Beijing Gas Blue Sky Holdings Limited
北京燃氣藍天控股有限公司

(formerly known as Blue Sky Power Holdings Limited)
(Incorporated in Bermuda with limited liability)

Hong Kong Stock Code: 6828
Singapore Stock Code: UQ7

Annual Report
2016

Contents

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Cheng Ming Kit *(Co-Chairman of the Board)*
Mr. Sze Chun Lee
Mr. Hung Tao
Mr. Kwok Shek San *(Chief Financial Officer)*
(resigned on 4 October 2016)
Mr. Hu Xiaoming *(Chief Executive Officer)*
Mr. Tam Man Kin *(Chief Financial Officer)*
(appointed on 4 October 2016)
Mr. Li Weiqi *(appointed on 21 February 2017)*

Non-executive Director

Ms. Chung Oi Ling, Stella
(resigned on 1 September 2016)
Mr. Zhi Xiaoye *(Co-Chairman of the Board)*
(appointed on 11 May 2016)

Independent Non-executive Directors

Mr. Lim Siang Kai
Mr. Wee Piew
Mr. Ma Arthur On-hing
Mr. Pang Siu Yin *(appointed on 21 February 2017)*

COMMITTEE MEMBERS

Audit Committee

Mr. Lim Siang Kai *(Chairman)*
Mr. Wee Piew
Mr. Ma Arthur On-hing
Mr. Pang Siu Yin *(appointed on 21 February 2017)*

Remuneration Committee

Mr. Ma Arthur On-hing *(Chairman)*
Mr. Lim Siang Kai
Mr. Wee Piew
Mr. Pang Siu Yin *(appointed on 21 February 2017)*

Nomination Committee

Mr. Ma Arthur On-hing *(Chairman)*
Mr. Lim Siang Kai
Mr. Wee Piew
Mr. Cheng Ming Kit
Mr. Pang Siu Yin *(appointed on 21 February 2017)*

AUTHORISED REPRESENTATIVES

Mr. Tam Man Kin
Mr. Sze Chun Lee

COMPANY SECRETARY

Mr. Siew Chun Fai

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEADQUARTERS AND PRINCIPAL EXECUTIVE OFFICE

Room 1411, 14th Floor, New World Tower I
16-18 Queen's Road Central
Hong Kong

BERMUDA SHARE REGISTRAR

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Corporate Information

SINGAPORE SHARE TRANSFER AGENT

Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35th Floor
One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL BANKERS

Hong Kong and Shanghai Banking Corporation Limited
DBS Bank (Hong Kong) Limited
Industrial and Commercial Bank of China

COMPANY WEBSITE

www.bgbluesky.com

STOCK CODES

Hong Kong: 6828
Singapore: UQ7

Corporate Profile

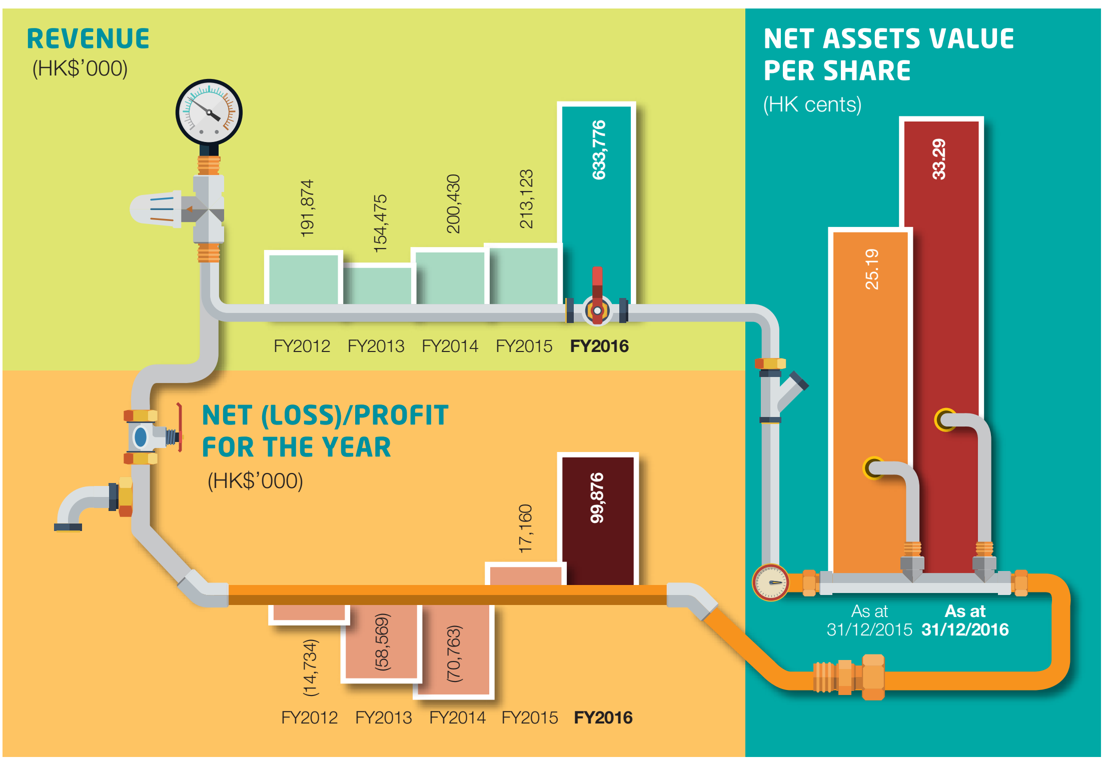
Beijing Gas Blue Sky Holdings Limited ("Beijing Gas Blue Sky") is an integrated natural gas provider and operator focusing on the mid– to downstream segment development of the natural gas industry chain. Its major natural gas business encompasses (i) construction and operation of compressed natural gas ("CNG") and liquefied natural gas ("LNG") refueling stations for vehicles; (ii) construction of natural gas pipelines and operation of city gas projects by providing piped gas; (iii) direct supply of LNG to end-users, such as industrial users; and (iv) trading and distribution of CNG, LNG and liquefied petroleum gas. The Group proactively expands its business development and layout in accordance with its own "One Belt One Road" strategy, and will get involved in the entire industry value chain in all aspects.

