveness.

During the year ended 31 December 2017, 2 meetings were held by the Nomination Committee. The Nomination Committee mainly discussed matters relating to committee responsibility and operating mechanism as well as areas to further utilize its functions. Attendance of each member of the Nomination Committee are set out as follows:

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

REMUNERATION COMMITTEE

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

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

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

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

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

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

Corporate Governance Report

During the year ended 31 December 2017, 2 meetings were held by the Remuneration Committee. The Remuneration Committee reviewed the remuneration of executive Directors and senior management and made recommendations to the Board. Attendance of each member of the Remuneration Committee are set out as follows:

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

The remuneration of members of the senior management by band for the year ended 31 December 2017 is set out below:

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

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to the Listing Rules are set out in Note 12 to the financial statements.

AUDIT COMMITTEE

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

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

2. monitoring the integrity of the Company's financial statements, the annual report and accounts, half-year report and quarterly report (if any); and

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

Corporate Governance Report

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

3 meetings were held by the Audit Committee during the year ended 31 December 2017.

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

1. the audited annual results and financial statements of the Group for the year ended 31 December 2016;

2. the unaudited interim results of the Group for the 6 months ended 30 June 2017;

3. financial reporting system and internal control procedures;

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

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

6. function of corporate governance, and disclosure policy of the Company.

The following table sets out the details of attendance of each member of the Audit Committee at the meetings held during the year ended 31 December 2017:

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

The Audit Committee has also reviewed the audited annual results of the Group for the year ended 31 December 2017, the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters. The Audit Committee opined and viewed that:

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

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

Corporate Governance Report

RISK COMMITTEE

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

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

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

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

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

During the year ended 31 December 2017, 1 meeting was held by the Risk Committee. The Risk Committee mainly discussed matters relating to its terms of reference and operational mechanism as well as the overview of the Group's principal risks. Attendance of each member of the Risk Committee are set out as follows:

Committee members	Number of meetings attended/Number of meetings held	Attendance percentage
Mr. IP Shing Hing, *J.P. (Chairman)*	1/1	100%
Professor Japhet Sebastian LAW	1/1	100%
Mr. LAU Siu Ki, Kevin	1/1	100%
Mr. TSE Tak Yin	1/1	100%
Mr. GAO Liang	1/1	100%

CORPORATE GOVERNANCE FUNCTIONS

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

AUDITOR'S RESPONSIBILITY AND REMUNERATION

The statement of responsibility to the financial statements by Deloitte Touche Tohmatsu, the external auditor of the Group, is set out in the section of "INDEPENDENT AUDITOR'S REPORT" on pages 70 to 75 of this Annual Report. The remuneration for the auditor's services provided by Deloitte Touche Tohmatsu in respect of the year ended 31 December 2017 amounted to RMB2.8 million.

DIRECTORS' RESPONSIBILITY ON THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation and the true and fair presentation of the consolidated financial statements for the year ended 31 December 2017 in accordance with statutory requirements and applicable standards.

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

During the year ended 31 December 2017, the management of the Company provided training to the internal audit team, accounting team and operation team, so as to ensure effective implementation of the risk management and internal control systems and procedures. The Audit Committee paid great attention to risk management and internal controls and made efforts to improve the risk management and internal control systems during the year ended 31 December 2017.

Corporate Governance Report

For the year ended 31 December 2017, the internal control department at headquarter conducted researches in respect to the operation department, the engineering department as well as the security and technology department. By which, deficiencies regarding departmental duties, departmental structure as well as the system and process of the three business departments were identified and corresponding rectifying plans were formulated. In parallel to these, through data analysis and determination of the significance of risk, the process and reasonability of authorization and approval were enhanced, thereby increasing operational efficiencies and risk control. As for risk management, the systematic scrutiny to the risks which respective business segments were subject to was conducted and the responding measures were formulated, optimizing the risk prevention system of the Company at a gradual pace.

The Group maintains a zero-tolerance attitude towards corruption and implemented all practicable measures to firmly prevent and cure corruption. The Company through routine audit revealed that the responsible person and personnel at the finance department of an insigificant subsidiary of the Group, allegedly colluded in corruption in relation to the handling of finance of that subsidiary. The Group immediately removed the responsible person of that subsidiary from work, and established a special audit working group comprising internal control and legal, finance, operation and engineering departments of the Group to commence a special inquiry. The Group has reported the case to the local judicial authority, which currently is still under process. The Company has assessed that the impact of the financial loss arising from such incident to the Group is small, and such incident does not materially affect the consolidated financial statements of the Group. The aforesaid incident is a case discovered under the internal control and management of the Company, but it also reflects the refractory nature of corruption and the necessity for the Company to further improve anti-corruption measures. Based on the experience and lesson learnt from this case, the Group has further improved its internal control and management measures, such as enacting the "Officer Mobility Management Regulations"(幹部流動管理辦法), in order to strengthen the mobility of staff at key positions; enhancing anti-corruption training to raise anti-corruption awareness; and increasing the number of staff for internal audit to improve the auditing frequency and coverage. The Group will continue to provide more safeguard in terms of mechanism and expertise, and promote an internal control culture among all staff, in order to achieve the target of further reducing corruption risks and protecting the interests of the Group.

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

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

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

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

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

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

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

(d) As subsidiary level, 10 audit projects for subsidiaries were completed during 2017, identifying the common operational issues in respect of financial management, inventory management and administration formulation among such subsidiaries, and such issues were reflected to the related departments and managements of headquarter, in a view to push forward subsequent rectification and implementation. Supported by the said measures, the effectiveness of the operation and management functions of such subsidiaries, as well as the supervision of the functional departments of headquarters over subsidiaries were strengthened continuously. In addition, internal control by all staff at the group level was promoted, which continues to enhance the internal control of the Company as a whole.

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

Corporate Governance Report

JOINT COMPANY SECRETARIES

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

Mr. YIP has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of the relevant professional training during the year. Due to other business commitment, Mr. YIN took less than 15 hours of the relevant professional training during the year. However, as at the date of this report, Mr. YIN has completed those 15 hours of the relevant professional training.

SHAREHOLDER RIGHTS AND INVESTOR RELATIONS

(a) Procedures for requisitioning a special general meeting

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

(b) Procedures for putting forward proposals at general meetings

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

(c) Communication with Shareholders and investors

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

Corporate Governance Report

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

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

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

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

Hong Kong

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

Tianjin

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

The Memorandum of Association and New Bye-laws of the Company have been posted on the website of the Company at www.binhaiinv.com and the designated website of the Stock Exchange at www.hkexnews.hk. There was no change to the Memorandum of Association and New Bye-laws of the Company during the year ended 31 December 2017.

Environmental, Social and Governance Report

1. ABOUT THIS REPORT

This Report provides an overview of Binhai Investment Company Limited (the "Company") and its subsidiaries' (the "Group" or "Binhai Investment") full-scale implementation regarding environmental, social and sustainable development aspects, related measures and performance in the year of 2017. The Group has prepared this Environmental, Social and Governance Report (this "Report") in accordance with the ESG Reporting Guide under Appendix 27 of the Main Board Listing Rules ("Listing Rules") of The Stock Exchange of Hong Kong Limited ("HKEX"). This Report is to be read in conjunction with the Company's 2017 Annual Report, in particular the Corporate Governance Report contained therein.

1.1 Scope of this Report

This Report covers the Group's direct operating businesses in the People's Republic of China ("PRC"), primarily engaged in the construction of gas pipeline networks, provision of connection services and the sales of liquefied petroleum gas ("LPG") and piped gas etc. The information and data disclosed in this Report cover the period from 1 January 2017 to 31 December 2017 (the "Reporting Period") unless otherwise stated.

1.2 Stakeholder Engagement

Thanks to the participation and support contributed by the internal stakeholders in preparation of this Report, the Group is better able to visualize its progress in environmental and social aspects. Information on environment, society and corporate governance can be referred to the Group's website (www.binhaiinv.com). The Group looks forward to receiving any comments from the readers and please send the comments to: prd@binhaiinv.com.

2. GREEN DEVELOPMENT

The Group adopts an innovative, compliant, profitable and co-operative approach as its business philosophy within the gas industry. It has a strong base in Binhai and takes advantage of Binhai's strategic location whilst seizing opportunities for co-development in Beijing, Tianjin and Hebei. As a means of striving to become an influential clean energy service provider, the Group has carefully constructed an energy supply and service network surrounding the Bohai Sea. The Group is committed to striving for environmentally sustainable development in an environmentally responsible manner, and adoption of effective measures on efficient resource utilization. The Group is in support of strict compliance with the laws and regulations relating to environmental protection and emission of pollutants, such as the *Environmental Protection Law of the PRC*; the *Law of the PRC on Environmental Impact Assessment* and so forth.

2.1 Environmental Protection

The Group is primarily engaged in the construction of gas pipeline networks, provision of connection services and the sales of LPG and piped gas. The major impacts on ecological and natural resources are mainly reflected as noise and earthwork in the construction of gas pipeline networks; meanwhile, limited emissions were identified under the Group's direct operating businesses[1]. In view of the above, construction workers strictly comply with the noise emission intensity in accordance with *Standards of Environmental Noise Emission for Construction Site*. Regarding the construction work procedure of gas pipeline connecting project, the method of backfill is adopted to reduce the generation of residual earthwork. Regarding the earthwork produced during the construction of gas pipeline networks, it is handed to a third party for further processing designated by the municipal and environmental bodies. On the other hand, effective directional drills are adopted in drilling construction in hope of accelerating the accuracy of the drilling practices and minimize the unnecessary destruction to the soil.

The major consumption of resources in daily office operation are electricity, water and so forth. The Group undertook various measures to reduce the carbon emissions generated by electricity consumption: (1) adopt Central Control and Monitoring System (CCMS) and Building Management System (BMS). The office is divided into several lighting areas and installed automatic lighting control in different zones; (2) adopt high energy efficiency lighting devices such as T5 fluorescent lamp tube and Light Emitting Diodes ("LED") lamps, the energy-saving efficiency compared to the traditional light bulbs is up to 80%; (3) install Variable Speed Drives (VSD) in pumps and fans adjustable to actual needs; and (4) avoid installation of air-conditioners in areas with direct sunlight, thereby fostering reduction of the use of energy and natural resources.

With regards to the use of water, the Group also undertook the following measures as to reduce the waste of water: (1) regular check on meter readings and carry out leakage test of concealed water pipes by maintenance officer; (2) install dual flush toilet; (3) install faucets and urinals with water-saving labels and infra-red sensors; (4) advocate water saving through e-mails, posters, intranet and memos in toilets; and (5) provide employees with environmental protection related training courses at a regular interval.

2.2 Clean Energy

The Group is committed to the mission of environmental protection and beautifying PRC, with the aim of becoming a national clean energy advocate and operator specialized in providing clean energy for businesses and residents. The Group attaches importance to environmental protection and proactively fosters the popularity of clean energy. The Group strives to provide clean energy with professionalism, brought about gas-fired boiler, tri-generation, coal-to-gas, filling vehicle and ship with Compressed Natural Gas ("CNG") or Liquefied Natural Gas ("LNG") projects and so forth. In the near future, the Group is taking up the responsibility to continually promote the popularity and development of clean energy.

2.3 Waste Management

The Group attaches great importance to waste emissions and management and in strict compliance of *Law of the PRC on the Prevention and Control of Environment Pollution Caused by Solid Wastes*, and *Standard for Pollution Control on Hazardous Waste Storage* and other laws and regulations. The Group's waste meters and steel pipes are major wastes generated in construction works and relevant handling procedures are as follows, waste meters were compressed or drilled and photographed for documentation. Under the supervision of the Operating Centre, meters are subject to approval and declaration before being handled as recycled waste. The remuneration from recycled waste must be banked in in accordance with company rules for prohibiting the re-entry of declared waste meters to the market. The remaining gas in the waste steel pipes must be discharged with the use of nitrogen or water. After that, waste steel pipes, waste valves and others will be disposed of properly and, if necessary, sealed and disassembled to ensure safety. All information concerning the replacement of steel pipes and location of old steel pipes must be reported to the relevant government department for filing.

The Group implements Office Automation System ("OA System") to replace paper-oriented office administration for the reduction of paper usage. For the year ended 31 December 2017, the Group has successfully reduced paper usage up to 50,000 pieces. Moreover, the Group encourages employees to utilize both sides of the paper, and the printers default settings are double-sided printing and ink-saving mode. In addition, notices are posted in the conspicuous positions on the printers to remind employees about paper saving. On top of this, the cartridges used by the Group can all be recycled to reduce the impact on the environment. The Group collects used plastic bottles through recycling bins which are then sent to a recycling company. Other hazardous wastes such as battery, electronic waste and mercury-containing light tubes are collected by the property management company and handed over to a third party for further processing.

2.4 Air Emissions

The Group's air emissions mainly contributed from daily office operation and the use of vehicles. The vehicle exhaust gas constitutes only a few emissions of air pollutant, meanwhile, electricity consumed in the offices is the main source of Greenhouse Gas (GHG) emission. In view of this, the Group encourages employees to take public transport and reduce the use of private cars. In addition, the Group conducts regular maintenance of the fleet mitigating extra fuel consumption and related pollutant emissions from using inefficient vehicles. The Group also provides drivers with low-carbon driving training such as avoiding low gear with high speed, sudden acceleration and others.

In view of GHG emissions generated from office electricity, the Group sets energy-saving as the target, requiring the employees to switch off electronic devices and air-conditioners when they are not in use; regular clean-up of air-conditioning filter and fan; reduce the number of lamps in office locations where brightness requirement is relatively lower. Added to this, the Group encourages employees to replace business travel with video-conferencing and avoid unnecessary overseas business travel to minimize the opportunity of generating carbon dioxide and contribute in combating climate change.

3. CARING FOR EMPLOYEES

The Group actively uses a refined hiring process to attract internal and external talent to join its ranks, and provides a platform to encourage its employees to demonstrate their abilities and maximize their potential. To this end, the Group recognizes its employees as the most valuable assets and pays particular attention to safeguarding the rights of its employees and viewing them as business partners that are vital to the company's business development. The Group strives to provide employees with a healthy and safe working environment, and comprehensive development opportunities so that they can grow alongside the Group.

3.1 Employee Practices

The Group strictly complies with national and regional laws and regulations such as the *Labour Law of the PRC*, the *Labour Contract Law of the PRC and the Employee Ordinance* of the Hong Kong Special Administrative Region. The Group has also established internal human resources policies such as the *Employee Code of Conduct* to protect employees' rights. During the Reporting Period, the Group did not receive any reported cases of child labour or forced labour.

Following a "Fair and just, Right person for the right job" philosophy, the Group upholds a capability-driven principle of recruiting its employees to ensure that all job applicants are granted equal opportunities and fair competition. The Group objects to any form of discrimination and is proud to have a diverse team coming from 20 different cities in China. The Group expects each employee to provide accurate and reliable personal information upon starting their employment, and if the falsified information is found, the Group reserves the right to terminate the probationary period or to dismiss the employment contract of the employee concerned. The Group implements three types of working hour schemes including irregular, integrated and standardized working hour schemes according to the business characteristics, safety requirements and job requirement of the Group's subsidiaries. All employees within the Group are entitled to considerable rest periods including sick leave, personal leave, marriage leave, bereavement leave, maternity leave, work injury leave, annual leave and statutory holiday leave in accordance with the national and regional governing laws.

The Group remunerates and compensates its employees based on employees' position, performance, contribution and capability as to meet salary expectations, and has constructed an internal salary scale accordingly. The Group's human resources department is responsible for managing employees' salaries and uses the internal salary scale whilst considering employees' job responsibilities, work experience, education, qualifications and other specific indicators relating to employees' abilities, track record, and work performance to set salary standards. At the end of each year, the Group evaluates the performance of its employees and elevates the position and/or remuneration of outstanding employees and offers discretionary performance bonuses as appropriate. Additionally, the Group provides pension insurance, unemployment insurance, work-injury insurance, medical insurance, maternity insurance and housing provident fund benefits.

3.2 Training and Development

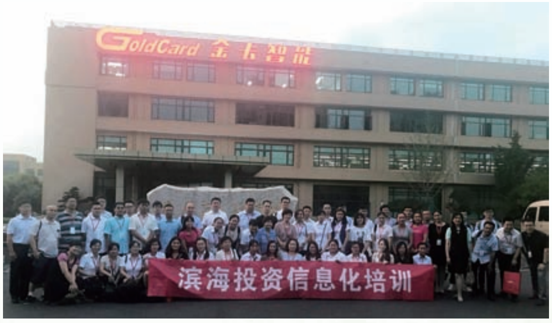
The Group regards on-the-job training and continuing education as important aspects for the career development of its employees. The Group encourages its employees to self-study, engage in experiential learning, update their skillset and to participate in various educational training activities to improve employees' performance levels and their all-rounded qualities. The Group has also dedicated itself to strengthening its backbone workforce, focusing on training internal talent, providing employees with various training opportunities, videos and exercises. The Group has developed an annual training plan, designing internal or external training and continued developmental opportunities. This training plan is developed in order to elevate the performance level of the Group's employees, creating career development opportunities and enhancing the employees' sense of belonging to the Group's culture.

The Group's in-house trainers and managers have formed the backbone of the company and the pillars of providing internal training. The Group has progressively developed an internal training system for the training content and approach, which has provided job guidance and knowledge or job experience sharing with employees. Internal training is mainly based around business characteristics, and the various job categories of employees in the Company headquarter and the Group's subsidiaries (such as marketing, operational, engineering, safety, legal, financial, human resources and administration, front-line etc.); this helps to elevate employees' technical and management capabilities.

Examples of Binhai Investment's Internal and External Training Sessions during the Reporting Period

A middle- and upper- management training session, which included participants from 83 middle- and upper-management employees from 34 subsidiaries of the Group. The training revolved around Binhai Investment's "Secure Year" organizational system of nurturing talent, and involved learning experiences on fulfilling job duties, assuming responsibilities, and leading a team, also involved collecting ideas from participants on how to improve the Group's security system.

Binhai Investment's "Operating Systems and Cloud Computing Customer Service Systems" information training, which involved 54 participants working in customer services from all of the Group's subsidiaries. The training was conducted over two days and elevated participants' performance in providing services relating to "Operating System Management", "Cloud Customer Service", "Cloud Service Fee" and "Mobile Security Check"



Frontline staff undergoing training and participating in a skill contest. 34 frontline employees hailing from 29 of the Group's subsidiaries participated in the training and skill contest, and it enhanced their safety awareness and responsibility. Concurrently, the training and skill contest are excellent channels for entry-level employees to develop their skills

Flow-meter technical training offered to participants which took place across 2 days in May 2017. Following a "Moving Out" theme, vital employees working in engineering and business areas gathered at one of the Group's key companies to undergo the training. This elevated the technical level and operational skills of Binhai Investment's frontline staff.

Regulator technical safety training offered to employees on regulating machinery. 69 participants working in technical capacities, hailing from the Group's subsidiaries based in Tianjin, Beijing and Hebei joined the training session. Theory and hands-on practice sessions were provided to participants to improve the technical capabilities of the Group's front-line employees.