Financial Highlights

EARNINGS PER SHARE (HK CENTS)

Earnings per ordinary share based on profit attributable to owners of the Company: (From continuing and discontinued operations)	Group FY2015	Group **FY2016**
(i) Based on the weighted average number of ordinary shares in issue	HK0.33 cents	**HK1.28 cents**
(ii) On a fully diluted basis	HK0.33 cents	**HK1.27 cents**

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately HK$99,876,000 (2015: loss HK$17,160,000) and the weighted average number of 7,779,977,895 (2015: HK$5,249,341,262) ordinary shares in issue during the year.



Net asset value attributable to the owners of the Company per ordinary share was calculated based on:

1. the equity of the Group attributable to the owners of the Company as at 31 December 2016 and 31 December 2015; and

2. 9,634,825,844 and 6,099,640,873 ordinary shares in issue as at 31 December 2016 and 31 December 2015, respectively.

Chairman Statement


We Provide
High Quality
Energy
for Your
Journey
CNG
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Chairman Statement

Looking back into 2016, the domestic economy achieved a stable and rapid growth. Along with the healthy development of the macro economy, facilitation of domestic market reform, and promulgation of supportive policies, the natural gas industry also realized a steady growth. Following the successive introduction of favorable central and local government policies such as “haze governance” and “coal-to-gas conversion”, the development of natural gas industry ushered in new opportunities whilst the natural gas consumption growth rebounded and accelerated.

During the year, Beijing Gas Blue Sky Holdings Limited (“the “Company”, together with its subsidiaries, the “Group”) continued its efforts in acquiring quality projects and expanding its natural gas business. It also focused on gas sourcing and end-user distribution businesses. Revenue increased by 499.1% to HK$633.8 million; segment profit of the Group reached HK$205.3 million, up by HK$102.7 million as compared with the corresponding period of last year. The Group recorded an annual gas sales volume of 285.0 million cubic meter, up by 15 times as compared with the corresponding period of last year.

Chairman Statement

In January 2016, the Group entered into an agreement with Beijing Gas Group Co., Ltd. ("Beijing Gas") to issue new shares and convertible bonds to Beijing Gas by way of subscription. Beijing Gas is a wholly-owned subsidiary of Beijing Enterprises Holding Limited ("BEHL", HKEx Stock Code: 392). Following the completion of the subscription of shares and convertible bonds of the Company in May 2016, Beijing Gas became the single largest shareholder of the Company. In December 2016, the shareholders of the Company approved the change of the Company's name from "Blue Sky Power Holdings Limited" to "Beijing Gas Blue Sky Holdings Limited", in which it can better reflect the relationship between the Company and Beijing Gas and bring abundant industry and financial resources to the Group. At the same time, both parties will continue to explore and identify more synergistic opportunities between them at both project and regional levels, which are in the best interests of the Company and its shareholders as a whole.

Chairman Statement

In November 2016, 安徽正威力能源有限公司 (Anhui Power Energy Company Limited*) ("Anhui Power Energy"), an indirect wholly-owned subsidiary of the Company, entered into a master liquefied natural gas agreement with 北京燃氣綠源達清潔燃料有限公司 (Beijing Gas Lu Yuan Da Clean Fuel Company Limited*) ("Beijing Luyuanda"), a subsidiary of Beijing Gas. In December 2016, the Company signed two memorandums of understanding with two independent third parties in relation to the proposed acquisition of city gas projects in Jilin Province and Shanxi Province respectively, thereby building a stronger platform for the natural gas business of the Group.

Moreover, the Company brought in renowned investors successfully, including Templeton Strategic Emerging Markets Fund IV, LDC ("Templeton Emerging Market Fund"), Haitong International Securities Group Limited ("Haitong International Securities") and 中國東方資產管理股份有限公司 (China Orient Asset Management Co., Ltd.) ("Orient Asset"), which further improves its financial strength.

In May 2016, the inclusion of the Company in the Morgan Stanley Capital International (MSCI) Hong Kong Small Cap Index reflected the market confidence in respect of the development outlook of the Company, and we believe that it will help strengthen the stock liquidity and broaden the investor base of the company. Effective from 6 March 2017, the Company has been included in the Hang Seng Mainland China Oil and Gas Index, Hang Seng Global Composite Index, and Hang Seng Composite Index Series (including the Hang Seng Composite Index, the Hang Seng Composite Industry Index – Energy Sector, the Hang Seng Composite SmallCap Index and the Hang Seng Composite Small and Medium Cap Index), demonstrating a recognition of the Company's performance in market capitalization, trading volume and liquidity, as well as reflection of the Hong Kong capital market's confidence in the Company. It can help foster the Company's shareholder diversification, thereby enhancing liquidity and broadening its shareholders base.

Chairman Statement

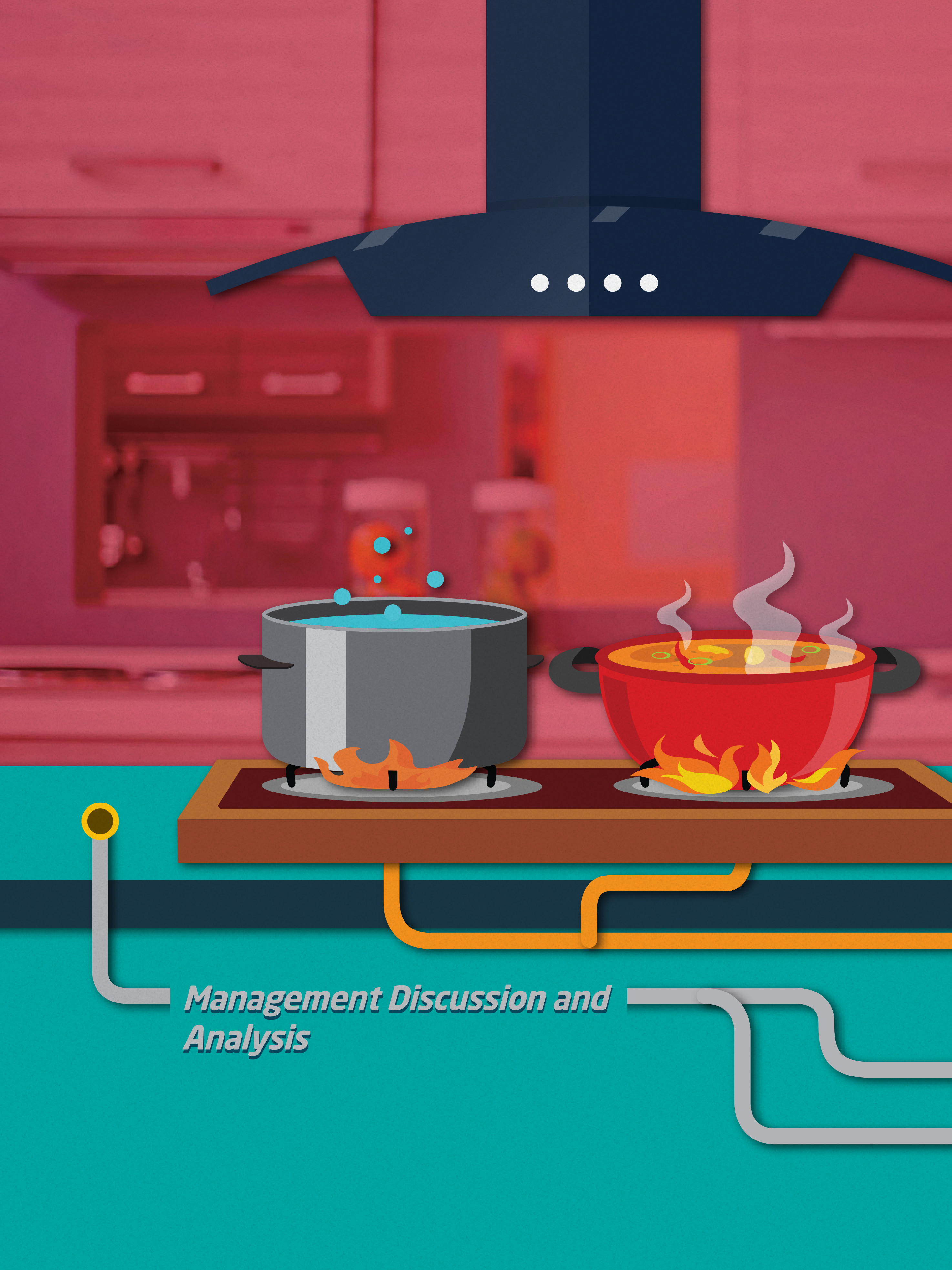
In November 2016, the Company was awarded the Most Valuable Listed Company (最具投資價值上市公司獎) during the 13th Five Year Plan at the 6th China Securities Golden Bauhinia Award, reflecting its outstanding achievements and performance as well as the high recognition by the capital market on its overall development and values.

Heading into 2017, along with the in-depth implementation of the government's "13th Five-Year Plan" and the "One Belt One Road" initiative, the Group will promote the development of a new layout of the energy industry. In 2015, natural gas accounted for 5.9% of energy consumption, while the "13th Five-Year Plan" proposed to increase the proportion of natural gas consumption to 10%. In 2017, both the National People's Congress and the Chinese People's Political Consultative Conference have emphasised the promotion of clean energy utilisation and realisation of safe and stable gas supply. On one hand, it enhances domestic conventional natural gas exploration and development; while on the other hand, it conducts scientific planning of introducing foreign import natural gas in terms of scale, method and pace, as well as the timely increase of LNG import capacity. With the natural gas industry having solid growth potential, more opportunities will be expected in the future.

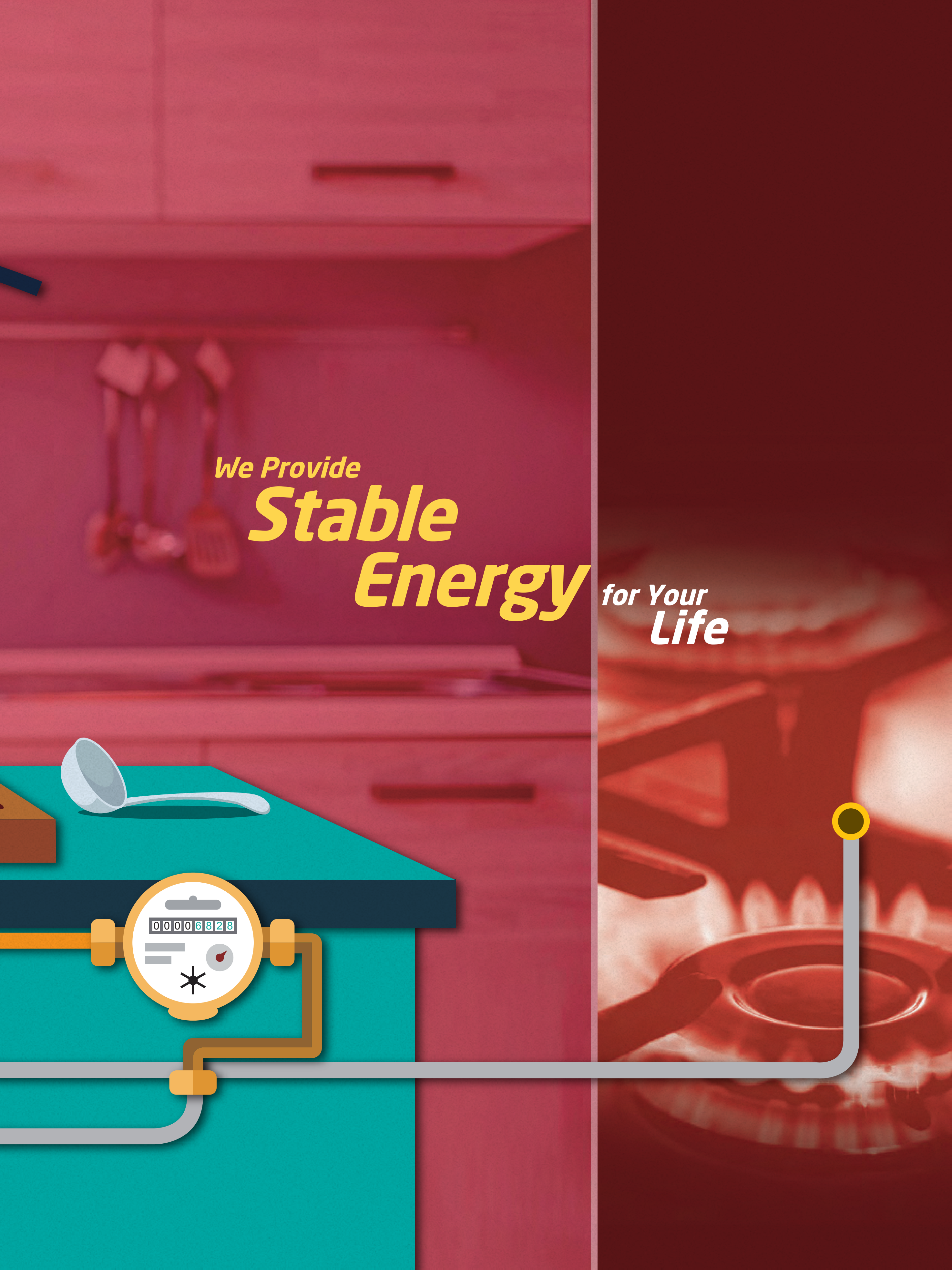
By leveraging upon the solid support of Beijing Gas and by virtue of its competitive strengths, the Group will continue to grasp the opportunities arising from policies facilitation, accelerate market exploration, expand its businesses including city gas, natural gas for transportation, LNG direct supply trading and distribution of natural gas, and other related segments, and achieve a synergistic development. Furthermore, the gearing ratio of the Company is below industry average, which gives the Company room to raise debt in support of its future expansion, while maintaining a solid financial discipline. The Group will increase the business scale and improve profitability through organic expansion and quality project acquisitions. At the same time, the Group will continue to leverage upon the diversified gas sourcing and further consolidate the position as an integrated natural gas provider and distributor, thereby creating greater value for our shareholders and investors.