3.3 Health and Safety

The Group deeply recognizes that safe operations play an important role in safeguarding employees' well-being and make it as its mission to ensure that employees are in good health and operate in a safe working environment. The Group strictly complies with national and regional laws and regulations, including the *Administrative Regulations on the Work Safety of Construction Projects* and *Measures for the Administration of Contingency Plans for Work Safety Incidents* and others. Based on these national and regional regulations, the Group has implemented relevant management systems such as its Safety Production Supervision and Management System and Accident Prevention and Contingency Management System; the Group also takes steps to supervise its subsidiaries in the establishment of contingency plans. Through subsidiaries' self-auditing, headquarter's inspection, safety training and regular evaluation of these processes, in order to reduce the accident rates and to ensure employees' safety. Specific details of the above processes are as follows: 1) Subsidiaries are required to carry out self-auditing and to report any potential safety hazards; 2) Annual safety hazard checks and rectification are performed by representatives from Company headquarters on subsidiary companies as to minimize the safety hazards; 3) Regular safety regulations and emergency management training for existing and new employees, rehearsing emergency and rescue procedures under different scenarios. Moreover, through regular fire drills, providing protective equipment for employees and setting up an alarming system and designating measures used to respond appropriately to possible emergency scenarios; 4) Setting up a clear incentive and penalty system for safety, and carrying out annual safety management assessments at subsidiary companies. The incentive and penalty system are aided to guarantee that every company meets required standards. During the Reporting Period, the Group did not receive any reports of major safety incidents.

4. QUALITY CONTROL

The Group adheres to business ethics and shoulders the corporate social responsibilities, and regards them as the foundation of the enterprise. The Group excels in operational management, acts in strict compliance with the relevant regulations and standards in the aspects of supply chain management, products and services, promotion of products, protection of privacy and anti-corruption. The Group upholds the principle of business ethics and is dedicated to becoming an ethical and responsible enterprise.

4.1 Procurement Management

For the sales of LPG and piped gas, the Gas Department of the Group has formulated *Administrative Measures of the Suppliers of Piped Gas* and *Administrative Measures of Procurement of Non-piped Gas Goods*, and has regulated its subsidiaries in choosing suppliers while considering their credit rating, qualification, stability of gas supply, source of gas, gas supply approach, warranty of gas equipment, gas quality and others. The Group has developed *Notice of Centralized Procurement, Guiding Regulations of the Procurement of Gas Materials and Equipment*, to standardize the procurement procedures of subsidiaries. In addition, because of the sparse distribution of gas suppliers in different Chinese cities, policy of proximity procurement is implemented when purchasing piped gas, CNG, LNG and LPG, so as to save unnecessary energy consumption caused by long-distance transportation.

In view of gas pipeline construction works, the Group has formulated *Guiding Regulations on Construction Works* and *Guiding Regulations of Construction Works upon Completion and Acceptance*. The Group strictly screen high-quality contractors during the whole process of designing, outsourcing until completion of the construction projects. In addition, subsidiaries are responsible for carrying out regular works inspection, project administrators are appointed to regularly supervise project quality and materials used, as well as construction progress, and record relevant inspection data.

The Group upholds the principle of green procurement and considers the environmental impact brought from procured products as one of the considerations in the selection of suppliers. For example, the Group uses recyclable and environmentally-friendly Polyethylene (PE) pipeline in construction of piped gas network. In addition, the Group purchases office paper and tissues made of recycled materials; selecting locally grown food for corporate entertainment to reduce carbon emissions from food delivery; buying low-carbon and less packaged ingredients and products and others as striving for protecting the environment.

4.2 Products and Services

The Group aims at achieving missions in the provision of safe, excellent and healthy products and services. The Group maintains strict regulations on quality of natural gas and LPG purchased by its subsidiaries. The quality of natural gas shall meet national standards of Gas I or Gas II category under *Natural Gas*, while LPG shall meet relevant regulations and national standard of *Liquefied Petroleum Gas*. The Group fosters to monitor the real-time quality of natural gas more effectively, subsidiaries are required to request for quality report from natural gas and LPG suppliers. Plus, for stations with intake of gas and LPG, real time monitoring through Online Chromatography is established. In the meantime, for stations with lower intake, *Certification of Production Quality* must be obtained from the suppliers quarterly and stations are responsible for tracking the gas quality on an irregular basis. For example, station located in the upstream of Tianjin area, Online Chromatography was added to real-time monitor the components of purchased gas. Once the gas quality is not up to standard, alarming system of Online Chromatography would automatically be activated. At the same time, the Group will switch the gas immediately to avoid purchase of substandard gases. In addition, the Group regulates suppliers to provide products such as PE pipes and equipment, gas meters, galvanized pipes, pressure regulators, valves and flow meters are all conformed to the national and industrial standards, meanwhile strictly monitor quality of products.

In case of handling complaints about services, the Group issued the *Administrative Measures of Handling Complaints* for subsidiaries to follow. Customers can raise their problems and needs to the Customer Service Centre through the customer service hotline. The Customer Service Centre would then promptly relate the complaints concerned to the respective centre, and the centres are required to handle the issues concerned within 24 hours and report how the case was handled to the regional Operation Department for filing.

The Group acts in strict compliance with the relevant laws and regulations on labelling and advertising as stipulated under the *Advertisement Law of the PRC* and the *Trademark Law of the PRC* as well as in strict compliance with the relevant sales and credibility control. The use of false and misleading description is strictly forbidden under any circumstances during product promotion and conducting transactions. The Group also emphasizes mutual privacy and information security between itself and its customers. The employees exposed to confidential information are required to sign a confidentiality agreement and are committed to strictly protect customer information during servicing. The Group is forbidden to disclose relevant information to a third party without the consent of both parties.

4.3 Anti-corruption

The Group attaches importance to the anti-corruption and regards it as an indispensable element of the Group. The Group acts in strict compliance with the relevant laws and regulations, such as the *Anti-corruption and Bribery Law of the PRC, Prevention of Bribery Ordinance* of Hong Kong Special Administrative Region etc. Based on the above laws and regulations, the Group has promulgated relevant regulations and policies, such as *Administrative Measures of Binhai Investment Whistle-blowing* which details the whistle blowing procedures of identifying bribery and corruption acts to eliminate any forms of corruption and bribery.

With regards to wiping out corruption in the construction works, the Group has specified the duties and formulated the procedures about the procurement of materials and equipment. The Tender Team led by the headquarter is responsible for selection of suppliers of materials and equipment through a tender. Plus, gas meters, flow meters and PE pipes are centrally procured by the headquarter. The Tender Team is responsible for checking carefully the information provided by the shortlisted suppliers including the price and the quantity about the materials and equipment, and forbids any forms of bribery between suppliers and subsidiaries. Meanwhile, the Tender Team overviews the whole tendering procedures of construction works to ensure that the tender procedures are in open, fair and just manner. The Group strictly enforces the *Procurement Procedures* and supervises all the tender activities to eliminate any abuse of authority of tendering personnel. The Tender Team is made up of personnel from different departments to prevent any forms of extortion, fraud and money laundering behaviors in the tender procedures under a transparent organizational structure. All tender activities involve the participation of internal control supervisors, and for each of the tender projects, phone number and email address of the supervisors are publicly disclosed. The whole tendering process and announcement of tender results are filmed and monitored to prevent any corruption acts through a transparent and traceable mechanism.

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5. CARING ACTION

The Group encourages employees to actively participate in community activities to foster community growth and rebate to society. Also, the Group holds safety forum to the community and schools regularly and appoints safety inspectors to conduct safety check in prone areas. Safety checks enhance users' consciousness of gas safety and eliminate possible unsafe factors. The Group also contributes to building a safer, more environmentally friendly and harmonious community through donating money, goods, services and direct assistance.

Examples of Binhai Investment's Community Services during the Reporting Period

A safety talk "Fuel Gas Safety in Campus" was organized a subsidiary of Dezhou in constructing a safe campus environment and harmonious society through safety promotional authorities.

Tangshan Binhai subsidiary carried out an activity of user safety inspection, offering a free-of-charge safety inspection for residents to ensure a safe fuel-gas consumption.

Tangshan subsidiary carried out a promotional activity of "Safe Production Month" in collaboration with the local government.

A subsidiary of Jizhou carried out an activity of free-of-charge upgrade of old and obsolete meters.

6. PERFORMANCE DATA SUMMARY IN THE YEAR OF 2017

The data measurement techniques and calculation methods used for this Report are stated where appropriate. Unless otherwise stated, the figures provided in this section are reported for the year 2017.

Environmental Performance	Unit	Quantity	Intensity
Resources consumption[2]			
Purchased electricity	Kwh	176,943	113.86 kwh/employee
Purchased freshwater	m^3	1,230	0.79 m^3/employee
Purchased heat	GJ	148,075	95.29 GJ/employee
Wastes generation by type			
Electronic wastes	Kg	75	48.26 x 10^{-3} kg/employee
Battery	Piece	500	321.75 x 10^{-3} piece/employee
Mercury-containing light tubes	Piece	120	77.22 x 10^{-3} piece/employee
Paper	Kg	1,247.4	802.7 x 10^{-3} kg/employee
Cartridges	Piece	11	7.08 x 10^{-3} piece/employee
Emissions of air pollutants[3]			
Nitrogen oxides (NOx)	Tonnes	0.026	0.017 x 10^{-3} tonnes/employee
Sulphur oxides (Sox)	Tonnes	0.00035	0.00022 x 10^{-3} tonnes/ employee
GHG emissions			
Scope 1 — Direct Emissions			
Fleet[4]	Tonnes CO_2e	53.64	0.035 tonnes/employee
Scope 2 — Indirect Emissions			
Purchased electricity[5]	Tonnes CO_2e	156.47	0.1 tonnes/employee
Purchased heat[6]	Tonnes CO_2e	16,288.25	10.48 tonnes/employee
Scope 3 — Other Indirect Emissions			
Waste paper disposed at landfill[7]	Tonnes CO_2e	7.92	0.005 tonnes/employee
Business travel[8]	Tonnes CO_2e	3.20	0.002 tonnes/employee
Waste collected for recycling			
Plastics	Kg	50	0.032 kg/employee

Employment	Unit	Quantity
Number of employees	Persons	1,554 persons
Number of employees by employment contract		
Contract employee	Persons	1,521 persons
Dispatched employee	Persons	33 persons
Number of employees by region		
Hebei, Beijing, Tianjin	Percentage	58.1%
Shandong	Percentage	18.7%
Zhejiang, Hunan, Jiangxi	Percentage	13.1%
Jiangsu, Anhui	Percentage	10.1%
Number of employees by gender		
Male	Percentage	61.8%
Female	Percentage	38.2%
Number of employees by age group		
Below 25	Percentage	9.1%
26 to 35	Percentage	41.4%
36 to 50	Percentage	42.4%
Over 51	Percentage	7.1%
Number of employees by academic qualification		
Bachelor's degree or above	Percentage	24%
Percentage of employee turnover by employment contract		
Contract employee	Percentage	5.21%
Dispatched employee	Percentage	0.13%
Percentage of employee turnover by gender		
Male	Percentage	2.83%
Female	Percentage	2.51%
Training and Development	**Unit**	**Quantity**
Training and development		
Total number of hours of training received by employees	Hours	1,666 hours
Average hours of training per employee	Hours/ employee	1.4 hours/employee
Number of employees who received training		
Male	Percentage	80.8%
Female	Percentage	19.2%

2 This scope of calculation includes the consumption of electricity, water and heat in offices of the Group for the year 2017.

3 This scope of calculation includes all air pollutants from fleet during the Reporting Period. This calculation of air pollutant emissions and respective emission factors were set out based on the *Technical Guide for Air Pollutant Emission Inventory for Road Vehicles (Trial)* published by Ministry of Environmental Protection of the PRC.

4 This calculation of GHG emissions and respective emission factors were set out based on the *Guidelines for Accounting and Reporting of Greenhouse Gas Emissions from Land-based Transportation Enterprises (Trial)* published by Ministry of Environmental Protection of the PRC.

5 This calculation of GHG emissions and respective emission factors were set out based on the *2011 and 2012 PRC's Regional Grid Average Carbon Dioxide Emission Factor* published by National Development and Reform Commission of PRC.

6 This calculation of GHG emissions and respective emission factors were set out based on the *Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions in Enterprises in Other Industries (Trial)* published by Ministry of Environmental Protection of the PRC.

7 This calculation of GHG emissions and respective emission factors were set out based on the *Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong 2010 version* published by Hong Kong Environmental Protection Department and Electrical and Me-chanical Services Department.

8 This calculation of GHG emissions was set out based on the methodology of calculation of carbon emissions generated from air travels published by The International Civil Aviation Organization (ICAO) under United Nations Agency.

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7. HKEX ESG REPORTING GUIDE INDEX

General Disclosures and KPIs	Description	Relevant Chapter(s) or Explanation
Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	2
KPI A1.1	The types of emissions and respective emissions data.	6
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	6
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	6
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	6
KPI A1.5	Description of measures to mitigate emissions and results achieved.	2.4
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	2.3
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	2.1
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	6
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	6
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	2.1
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	2.1
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not Applicable
Aspect A3: Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	2.1, 2.2
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	2.1, 2.2

General Disclosures and KPIs	Description	Relevant Chapter(s) or Explanation
	Social	
	Employment and Labour Practices	
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	3.1
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	6
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	6
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	3.3
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	3.3
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	3.2
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	3.1

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General Disclosures and KPIs	Description	Relevant Chapter(s) or Explanation
	Operating Practices	
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	4.1
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored	4.1
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	4.2
KPI B6.4	Description of quality assurance process and recall procedures.	4.2
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	4.2
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	4.3
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	4.3
	Community	
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	5

Biographical Information of Directors and Senior Management

BOARD OF DIRECTORS

Executive Directors

Mr. ZHANG Bing Jun, aged 54, has been the Chairman and an executive Director of the Company since 25 February 2011. Mr. ZHANG graduated from Xidian University (西安電子科技大學) with a Bachelor of Engineering Science degree in July 1984 and is a qualified senior engineer of the People's Republic of China (the "PRC"). Mr. ZHANG studied the State-owned Enterprises course at the Beijing Motorola University (北京摩托羅拉大學) and the Executive Master of Business Administration course at the Guanghua School of Management of the Beijing University (北京大學光華管理學院) in 1999. Mr. ZHANG is currently the Party Secretary and Chairman of Tianjin TEDA Investment Holding Co., Ltd. ("TEDA"), a wholly State-owned company established in the PRC which indirectly held 63.19% of the total issued Ordinary Shares through TEDA HK as at 31 December 2017. Mr. ZHANG has nearly thirty years' experience in electronic engineering, corporate strategy and planning, management, operation and investment. Mr. ZHANG was the General Manager and Deputy Party Secretary of TEDA from June 2006 to January 2011, the Deputy General Manager of Tianjin Zhonghuan Electronic Information Group Co., Ltd. (天津中環電子信息集團有限公司) from November 2005 to June 2006, the Chairman, General Manager and Deputy Party Secretary of Tianjin Optical Electrical Group Co., Ltd. (天津光電集團有限公司) from April 2003 to November 2005 and the Chairman and General Manager of Tianjin Optical Electrical Communications Company (天津光電通信公司) from July 1999 to April 2003. From April 2011 to February 2014, he was chairman of Sihuan Pharmaceutical Co., Ltd. (四環藥業股份有限公司) (a company listed on Shenzhen Stock Exchange). From February 2013 to October 2014, he was the chairman of Tianjin TEDA Co., Ltd. (天津泰達股份有限公司) (a company listed on Shenzhen Stock Exchange).

Mr. GAO Liang, aged 50, has been the General Manager and an executive Director of the Company since 4 August 2009. He has been the Compliance Officer of the Company since February 2010. He is also the general manager of Binhai Investment (Tianjin) Co., Ltd., a wholly-owned subsidiary of the Company incorporated in the PRC since April 2009. Mr. GAO is a senior engineer. He graduated from Wuhan Urban Construction Institute (武漢城市建設學院) with a major in environment hygiene engineering in 1988, and obtained a master's degree in business administration from Nankai University (南開大學) in 2005. He was the deputy director of the Science Promotion Center of Urban and Rural Development Administrative Committee of Tianjin Municipal (天津市城鄉建設管理委員會科技推廣中心) for the period from 1993 to 1995 and the deputy director of the Tianjin Municipal Environmental and Hygienic Engineering Design Council (天津市環衛工程設計院) for the period from 1995 to 2001.

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

Biographical Information of Directors and Senior Management

Non-Executive Directors

Mr. SHEN Xiao Lin, aged 50, has been a non-executive Director since 25 February 2011. Mr. SHEN is a Doctor of Management Studies who graduated from the School of Economics and Management of Tsinghua University（清華大學經濟管理學院）with a Doctorate degree in Technical Economics and Management in December 2001. Mr. SHEN obtained a master's degree in Economics and Management at the School of Management of Huazhong University of Science and Technology（華中科技大學管理學院）in July 1992 and a Bachelor of Industrial Electrical Automation degree at the Wuhan University of Science and Technology（武漢科技大學）in July 1989, and is a qualified senior economist and accountant of the PRC. Mr. SHEN is currently the Deputy General Manager of TEDA. Mr. SHEN was appointed as a full-time supervisor of the Supervisory Board for Key Large State-Owned Enterprises of the State-owned Assets Supervision and Administration Commission of the State Council（國務院國資委國有重點大型企業監事會）from March 2003 to August 2008, a full-time supervisor of the Supervisory Board for Key Large State-Owned Enterprises of the Central Enterprises Work Committee（中央企業工作委員會國有重點大型企業監事會）from September 2002 to March 2003 and the Deputy Head of Project Finance of Shougang Company（首鋼總公司）from January 1999 to September 2002. He worked in the Economic Development Research Centre of the State Metallurgical Industry Bureau（國家冶金部經濟發展研究中心）from July 1992 to December 1998. From April 2011 to February 2014, he was a director of Sihuan Pharmaceutical Co., Ltd.（四環藥業股份有限公司）, a company listed on Shenzhen Stock Exchange.

Mr. ZHANG Jun, aged 50, has been a non-executive Director since 9 February 2010. Mr. ZHANG worked as an executive Director since June 2009, and was re-designated as a non- executive Director in February 2010. Mr. ZHANG graduated from Beijing Normal University（北京師範大學）with a degree in philosophy in July 1990 and completed a course in economics from Nankai University（南開大學）in 1998. He is currently the deputy general manager of TEDA. Prior to that, Mr. ZHANG was the general manager of Tianjin TEDA Group Co., Ltd., a wholly owned subsidiary of TEDA, an administrative officer of TEDA and a deputy administrative officer of TEDA Administrative Commission（天津經濟技術開發區管理委員會）and administrative officer of Tianjin TEDA Eco-Landscape Development Co., Ltd.（天津經濟技術開發區總公司園林綠化公司）. He acted as the chairman of Tianjin TEDA Co., Ltd.（天津泰達股份有限公司）(a company listed on Shenzhen Stock Exchange) from May 2011 to February 2013. He has been a director of Tianjin Binhai Teda Logistics (Group) Corporation Limited (listed on the Hong Kong Stock Exchange) from April 2008 to May 2014.