Zhi Xiaoye	**Cheng Ming Kit**
Co-chairman	*Co-chairman*

29 March 2017



Management Discussion and Analysis


We Provide
Stable
Energy
for Your
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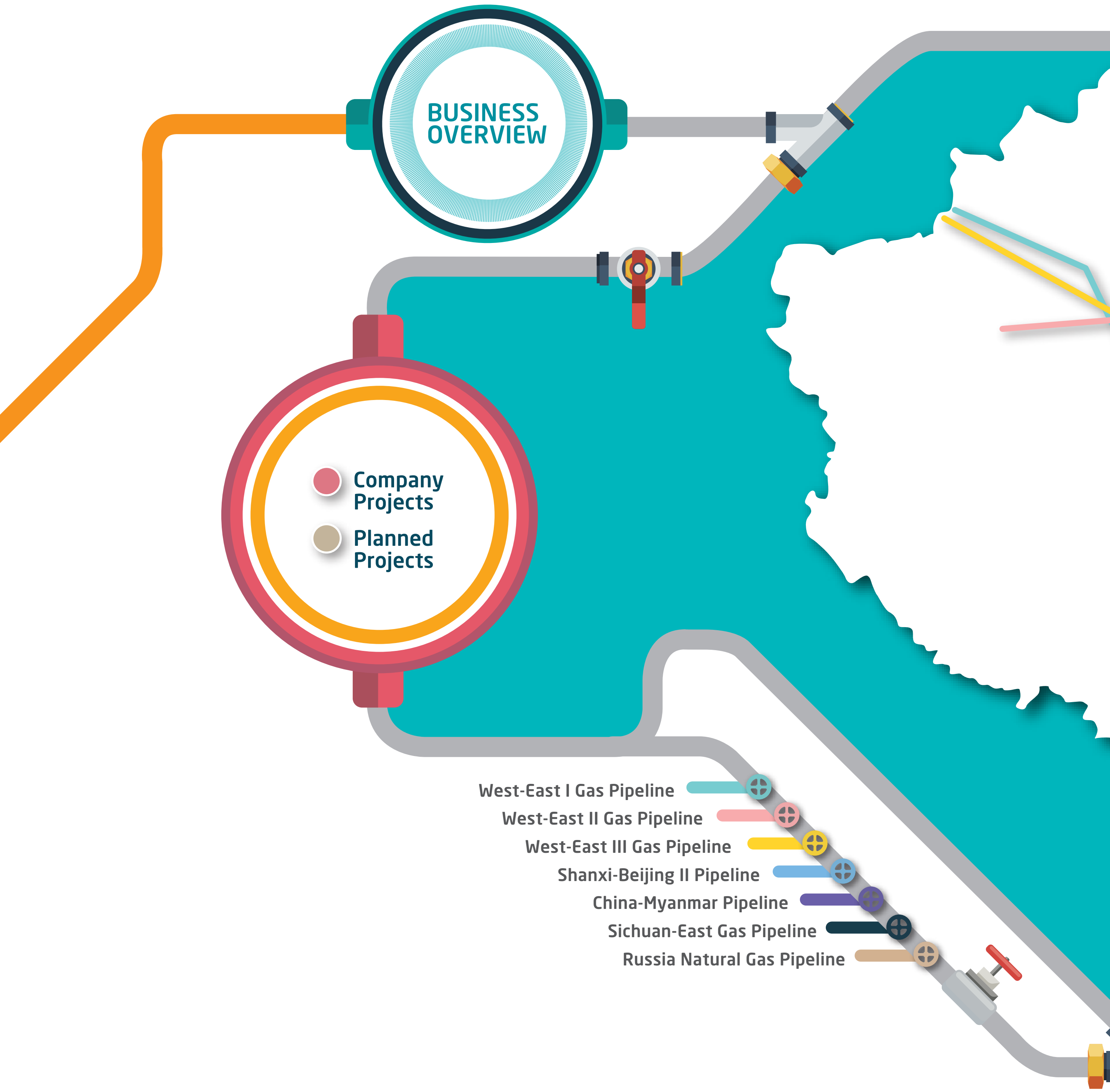
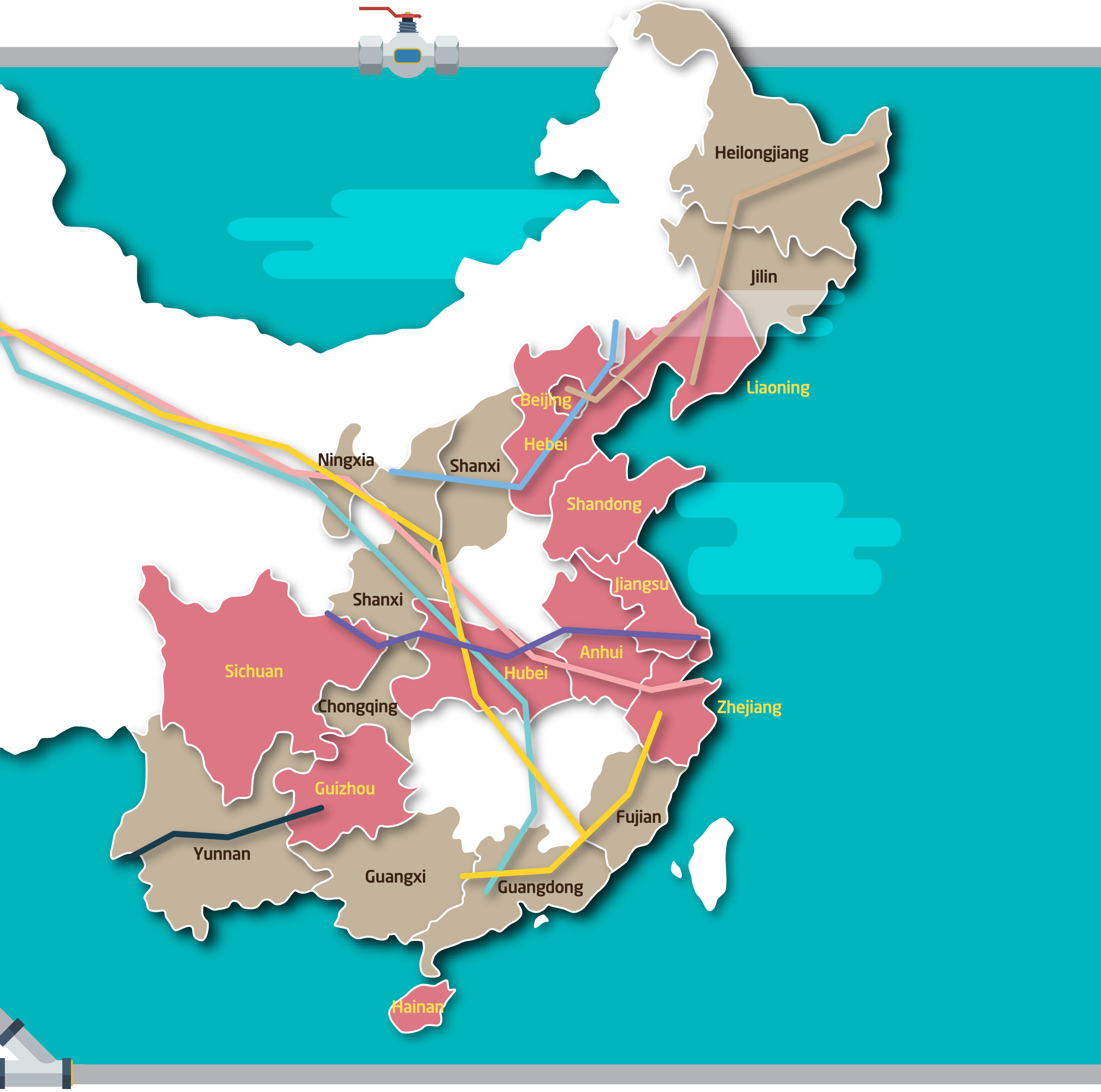
Management Discussion and Analysis