Biographical Information of Directors and Senior Management

Mr. WANG Gang, aged 52, has been a non-executive Director since 9 February 2010. Mr. WANG worked as an Executive Director from 2004, and was re-designated as a Non- Executive Director in February 2010. Mr. WANG graduated from the thermal engineering branch of Tinjian University(天津大學)with a bachelor's degree in Engineering in July 1990 and acquired a postgraduate degree at Tianjin University of Finance & Economics in July 2001. He is a senior engineer. He is currently assistant general manager of TEDA. He has ample professional experience in thermal engineering. From August 2003 to May 2004, he was the chairman and general manager of Tianjin TEDA Gas Company Limited (which is a wholly-owned subsidiary of Tianjin TEDA Investment Holding Co., Ltd.). Mr. WANG was the vice manager of TEDA Heat and Power Company(泰達熱電公司), a wholly owned subsidiary of TEDA, the vice general manager of Tianjin TEDA Tsinlien Heat & Power Co., Ltd.(泰達津聯熱電公司), a subsidiary of Tianjin Development Holdings Limited, and the general manager of Guohua Energy Development (Tianjin) Co., Ltd.(國華能源發展(天津)有限公司)from August 1997 to August 2003. Mr. WANG was responsible for the day-to-day operation of the Group from May 2004 to July 2007.

Ms. ZHU Wen Fang, aged 50, has been a non-executive Director since 20 August 2010. Ms. ZHU graduated from Lanzhou University(蘭州大學)with a bachelor's degree in July 1990 and a master's degree in business management in 1995. She is currently the manager of the Financial Business Department of TEDA. Prior to that, Ms. ZHU was project manager of TEDA Industrial Investment Co. Ltd.(天津開發區工業投資公司), and project manager and deputy administrative officer of Tianjin TEDA Group Co., Ltd.(天津泰達集團有限公司), a wholly-owned subsidiary of TEDA. She was the deputy chairperson of the board of directors of Sihuan Pharmaceutical Co., Ltd.(四環藥業股份有限公司), a company listed on Shenzhen Stock Exchange, from 2009 to February 2014. She has been a director of Changjiang Securities Co., Ltd.(長江證券股份有限公司), a company listed on the Shenzhen Stock Exchange, since 2007, a director of Tianjin Jinbin Development Co., Ltd.(天津津濱發展股份有限公司), a company listed on the Shenzhen Stock Exchange, since 2008, and a director of Tianjin Binhai Energy and Development Co., Ltd.(天津濱海能源發展股份有限公司)from 2007 to October 2015.

Biographical Information of Directors and Senior Management

Ms. SHI Jing, aged 47, has been a non-executive Director since 29 September 2014. She graduated from Tianjin University of Finance & Economics (天津財經大學) with a bachelor's degree in Economics in 1992 and a master's degree in Economics in 1995. She has been in corporate finance (domestic and foreign) and financial management for many years. Ms. SHI joined Tianjin Development Holdings Limited (天津發展控股有限公司) (Stock Code: 882) ("Tianjin Development", which is interested in approximately 4.23% of the total issued Ordinary Shares), since 2005 and has served in various roles including manager of finance department of Tianjin Development Assets Management Co., Ltd., a wholly-owned subsidiary of Tianjin Development, and general manager of audit and legal affairs department of Tianjin Development. Prior to joining Tianjin Development, she was a commissioner of finance of Ting Hsin International Group (頂新國際集團), vice president of Fengyuan Consulting (Shanghai) Co., Ltd. (豐元諮詢(上海)有限公司) and senior associate of finance department of Tingyi (Cayman Islands) Holding Corp. Ms. SHI is currently the assistant to general manager of Tianjin Development, a director of Tsinlien Group Company Limited (津聯集團有限 公司) ("Tsinlien") and the assistant to general manager of Tianjin Tsinlien Investment Holdings Co., Ltd. (天津津聯投資控股有限公司), both being controlling shareholders of Tianjin Development, as well as director of certain subsidiaries of Tianjin Development and Tsinlien. She is also an executive director of Tianjin Port Development Holdings Limited (Stock Code: 3382). She is also a non-executive director of Dynasty Fine Wines Group Limited (Stock Code: 828) and Tianjin Lisheng Pharmaceutical Co., Ltd. (天津力生製藥股份有限公司), a company listed on Shenzhen Stock Exchange.

Independent Non-Executive Directors

Mr. IP Shing Hing *J.P.*, aged 62, has been an independent non-executive Director since 23 March 2009. He holds a Bachelor of Laws (Hons.) Degree from the University of Hong Kong and a Master of Arts: Arbitration and Alternative Dispute Resolution from the City University of Hong Kong. He is a solicitor and Notary Public, Hong Kong SAR and China-Appointed Attesting Officer, and Justice of Peace, and has been a practising solicitor in Hong Kong for more than 30 years. He also serves as an independent non-executive director of Far East Hotels and Entertainment Limited, CCB International (Holding) Ltd and PC Partner Group Limited (both listed on the Hong Kong Stock Exchange). He was an independent non-executive director of Quam Limited (listed on the Hong Kong Stock Exchange) during the period from 1 October 2006 to 30 September 2008. He is enthusiastic in community activities which include serving as the President of The Law Society of Hong Kong (2002-2004), Vice-President of The Law Society of Hong Kong (1999-2002), Council Member of the Association of China-Appointed Attesting Officers Limited (since 2002), part-time Member of Central Policy Unit (2004-2005), Director of Hong Kong Chinese General Chamber of Commerce (since 1997),Deputy Chairman of the Council of Lingnan University (since 2014), Member of Basic Law Promotion Steering Committee, Member of the Greater Pearl River Delta Business Council and Committee of the Action Committee Against Narcotics.

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

Biographical Information of Directors and Senior Management

Professor Japhet Sebastian LAW, aged 66, has been an independent non-executive Director since 23 March 2009. He obtained his Ph.D. in Mechanical/Industrial Engineering from the University of Texas at Austin in 1976. He joined the Chinese University of Hong Kong in 1986. He was the Associate Dean and subsequently the Dean of the Faculty of Business Administration of the Chinese University of Hong Kong from 1993 until 2002. Professor LAW has acted as a consultant with various corporations in Hong Kong and overseas and is currently an independent non-executive director of the following companies listed on the Hong Kong Stock Exchange: Tianjin Port Development Holdings Limited, Beijing Capital International Airport Co., Ltd., Global Digital Creations Holdings Limited, Shougang Fushan Resources Group Limited, Regal Hotels International Holdings Limited and Tianjin Binhai Teda Logistics (Group) Corporation Limited. He was an independent non-executive director of Cypress Jade Agricultural Holdings Limited from December 2011 to July 2013. He is also active in public services, having served as Member of the Provisional Regional Council of the Hong Kong SAR Government, and various Government and charitable boards and committees.

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

Mr. TSE Tak Yin, aged 69, has been an independent non-executive Director since March 2009. He has 17 years of experience in finance and operation of the gas industry. He was the Chief Accountant of a local piped gas company in 1980 and was appointed as General Manager of Customer Services Division in 1993 and General Manager of Corporate Development Division until 1997. He is currently the Director of ITApps Limited. Mr. TSE is a Fellow Member of Association of Chartered Certified Accountants ("ACCA") and an Associate Member of Hong Kong Institute of Certified Public Accountants ("HKICPA").

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

Mr. LAU Siu Ki, Kevin, aged 59, has been an independent non-executive Director since March 2009. He is currently running his own management consultancy firm, Hin Yan Consultants Limited. Mr. LAU has previously worked at Ernst & Young for over 15 years. He graduated from the Hong Kong Polytechnic in 1981. Mr. LAU is a Fellow Member of both the ACCA and the HKICPA. Mr. LAU was a Member of the World Council of ACCA from May 2002 to September 2011 and the Chairman of ACCA Hong Kong in 2000/2001. Mr. LAU is currently the company secretary of Yeebo (International Holdings) Limited and Hung Fook Tong Group Holdings Limited. He has been appointed an independent non-executive director of China Medical & Healthcare Group Limited, Comba Telecom Systems Holdings Limited, Embry Holdings Limited, FIH Mobile Limited, Samson Holdings Ltd and TCL Multimedia Technology Holdings Limited respectively and the shares of these companies are listed on the Main Board of the Hong Kong Stock Exchange. Mr. Lau has also been appointed the company secretary of Expert Systems Holdings Limited, the shares of which are listed on the Growth Enterprise Market of the Hong Kong Stock Exchange.

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

Biographical Information of Directors and Senior Management

SENIOR MANAGEMENT

Mr. YIN Fu Gang, aged 43, joined the Group in September 2009. He is currently the Company Routine Deputy General Manager and the Company Secretary of the Company. Mr. YIN holds a master's degree of Laws in Nankai University(南開大學)and a master's degree of Business Administration in Finance in Chinese University of Hong Kong. Mr. YIN is a qualified lawyer in the PRC and also has the qualifications as a judge, a senior corporate legal adviser and an intermediate economist in the PRC. He works together with Mr. YIP Wai Yin, a practicing solicitor of the Hong Kong Special Administrative Region and a partner of Messrs. Woo Kwan Lee & Lo, as joint company secretaries of the Company in handling the corporate and secretarial matters of the Company. He has been a director and the company secretary of TEDA HK since 2011. During the period from 1997 to 2002, he was a former court judge of the People's Court of Jinnan District, Tianjin. During the period from 2005 to 2009, he was a Corporate Counsel Section Chief in TEDA.

Mr. HUI Ji Wen, aged 50, joined the Group in June 2017. He is currently the Chief Finance Officer of the Company. Mr. Hui holds a master's degree of Business Administration in Nankai University (南開大學). Mr. Hui is a qualified senior accountant of the PRC and also has the qualifications as a CPA of the PRC. During the period from 2008 to 2017, he was the Chief Finance Officer of the China-Africa TEDA Investment Co., Ltd.(中非泰達投資股份有限公司).

Mr. XING Dong, aged 49, joined the Group in June 2007. He is currently the Deputy General Manager of the Group. Mr. XING graduated from Tianjin University(天津大學)in 1989. During the period from 1990 to 2007, he was the Minister of the Engineering Department, Diversion Operation Department and Investment Management Department of Tianjin Economic-Technological Development Area Water Corporation(天津經濟開發區總公司自來水公司).

Mr. DONG Jian Min, aged 51, joined the Group in August 2009 and is currently the Deputy General Manager. Mr. Dong graduated from Tianjin University of Finance and Economics in 1990. He holds a bachelor's degree and qualifications in economics, human resources management and senior professional management. He was appointed as assistant to the Chairman of Tianjin Jingzhao Investment Group and assistant to Chairman of Tianjin 609 Cable Co., Ltd.

Mr. LUO Dong Xiao, aged 56, joined the Group in 2015 and is currently the chief engineer of the Group and a senior engineer at the professor level. Mr. Luo graduated from Wuhan Engineering University in 1983. He has long term experiences working in the energy industry of production and operation, research, development and management in a large energy and chemical enterprise. He is a part-time professor in the Zhongshan University, Tongji University and other colleges and universities, and a member of the editorial board in the published works such as "Natural Gas Industry" and "Gas and Heat". He has 20 national technology invention patents, published nearly 100 papers and a number of projects which received provincial and ministerial level science and technology awards and has won the Guangzhou high-level talent with the title of outstanding experts.

Directors' Report

The Directors present their report together with the audited financial statements for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES AND OPERATION ANALYSIS

The Company is an investment holding company. Details of the principal activities of the Company's subsidiaries are set out in Note 38 to the financial statements.

The analysis of the Group's performance for the year by business segments is set out in Note 6 to the financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2017 is set out in the sections headed "Financial Highlights", "Chairman's Statement" and "Management Discussion and Analysis" from pages 5 to 6, pages 7 to 10 and pages 11 to 14 respectively of this Annual Report.

SOCIAL RESPONSIBILITIES AND ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long term sustainability of the environment and communities in which it engages. Acting in an environmentally responsible manner, the Group endeavours to identify and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. Details of which are set out in the "Environmental, Social and Governance Report" on pages 30 to 46 of this Annual Report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the year ended 31 December 2017, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

Directors' Report

PRINCIPAL RISKS AND UNCERTAINTIES

2017 was a year in which the national natural gas industry had a ground breaking development. In this year, the reform direction of the crude oil and gas system became gradually clear and the status of natural gas being a major energy was recognized, as well as the support from the governmental policies became more positive. In 2018, the environmentally-friendly policy will continue to advance. The growth of demand for natural gas will maintain at a rapid pace, but the growth rate has declined. It is estimated that the production of natural gas will grow steadily, the import volume will continue to grow at a relatively high rate, and the supply and demand of natural gas will be relatively balanced. However, the ability of gas storage and peak-shaving is insufficient, which may lead to a relatively large difference between seasonal supply and demand. Therefore, investment in gas storage and peak-shaving facilities and the cost pass-through of the price of terminal sales are important issues to the Company. The Company however has strong confidence in sustainable development. First, the village-to-village projects in Tianjin Binhai New Area, Baodi, Jinnan, Ninghe and Zhuozhou City in Hebei Province are expected to bring a further increase in the sales volume of gas to the Company in 2018. Following the increase in the electricity power generation capacity of Nanqiang Power Plant, the pipeline transmission capacity of the Company will also increase. The close collaboration between three major sources of natural gas namely PetroChina, CNOOC and Sinopec, and the Company will further enhance the purchase and bargaining power of the Company.

The Company issued US$300 million bonds in December 2017. The original US$200 million bonds will be due in May 2018. The Company currently has not adopted a foreign exchange hedging policy, but the Company has been monitoring the risk of foreign exchange and has been extensively contacting banks and financial institutions for considering the use of hedging instruments.

According to financial strategy of the Company, the USD bond held by the Company will be due in May 2018, but there are uncertainties in fluctuations of currency rate. The Company currently has not adopted a foreign exchange hedging policy, but the Company has been monitoring the risk of foreign exchange and has been extensively contacting banks and financial institutions for considering the use of hedging instruments.

FINANCIAL RESULTS AND DIVIDEND

The financial results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss on page 76.

Based on the annual profit of the Company for the year ended 31 December 2017 and taking into account the financial position of the Company, the Board recommended a final dividend of HK$0.055 per ordinary share (the "Final Dividend") for the year ended 31 December 2017 (year ended 31 December 2016: HK$0.05 per ordinary share).

The Final Dividend is subject to approval by holders of the ordinary shares at the annual general meeting (the "AGM") of the Company to be held on 11 May 2018 and is expected to be paid on 29 June 2018.

Directors' Report

CLOSURES OF REGISTER OF MEMBERS

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

Shareholders of the Company whose names appear on the register of members of the Company on Friday, 11 May 2018 will be eligible to attend and, in relation to holders of ordinary shares, to vote at the AGM. The register of members of the Company will be closed from Tuesday, 8 May 2018 to Friday, 11 May 2018 (both days inclusive). All completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Hong Kong Registrars Limited of Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 7 May 2018.

(b) For determining the entitlement to the Final Dividend

The Final Dividend will be payable to the holders of ordinary shares whose names appear on the register of members of the Company on Wednesday, 6 June 2018 and the register of members of the Company will be closed from Tuesday 5 June 2018 to Wednesday, 6 June 2018 (both days inclusive). In order to qualify for the Final Dividend, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Hong Kong Registrars Limited of Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Monday, 4 June 2018.

FINANCIAL HIGHLIGHTS

A summary of the financial results, assets and liabilities of the Group for the last five financial years ended 31 December 2017 is set out on page 172.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in Note 16 to the financial statements.

Directors' Report

SHARE CAPITAL

As at 31 December 2017, the Company had 1,174,348,950 ordinary shares at par value of HK$0.10 each ("Ordinary Share(s)") and 8,600,000 redeemable preference shares at par value of HK$50.00 each ("Redeemable Preference Share(s)") in issue. 8,600,000 Redeemable Preference Shares were issued to Cavalier Asia Limited for the consideration of HK$430 million on 4 May 2009, all of which were subsequently transferred to TEDA Hong Kong Property Company Limited in August 2011.

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

Details of the movements in the share capital of the Company during the year ended 31 December 2017 are set out in Note 26 to the financial statements.

PRE-EMPTIVE RIGHTS

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

RESERVES

Movements in the reserves of the Group and of the Company during the year are set out in Note 28 and Note 39 to the financial statements and in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

The Company had no reserves available for cash distribution and/or distribution in specie as calculated under the Companies Act of Bermuda as at 31 December 2017 (as at 31 December 2016: Nil).

EQUITY-LINKED AGREEMENTS

Save as disclosed in this Annual Report relating to the share option scheme of the Company, which subsisted as at 31 December 2017, no equity-linked agreements were entered into during the year ended 31 December 2017 or subsisted at the end of the year.

CHARITABLE DONATIONS

During the year ended 31 December 2017, the Group made no charitable donations or other donations (year ended 31 December 2016: Nil).

SHARE OPTION SCHEME

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

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

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

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

Pursuant to the 2010 Scheme, the Company granted 90,500,000 share options to the Directors and certain employees under continuous contract with the Group on 27 September 2010. Upon the share consolidation of the Company taking effect on 14 May 2015, the total number of shares that will be issued upon the exercise of the outstanding share options under the 2010 Scheme was adjusted from 55,500,000 ordinary shares of HK$0.01 each to 5,550,000 consolidated ordinary shares of HK$0.10 each, and the exercise price of such options had also been adjusted from HK$0.56 per ordinary share of HK$0.01 each to HK$5.60 per consolidated ordinary share of HK$0.10 each. During the year ended 31 December 2017, no share options lapsed.

As at 31 December 2017, a total of 53,878,120 Ordinary Shares (representing approximately 4.59% of the issued Ordinary Shares as at 31 December 2017) could be issued upon exercise of all options which may be but were not yet granted under the 2010 Scheme, and a total of 5,050,000 Ordinary Shares (representing approximately 0.43% of the issued Ordinary Shares as at 31 December 2017) could be issued upon exercise of all options which had been granted and yet to be exercised under the 2010 Scheme.

Details of movement of share options granted under the 2010 Scheme during the year ended 31 December 2017 are as follows:

Grantee	Date of grant	Exercise Period *(Note)*	Exercise Price *(HK$)*	Number of Ordinary Shares subject to outstanding options as at 1 January 2017	Number of options lapsed during the year	Number of Ordinary Share subject to outstanding options as at 31 December 2017	Approximate percentage of the Company's total issued Ordinary Shares as at 31 December 2017
Directors	27.9.2010	27.9.2010 – 26.9.2020	5.6	3,900,000	–	3,900,000	0.33%
Employees	27.9.2010	27.9.2010 – 26.9.2020	5.6	1,150,000	–	1,150,000	0.10%
Total				5,050,000	–	5,050,000	0.43%

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

Save as disclosed above, no share option was granted, exercised, cancelled or lapsed during the year ended 31 December 2017.

Directors' Report

DIRECTORS

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

Executive Directors:

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

Non-executive Directors:

Mr. SHEN Xiao Lin
Mr. ZHANG Jun
Mr. WANG Gang
Ms. ZHU Wen Fang
Mr. LI Wei (resigned on 17 March 2017)
Ms. SHI Jing
Mr. HE Xiang Li (appointed on 17 March 2017 and resigned on 5 December 2017)

Independent Non-executive Directors:

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

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

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

RESIGNATION OF DIRECTOR

Mr. LI Wei resigned as a non-executive director of the Company with effect from 17 March 2017 in pursuit of his career development. Mr. HE Xiang Li resigned as a non-executive director of the Company with effect from 5 December 2017 in pursuit of his career development. During the year, no director resigned from his office or refused to stand for re-election to his office due to reasons relating to the affairs of the Company.

Directors' Report

DIRECTORS' SERVICE CONTRACTS

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

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

MATERIAL CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save for the contracts with TEDA and its subsidiaries and associates which are set out in the sections headed "CONTINUING CONNECTED TRANSACTIONS", there were no material contracts between the Group and its controlling shareholder or its associates during the year ended 31 December 2017.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year ended 31 December 2017.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

No Director had any interest in any business which competes or is likely to compete with the business of the Group as at 31 December 2017.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director had a material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party which subsisted at the end of the year ended 31 December 2017 or at any time during the period.

DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the Directors' remuneration and the five highest paid individuals are set out in Note 12 to the consolidated financial statement to this report. More particulars are also set out in the section headed "REMUNERATION COMMITTEE" in the "CORPORATE GOVERNANCE REPORT".

Directors' Report

CHANGE IN DIRECTOR'S INFORMATION

Mr. LAU Siu Ki, Kevin was appointed as an independent non-executive director of TCL Multimedia Technology Holdings Limited (a company listed on the Main Board of Hong Kong Stock Exchange (Stock code: 1070)) with effect from 3 November 2017.

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

PERMITTED INDEMNITY PROVISION

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

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

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

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

As at 31 December 2017, the interests or short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), Chapter 571 of the Laws of Hong Kong) which were required to be: (a) recorded in the register kept by the Company pursuant to section 352 of the SFO; or (b) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules were as follows:

		Interest in Ordinary Shares						
Name of Director	Capacity	Personal interests	Corporate interests	Family interests	Total interests	Interests in underlying Ordinary Shares pursuant to share options	Total interests in Ordinary Shares and underlying ordinary shares	Approximate percentage of the Company's total issued ordinary shares as at 31 December 2017
Mr. GAO Liang	Beneficial owner	–	–	–	–	1,000,000	1,000,000	0.09%
Mr. ZHANG Jun	Beneficial owner	–	–	–	–	700,000	700,000	0.06%
Mr. WANG Gang	Beneficial owner	–	–	–	–	700,000	700,000	0.06%
Ms. ZHU Wen Fang	Beneficial owner	–	–	–	–	700,000	700,000	0.06%
Mr. IP Shing Hing, *J.P.*	Beneficial owner	–	–	–	–	200,000	200,000	0.02%
Professor Japhet Sebastian LAW	Beneficial owner	100,000	–	–	100,000	200,000	300,000	0.03%
Mr. TSE Tak Yin	Beneficial owner	–	–	–	–	200,000	200,000	0.02%
Mr. LAU Siu Ki, Kevin	Beneficial owner	–	–	–	–	200,000	200,000	0.02%

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

Director's rights to acquire shares or debentures

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

Name of Director	Date of grant	Exercise Period	Exercise Price *(HK$)*	Number of Ordinary Shares subject to outstanding options as at 1 January 2017 and 31 December 2017	Approximate percentage of the Company's total issued ordinary shares as at 31 December 2017
Mr. GAO Liang	27.9.2010	27.9.2010 – 26.9.2020	5.6	1,000,000	0.09%
Mr. ZHANG Jun	27.9.2010	27.9.2010 – 26.9.2020	5.6	700,000	0.06%
Mr. WANG Gang	27.9.2010	27.9.2010 – 26.9.2020	5.6	700,000	0.06%
Ms. ZHU Wen Fang	27.9.2010	27.9.2010 – 26.9.2020	5.6	700,000	0.06%
Mr. IP Shing Hing, *J.P.*	27.9.2010	27.9.2010 – 26.9.2020	5.6	200,000	0.02%
Professor Japhet Sebastian LAW	27.9.2010	27.9.2010 – 26.9.2020	5.6	200,000	0.02%
Mr. TSE Tak Yin	27.9.2010	27.9.2010 – 26.9.2020	5.6	200,000	0.02%
Mr. LAU Siu Ki, Kevin	27.9.2010	27.9.2010 – 26.9.2020	5.6	200,000	0.02%

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

Save as disclosed above, at no time during the year ended 31 December 2017 were rights to acquire benefit by means of the acquisition of any class of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire such right in any other body corporate.

Save as disclosed above, as at 31 December 2017, there were no other interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (as defined under Part XV of the SFO) entered in the register kept by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2017, the persons (not being a Director or chief executive of the Company) or companies who or which had interests or short positions in the shares or underlying shares of the Company which were notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under section 336 of the SFO are listed as follows:

			Interest in Ordinary Shares/underlying Ordinary Shares							
			Number of Ordinary Shares				Number of underlying Ordinary Shares			
Name of shareholder	Position	Capacity	Beneficial interest	Family interest	Corporate interest	Other interest	Corporate interest	Other Interest	Total interest	Approximate percentage of the total issued Ordinary Shares of the Company as at 31 December 2017
Tianjin TEDA Investment Holding Co., Ltd. ("TEDA")	Long	Interest of controlled corporation	–	–	742,049,127 *(Note 1)*	–	–	–	742,049,127	63.19%
Mr. SHUM Ka Sang ("Mr. SHUM")	Long	Beneficial owner/ Interest of controlled Corporation/Interest of Spouse	308,000	127,924 *(Note 3)*	62,952,600 *(Note 2)*	–	–	–	63,388,524	5.40%
Wah Sang Gas Development Group (Cayman Islands) Limited	Long	Beneficial owner	61,952,600 *(Note 2)*	–	–	–	–	–	61,952,600	5.28%
Ms. WU Man Lee	Long	Beneficial owner/Interest of spouse	127,924	63,260,600 *(Note 3)*	–	–	–	–	63,388,524	5.40%

Notes:

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

2. Wah Sang Gas Development Group (Cayman Islands) Limited is a company entirely owned by Mr. Shum. The corporate interest held by Mr. Shum refers to his deemed interests in the 61,952,600 Ordinary Shares held by Wah Sang Gas Development Group (Cayman Islands) Limited and in the 1,000,000 Ordinary Shares held by Wah Sang Gas Development (Group) Limited which is 100%-controlled by Mr. Shum.

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

Other than as disclosed above, as at 31 December 2017, the Company had not been notified of any other interests or short positions in the shares or underlying shares of the Company which were recorded in the register required to be kept under section 336 of the SFO.

Directors' Report

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

The Group disposed of its interests in thirty subsidiaries ("Disposed Subsidiaries") to Cavalier Asia Limited to hold on behalf of TEDA HK pursuant to an agreement (the "2008 Disposal Agreement") dated 28 May 2008 (as amended) between Cavalier Asia Limited and a subsidiary of the Company. The 2008 Disposal Agreement was deemed completed in May 2009. Since then, the Group has repurchased interests in six of the Disposed Subsidiaries from TEDA HK, TEDA HK has disposed of interests in eighteen of the Disposed Subsidiaries to independent third parties, and three of the Disposed Subsidiaries were de-registered. As at 31 December 2017, TEDA HK still held interests in one of the Disposed Subsidiaries, namely Weishan Wah Sang Gas Co., Ltd. Although the businesses carried on by this Disposed Subsidiary is similar to the business of the Group, it operates in an area where the Group does not have any business, namely Weishan in Shangdong province. Therefore, the Directors are of the view that the businesses of that Disposed Subsidiary which TEDA HK is currently interested in do not compete directly with the business of the Group.

Apart from the Disposed Subsidiary as mentioned above, TEDA owns a 100% of the equity interest in Tianjin TEDA Gas Company Limited ("TEDA Gas") and a minority interest in Tianjin Eco-City Energy Investment Construction Company Limited ("Tianjin Eco-City") which are engaged in the supply of gas to end users.

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

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

Directors' Report

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

CONTINUING CONNECTED TRANSACTIONS

As at the date of this report, TEDA through its wholly-owned subsidiary holds approximately 63.19% of the total issued ordinary shares of the Company and is the controlling shareholder of the Company. TEDA and its associates are connected persons of the Company.

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

(a) Master gas supply agreement

Date of the agreement:	2 December 2015
Duration:	From 1 January 2016 to 31 December 2018
Parties:	TEDA The Company
Transaction involved:	Supply of natural gas by the Group to TEDA and its subsidiaries and associates pursuant to agreements for supply of natural gas to be entered into from time to time
Annual cap for the period from 1 January 2016 to 31 December 2017	RMB706,381,000
Actual transaction amount in the period from 1 January 2017 to 31 December 2017	RMB310,324,000

(b) Master gas supply connection agreement

Date of the agreement:	2 December 2015
Duration:	From 1 January 2016 to 31 December 2018
Parties:	TEDA the Company
Transaction involved:	Provision of gas supply connection services by the Group to TEDA and its subsidiaries and associates pursuant to the agreement for services of construction of gas connection facilities entered into from time to time
Annual cap for the period from 1 January 2016 to 31 December 2017	RMB38,329,000
Actual transaction amount in the period from 1 January 2017 to 31 December 2017	RMB23,089,000

Details on related party transactions for the year are set out in Note 37 to the consolidated financial statements. Details of any related party transaction which also constitute connected transaction or continuing connected transaction not exempted under paragraph 14A.73 of the Listing Rules are disclosed above. The Group has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of such transactions.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group on pages 66 and 67 of the Annual Report in accordance with paragraph 14A.56 of the Listing Rules.

Directors' Report

The independent non-executive Directors have reviewed the continuing connected transactions referred to above for the year ended 31 December 2017 and confirm that these transactions have been entered into:

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

(b) on normal commercial terms; and

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

EVENTS AFTER THE REPORTING PERIOD

There is no event after the reporting period which would have a material impact on the Company's financial position.

MAJOR CUSTOMERS AND SUPPLIERS

In the year ended 31 December 2017, sales to the five largest customers of the Group accounted for 19% (year ended 31 December 2016: 32%) of the total revenue from sales of goods and service, and revenue from sales to the largest customer (Tianjin TEDA Gas Company Limited) included therein accounted for 8% (year ended 31 December 2016: 15% (The largest customer was Tianjin Pipe Group Corporation and its subsidiaries)).

Purchases from the five largest suppliers of the Group accounted for 54% (year ended 31 December 2016: 50%) of the total purchases in the year ended 31 December 2017 and purchases from the largest supplier included therein accounted for 21% (year ended 31 December 2016: 25%).

Among the five largest customers of the Group, Tianjin TEDA Gas Company Limited is a connected person of the Company.

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

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

Directors' Report

PUBLIC FLOAT

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

AUDITOR

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

Deloitte Touche Tohmatsu was appointed as the external auditor of the Company at the special general meeting of the Company held on 23 November 2015, and was re-appointed at the annual general meeting of the Company held on 5 May 2017.

On behalf of the Board
Binhai Investment Company Limited

Gao Liang
Executive Director

Hong Kong, 16 March 2018

Independent Auditor's Report

Deloitte. 德勤

TO THE SHAREHOLDERS OF
BINHAI INVESTMENT COMPANY LIMITED
濱海投資有限公司
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Binhai Investment Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 76 to 171, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, 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 disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS — continued

Impairment assessment of property, plant and equipment	How our audit addressed the key audit matter
We identified the impairment assessment of property, plant and equipment as a key audit matter because the carrying value of property, plant and equipment is significant to the Group's consolidated financial statements and that value-in-use calculation based on management's view of future business prospects is inherently judgmental. The asset held for sale represented property under development for the year ended 31 December 2016. During the year ended 31 December 2017, the property under development ceased to be classified as asset held for sale, it removed from the held for sale category and classified as a property under development in property, plant and equipment. The recoverable amounts of the asset is determined based on the higher of fair value less costs of disposal. The fair value less costs of disposal requires the Group to revalued the asset, an impairment assessment performed and an impairment charge of HK$34,140,000 recorded, measured at its recoverable amount at the date of reclassification it in property, plant and equipment. Details of the related key estimation uncertainties and property, plant and equipment are set out, respectively, in Note 4 and Note 16 to the consolidated financial statements.	Our procedures in relation to management's impairment assessment of property, plant and equipment included: • Understanding the Group's key control for the impairment assessment of the property, plant and equipment; • Evaluating the independent external valuer's competence, capability and objectivity; • Assessing the methodologies used by the external valuer; and • Checking the accuracy and valuating the reasonableness of key assumptions and inputs adopted by the external valuer.

Independent Auditor's Report

KEY AUDIT MATTERS — continued

Impairment of trade receivables	How our audit addressed the key audit matter
We identified the impairment of trade receivables as a key audit matter because the impairment assessment has involved significant estimation and judgments regarding the identification of impaired trade receivables and regarding the amount of impairment. The Group makes allowance for doubtful debts based on an assessment of the recoverability of trade receivables. Allowance is applied to these receivables where events or changes in circumstance indicate that the balances may not be collectible. The Group recorded an impairment loss of HK$111,283,000 for the year then ended 2017. Details of the related key estimation uncertainties and trade receivables are set out, respectively, in Note 4 and Note 22 to the consolidated financial statements.	Our procedures in relation to impairment of trade receivables included: • Understanding how the management performed impairment review; • Testing the aged analysis prepared by the management on sample basis by comparing the age classification with the corresponding supporting documents; and • Considering the sufficiency and reasonableness of assumptions used by the management for the determination of allowance for doubtful debts with reference to aged analysis, historical credit records, subsequent collection, past payment practices and previous experiences of bad debt exposure.

OTHER INFORMATION

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

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

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

Independent Auditor's Report

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

Independent Auditor's Report

The engagement partner on the audit resulting in the independent auditor's report is Chung Chin Cheung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

16 March 2018

Consolidated Statement of Profit or Loss

For the year ended 31 December 2017

	Notes	**2017** **HK$'000**	2016 HK$'000
Revenue	5, 6	**2,745,687**	2,145,194
Cost of sales and services		**(2,173,358)**	(1,604,802)
Gross profit		**572,329**	540,392
Other income	7	**18,373**	18,773
Other gains and losses	8	**(28,558)**	(79,376)
General and administrative expenses		**(195,146)**	(156,421)
Interest income	9	**6,249**	3,293
Interest expenses	9	**(75,663)**	(66,170)
Share of profit of an associate		**4,772**	3,228
Share of losses of joint ventures		**(3,192)**	(3,091)
Profit before tax	10	**299,164**	260,628
Income tax expense	11	**(75,278)**	(83,025)
Profit for the year		**223,886**	177,603
Profit for the year attributable to:			
— Owners of the Company		**221,421**	172,226
— Non-controlling interests		**2,465**	5,377
		223,886	177,603
Earnings per ordinary share			
— Basic (HK cents)	14	**18.9**	14.7
— Diluted (HK cents)	14	**18.9**	14.7

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	2017 **HK$'000**	2016 *HK$'000*
Comprehensive income		
Profit for the year	**223,886**	177,603
Other comprehensive income (expense)		
Item that will not be reclassified subsequently to profit or loss:		
Currency translation differences	**82,093**	(76,062)
Total comprehensive income for the year	**305,979**	101,541
Attributable to:		
— Owners of the Company	**300,639**	98,748
— Non-controlling interests	**5,340**	2,793
Total comprehensive income for the year	**305,979**	101,541

Consolidated Statement of Financial Position

At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current Assets			
Prepaid lease payments	15	**139,782**	66,033
Property, plant and equipment	16	**3,463,525**	2,833,956
Investment properties	17	**7,930**	—
Intangible assets	18	**14,741**	13,047
Interest in an associate	19	**29,693**	23,001
Interests in joint ventures	20	**25,501**	29,009
Advance payment for pipeline construction	22	**25,517**	2,036
Pledged deposits	29(d)	**12,967**	7,702
Deferred tax assets	31	**5,379**	5,174
		3,725,035	2,979,958
Current Assets			
Inventories	21	**86,049**	44,123
Trade and other receivables	22	**740,832**	540,378
Amounts due from customers for contract works	23	**52,310**	48,731
Pledged bank deposits	24	**11,116**	8,651
Bank balances and cash	24	**3,260,656**	323,361
		4,150,963	965,244
Assets held for sale	25	**—**	126,472
		4,150,963	1,091,716
Total Assets		**7,875,998**	4,071,674
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	26		
— Ordinary shares		**117,435**	117,435
— Redeemable preferences shares		**430,000**	430,000
Share premium		**157,522**	157,522
Other reserves	28	**(93,052)**	(199,802)
Retained earnings		**816,701**	681,529
Equity attributable to owners of the Company		**1,428,606**	1,186,684
Non-controlling interests		**33,234**	35,177
Total Equity		**1,461,840**	1,221,861

Consolidated Statement of Financial Position

At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
LIABILITIES			
Non-current Liabilities			
Borrowings	29	**2,704,765**	1,721,704
Deferred income	30	**34,626**	33,340
		2,739,391	1,755,044
Current Liabilities			
Amounts due to customers for contract works	23	**35,579**	35,189
Trade and bills payables and other payables	32	**1,454,518**	947,500
Tax liabilities		**64,356**	44,044
Borrowings	29	**2,120,314**	68,036
		3,674,767	1,094,769
Net Current Assets (Liabilities)		**476,196**	(3,053)
Total Assets less Current Liabilities		**4,201,231**	2,976,905
Total Liabilities		**6,414,158**	2,849,813
Total Equity and Liabilities		**7,875,998**	4,071,674

The consolidated financial statements on pages 76 to 171 were approved and authorised for issue by the board of directors on 16 March 2018 and are signed on its behalf by:

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Company						
	Share capital HK$'000	Share premium HK$'000	Other reserves *(Note 28)* HK$'000	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 31 December 2015	547,435	157,522	(144,707)	586,403	1,146,653	32,384	1,179,037
Profit for the year	–	–	–	172,226	172,226	5,377	177,603
Currency translation differences	–	–	(73,478)	–	(73,478)	(2,584)	(76,062)
Total comprehensive (expenses) income for the year	–	–	(73,478)	172,226	98,748	2,793	101,541
Employee share options forfeited	–	–	(1,443)	1,443	–	–	–
Dividends relating to 2015	–	–	–	(58,717)	(58,717)	–	(58,717)
Appropriation of statutory reserve	–	–	19,826	(19,826)	–	–	–
At 31 December 2016	**547,435**	**157,522**	**(199,802)**	**681,529**	**1,186,684**	**35,177**	**1,221,861**
Profit for the year	**–**	**–**	**–**	**221,421**	**221,421**	**2,465**	**223,886**
Currency translation differences	**–**	**–**	**79,218**	**–**	**79,218**	**2,875**	**82,093**
Total comprehensive income for the year	**–**	**–**	**79,218**	**221,421**	**300,639**	**5,340**	**305,979**
Dividends relating to 2016	**–**	**–**	**–**	**(58,717)**	**(58,717)**	**–**	**(58,717)**
Dividends paid to non-controlling interest	**–**	**–**	**–**	**–**	**–**	**(7,283)**	**(7,283)**
Appropriation of statutory reserve	**–**	**–**	**27,532**	**(27,532)**	**–**	**–**	**–**
At 31 December 2017	**547,435**	**157,522**	**(93,052)**	**816,701**	**1,428,606**	**33,234**	**1,461,840**

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
OPERATING ACTIVITIES		
Profit before tax	**299,164**	260,628
Adjustments for:		
Interest expenses	**75,663**	66,170
Interest income	**(6,249)**	(3,293)
Share of profit of an associate	**(4,772)**	(3,228)
Share of losses of joint ventures	**3,192**	3,091
Depreciation of property, plant and equipment	**104,546**	81,968
Impairment loss reversed in respect of property, plant and equipment	**—**	(18,710)
Amortisation of prepaid lease payments	**1,865**	2,145
Amortisation of intangible assets	**475**	82
Impairment loss recognised in respect of property, plant and equipment	**34,140**	—
Impairment loss recognised in respect of investment of a joint venture	**2,302**	—
Loss (gain) on disposal of property, plant and equipment and prepaid lease payments	**2,293**	(2,296)
Allowance for impairment of trade and other receivables	**113,866**	10,774
Reversal of impairment of trade and other receivables	**(4,148)**	(12,228)
Foreign exchange (gains) losses	**(113,526)**	115,235
Fair value gain on derivative component of convertible bond	**—**	(9,793)
Gain on redemption of wealth management products purchased from financial institutions	**—**	(442)
Government grant received	**1,993**	—
Operating cash flows before movements in working capital	**510,804**	490,103
(Increase) decrease in inventories	**(41,926)**	8,545
Increase in trade and other receivables	**(253,875)**	(55,331)
Increase in amount due from customers for contract works	**(3,579)**	(3,752)
Increase in trade and bills payables and other payables	**379,585**	94,708
Increase in amount due to customers for contract works	**390**	420
Cash generated from operations	**591,399**	534,693
Income tax paid	**(70,309)**	(92,955)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**521,090**	441,738

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017 *HK$'000*	2016 *HK$'000*
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(418,835)**	(274,039)
Purchase of intangible assets	**(1,157)**	(13,567)
Purchase of prepaid lease payments	**(44,803)**	(27,205)
Proceeds from disposal of property, plant and equipment and prepaid lease payments	**2,036**	6,442
Withdrawal of pledged bank deposits	**36,212**	11,629
Placement of pledged bank deposits	**(37,957)**	(8,364)
Acquisition of wealth management products	**—**	(250,346)
Proceed from redemption of wealth management products	**—**	250,788
Interest received	**6,249**	3,293
Government grant received	**—**	35,648
NET CASH USED IN INVESTING ACTIVITIES	**(458,255)**	(265,721)
FINANCING ACTIVITIES		
Proceeds from borrowings	**3,073,850**	395,997
Repayments of borrowings	**(95,475)**	(419,234)
Pledged deposit paid	**(4,512)**	(7,960)
Interest paid	**(67,530)**	(76,525)
Transaction cost of borrowings paid	**(10,680)**	—
Dividend paid	**(58,717)**	(58,717)
Dividend paid to non-controlled interests	**(7,283)**	—
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	**2,829,653**	(166,439)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,892,488**	9,578
Cash and cash equivalents at 1 January	**323,361**	331,184
Effect of foreign exchange rate changes	**44,807**	(17,401)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER, REPRESENTED BY BANK BALANCES AND CASH	**3,260,656**	323,361

Notes to the Consolidated Financial Statements

For the year ended 31 December 2017

1. GENERAL INFORMATION

Binhai Investment Company Limited (the "Company") was incorporated in Bermuda on 8 October 1999, with its principal place of business at Suites 3205-07, 32/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong. The Company is a public limited company and its shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 38. The Company and its subsidiaries are hereafter together referred to as the Group.