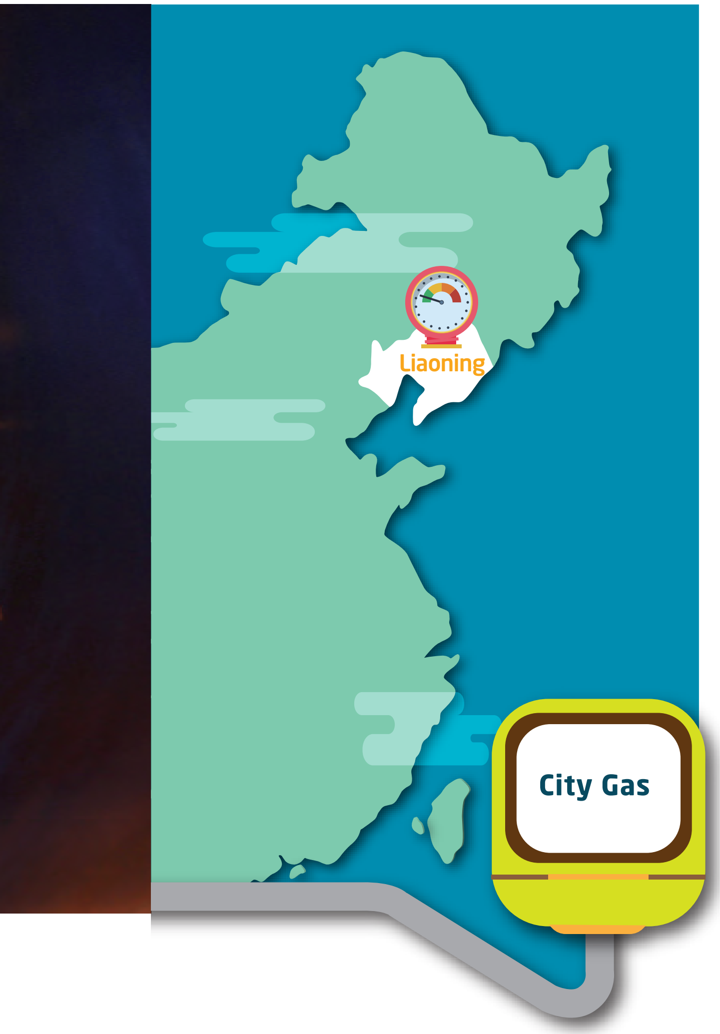
Management Discussion and Analysis



Management Discussion and Analysis

INDUSTRY OVERVIEW

The year 2016 marked the beginning of the 13th Five-Year Plan in which the overall growth of macro-economic development in the PRC was slow but stable. The natural gas production had kept a steady increase during the year, with the national natural gas production reaching 136.9 billion cubic meters, achieved a year-on-year increase of 1.7%. The Chinese government endeavored the facilitation of clean energy development, hence the National Energy Administration promulgated the energy "13th Five-Year Plan", indicating that the proportion of domestic natural gas consumption in 2020 is targeted to reach 10%. Meanwhile, with the Action Plan of the Prevention Scheme of Air Pollution promulgated by the State Council, local governments at all levels also introduced related policies to facilitate the local "coal-to-gas" project construction, so as to increase the application coverage of natural gas, facilitated the energy structural adjustment and promoted proactively the improvement of the overall environment. In addition, the National People's Congress and the Chinese People's Political Consultative Conference



convened in 2017 have also pointed out that by strengthening domestic conventional natural gas exploration and development, as well as scientific planning of introducing foreign import natural gas in terms of scale, method and pace, it can achieve safe and stable gas supply and promote the use of clean energy. Hence, there was tremendous potential for development growth in natural gas industry.