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

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

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

Amendments to HKAS 7 *Disclosure Initiative*

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The Group's liabilities arising from financing activities consist of borrowings (Note 29) and certain other financial liabilities (Note 35). A reconciliation between the opening and closing balances of these items is provided in Note 36. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in Note 36, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[4]
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[2]
Amendments to HKFRS 2	Classification and Measurement of Share – based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 "Insurance Contracts"[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]

Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle[1]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

HKFRS 9 *Financial Instruments*

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

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

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

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

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

Classicification and measurement

All financial assets and financial liabilities will continue to measure on the same bases as are currently measured under HKAS 39.

Impairment

In general, the Directors anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

The Group expects to apply the simplified approach to recognise lifetime expected credit losses for its trade receivables as required or permitted under HKFRS 9. Based on the assessment by the Directors, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 January 2018 would not be significantly increased as compared to the accumulated amount recognised under HKAS 39, and it is mainly attributable to the expected credit losses provision on trade and other receivables. Such further impairment recognised under expected credit loss model would reduce the opening retained profits at 1 January 2018.

HKFRS 15 *Revenue from Contracts with Customers*

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

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

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

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

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

The Directors have preliminarily assessed the performance obligations in respect of the different types of contracts with customers, in particular, the identification of distinct performance obligations under HKFRS 15 and the allocation of total consideration to the distinct performance obligations based on the relative fair values of piped gas sales and connection construction service. The revenue relevant to sales of piped gas will be recognised when the Group satisfied its performance obligation by providing gas to the customer. The revenue relevant to connection construction service will be recognised over time during the course of construction. The Directors intend to apply the limited retrospective method with cumulative effect of initial application recognised in opening balance of equity at 1 January 2018, and apply this standard retrospectively only to contracts that are not completed contracts at 1 January 2018. Based on the current assessment on existing contracts, the Directors do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods. In addition, the application of HKFRS 15 in the future may result in more disclosure in the consolidated financial statements.

HKFRS 16 *Leases*

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

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

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

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

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

Upon application of HKFRS 16, the Group will continue to account for the sale and leaseback transactions entered into by the Group as disclosed in Note 29 as collateralised borrowings.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of HK$9,884,000 as disclosed in Note 33. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Under application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

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

Business combinations

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

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

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

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

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

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

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

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

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

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

Merger accounting for business combination involving entities under common control

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

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

The consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income include the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where there is a shorter period.

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

Investments in associates and joint ventures

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

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

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

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

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

Non-current assets held for sale

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

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

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

When an asset has previously been classified as held for sale, but the held for sale criteria are no longer met, the asset or disposal group should be removed from the held for sale category.

When a non-current asset ceases to be classified as held for sale, it should be measured at the lower of:

(a) its carrying amount before the asset was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset not been classified as held for sale; and

(b) its recoverable amount at the date of the subsequent decision not to sell.

Revenue recognition

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

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

Gas Connection services income

The Group's policy for the recognition of revenue from gas connection contract is described in the accounting policy for "Gas connection contracts" below.

Sales of piped gas

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

Pipeline transportation income

Pipeline transportation income is recognised when gas has been transported.

Service income

Service income is recognised when services are provided.

Interest income

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

The Group's accounting policy for recognition of revenue from operating lease is described in the accounting policy for leasing below.

Gas connection contracts

When the outcome of a gas connection services contract can be ascertained with reasonable certainty and the stage of completion can be measured reliably, revenue and costs are recognised over the period of the contract. The percentage of completion method is used to determine the appropriate amount of revenue and costs to be recognised in a given period. The stage of completion is measured for each specific contracted work by reference to: (a) the proportion of the services performed to date as a percentage of total services to be performed; or (b) the contract costs incurred up to the end of reporting period as a percentage of total estimated costs for each contract.

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

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

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

When a gas connection contract provides that the Group is committed to provide ongoing access to gas supply, revenue is recognised on a straight-line basis over the life of the connection service and gas supply period. The unearned portion of the gas connection income received is stated as deferred income in the consolidated statement of financial position.

Leasing

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

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

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

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

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

The Group as lessor

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

The Group as lessee

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

Leasehold land and building

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

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

Foreign currencies

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

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the year in which they are incurred.

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

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

Government grants

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

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

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

Retirement benefit costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Pension obligations

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

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

Contributions made are based on a percentage of the participating employees' salaries and are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the respective scheme.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based payment arrangements

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

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

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

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. The impact of the revision of the original estimates, if any, is recognised in the consolidated statement of profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the employee share option reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (and share premium). For share options forfeited after vesting date or are still not excercised at the expiry date, the amount previously recognised as employee share option reserve will be transferred to retained earnings.

Taxation

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

Current income tax

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

Deferred tax

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

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

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

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

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

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

Property, plant and equipment

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

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

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

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

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

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes).

Investment properties measured using the cost method

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

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

Intangible assets

Intangible assets acquired separately

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

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately

Derecognition of intangible assets

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

Impairment of tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, (if any).

When it is not possible to estimate the recoverable amount of an asset, individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

Inventories

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

Financial instruments

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

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

Financial assets

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

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in 'other gains or losses'.

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

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

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

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

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including pledged deposit, trade and other receivables, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

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

Impairment of financial assets

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

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

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

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

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

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

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

Financial liabilities and equity instruments

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities

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

Convertible bonds

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

At the date of issue, both the debt component and conversion option derivative are recognised at fair value.

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

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

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

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

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

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated statement of financial position in the period in which the dividends are approved by the Company's shareholders.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgment in applying accounting policy

The following is the critical judgment, apart from those involving estimations (see below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Other borrowing

The Group entered into agreements with a financial leasing institution. A series of transactions that involve the legal form of a lease is linked and accounted for as one transaction when the overall economic effect cannot be understood without reference to the series of transactions as a whole. The accounting reflects the substance of the arrangement and the Group accounted for the agreements as collateralised borrowing in accordance with the actual substance. Details of the agreements are set out in Note 29(d).

Key sources of estimation uncertainty

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

Impairment assessment of property, plant and equipment

The Group's major operating assets are gas pipelines, gas supply machinery, equipment and property under development. Management performs review for impairment of these gas pipelines, gas supply machinery, equipment and property under development whenever events or changes in circumstances indicate that their carrying values may not be recovered. In addition, the management is required to assess whether there is any indication that the impairment allowance previously made may no longer exist or may have decreased and considered any potential reversal of impairment allowance previously made at the end of each reporting period.

The recoverable amounts of the gas pipelines, gas supply machinery and equipment are determined based on the higher of fair value less costs of disposal and value in use calculations. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual cash flows are less or more than expected, or changed in facts and circumstances which result in revision of estimated cash flows, further impairment loss or reversal of impairment allowance may arise.

As stated on Note 16(c), during the year ended 31 December 2017, the property under development ceased to be classified as assets held for sale and therefore the construction cost classified back to property, plant and equipment. The recoverable amount of the property under development is determined based on its replacement cost.

Impairment assessment of investment in joint ventures

The Group regularly reviews the recoverable amount of interests in joint ventures. Determining whether impairment occurred involves the estimation of the value in use of the joint ventures. The value in use calculations requires the Group to estimate the Group's share of the future cash flows expected to be generated by join ventures. Where the actual future cash flows are less than expected, an impairment loss may arise.

As at 31 December 2017, the carrying amount of joint ventures net of impairment loss HK$2,302,000, amounted to HK$25,501,000 (2016: the carrying amount of joint ventures amounted to HK29,009,000 and no impairment loss recognised).

During the year ended 31 December 2017, impairment of HK2,302,000 (2016: Nil) was recognised on the interest in joint ventures. Details are set out in Note 20.

Estimated allowance for doubtful debts

The Group makes allowance for doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowance is applied to these receivables where events or changes in circumstance indicate that the balances may not be collectible. The identification of doubtful debts requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amounts of trade and other receivables and doubtful debt expenses. At 31 December 2017, the carrying amount of trade and other receivables after deducting the doubtful debt allowance recognised is HK$740,832,000 (2016: HK$540,378,000). Details of movement in allowance on trade and other receivables are set out in Note 22.

Income taxes

As at 31 December 2017, no deferred tax asset is recognised in respect of deductible temporary differences amounting to HK$614,532,000 (2016: HK$431,552,000) due to the unpredictable of the utilisation of the temporary difference in the future. The realisability of the deferred tax asset mainly depends on whether sufficient future assessable profits or taxable temporary differences will be available in the future. In cases where the actual future assessable profits generated are more than expected, a recognition of deferred tax asset may arise, which would be recognised in the consolidated statement of profit or loss for the period in which such recognition takes place.

5. REVENUE

Revenue represents revenue from sales of piped gas, gas connection service income, pipeline transportation income and bottled gas sales, net of related taxes and levies during the year. An analysis of the Group's revenue for the year is as following:

	2017	2016
	HK$'000	*HK$'000*
Sales of piped gas	**2,004,645**	1,671,742
Gas connection service income	**691,015**	459,759
Pipeline transportation income *(Note 6)*	**33,428**	—
Bottled gas sales	**16,599**	13,693
	2,745,687	2,145,194

6. SEGMENT INFORMATION

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

The Group's reportable and operating segments under HKFRS 8 are as follows:

Sales of piped gas	—	Sales of piped gas through the Group's pipeline networks to industrial and residential users
Gas connection service income	—	Construction of gas pipelines and installation of appliances to connect customers to the Group's pipeline networks under connection contracts
Pipeline transportation income *(Note)*	—	Transportation of gas to customers through the Group's pipeline networks
Bottled gas sales	—	Sales of bottled gas

Note: In 2017, the contribution of pipeline transportation business to the results of the Group was significant and hence it was considered as a separate major line of business. As the business was insignificant during 2016, the amount of pipeline transportation income was presented as other income in the consolidated statement of profit or loss as at 31 December 2016.

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

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

All of the Group's revenue is generated in the People's Republic of China ("PRC") (place of domicile of the Group entities that derive revenue). Revenue of piped gas sales from Tianjin Pipe Group Corporation ("Tianjin Pipe") and its subsidiaries contributed HK$85,452,000 which represented 3% (2016: HK$318,643,000, which represented 15%) of the total revenue of the Group. There was no other individual customer of the Group which contributed sales of over 10% of the Group's total revenue for the years ended 31 December 2017 and 2016.

The accounting policies of the reportable operating segments are the same as the Group's accounting policies described in Note 3. Segment profit reported to the Executive Directors represents the profit earned by each segment without allocation of central general and administration costs, share of profit (losses) of associates and joint ventures, other income, other gains and losses, interest income and expenses.

Geographical information

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

	Year ended 31 December 2017				
	Sales of piped gas *HK$'000*	Gas connection service income *HK$'000*	Pipeline transportation income *HK$'000*	Bottled gas sales *HK$'000*	Total *HK$'000*
Revenue					
– Tianjin Pipe and its subsidiaries *(Note 37)*	85,452	–	–	–	85,452
– Other customers	1,919,193	691,015	33,428	16,599	2,660,235
Revenue from external customers	2,004,645	691,015	33,428	16,599	2,745,687
Segment results	187,053	356,343	25,471	3,462	572,329
Other income					18,373
Other gains and losses					(28,558)
General and administrative expenses					(195,146)
Interest income					6,249
Interest expenses					(75,663)
Share of profit of an associate					4,772
Share of losses of joint ventures					(3,192)
Profit before tax					299,164

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For the year ended 31 December 2017

Other segment information

	Sales of piped gas *HK$'000*	Gas connection service income *HK$'000*	Pipeline transportation income *HK$'000*	Bottled gas sales *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Amounts included in the segment results						
Depreciation	89,677	732	7,946	269	5,922	104,546
Amortisation of prepaid lease payments	1,136	397	19	9	304	1,865
Amortisation of intangible assets	475	–	–	–	–	475
Recognised impairment losses on property, plant and equipment	34,140	–	–	–	–	34,140

	Year ended 31 December 2016			
	Sales of piped gas *HK$'000*	Gas connection service income *HK$'000*	Bottled gas sales *HK$'000*	Total *HK$'000*
Revenue				
– Tianjin Pipe and its subsidiaries *(Note 37)*	318,643	–	–	318,643
– Other customers	1,353,099	459,759	13,693	1,826,551
Revenue from external customers	1,671,742	459,759	13,693	2,145,194
Segment results	219,657	316,782	3,953	540,392
Other income				18,773
Other gains and losses				(79,376)
General and administrative expenses				(156,421)
Interest income				3,293
Interest expenses				(66,170)
Share of profit of an associate				3,228
Share of losses of joint ventures				(3,091)
Profit before tax				260,628

Other segment information

	Sales of piped gas HK$'000	Gas connection service income HK$'000	Bottled gas sales HK$'000	Unallocated HK$'000	Total HK$'000
Amounts included in the segment results					
Depreciation	77,123	352	82	4,411	81,968
Amortisation of prepaid lease payments	1,096	57	8	984	2,145
Amortisation of intangible assets	82	–	–	–	82
Reversal of impairment losses on property, plant and equipment	(18,710)	–	–	–	(18,710)

7. OTHER INCOME

	2017 ***HK$'000***	2016 *HK$'000*
Compensation	**10,467**	3,742
Assembling services	**7,357**	8,216
Rental income	**549**	1,877
Pipeline transportation income	**—**	4,938
	18,373	18,773

8. OTHER GAINS AND LOSSES

	2017 **HK$'000**	2016 *HK$'000*
Fair value gain on:		
— Derivative component of convertible bonds	**–**	9,793
— Redemption of wealth management products purchased from financial institutions	**–**	442
Impairment loss recognised in respect of property, plant and equipment *(Note 16(b))*	**(34,140)**	—
Impairment loss recognised in respect of investment in a joint venture	**(2,302)**	—
(Loss) gain on disposal of property, plant and equipment and prepaid lease payments	**(2,293)**	2,296
Reversal of impairment of property, plant and equipment *(Note 16(b))*	**–**	18,710
Allowance for impairment of trade and other receivables	**(113,866)**	(10,774)
Reversal of impairment of trade and other receivables	**4,148**	12,228
Net foreign exchange gain (loss)	**113,526**	(115,235)
Government grant	**3,185**	—
Others	**3,184**	3,164
	(28,558)	(79,376)

9. INTEREST INCOME AND EXPENSES

	2017 **HK$'000**	2016 HK$'000
Interest income	**6,249**	3,293
Interest on USD bonds	**(64,578)**	(54,808)
Interest on bank and other borrowings	**(23,943)**	(8,354)
Interest on convertible bonds	**–**	(19,765)
	(88,521)	(82,927)
Less: Amounts capitalised as part of the cost of property, plant and equipment *(Note)*	**12,858**	16,757
Interest expenses	**(75,663)**	(66,170)

Note: Amount included interest expenses from general borrowings capitalised at a rate of 3.57% (2016: 4.20%).

10. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	2017 **HK$'000**	2016 HK$'000
Cost of gas purchased	**1,656,785**	1,298,437
Staff costs including directors' and supervisors' remuneration *(Note)*		
— Salaries, allowances and benefits in kind	**102,002**	94,724
— Retirement benefits	**2,214**	2,172
— Other welfares	**41,488**	40,703
	145,704	137,599
Depreciation of property, plant and equipment		
— Cost of sales	**98,624**	77,557
— General and administrative expenses	**5,922**	4,411
	104,546	81,968
Amortisation of prepaid lease payments	**1,865**	2,145
Amortisation of intangible assets	**475**	82
Auditor's remuneration	**3,239**	3,057
Operating lease expense in respect of rented premises	**6,830**	8,141
Research and development expenses	**59,873**	35,839

Note: Certain selling and marketing personnel and research and development personnel are also handling administrative activities and their respective employee benefit expenses cannot be allocated reasonably. Therefore, all the employee benefit expenses are included in general and administrative expenses. During the year ended 31 December 2017, staff cost included in general and administrative expenses amounted to HK$76,747,000 (2016: HK$75,791,000).

11. INCOME TAX EXPENSES

	2017	2016
	HK$'000	*HK$'000*
Current tax:		
Current tax on profits for the year	**75,099**	88,199
Deferred tax *(Note 31)*	**179**	(5,174)
Income tax expenses	**75,278**	83,025

There was no Hong Kong profit tax provided for the year ended 31 December 2017 and 2016.

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

Tianjin TEDA Binhai Clean Energy Group Company Limited (formerly known as "Tianjin Binda Gas Enterprise Company Limited")* ("TEDA Energy")(天津泰達濱海清潔能源集團有限公司) was recognised as New and High Technical Enterprises on 9 December 2016 for 3 years and is subject to income tax at a tax rate of 15% from 2016 to 2018.

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

Other subsidiaries established in the PRC are subject to income tax at a tax rate of 25% for the year ended 31 December 2017. (2016: 25%).

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

* *Identification for English translation only.*

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

	2017 **HK$'000**	2016 HK$'000
Profit before tax	**299,164**	260,628
Tax at the domestic income tax rate of 25%	**74,791**	65,157
Tax effect of preferential tax rates on income of certain subsidiaries	**(19,417)**	(17,034)
Tax effect of income tax deduction granted to subsidiaries in research and development expenditures	**(5,339)**	(4,480)
Tax effect of share of profit of an associate	**(1,193)**	(807)
Tax effect of share of losses of joint ventures	**798**	773
Tax effect of expenses not deductible for the tax purpose	**12,590**	31,494
Tax effect of income not taxable for the tax purpose	**(28,467)**	(2,448)
Tax effect of deductible temporary difference not recognised	**36,540**	(4,678)
Tax effect of tax losses not recognised	**7,817**	16,474
Utilisation of tax losses previously not recognised	**(2,842)**	(1,634)
Others	**—**	208
Income tax expenses for the year	**75,278**	83,025

12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

(a) Directors' and chief executive's emoluments

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

	Year ended 31 December 2017					
	Directors' fees	Salaries	Performance related bonus	Retirement benefits	Others	Total
	HK$'000	*HK$'000*	*HK$'000* *(Note i)*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors:						
Mr. ZHANG Bing Jun	400	–	–	–	–	400
Mr. GAO Liang *(Note (ii))*	200	1,074	93	41	171	1,579
Sub-total	600	1,074	93	41	171	1,979
Non-Executive Directors:						
Mr. ZHANG Jun	200	–	–	–	–	200
Mr. WANG Gang	200	–	–	–	–	200
Ms. ZHU Wen Fang	200	–	–	–	–	200
Mr. SHEN Xiao Lin	200	–	–	–	–	200
Mr. LI Wei *(Note (iii))*	42	–	–	–	–	42
Ms. SHI Jing	200	–	–	–	–	200
Mr. HE Xiang Li *(Note (iv))*	145	–	–	–	–	145
Sub-total	1,187	–	–	–	–	1,187
Independent Non-Executive Directors:						
Mr. LAU Siu Ki, Kevin	264	–	–	–	–	264
Mr. IP Shing Hing, *J.P.*	264	–	–	–	–	264
Professor Japhet Sebastian LAW	264	–	–	–	–	264
Mr. TSE Tak Yin	264	–	–	–	–	264
Sub-total	1,056	–	–	–	–	1,056
Total	2,843	1,074	93	41	171	4,222

	Year ended 31 December 2016					
	Directors' fees *HK$'000*	Salaries *HK$'000*	Performance related bonus *HK$'000* *(Note i)*	Retirement benefits *HK$'000*	Others *HK$'000*	Total *HK$'000*
Executive directors:						
Mr. ZHANG Bing Jun	400	–	–	–	–	400
Mr. GAO Liang *(Note (ii))*	200	1,071	1,806	39	158	3,274
Sub-total	600	1,071	1,806	39	158	3,674
Non-Executive Directors:						
Mr. ZHANG Jun	200	–	–	–	–	200
Mr. WANG Gang	200	–	–	–	–	200
Ms. ZHU Wen Fang	200	–	–	–	–	200
Mr. SHEN Xiao Lin	200	–	–	–	–	200
Mr. LI Wei *(Note (iii))*	200	–	–	–	–	200
Ms. SHI Jing	200	–	–	–	–	200
Sub-total	1,200	–	–	–	–	1,200
Independent Non-Executive Directors:						
Mr. LAU Siu Ki, Kevin	264	–	–	–	–	264
Mr. IP Shing Hing, *J.P.*	264	–	–	–	–	264
Professor Japhet Sebastian LAW	264	–	–	–	–	264
Mr. TSE Tak Yin	264	–	–	–	–	264
Sub-total	1,056	–	–	–	–	1,056
Total	2,856	1,071	1,806	39	158	5,930

Notes:

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

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

(iii) Mr. LI Wei was resigned as non-executive director of the Group on 17 March 2017.

(iv) Mr. HE Xiang Li was appointed as executive director of the Group on 17 March 2017 and resigned on 5 December 2017.

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

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

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

(b) Employees' Emoluments

Of the five individuals with highest emoluments in the Group for the year ended 31 December 2017 included one director (2016: one director) whose emolument is included in the disclosures above. The remuneration of the remaining four (2016: four) highest paid employees for the year are as follows:

	2017 ***HK$'000***	2016 *HK$'000*
Salaries	**2,664**	2,656
Performance related bonuses	**1,320**	3,275
Retirement benefits	**164**	155
Other welfares	**685**	633
	4,833	6,719

The emoluments are within the following bands:

	Number of individuals	
	2017 ***HK$'000***	2016 *HK$'000*
Nil – HK$1,000,000	**–**	1
HK$1,000,001 – HK$1,500,000	**4**	–
HK$1,500,001 – HK$2,000,000	**–**	2
HK$3,000,001 – HK$3,500,000	**–**	1

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

None of directors has waived any emoluments in the years ended 31 December 2017 and 2016.

13. DIVIDENDS

	2017 HK$'000	2016 HK$'000
Dividend recognised as distribution during the year — Final dividend for 2016 paid of HK$0.05 (2016: final dividend for 2015 paid of HK$0.05) per share on 16 June 2017 (2016: 14 June 2016)	**58,717**	58,717

Subsequent to the end of reporting period, a dividend in respect of the year ended 31 December 2017 of HK$0.055 per ordinary share is proposed by the Directors in March 2018. This proposed dividend is subject to approval by the shareholders of the Company at the forthcoming annual general meeting. These consolidated financial statements do not reflect this proposed dividend.

14. EARNINGS PER ORDINARY SHARE

(a) Basic

	2017 HK$'000	2016 HK$'000
Earnings		
Profit attributable to owners of the Company	**221,421**	172,226
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,174,348,950**	1,174,348,950

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has share options which the exercise of share options would have no dilutive effect to earnings per share because the exercise price of those options was higher than the average market price for share for both 2017 and 2016.

	2017	2016
	HK$'000	*HK$'000*
Earnings		
Earnings for the purpose of diluted earnings per share	**221,421**	172,226
Number of shares		
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,174,348,950**	1,174,348,950

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

15. PREPAID LEASE PAYMENTS

Movements of the Group's interests in prepaid lease payments held under leases of between 10 to 50 years in the PRC are as follows:

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**66,033**	45,249
Additions	**44,803**	27,205
Transfer from held for sale *(Note 25)*	**23,991**	—
Disposals	**(681)**	(534)
Amortised for the year	**(1,865)**	(2,145)
Currency translation differences	**7,501**	(3,742)
At 31 December	**139,782**	66,033

Note: The Group is in the process of applying for the certificates to certain prepaid lease payments with net carrying amounts of approximately HK$10,624,000 (approximately RMB8,849,000) as at 31 December 2017 (2016: HK$14,050,000 or approximately RMB12,590,000). The Directors believe that certificates will be obtained in due course without significant cost.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000 (Note (a))	Machinery and equipment HK$'000	Gas pipelines HK$'000	Office equipment and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Year ended 31 December 2016						
Opening carrying amount	47,468	46,158	2,197,415	12,863	428,389	2,732,293
Currency translation differences	(4,230)	(2,534)	(147,937)	(145)	(31,763)	(186,609)
Additions	267	1,290	2,451	2,779	348,355	355,142
Disposals	(909)	(21)	(55)	(2,447)	(180)	(3,612)
Transfers	22,654	8,021	201,946	158	(232,779)	–
Depreciation charge	(4,519)	(6,315)	(68,114)	(3,020)	–	(81,968)
Reversal of impairment charge *(Note (b))*	–	–	18,710	–	–	18,710
Closing carrying amount	60,731	46,599	2,204,416	10,188	512,022	2,833,956
At 31 December 2016						
Cost	130,845	133,882	2,477,108	52,224	512,022	3,306,081
Accumulated depreciation	(46,002)	(38,179)	(239,758)	(38,688)	–	(362,627)
Accumulated impairment allowance *(Note (c))*	(24,112)	(49,104)	(32,934)	(3,348)	–	(109,498)
Closing carrying amount	60,731	46,599	2,204,416	10,188	512,022	2,833,956

	Leasehold land and buildings HK$'000	Machinery and equipment HK$'000	Gas pipelines HK$'000	Office equipment and motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Year ended 31 December 2017						
Opening carrying amount	60,731	46,599	2,204,416	10,188	512,022	2,833,956
Currency translation differences	6,498	4,790	176,123	42	41,975	229,428
Additions	11,951	3,930	1,859	4,903	420,384	443,027
Transfer from assets held for sale *(Note (b))*	–	–	–	–	107,089	107,089
Disposals	(2,193)	(1,063)	(792)	(1,889)	–	(5,937)
Transfers	35,948	64,065	293,581	–	(393,594)	–
Transfer to investment properties	(7,641)	–	–	–	–	(7,641)
Depreciation charge	(5,320)	(15,012)	(80,731)	(3,483)	–	(104,546)
Impairment loss recognised in the year	–	–	–	–	(34,140)	(34,140)
Written off impairment charge upon disposed	–	–	–	2,289	–	2,289
Closing carrying amount	99,974	103,309	2,594,456	12,050	653,736	3,463,525
At 31 December 2017						
Cost	178,621	211,678	2,970,823	47,450	689,167	4,097,739
Accumulated depreciation	(52,652)	(55,500)	(340,801)	(33,526)	–	(482,479)
Accumulated impairment allowance *(Note (c))*	(25,995)	(52,869)	(35,566)	(1,874)	(35,431)	(151,735)
Closing carrying amount	99,974	103,309	2,594,456	12,050	653,736	3,463,525

Notes:

(a) The Group is in the process of applying for the certificates to certain leasehold land and buildings with net carrying amounts of approximately HK$50,800,000 (approximately RMB42,310,000) as at 31 December 2017 (31 December 2016: HK$36,910,000 (approximately RMB33,070,000)). The Directors believe that the certificates will be obtained in due course without significant additional cost.

(b) The Group reviewed the recoverable amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss or have a potential reversal of impairment allowance previously made.

(i) During the year ended 31 December 2017, the property under development ceased to be classified as assets held for sale and therefore classified the construction cost of the property under development back to construction in progress. For purpose of the assessment of the recoverable amount of property under development, recoverable amount is determined by fair value less cost of disposal.

In determining the fair value of the asset, the Directors has set up a valuation team, which is headed up by the Chief Financial Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements. The Directors reviewed the carrying amount with reference to a valuation carried out on 31 December 2017 by an independent qualified professional valuer. The fair value was determined based on the replacement cost method, which using construction cost index and residue ratio as key assumption. The construction cost index is the trend of price fluctuation compared between the current period and the construction period. It is the basis of the construction cost adjustment and compared to industry parameter in public information. The residue ratio is an estimation developed by reference to the expected useful life of the asset.

Based on the valuation result, the Group recognised impaired loss of property under development with HK$34,140,000 for the year ended 31 December 2017.

The Group also reviewed the recoverable amount of its property, plant and equipment other than the aforesaid property under development and concluded that no further impairment need to be recognised as at 31 December 2017.

(ii) For the year ended 31 December 2016, the PRC government has implemented several policies to promote the usage of more environmental friendly energy. Therefore, the management considered that there has been an increase in the estimated service potential of some impaired assets in a cash-generating unit ("CGU"). After reassessment, there was a reversal of impairment of gas pipelines with HK$18,710,000 during 2016, which are the primary assets of the relevant CGU.

The recoverable amount of above property, plant and equipment is determined by value in use. Key assumptions used included pre-tax discount rates of 15% and growth rate of industrial customers is 10%. The management assumed the growth rate will remain constant throughout the first eight years and the growth rate for the remaining twelve years will be zero.

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

	2017 HK$'000	2016 HK$'000
At 1 January	**109,498**	137,381
Impairment loss recognised in the year	**34,140**	—
Reversal of impairment allowance	**—**	(18,710)
Write off of impairment allowance on disposals *(Note (d))*	**(2,289)**	—
Currency translation differences	**10,386**	(9,173)
At 31 December	**151,735**	109,498

(d) The impairment allowance of HK$2,289,000 (2016: Nil) was written off because of the assets disposed of in the year ended 2017.

(e) The net carrying amount of gas pipelines worth approximately to HK$419,000,000 (approximately RMB349,000,000) as at 31 December 2017 (31 December 2016 HK$256,000,000 (approximately RMB229,000,000)) are pledged as security for the related borrowing, details of which are set out in Note 29(d).

17. INVESTMENT PROPERTIES

	HK$'000
COST	
At 1 January 2016 and 31 December 2016	—
Transfer from property, plant and equipment *(Note)*	8,135
Currency translation differences	308
At 31 December 2017	8,443
DEPRECIATION	
At 1 January 2016 and 31 December 2016	—
Transfer from property, plant and equipment *(Note)*	(494)
Currency translation differences	(19)
At 31 December 2017	(513)
CARRYING AMOUNTS	
At 31 December 2017	7,930

Note: The Group decided to change the usage of a building owned by Tianjin HuaTai Xinda Gas Company Limited* ("Tianjin HuaTai XinDa")（天津華泰信達燃氣有限公司）from self-used to earn rentals and transfer it to investment property. As at 31 December 2017, the Company has signed rental contract with lessee.

* *Identification for English translation only.*

18. INTANGIBLE ASSETS

	Operating rights HK$'000
COST	
At 1 January 2016 *(Note)*	4,600
Additions for the year	13,567
Currency translation differences	(740)
At 31 December 2016	17,427
Additions for the year	1,157
Currency translation differences	1,362
At 31 December 2017	19,946
AMORTISATION AND IMPAIREMENT	
At 1 January 2016 *(Note)*	(4,600)
Charge for the year	(82)
Currency translation differences	302
At 31 December 2016	(4,380)
Charge for the year	(475)
Currency translation differences	(350)
At 31 December 2017	(5,205)
CARRYING AMOUNTS	
At 31 December 2016	13,047
At 31 December 2017	14,741

Note: The cost of original operating rights held by the Group of approximately HK$4,600,000 (approximately RMB4,000,000) has been fully impaired since 31 March 2004.

19. INTEREST IN AN ASSOCIATE

The movement of interest in an associate is as follows:

	2017 HK$'000	2016 HK$'000
Cost of unlisted investment	**17,229**	17,229
Share of post-acquisition result of an associate	**12,365**	7,593
Currency translation differences	**99**	(1,821)
	29,693	23,001

As at 31 December 2017 and 2016, the Group had interest in an associate:

Name of an Associate	Place of business/ country of incorporation	% of ownership interest	Principal activities
Qinhuangdao Taixing Gas Company Limited* ("Qinhuangdao Taixing") (秦皇島市泰興天燃氣有限公司)	Qinhuangdao, China	45	Connection services and piped gas sales

* *Identification for English translation only.*

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

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

Summarised financial information

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

	2017 HK$'000	2016 HK$'000
Non-current assets	**34,337**	30,031
Cash and cash equivalents	**15,562**	35,368
Other current assets (excluding cash and cash equivalents)	**51,291**	10,290
Current assets	**66,853**	45,658
Current liabilities	**35,206**	24,576

	2017 HK$'000	2016 HK$'000
Revenue	**74,075**	71,990
Profit and total comprehensive income for the year	**10,605**	7,174

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

	2017 HK$'000	2016 HK$'000
Net assets of Qinhuangdao Taixing	**65,984**	51,113
Carrying amount of the Group's interest	**29,693**	23,001

20. INTERESTS IN JOINT VENTURES

The movements of interests in joint ventures are as follows:

	2017 **HK$'000**	2016 HK$'000
Cost of unlisted investments	**40,488**	40,488
Share of post-acquisition results of joint ventures	**(9,329)**	(6,137)
Currency translation differences	**(3,270)**	(5,342)
	27,889	29,009
Impairment loss recognised in respect of investment of a joint venture *(Note c)*	**(2,302)**	—
Currency translation differences	**(86)**	—
	25,501	29,009

As at 31 December 2017 and 2016, the Group had interests in the following joint ventures:

Name of Joint Venture	**Place of business/ country of incorporation**	**% of ownership interest**	**Principal activities**
Tianjin Airport Economic Area Gas Company Limited * ("Tianjin Airport Gas")(天津空港燃氣有限公司)*(Note a)*	Tianjin, China	40	Connection services and piped gas sales
Sinopec Binhai Investment (Tianjin) Natural Gas Utilisation* ("SBI")(中石化濱投(天津)天然氣利用有限公司)*(Note b)*	Tianjin, China	50	Gas utilisation technology development

* *Identification for English translation only.*

Notes:

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

(b) On 28 April 2013, Binhai Investment Tianjin entered into a joint venture agreement ("JV Agreement 2") with an independent third party for the establishment of SBI. The principal activity of SBI is engaged in gas utilisation technology development. Upon establishment, SBI owned as to 50% by the Group and 50% by another investor. The board of directors of SBI comprise 5 directors, 2 of which are appointed by the Group. Under the JV Agreement 2, the quorum of the board of directors meeting requests two-third of the voting from attendants on all vote, hence in the opinion of the Directors, the Group's interest in SBI is accounted for as a joint venture.

(c) The Directors conducted a review on the recoverable amounts of the Group's interest in SBI by adopting value in use calculation as the Directors will not consider to recover the investment in SBI through sale in the market. The value in use is determined based on the Group's share of the present value of the estimated future cash flows expected to be generated by SBI. The management assumed the growth rate will remain constant throughout the coming five years with 8% and for the remaining years beyond 5 years will be zero. The pre-tax discount rates used by the Group is 15%. After assessment, an impairment loss of HK$2,302,000 (2016: Nil) was recognised on the investment of SBI.

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

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

Summarised financial information

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

	Joint ventures					
	Tianjin Airport Gas		SBI.		Total	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Non-current assets	**32,663**	29,777	**22,793**	23,055	**55,456**	52,832
Cash and cash equivalents	**12,824**	14,901	**9,268**	4,899	**22,092**	19,800
Other current assets (excluding cash and cash equivalents)	**620**	776	**9,157**	8,667	**9,777**	9,443
Current assets	**13,444**	15,677	**18,425**	13,566	**31,869**	29,243
Current liabilities	**10,853**	15,302	**9,100**	931	**19,953**	16,233
Non-current liabilities	**5,679**	2,242	**–**	–	**5,679**	2,242
Revenue	**13,112**	10,445	**13,609**	6,092	**26,721**	16,537
Losses and total comprehensive expenses for the year	**(430)**	(2,163)	**(6,041)**	(4,452)	**(6,471)**	(6,615)

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

	Joint ventures					
	Tianjin Airport Gas		SBI.		Total	
	2017	2016	**2017**	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Net assets	**29,575**	27,910	**32,118**	35,690	**61,693**	63,600
Carrying amount of the Group's interests	**11,830**	11,164	**16,059**	17,845	**27,889**	29,009

21. INVENTORIES

	2017	2016
	HK$'000	*HK$'000*
Materials for gas pipelines	**81,614**	41,820
Gases	**4,435**	2,303
	86,049	44,123

The cost of inventories recognised as an expense and included in the cost of sales and services amounted to HK$1,998,739,000 (2016: HK$1,420,717,000).