BUSINESS REVIEW

In 2016, the Group continued to focus on the operation and investment of the natural gas business and kept on ramping up the operation size gradually, with its current business in the PRC presence covering 8 provinces in North Eastern region, Eastern region, Central Southern region and South Western region, which include Liaoning Province, Shandong Province, Anhui Province, Zhejiang Province, Hubei Province, Guizhou Province, Sichuan Province and Hainan Province. For the year ended 31 December 2016, the Group recorded total revenue of HK$633.8 million from the natural gas business, up by 498.8% compared with the corresponding period of 2015 (2015: HK$105.8 million), contributing approximately 100% of the Group's total revenue. Segment profit of the Group reached HK$205.3 million, up by HK$102.7 million as compared with the corresponding period of 2015, which was derived from the natural gas for transportation, trading and distribution of natural gas, City Gas and other related products. The Group recorded a total gas sales volume of 285.0 million cubic meter, up by 15 times as compared with the corresponding period of 2015 (2015: 17.8 million cubic meters).

Management Discussion
and Analysis

The Group's major natural gas projects in year 2016:

	Project Name	Equity Interests held	Status	LNG/CNG refueling stations As of December Number of Stations	LNG/CNG refueling stations Volume *(m³)*	LNG/CNG refueling stations Volume *(%)*	City Gas As of December Number of Projects	City Gas Volume *(m³)*	City Gas Volume *(%)*	Direct Supply As of December Volume *(m³)*	Direct Supply Volume *(%)*	Trading and distribution As of December Volume *(m³)*	Trading and distribution Volume *(%)*	Total As of December Volume *(m³)*	Total Volume *(%)*
Subsidiaries	Liaoning Benxi	89%	Existing	1	407,876	1%	1	1,223,100	100%	–	0%	–	0%	1,630,976	1%
	Shandong Jinan	60%	Existing	2	2,269,344	4%	–	–	0%	–	0%	–	0%	2,269,344	1%
	Shandong Yucheng	36%	Under Reinvestment	2	–	0%	–	–	0%	–	0%	–	0%	–	0%
	Shandong Tengzhou	100%	Existing	1	2,888,335	5%	–	–	0%	1,514,420	14%	27,312,452	13%	31,715,207	11%
	Shandong Chiping	100%	Existing	1	662,000	1%	–	–	0%	–	0%	875,000	0%	1,537,000	1%
	Shandong Power Energy	100%	Existing	–	–	0%	–	–	0%	–	0%	632,772	0%	632,772	0%
	Guizhou Liupanshui	100%	Existing	2	3,653,009	7%	–	–	0%	1,287	0%	–	0%	3,654,296	1%
	Anhui Power Energy	100%	Incorporated in Jan-2016	–	–	0%	–	–	0%	–	0%	144,036,171	66%	144,036,171	50%
	Hainan Xinyuan	48%	Changed to subsidiary in Jul-2016	8	16,869,169	30%	–	–	0%	–	0%	–	0%	16,869,169	6%
	Ningbo Beilun	100%	Acquired in Nov-2016	–	–	0%	–	–	0%	–	0%	289,685	0%	289,685	0%
	Zhejiang Huzhou	100%	Acquired in Aug-2016	–	–	0%	–	–	0%	9,107,360	86%	36,402,617	17%	45,509,977	16%
			Subtotal	**17**	**26,749,733**	**48%**	**1**	**1,223,100**	**100%**	**10,623,067**	**100%**	**209,548,697**	**96%**	**248,144,597**	**87%**
Associates	Hainan Zhongyou Jiarun	40%	Acquired in Apr-2016	3	6,991,335	13%	–	–	0%	–	0%	–	0%	6,991,335	2%
	Hainan Dazhong	12%	Merged in Jul-2016	9	16,888,787	30%	–	–	0%	–	0%	–	0%	16,888,787	6%
	Hefei Kunlun Energy	30%	Acquired in Apr-2016	5	5,022,333	9%	–	–	0%	–	0%	6,931,778	3%	11,954,111	4%
			Subtotal	**17**	**28,902,455**	**52%**	**-**	**-**	**0%**	**-**	**0%**	**6,931,778**	**3%**	**35,834,233**	**12%**
Joint Ventures	Sichuan	45%	Existing	–	–	0%	–	–	0%	–	0%	990,080	1%	990,080	1%
	Wuhan Power Energy	50%	Existing	–	–	0%	–	–	0%	–	0%	–	0%	–	0%
	Hubei Huanggang	30%	Under construction	–	–	0%	–	–	0%	–	0%	–	0%	–	0%
	Jiangsu Hsuchow	57%	Under construction	–	–	0%	–	–	0%	–	0%	–	0%	–	0%
			Subtotal	**-**	**-**	**0%**	**-**	**-**	**0%**	**-**	**0%**	**990,080**	**1%**	**990,080**	**1%**
			Grand Total	**34**	**55,652,188**	**100%**	**1**	**1,223,100**	**100%**	**10,623,067**	**100%**	**217,470,555**	**100%**	**284,968,910**	**100%**

In year 2016, the total gas sales volume from subsidiaries amounted to 248.1 million cubic meters. The total gas sales volume from the associates amounted to 35.8 million cubic meters.

For the year ended 31 December 2016, earnings per share were HK1.28 cents (2015: HK0.33 cents). Finance costs amounted to HK$95.7 million, of which actual cash outflow was HK$37.8 million. EBITDA amounted to HK$229.8 million, up by 187.3% compared with the year of 2015 (2015: HK$80.0 million).

During the year ended 31 December 2016, the printing business was discontinued as the Group had resolved to dispose it. On 27 June 2016, the Company entered into the sale and purchase agreement with an independent third party in relation to the proposed disposal of 25% equity interest in Legon Ventures Limited, a subsidiary of the Company, at a consideration of HK$16,500,000 ("Printing Business Disposal"). Details are set out in the announcement and circular dated 27 June 2016 and 25 August 2016 respectively. The Printing Business Disposal was approved by the shareholders of the Company at the special general meeting held on 20 September 2016.

RESIDENTIAL USERS

The Group has an operational city gas project in Benxi City, Liaoning Province. The Group followed the "coal-to-gas" policy and seized the chance brought by the recovery of the real estate industry. We actively seek our participation and investment in city gas projects and develop coal-to-gas users so that the Group can further generate growth in natural gas provision.

INDUSTRIAL AND COMMERCIAL USERS

The Group is currently supplying gas to an industrial park in Benxi City, Liaoning, and has also invested in projects in Shandong Province to directly supply LNG to industrial users. In addition, the joint ventures in Huanggang City, Hubei Province is expected to commence production by early 2017. The volume of the gas in industrial and commercial sector will gradually become the main force of city gas development, and is expected to be a key growth driver of the Group's gas sales in the future.