22. TRADE AND OTHER RECEIVABLES

	Notes	**2017** **HK$'000**	2016 HK$'000
Trade receivables			
— Piped gas sales receivables		**129,962**	116,163
— Gas connection service income receivables		**247,592**	170,154
— Pipeline transportation income receivables		**12,724**	—
Less: allowance for impairment	*(h)*	**(71,538)**	(41,365)
		318,740	244,952
Bills receivables		**14,845**	22,786
	(b)	**333,585**	267,738
Receivables from related parties *(Note 37)*			
— Piped gas sales receivables		**180,639**	117,805
— Gas connection service income receivables		**27,036**	20,835
Less: allowance for impairment	*(i)*	**(83,639)**	—
	(g)	**124,036**	138,640
Other receivables		**101,120**	51,577
Less: allowance for impairment	*(j)*	**(8,412)**	(7,823)
		92,708	43,754
Advances to suppliers		**297,550**	165,586
Less: allowance for impairment	*(k)*	**(81,530)**	(73,304)
		216,020	92,282
Less: advance payment for pipeline construction		**(25,517)**	(2,036)
		190,503	90,246
Current portion		**740,832**	540,378

Notes:

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

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

	2017 ***HK$'000***	2016 *HK$'000*
0-90 days	**217,871**	178,660
91-180 days	**26,249**	18,937
181-365 days	**16,181**	22,682
Over 365 days	**73,284**	47,459
	333,585	267,738

The Group will assess credit worthiness by customer in considering the customer's quality and determine the credit terms for that customer. In addition, the Group has reviewed the repayment history of receivables by each customer with reference to the payment terms stated in contracts to determine the recoverability of a trade receivable.

(c) Included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$91,295,000 (2016: HK$71,575,000) which are past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group holds collateral over part of these receivables. No allowance has been provided for these balances as there is no significant change in credit quality of those customers and the amounts are still considered recoverable.

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

	2017 ***HK$'000***	2016 *HK$'000*
91 — 180 days	**1,830**	1,434
181 — 365 days	**3,028**	1,804
Over 365 days	**12,121**	4,801
	16,979	8,039

(e) The Group has a policy of allowing a credit period of 180 days for gas connection service income after the completion of relevant stage of contract work. The Group provide a longer credit terms to certain selected customers with good credit histories or settled by bills. The aging analysis of the gas connection service income receivables that are overdue 180 days but not considered impaired is as follows:

	2017	2016
	HK$'000	*HK$'000*
181 — 365 days	**13,154**	20,878
Over 365 days	**61,162**	42,658
	74,316	63,536

(f) The Group has a policy of allowing a credit period of 90 days for pipeline transportation income. The aging of the pipeline transportation income receivables is all within 90 days.

(g) The aging analysis of receivables from related parties (including piped gas sales receivables and gas connection service income receivables) net of allowance presented based on revenue recognition date is as follows:

	2017	2016
	HK$'000	*HK$'000*
0 — 90 days	**55,809**	58,514
91 — 180 days	**18,140**	52,422
181 — 365 days	**38,288**	1,118
Over 365 days	**11,799**	26,586
	124,036	138,640

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

	2017	2016
	HK$'000	*HK$'000*
91 — 180 days	**11,831**	51,991
181 — 365 days	**38,288**	—
Over 365 days	**—**	9,133
	50,119	61,124

The aging of the receivables from related parties of gas connection service income receivables that are past due but not considered impaired is as follows:

	2017 **HK$'000**	2016 HK$'000
181 — 365 days	**—**	1,118
Over 365 days	**11,799**	17,453
	11,799	18,571

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

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

	2017 **HK$'000**	2016 HK$'000
At 1 January	**41,365**	46,558
Impairment losses recognised	**30,692**	9,053
Impairment losses reversed	**(4,146)**	(11,289)
Amount written off as uncollectible	**(487)**	—
Currency translation differences	**4,114**	(2,957)
At 31 December	**71,538**	41,365

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

(i) Movements of the Group's allowance for impairment of receivables from related parties are as follows:

	2017 **HK$'000**	2016 *HK$'000*
At 1 January	**—**	—
Impairment losses recognised	**80,591**	—
Currency translation differences	**3,048**	—
At 31 December	**83,639**	—

In determining the recoverability of the trade receivables from related parties, the Group considers any change in credit quality of the trade receivables has changed for certain related parties. During 2017, allowance for impairment of approximately HK$74,416,000 and HK$6,175,000 were recognised for Tianjin Pipe and Tianjin TEDA Zhongtang Investment Development Company Limited* ("TEDA Zhongtang")(天津泰達中塘投資開發有限公司)as a result of poor repayment record and down turn operation of the customers.

* *Identification for English translation only*

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

	2017 **HK$'000**	2016 *HK$'000*
At 1 January	**7,823**	8,424
Impairment losses reversed	**(2)**	(55)
Currency translation differences	**591**	(546)
At 31 December	**8,412**	7,823

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

	2017 *HK$'000*	2016 *HK$'000*
At 1 January	**73,304**	79,017
Impairment losses recognised	**2,583**	1,721
Impairment losses reversed	**–**	(884)
Amount written off as uncollectible	**–**	(1,427)
Currency translation differences	**5,643**	(5,123)
At 31 December	**81,530**	73,304

Allowance for impairment of approximately HK$81,530,000 (Year ended 31 December 2016: HK$73,304,000) principally relates to advances to suppliers which arose as a result of termination of trading relationships.

23. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORKS

	2017 *HK$'000*	2016 *HK$'000*
Contract costs incurred plus profits recognised	**388,034**	195,920
Less: progress billings	**(371,303)**	(182,378)
	16,731	13,542
Analysis for reporting purposes as:		
Amounts due from customers for contract works	**52,310**	48,731
Amounts due to customers for contract works	**(35,579)**	(35,189)
	16,731	13,542

24. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSIES

	2017 HK$'000	2016 HK$'000
Bank balances and cash	**3,260,656**	323,361
Pledged bank deposits *(Note)*	**11,116**	8,651

Note: The amount of pledged bank deposits represents deposits pledged to certain banks as collaterals for trade with supplier and expected to be withdrawn within one year.

Bank balances carry interest at prevailing bank saving deposit rate ranging from at 0.01% to 1.35% (2016: 0.01% to 1.35%) per annum.

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

	2017 HK$'000	2016 HK$'000
RMB	**931,713**	321,681
HK Dollars	**16,044**	8,367
US Dollars	**2,324,015**	1,964
	3,271,772	332,012

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

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

25. ASSETS HELD FOR SALE

	2017 **HK$'000**	2016 HK$'000
Property under development		
— prepaid lease payments	**–**	16,947
— construction costs	**–**	109,525
	–	126,472

Note: Property under development is located in Tianjin Airport Economic Area in Binhai New Area, the PRC and is located on a land held under land use rights for commercial use for a term of 40 years from 31 December 2009. As approved by the Board, the Group planned to dispose the property under development, which was measured at cost less impairment prior to classify as assets held for sale.

On 31 August 2017, the sale transaction ceased as the potential buyer underwent internal restructuring. The Directors consider that the possibility of this asset to be sold within next 12 months is low and decide to classify the land cost as "Prepaid lease payments" and the construction costs as "Property, plant and equipment" in the consolidated statement as at 31 December 2017.

26. SHARE CAPITAL

	2017 and 2016	
	Number of shares '000	*HK$'000*
Authorised:		
Ordinary shares of HK$0.1 each	1,500,000	150,000
Fully paid:		
As at 1 January and 31 December	1,174,349	117,435
Redeemable preference shares of HK$50.00 each, authorised, issued and fully paid *(Note)*	8,600	430,000
Issued and fully paid:		547,435

Note: Redeemable preference shares of HK$50.00

The Company issued 8.6 million redeemable preference shares on 4 May 2009 to Cavalier Asia Limited, a company owned by a state-owned enterprise. These redeemable preference shares are:

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

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27. SHARE-BASED PAYMENTS

On 27 September 2010, the Company granted share options (the "Share Option") to the Directors and certain employees to subscribe for a total 9,050,000 ordinary shares of HK$0.1 each in the share capital of the Company under the share option scheme adopted by the Company on 20 August 2010, all of which are immediately exercisable on date of grant. The Group has no legal or constructive obligation to repurchase or settle the option in cash.

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

	2017		2016	
	Exercise prices ***HK$***	**Share options** ***'000***	Exercise prices *HK$*	Share options *'000*
Beginning balance	**5.6**	**5,050**	5.6	5,550
Forfeited		**–**		(500)
Ending balance		**5,050**		5,050

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

	2017		2016	
	Remaining contractual life ***number of years***	**Share options** ***'000***	Remaining contractual life *number of years*	Share options *'000*
Exercise price HK$5.6 (31.12.2016: HK$5.6)	**2.7**	**5,050**	3.7	5,050

28. OTHER RESERVES

	Capital surplus *(Note (a))* *HK$'000*	Exchange reserve *(Note (b))* *HK$'000*	Statutory reserves *(Note (c))* *HK$'000*	Employee share option reserve *HK$'000*	Others *HK$'000*	Total *HK$'000*
Balance at 1 January 2016	4,091	(148,213)	2,561	16,023	(19,169)	(144,707)
Currency translation differences	–	(73,478)	–	–	–	(73,478)
Employee share options forfeited	–	–	–	(1,443)	–	(1,443)
Appropriation of statutory reserve	–	–	19,826	–	–	19,826
Balance at 31 December 2016	4,091	(221,691)	22,387	14,580	(19,169)	(199,802)
Currency translation differences	–	79,218	–	–	–	79,218
Appropriation of statutory reserve	–	–	27,532	–	–	27,532
Balance at 31 December 2017	4,091	(142,473)	49,919	14,580	(19,169)	(93,052)

Notes:

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

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

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

29. BORROWINGS

	Notes	2017 HK$'000	2016 HK$'000
USD bonds	(a)	**3,879,706**	1,538,899
Bank borrowing — unsecured	(b)	**156,081**	21,208
Bank borrowing — secured	(c)	**462,240**	—
Other borrowing — secured	(d)	**327,052**	229,633
Total	(e)	**4,825,079**	1,789,740
Less: current portion	(f)	**(2,120,314)**	(68,036)
Non-current portion	(f)	**2,704,765**	1,721,704

Notes:

(a) USD bonds

On 6 May 2015, the Company issued the bonds in the aggregate principal amount of US$200,000,000 (equivalent to HK$1,556,500,000). The bonds will mature on 6 May 2018, unless the Company purchased and cancelled in accordance with the terms and conditions stated in the agreement ("Early Redemption Events"). When the Early Redemption Events occurred, the bond holder has the right to request the Company to redeem the USD bond at 101% of the principal amount. The estimated fair value of the rights on Early Redemption Events is insignificant at initial recognition as at 31 December 2016 and 2017. The bonds carried interest at a rate of 3.25% per annum, payable semi-annually in arrears. The effective interest rate of the bonds is 3.58% per annum.

On 22 November 2017, the Company issued the bonds in the aggregate principal amount of US$300,000,000 (equivalent to HK$2,334,750,000). The bonds will mature on 30 November 2020, unless the Company purchased and cancelled in accordance with the terms and conditions stated in the agreement. When the Early Redemption Events occurred, the bond holder has the right to request the Company to redeem the USD bond at 101% of the principal amount. The estimated fair value of the rights on Early Redemption Events is insignificant at initial recognition as at 31 December and 2017. The bonds carried interest at a rate of 4.45% per annum, payable semi-annually in arrears. The effective interest rate of the bonds is 4.62% per annum.

The carrying amount of USD bond are repayable:

	2017 *HK$'000*	2016 *HK$'000*
Within one year	**1,555,340**	—
Within a period of more than one year but not exceeding two years	**–**	1,538,899
Within a period of more than two year but not exceeding five years	**2,324,366**	—
	3,879,706	1,538,899

(b) Bank borrowing – unsecured

The balances of bank borrowing as at 31 December 2017 were borrowings from China Construction Bank Corporation which is unsecured, carries interest at the rate of 4.5% per annum and is repayable in 2019.

(c) Bank borrowing – secured

The balances short-term of bank borrowing were all secured and would be repayable within one year.

The borrowings were (i) borrowings from Bank of Communication with RMB150,000,000 (equivalent to HK$180,090,000) which carries interest at the rate of 4.35% floated 15% per annum; (ii) borrowings from China Merchants Bank with RMB100,000,000 (equivalent to HK$120,060,000) which carries interest at the rate of 4.35% floated 15% per annum); (iii) borrowings from China Minsheng Bank Corporation with RMB50,000,000 (equivalent to HK$60,030,000) which carries interest at the rate of 4.35% floated 25% per annum; (iv) borrowings from Bank of Hebei with RMB50,000,000 (equivalent to HK$60,030,000) which carries interest at the rate of 4.35% floated 15% per annum; and (v) borrowings from Bank of Beijing with RMB35,000,000 (equivalent to HK$42,030,000) which carries interest at the rate of 5% per annum. All of the above borrowings are repayable in 2018.

(d) Other borrowing — secured

On 29 April 2016, TEDA Energy had entered into an agreement (the "Agreement 1") with Bank of Communications Financial Leasing Co., Ltd. ("BoCom Leasing") whereby the Group drew down RMB230,000,000 (equivalent to HK$265,344,000) from BoCom Leasing (included in other borrowings) which is to be repayable by 20 quarterly installments plus annual interest rate being the RMB benchmark lending rate published by the People's Bank of China for the same period decreased by 12%.

On 29 June 2017, TEDA Energy had entered into an agreement (the "Agreement 2") with BoCom Leasing whereby the Group drew down RMB130,000,000 (equivalent to HK$150,393,000) from BoCom Leasing (included in other borrowings) which is to be repayable by 12 quarterly installments plus annual interest rate being the RMB benchmark lending rate published by the People's Bank of China for the same period increased by 2%.

Despite the Agreement 1 and Agreement 2 involves a legal form of a lease, the Group accounted for the Agreement 1 and Agreement 2 as collateralised borrowing in accordance with the actual substance of the Agreement 1 and Agreement 2.

As collaterals for above financing:

(i) The Group transferred the ownership title of the pipelines to the BoCom Leasing for both Agreement 1 and Agreement 2;

(ii) The Group placed a security deposit of RMB6,900,000 (equivalent to HK$7,960,000) and RMB3,900,000 (equivalent to HK$4,512,000), with BoCom Leasing for Agreement 1 and Agreement 2, respectively, recorded as "Pledged deposit" in the Group's consolidated statement of financial position.

(iii) Two wholly-owned subsidiaries of the Company, Binhai Investment Tianjin and Tianjin Bintai Energy Development Company Limited (which was acquired by TEDA Energy in 2016), have each executed a guarantee as a guarantor in favor of BoCom Leasing to guarantee all payment obligations of TEDA Energy under the Agreement 1. Binhai Investment Tianjin has executed a guarantee as a guarantor in favor of BoCom Leasing to guarantee all payment obligations of TEDA Energy under the Agreement 2.

Upon discharging all the Group's obligations under the Agreement 1 and Agreement 2, the BoCom Leasing will return the ownership title of the pipelines to the Group for a nominal amount of RMB1.00.

The carrying amounts of the other borrowing are repayable:

	2017	2016
	HK$'000	*HK$'000*
Within one year	**102,734**	46,828
Within a period of more than one year but not exceeding two years	**106,825**	48,864
Within a period of more than two year but not exceeding five years	**117,493**	133,941
	327,052	229,633

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

	2017	2016
	HK$'000	*HK$'000*
US Dollars	**3,879,706**	1,538,899
RMB	**945,373**	250,841
	4,825,079	1,789,740

(f) The maturity of the borrowings:

	2017 HK$'000	2016 HK$'000
Within one year	**2,120,314**	68,036
Over one year, less than two years	**262,906**	1,587,763
Over two years, less than five years	**2,441,859**	133,941
	4,825,079	1,789,740

30. DEFERRED INCOME

	2017 HK$'000	2016 HK$'000
Government grants:		
As at 1 January	**34,490**	—
Received during the year	**—**	35,648
Credited to profit	**(1,192)**	—
Currency translation differences	**2,564**	(1,158)
As at 31 December	**35,862**	34,490

	2017 HK$'000	2016 HK$'000
Analysed for reporting purposes as:		
Current portion (included in trade and bills payables and other payables, Note 32)	**1,236**	1,150
Non-current portion	**34,626**	33,340
	35,862	34,490

During the year ended 2016, TEDA Energy, a subsidiary of the Group, received a government subsidy of RMB30,900,000 (equivalent to HK$35,648,000) to subsidise its projects costs related to construction of new gas pipelines for connection to certain heating enterprises in order to promote the usage of more environmental friendly energy. Accordingly, subsidy received is deferred and released to the profit or loss over the estimated useful lives of the relevant gas pipelines constructed. The construction was completed in 2017.

31. DEFERRED TAX ASSETS

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

	Government grant
	HK$'000
At 1 January 2016	—
Debit for the year	5,174
At 31 December 2016	5,174
Credit for the year	(179)
Currency Translation differences	384
At 31 December 2017	5,379

Deferred tax assets are recognised for tax loss carry forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of HK$51,312,000 (2016: HK$49,083,000) in respect of losses amounting to HK$205,246,000 (2016: HK$196,330,000) due to the unpredictability of future profit streams of the respective entities. Losses amounting to HK$10,572,000 (2016: HK$28,340,000), HK$42,714,000 (2016: HK$11,500,000), HK$60,197,000 (2016: HK$40,530,000), HK$63,955,000 (2016: HK$56,270,000) and HK$27,808,000 (2016: HK$59,690,000) will expire in the following five years respectively.

Under the new EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profit earned by PRC subsidiaries from 1 January 2008 onwards at 5% or 10% according the relevant tax treaties. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to undistributed profits of the PRC subsidiaries and an associate as at 31 December 2017 amounting to RMB882,806,000 (equivalent to HK$1,059,918,000) (2016: RMB716,815,000, equivalent to HK$800,106,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

No deferred tax asset is recognised in respect of deductible temporary differences amounting to HK$614,532,000 (2016: HK$431,552,000) due to the unpredictable of the utilisation of the temporary difference in the future.

32. TRADE AND BILLS PAYABLES AND OTHER PAYABLES

	Notes	2017 HK$'000	2016 HK$'000
Trade and bills payables	(a)	**487,131**	303,498
Advance from customers		**368,411**	199,912
Other payables	(b)	**504,847**	414,407
Accrued expenses		**9,098**	6,500
Interet payables		**31,646**	10,150
Amounts due to related parties *(Note 37)*	(c)	**53,385**	13,033
		1,454,518	947,500

Notes:

(a) At 31 December 2017, the aging analysis of the trade and bills payables based on invoice date is as follows:

	2017 HK$'000	2016 HK$'000
0 — 90 days	**268,626**	120,764
91 — 180 days	**35,298**	22,648
181 — 365 days	**45,190**	39,551
Over 365 days	**138,017**	120,535
	487,131	303,498

(b) At 31 December 2017, the details of the Group's other payables are as follows:

	2017 HK$'000	2016 HK$'000
Other payables for pipeline construction	**402,010**	341,116
Other tax payables	**6,036**	8,826
Payroll payables	**1,993**	2,085
Others	**94,808**	62,380
	504,847	414,407

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

	2017 HK$'000	2016 HK$'000
0 — 90 days	**34,989**	7,360
91 — 180 days	**1,073**	351
181 — 365 days	**4,426**	—
Over 365 days	**12,897**	5,322
	53,385	13,033

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

	2017 HK$'000	2016 HK$'000
RMB	**1,434,791**	931,633
HK Dollars	**2,732**	7,810
USD	**16,995**	8,057
	1,454,518	947,500

33. COMMITMENTS

(a) Capital commitments

	2017 HK$'000	2016 HK$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided in the consolidated financial statements	**126,887**	75,362

(b) Operating leases commitment – Group as lessee

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

	2017 **HK$'000**	2016 *HK$'000*
Within one year	**5,927**	6,979
In the second to fifth year, inclusive	**3,585**	9,912
Other five years	**372**	750
	9,884	17,641

(c) Operating leases commitment — Group as lessor

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

	2017 **HK$'000**	2016 *HK$'000*
Within one year	**2,021**	1,879
In the second to fifth year, inclusive	**3,480**	4,742
Other five years	**4,860**	4,890
	10,361	11,511

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of bank borrowings, convertible bonds and equity attributable to owners of the Company, comprising issued share capital and reserves including retained profits.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends and new share issuance.

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2017 *HK$'000*	2016 *HK$'000*
Financial assets		
Trade and other receivables	**709,906**	496,936
Bank balances and cash and pledged bank deposit	**3,271,772**	332,012
Pledged deposit	**12,967**	7,702
	3,994,645	836,650
Financial liabilities		
Other financial liabilities at amortised cost		
— Borrowings	**4,825,079**	1,789,740
— Trade and bills payables and other payables excluding non-financial liabilities	**1,080,071**	738,762
	5,905,150	2,528,502

(b) Financial risk management objectives and policies

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

Market risk

(i) *Currency risk*

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

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

The following table details the Group's sensitivity to a 10% (2016: 10%) increase and decrease in RMB, the functional currency of the Group entities, against relevant foreign currency, i.e. HK Dollars and US Dollars. 10% (2016: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjusts their translation at the end of the reporting period for a 10% (2016: 10%) change in foreign currencies rates. A positive number below indicates an increase in post-tax profit where RMB strengthen 10% (2016: 10%) against the US Dollars and HK Dollars. For a 10% (2016: 10%) weakening of RMB against the US Dollars and HK Dollars, there would be an equal and opposite impact on the result for the year and the balance below would be negative.

	US Dollar Impact		**HK Dollar Impact**	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Increase (decrease) in post-tax profit for the year	**151,126**	160,053	**(688)**	30

(ii) *Cash flow and fair value interest rate risks*

The Group's interest rate risk arises from deposits and borrowings which are obtained at fixed rates. The deposits interest rate risk is considered not material. The Group is also exposed to fair value interest rate risk in relation to fixed rate bank borrowings.

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

No sensitivity analysis related to cash flow interest rate risk has been presented for the year ended 31 December 2017 and 2016, as all the borrowings of the Group are fixed rate borrowings.

Credit risk

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

In order to minimise the credit risk over trade receivables, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each half-year end date and the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are reputational international and PRC banks and other financial institutions with high credit-ratings assigned by international credit-rating agencies or regulated by PRC government.

Other than concentration of credit risk on Tianjin Pipe and its subsidiaries, the Group has no significant concentration of credit risk to certain counterparties as, exposure spread over a large number of counterparties and customers.

Liquidity risk

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

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

	Weighted average effective interest rate	Less than 1 year	1 year to 5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2017					
Non-derivative financial liabilities					
Trade bill and other payables	**–**	**1,080,071**	**–**	**1,080,071**	**1,080,071**
USD bonds	**3.58% to 4.62%**	**1,679,354**	**2,542,543**	**4,221,897**	**3,879,706**
Bank borrowing – unsecured	**4.50%**	**–**	**170,344**	**170,344**	**156,081**
Bank borrowing – secured	**4.35% to 5.44%**	**483,299**	**–**	**483,299**	**462,240**
Other borrowing – secured	**4.72% to 6.43%**	**117,481**	**237,489**	**354,970**	**327,052**
2016					
Non-derivative financial liabilities					
Trade and other payables	–	738,762	–	738,762	738,762
USD bonds	3.58%	50,196	1,569,913	1,620,109	1,538,899
Bank borrowing – unsecured	4.35%	22,131	–	22,131	21,208
Other borrowing – secured	4.72%	56,164	197,911	254,075	229,633

(c) Fair value

(i) Reconciliation of Level 3 fair value measurements

No sensitivity analysis related to fair value measurement to changes in unobservable inputs of derivative financial instruments has been presented for the year ended 31 December 2017 and 31 December 2016 as there was no outstanding balance as at 31 December 2017 and 31 December 2016.

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

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

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

36. RECONCILATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flow will be, classified in the Group's consolidated statement of cash flow as cash flows from financing activities.

	1 January 2017	Interest accrued	Issue costs	Financing cash flow	Foreign exchanges	31 December 2017
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Borrowings	1,789,740	–	(10,680)	2,978,375	67,644	4,825,079
Interest payables	10,150	88,521	–	(67,530)	505	31,646
	1,799,890	88,521	(10,680)	2,910,845	68,149	4,856,725

37. RELATED PARTY TRANSACTIONS

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

	2017 ***HK$'000***	2016 *HK$'000*
(a) Transactions with related parties:		
Sale of gas to Tianjin TEDA Gas Company Limited* ("Tianjin TEDA GAS") (天津泰達燃氣有限責任公司) *(Note (i))*	**215,002**	153,133
Sale of gas to Tianjin Pipe and its subsidiaries *(Note(i))*	**85,452**	318,643
Sale of gas to Tianjin Sai-rui Machinery Equipment Company Limited* ("Sai Rui") (天津賽瑞機器設備有限公司) *(Note (i))*	**31,181**	35,667
Provision of connection service to TEDA Investment Holding Company Limited* ("TEDA") (天津泰達投資控股有限公司) *(Note (iii))*	**17,145**	1,707
Sale of gas to Tianjin Eco-City Energy Investment Construction Company Limited* ("Tianjin Eco-City") ((天津泰達投資控股有限公司)) *(Note (i))*	**16,962**	3,630
Sale of gas to SBI (Note (i))	**12,099**	5,012
Provision of connection service to TEDA Zhongtang *(Note (iii))*	**9,099**	—
Sale of gas to Tianjin Eco-City TEDA Thermal Power Company Limited* ("Eco-City TEDA Thermal Power") (天津生態城泰達熱電有限公司) *(Note (i))*	**7,585**	1,563
Sale of gas to Tianjin TEDA Transportation Hub Operations Management Company Limited* ("TEDA Transportation Hub") (天津泰達交通樞紐運營管理有限公司) *(Note (i))*	**1,716**	1,352
Pipeline transportation to Tianjin TEDA GAS *(Note (x))*	**1,127**	—

	2017 **HK$'000**	2016 HK$'000
Sale of gas to Tianjin YAT-SEN Scientific Industrial Park International Inc.* ("Tianjin YAT-SEN") (天津逸仙科學園國際有限公司) *(Note (i))*	**878**	687
Rental income from SBI *(Note (iv))*	**752**	375
Provision of connection service to Tianjin TEDA GAS *(Note (ii))*	**467**	—
Sale of gas to Tianjin Xing Cheng Investment and Development Company Limited* ("Tianjin Xingcheng") (天津星城投資發展有限公司) *(Note (i))*	**96**	76
Sale of gas to TEDA Zhongtang *(Note (i))*	**68**	58
Sale of gas to Thriving Future Property Management Company Limited* ("Thriving Future Property") (天津天孚物業管理有限公司) *(Note (i))*	**65**	67
Provision of connection service to Tianjin Xingcheng *(Note (ii))*	**—**	169
Compensation fee received from Tianjin Xing Cheng *(Note (iii))*	**—**	3,742
Purchase of steel pipe materials from Tianjin TPCO & TISCO Welding Pipe Company Limited* ("Tianguan Taigang") (天津天管太鋼焊管有限公司) *(Note (vi))*	**(9,198)**	—
Purchase gas from Tianjin Binhai Tourist Area Gas Investment Development Company Limited* ("Binhai Tourist Area Gas") (天津濱海旅遊區燃氣投資發展有限公司) *(Note (viii))*	**(8,483)**	(1,534)
Insurance premium paid to Bohai Property Insurance Company Limited* ("Bohai") (渤海財產保險股份有限公司) *(Note (vii))*	**(1,843)**	(2,151)
Construction supervision service from Tianjin Development Zone Construction Engineering Supervision Company Limited* ("Development Zone Engineering Supervision") (天津開發區建設工程監理公司) *(Note (ix))*	**(139)**	(346)
Construction supervision service from Tianjin Eco-City Environmental Technology Consulting Company Limited* ("Eco-City Environmental") (天津生態城環境技術諮詢有限公司) *(Note (ix))*	**(164)**	(31)
Property management fee to Thriving Future Property	**(84)**	—

Notes:

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

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

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

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

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

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

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

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

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

(x) The Group provide pipeline transportation services to related parties.

* Identification for English translation only

(b) Balances with related parties

	2017 ***HK$'000***	2016 *HK$'000*
Account receivable fromTEDA Investment	**843**	1,833
Account receivable from Tianjin Pipe	**134,418**	76,128
Account receivable from TEDA GAS	**26,198**	19,155
Advance to TEDA Zhongtang	**19,735**	8,580
Account receivable from Sai Rui	**8,422**	11,181
Account receivable from Tianguan Taigang	**—**	8,767
Account receivable from SBI	**8,363**	474
Account receivable from Tianjin Eco-City	**5,885**	380
Account receivable from Tianjin Xingcheng	**1,202**	8,445
Account receivable from ECO-City TEDA Thermal Power	**1,122**	—
Account receivable from Tianjin YAT-SEN	**797**	508
Advance to Binhai Tourist Area Gas	**670**	2,743
Account receivable from Thriving Future Property	**20**	15
Account receivable from TEDA Urban Development	**—**	431
	207,675	138,640

	2017	2016
	HK$'000	*HK$'000*
Account payable to TEDA Property	**(4,804)**	(5,673)
Account payable to Qinhuangdao Taixing	**(36,019)**	—
Account payable to SBI	**(5,188)**	(5,928)
Account payable to TEDA Investment	**(5,172)**	—
Account advance received from Eco-City TEDA Thermal Power	**(1,196)**	(523)
Account advance received from TEDA Transportation Hub	**(533)**	(295)
Account advance received from Tianjin Rail Transit Group Engineering Construction Company Limited*（天津軌道交通集團工程建設有限公司）	**(300)**	(279)
Account payable to Starcity	**(46)**	—
Account payable to Tianguan Taigang	**(99)**	—
Account payable to Tianjin TEDA Zhongtang	**(28)**	—
Account payable to Development Zone Engineering Supervision	**—**	(335)
	(53,385)	(13,033)

* Identification for English translation only

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

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

Other than those mentioned above in Notes (a) and (b) above and the issuance of Redemption Preference Shares mentioned in Note 26, majority of the Group's bank balances and cash as of year ended 31 December 2017 and 2016 and bank borrowing as of year ended 31 December 2017 are also with state controlled banks. In addition, the other borrowing as of year ended 31 December 2017 is with a state controlled financial institution.

(d) Key management compensation

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

	2017 **HK$'000**	2016 HK$'000
Short-term employee benefits	**8,850**	12,455
Retirement benefits costs	**205**	194
	9,055	12,649

38. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

At 31 December 2017 and 2016, the Group had the following subsidiaries.

(a) Investment holding companies:

Name of entity	Kind of legal entity and place of incorporation	Particulars of issued and fully paid capital	Effective interest held
Winstar Venture Limited ("Winstar")	British Virgin Islands ("BVI")	US$200 ordinary shares	100%
Binhai Investment Hong Kong Limited ("Binhai HK")	Hong Kong	HK$2 ordinary shares, HK$29,000,000 non-voting deferred shares *(Note (ii))*	100%
Binhai Investment (Tianjin) Company Limited	Wholly foreign owned enterprise, PRC	US$155,000,000	100%

Notes:

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

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

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

(b) Other subsidiaries:

	Name of subsidiary	Place of incorporation	Principal activities and place of operation	Issued and fully paid capital *(Note (i))* *HK$ '000*	Potential capital contributions *(Note (ii))* *HK$ '000*	Effective indirect interest *(Note (iii))* *(%)*
1	Zibo Jin Bin Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	25,000	–	100
2	TEDA Energy	Wholly foreign owned enterprises, PRC	Connection services and sale of gases, PRC	769,000	–	100
3	Binzhou TEDA Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	27,000	–	100
4	Zhaoyuan Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	20,000	–	100
5	Deqing Binhai Gas Company Limited	Sino-foreign equity joint ventures, PRC	Connection services and sale of gases, PRC	18,000	–	90
6	Zhuozhou Binhai Gas	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	11,000	–	100
7	Nanjing Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	12,000	–	100
8	Yizheng TEDA Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	13,000	–	100
9	Qinhuangdao TEDA Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	12,000	–	100
10	Qingdao Jiaonan Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	11,000	–	100
11	Sanhe TEDA Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	7,000	–	90
12	Changle TEDA Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	8,000	–	100

Name of subsidiary		Place of incorporation	Principal activities and place of operation	Issued and fully paid capital (Note (i)) HK$ '000	Potential capital contributions (Note (ii)) HK$ '000	Effective indirect interest (Note (iii)) (%)
13	Dezhou Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	12,000	–	100
14	Qingdao Jiaozhou Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	17,000	–	100
15	Jingjiang Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	3,000	13,000	100
16	Funing TEDA Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	7,000	–	100
17	Yishui Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	13,000	–	100
18	Rizhao Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	13,000	–	100
19	Haiyan Tian Tai Gas Company Limited	Wholly foreign owned enterprises, PRC	Connection services and sale of gases, PRC	25,000	–	100
20	Beijing Airport Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	12,000	–	100
21	Haiyang Wah Sang Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	2,000	10,000	100
22	Tianjin Binhai Xinda Real Estate Company Limited	Wholly foreign owned enterprises, PRC	Real estate investment, PRC	–	156,000	100
23	Yizheng Jin Bin Gas Company Limited	Wholly foreign owned enterprises, PRC	Connection services and sale of gases, PRC	12,000	–	100
24	Tangshan Binhai Gas Company Limited	Wholly foreign owned enterprises, PRC	Connection services and sale of gases, PRC	24,000	65,000	100

	Name of subsidiary	Place of incorporation	Principal activities and place of operation	Issued and fully paid capital *(Note (i))* *HK$ '000*	Potential capital contributions *(Note (ii))* *HK$ '000*	Effective indirect interest *(Note (iii))* *(%)*
25	Tianjin HuaTai Xinda	Wholly foreign owned enterprises, PRC	Connection services and sale of gases, PRC	6,000	–	100
26	Tangshan TEDA Gas Company Limited	Wholly foreign owned enterprises, PRC	Connection services and sale of gases, PRC	47,000	–	100
27	Jizhou Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	14,000	–	98
28	Anxin TEDA Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	2,000	–	100
29	Qingyuan Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	11,000	–	99.82
30	Liuyang Binhai Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	19,000	–	100
31	Fengxian Binhai Gas Company Limited	Wholly foreign owned enterprises, PRC	Connection services and sale of gases, PRC	16,000	–	100
32	Gaoan TEDA Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	18,000	–	100
33	Tianjin Taigang Gas Company Limited	Wholly foreign owned enterprises, PRC	Connection services and sale of gases, PRC	13,000	–	100
34	Tianjin BinMing Gas Company Limited	Sino-foreign co-operative joint ventures, PRC	Connection services and sale of gases, PRC	3,000	7,000	80
35	Tianjin Tairan Energy Technology Develop Limited	Wholly individual owned enterprises, PRC	Energy technology development and consulting, PRC	116	–	100

Notes:

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

(ii) The Company's committed capital contributions, through Binhai Investment Tianjin, into these subsidiaries amounted to approximately HK$251,000,000 (31 December 2016: HK$251,000,000). Although the deadlines for injecting the capital to all these subsidiaries have expired, these subsidiaries are all still operating as at date of these consolidated financial statements.

(iii) Effective interests held are determined by assets appropriation upon the dissolution of the subsidiaries, instead of by proportion of the capital injection and profit share. The position as at 31 December 2017 is unchanged from 31 December 2016.

39. STATEMENT OF FINANCIAL POSITIONS AND RESERVES OF THE COMPANY

	2017 HK$'000	2016 HK$'000
ASSETS		
Non-current Assets		
Interests in subsidiaries	**1,540,357**	1,491,920
Amounts due from subsidiaries	**2,309,474**	880,853
	3,849,831	2,372,773
Current Assets		
Cash and cash equivalents	**767,872**	547
Total Assets	**4,617,703**	2,373,320
EQUITY AND LIABILITIES		
Share capital		
— Ordinary shares	**117,435**	117,435
— Redeemable preferences shares	**430,000**	430,000
Share premium	**157,522**	157,522
Other reserves	**(61,184)**	(101,865)
Retained earnings	**74,617**	221,254
Total Equity	**718,390**	824,346
LIABILITIES		
Non-current liability		
Borrowings	**2,324,366**	1,538,899
Current Liabilities		
Trade and other payables	**19,607**	10,075
Borrowings	**1,555,340**	—
	1,574,947	10,075
Net Current Liabilities	**(807,075)**	(9,528)
Total Assets less Current Liabilities	**3,042,756**	2,363,245
Total Liabilities	**3,899,313**	1,548,974
Total Equity and Liabilities	**4,617,703**	2,373,320

The Company's movement in reserves for the years ended 31 December 2017 and 2016 are as follows:

	Other reserves					
	Share premium *HK$'000*	Capital surplus *HK$'000*	Exchange reserve *HK$'000*	Employee share option reserve *HK$'000*	Total *HK$'000*	Retained earnings *HK$'000*
Balance at 31 December 2015	157,522	4,091	(70,196)	16,023	(50,082)	302,235
Loss for the year	–	–	–	–	–	(23,707)
Other comprehensive expenses						
Currency translation differences	–	–	(50,340)	–	(50,340)	–
Total comprehensive expenses for the year	–	–	(50,340)	–	(50,340)	(23,707)
Employee share options forfeited	–	–	–	(1,443)	(1,443)	1,443
Dividends relating to 2015	–	–	–	–	–	(58,717)
Balance at 31 December 2016	157,522	4,091	(120,536)	14,580	(101,865)	221,254
Balance at 31 December 2016	157,522	4,091	(120,536)	14,580	(101,865)	221,254
Loss for the year	–	–	–	–	–	(87,920)
Other comprehensive income						
Currency translation differences	–	–	40,681	–	40,681	–
Total comprehensive income (expenses) for the year	–	–	40,681	–	40,681	(87,920)
Dividends relating to 2016	–	–	–	–	–	(58,717)
Balance at 31 December 2017	157,522	4,091	(79,855)	14,580	(61,184)	74,617

Five-Year Financial Summary

The following table summarized the results, assets and liabilities of the Group for the five years ended 31 December 2017.

	Year ended 31 December 2017	Year ended 31 December 2016	Year ended 31 December 2015	Year ended 31 December 2014	Year ended 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**2,745,687**	2,145,194	2,554,762	2,543,237	2,229,133
Profit attributable to owners of the Company	**221,421**	172,226	198,860	213,635	135,722

	31 December 2017	31 December 2016	31 December 2015	31 December 2014	31 December 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**7,875,998**	4,071,674	3,967,942	3,988,555	3,847,329
Total liabilities	**6,414,158**	2,849,813	2,788,905	2,905,105	2,975,234
Equity holder equity	**1,428,606**	1,186,684	1,146,653	1,054,286	847,663
Non-controlling interest	**33,234**	35,177	32,384	29,164	24,432