CNG AND LNG REFUELING STATIONS

The Group sells natural gas to LNG vehicles (trucks and motor buses) and CNG vehicles (taxis, motor buses and private cars). During the year ended 31 December 2016, the sales income of the Group's refueling gas stations business recorded HK$75.8 million. We owned a total of 34 stations comprising 16 CNG refueling stations and 18 LNG refueling stations for vehicles (2015: a total of 26 stations comprising 18 CNG refueling stations and 8 LNG refueling stations for vehicles), their distributions are mainly located in Hainan Province, Anhui Province, Shandong Province and Guizhou Province.

TRADING AND DISTRIBUTION OF CNG AND LNG

Since the second half of 2015, the Group has expanded into the CNG and LNG trading and distribution business with its transportation fleet and logistics platform keep on growing, and through the distribution and trading of CNG and LNG as a wholesaler and sales agent to industrial and commercial users through direct supply facilities. The Group enhances our price bargaining power when negotiating with upstream suppliers via centralised procurement and logistics planning. In addition, the Group is in the process of exploring cooperation opportunities with upstream suppliers. The Group owns 10% equity interest of CNPC's Haikou LNG receiving terminal, distributes LNG with gas source ultimately from CNOOC's Ningbo receiving terminal and Sinopec's Dongjiakou receiving terminal. Accordingly, imported LNG is expected to provide stable natural gas and efficiently lower cost along the coastal area.

During the period, our trading and distribution business developed rapidly. During the year ended 31 December 2016, the trading and distribution business of the Group recorded an income of HK$533.7 million, which were distributed in Anhui Province, Zhejiang Province and Shandong Province. During the period, the total sales volume of our Group recorded was 217.5 million cubic meters, and owned 16 natural gas transportation vehicles.

OTHER VALUE-ADDED SERVICES

The Group recorded an income of HK$25.9 million by disposing 100% equity interest of Lasermoon Limited, an online B2B and B2C platform service provider which focuses on the trading of LNG among LNG liquefaction factories, LNG trading companies and gas refueling stations with value-added services involving price matching, cloud computing, big data analysis, and supply chain solutions.

Going forward, the Group will continue to collaborate with Lasermoon Limited to enhance its trading activities that can benefit our natural gas sales volume and customer satisfaction. The Group aims at connecting the upstream, midstream, and downstream participants of the LNG industry value chain and integrating the flow of information, capital, and logistics. One benefit includes usage of data provided by the platform to reduce the unloaded tankers ratio and improve utilization rate.

EXPANSION INITIATIVES

During the year ended 31 December 2016, the Group acquired/incorporated 5 projects, adding up to 17 projects in total.

	Newly acquired/ incorporated projects	Description
1	Anhui Power Energy	Trading and Distribution
2	Hainan Zhongyou Jiarun	3 LNG refueling stations
3	Hefei Kunlun Energy	5 LNG refueling stations
4	Zhejiang Huzhou	Trading and Distribution and LNG direct supply
5	Ningbo Beilun	Trading and Distribution

FINANCIAL RESOURCES OF THE GROUP

Cash and bank balances of the Group were to HK$91.4 million as at 31 December 2016. Given the Group's strong cash position, below industry average gearing level and quality profile of institutional and industry investors, the Group is expected to expand its investment in the natural gas industry and pursue opportunities for industry consolidation, so as to generate higher return for its shareholders.

During the year ended 2016, the Group successfully introduced Beijing Gas Group Co. Ltd. ("Beijing Gas") as our single largest shareholder. Beijing Gas, a wholly-owned subsidiary of Beijing Enterprises Holdings Limited ("BEHL"), subscribed 2,155,555,555 shares of the Group at HK$0.45 per share with an investment amount of HK$970.0 million in cash and also subscribed convertible bonds of HK$350.0 million.

Management Discussion
and Analysis

As at 31 December 2016, the Group issued corporate bonds of HK$293.0 million and convertible bonds with capital amount of HK$531.0 million. The Group's gearing ratio, which is total borrowings divided by total assets, was at 15.8% as at 31 December 2016, which was slightly lower than that as at 31 December 2015. If excluding convertible bonds, the gearing ratio was 7.1% as at 31 December 2016 (10.2% as at 31 December 2015). Cash to total liabilities was 0.1 as at 31 December 2016 (0.2 as at 31 December 2015).

Convertible bonds issuance summary table:

Issue date	Investors	Principal amount *HK$*	Principal amount as at 31 December 2016 *HK$*	Conversion price per share *HK$*	Maturity Date
2015-09-09	Templeton Asset Management Ltd.'s Emerging Markets Group	116,000,000	116,000,000	0.40	2018-09-09
2015-12-11	Haitong International Securities Group Limited	200,000,000	70,000,000	0.48	2018-12-09
2016-01-07	Templeton Asset Management Ltd.'s Emerging Markets Group	15,000,000	15,000,000	0.40	2019-01-07
2016-05-11	Beijing Gas Group Co., Ltd.	350,000,000	130,000,000	0.45	2019-05-11
2016-12-29	China Orient Asset Management Co., LTD.	200,000,000	200,000,000	0.67	2019-12-29

FINANCIAL REVIEW

Revenue

Revenue increased by 499.1% from HK$105.8 million for the year ended 31 December 2015 to HK$633.8 million for the year ended 31 December 2016, mainly attributable to the Company successfully ramping up the LNG trading business and completing the acquisition of Zhejiang Huzhou Project in August 2016. Both contributed to the revenue of HK$330.6 million and HK$123.8 million respectively.

Gross Profit/Loss and Segment Profit/Loss

The Group turned from the gross loss of HK$4.9 million for the year ended 31 December 2015 to the gross profit of HK$47.2 million for the year ended 31 December 2016, which was due to the high profit margin from LNG/CNG refueling stations and direct supply business.

Segment profit increased by 99.9% from HK$102.7 million for the year ended 31 December 2015 to HK$205.3 million for the year ended 31 December 2016, which was due to the increasing profit from the segment of natural gas for transportation of HK$20.5 million and City Gas and other related products of HK$70.2 million.

Earnings before Interests, Tax, Depreciation and Amortisation

Earnings before interests, tax, depreciation and amortisation increased from HK$80.0 million for the year ended December 2015 to HK$229.8 million for the year ended December 2016, which is mainly due to the profit from expansion of natural gas business, the investment income from disposal of online business to business and business to customer platform service business and the gain recognised on deemed disposal of subsidiaries.

Other Gains and Losses and Other Income

Other gains and losses and other income increased from HK$8.8 million for the year ended December 2015 to HK$84.7 million for the year ended December 2016, which is mainly due to (i) the increase in gain from investment income of HK$31.7 million; (ii) the increase in net exchange gains of HK$26.6 million; and (iii) the increase in gain from fair value change in financial assets at fair value through profit or loss of HK$15.1 million.

Gain recognised on deemed disposal of subsidiaries

Gain recognised on deemed disposal of subsidiaries of HK$208.7 million comprised of the following:

(i) Disposal of 25% equity interests in Wuhan Zheng Weili, a non-wholly owned subsidiary, at a cash consideration of RMB7,500,000 (the "Wuhan Disposal") to an independent third party. On the same date, the Company and the other two independent third parties entered into joint venture agreement which resulted in a loss of control of Wuhan Zheng Weili. Accordingly, Wuhan Disposal was treated as deemed disposal of 75% owned subsidiary at a deemed fair value of RMB22,500,000 (equivalent to HK$26,775,000), resulting in a deemed gain of disposal of subsidiaries of HK$17.9 million; and

(ii) Disposal of 16% equity interests in New Phoenix, at a cash consideration of HK$45,000,000 (the "New Phoenix Disposal"). On the same date, the Company and the other two independent third parties entered into shareholders agreement which resulted in a loss of control of New Phoenix. Accordingly, the New Phoenix Disposal was treated as deemed disposal of 73% owned subsidiary at a deemed fair value of HK$205,313,000, resulting in a deemed gain of disposal of subsidiaries of HK$190.8 million.

Operating expenses

(a) Administrative expenses

The administrative expenses increased by 44.1% from HK$85.4 million for the year ended December 2015 to HK$123.1 million for the year ended December 2016. It was mainly due to the increase in employee benefit expenses by HK$20.4 million, including the increase in (i) directors' emoluments by HK$7.0 million; (ii) rent and rate by HK$3.4 million; (iii) travelling expenses by HK$2.7 million; (iv) amortisation and depreciation by HK$2.6 million; and (v) commission by HK$2.1 million and other expenses.

(b) Other expenses

Other expenses increased by 195.5% from HK$4.4 million for the year ended December 2015 to HK$13.0 million for year ended December 2016 which was mainly due to the increased legal and professional fees by HK$7.5 million and bank charges by HK$1.1 million.

(c) Finance costs

Finance costs increased from HK$32.0 million for the year ended December 2015 to HK$95.7 million for the year ended December 2016 which was mainly due to the increase in interest on convertible bonds of HK$68.3 million.

(d) Income tax expense/credit

Income tax expense/credit was calculated at 25% and 16.5% of the estimated assessable profits of its PRC subsidiaries and Hong Kong subsidiaries for the year ended 31 December 2016 and 2015 respectively.

Income tax expense of HK$0.4 million for the year ended December 2016 represented the current taxation arising from the PRC subsidiaries of HK$6.0 million and the deferred tax credit of HK$5.6 million arising from fair value adjustments of intangible assets from acquisition of various natural gas projects.

(e) Profit attributable to the owners of the Company from continuing operations

The Group's profit for the year attributable to the owners of the Company from continuing operations was arrived at HK$113.0 million for the year ended 31 December 2016, representing an increase by HK$81.5 million from the year ended 31 December 2015.

FUTURE PROSPECTS

In future, the Group will invest and develop the natural gas business proactively and expand its business layout by taking the "develop clean energy, improve customer value, and create a better Blue Sky" as its mission and adhering to the corporate values of "openness, innovation, cohesion, pragmatism, accountability, listening and inclusiveness". The Group will continue to respond positively the national strategy of "One Belt One Road". While taking opportunities to develop the "One Belt" businesses in coastal regions, the Group will also select regions with abundant resources and great potential for residential as well as commercial and industrial gas consumption in the "One Road" inland regions for the investment and operation of urban gas projects. Meanwhile, by leveraging on the CNOOC, Sinopec and CNPC's LNG receiving terminals effectively, the Group strives to expand its sales network to improve its market share, further grow its gas sales volume, and increase its profitability, making the Group an important natural gas supplier and operator.

Moreover, the Group will continue to focus on the development and innovation of business models and provide more value-added services for its customers. For this purpose, the Company has set up and invested in a joint venture finance lease company ("Qiantang Finance Lease Company Limited錢唐融資租賃股份有限公司"Qiantang") with an independent third party in the second half of 2016. The registered capital of Qiantang is US$30 million which the Company indirectly holds 65% equity interest. Qiantang is complimenting the overall strategy of the Group and started its business in early 2017. At the same time, the Group is also establishing its supply chain finance, LNG trading and industrial foundation fund platform actively and is expected to bring greater growth potential for the Group's future business development and profitability.

In December 2016, the Group signed two memorandums of understanding to acquire (i) Jilin Haoyuan Gas Co., Ltd.*（吉林浩源燃氣有限公司）; and (ii) Shanxi Minsheng Natural Gas Co., Ltd.*（山西民生天然氣有限公司）and Yongji Minsheng Natural Gas Co., Ltd.*（永濟市民生天然氣有限公司）, respectively. Jilin Haoyuan is principally engaged in the (i) supply of piped gas to residential households, commercial users and public buildings (e.g. schools, restaurants, hospitals and commercial complex); and (ii) operation of two compressed natural gas ("CNG") refueling stations for vehicles. Shanxi Minsheng is principally engaged in the (i) supply of piped gas to residential households, commercial and industrial users; and (ii) operation of 5 CNG refueling stations for vehicles in Yuncheng City, Shanxi Province. Yongji Minsheng is principally engaged in the (i) supply of piped gas to residential households, commercial and industrial users; and (ii) operation of 2 CNG refueling stations for vehicles in Yongji City, Shanxi Province. The acquisition projects have all benefited from the government's "coal-to-gas" policy which aims to improve the air pollution issue in China. The acquisition will help the Group to expand its domestic natural gas business and enlarge its market share upon its completion.

With the completion of the acquisition projects in Jilin and Shanxi, the Company can become an important player in the city gas sector, which can increase the revenue streams of the Group, thus enhancing its industrial competitive position and generating more investment value for investors and shareholders.

AWARDS

In October 2016, the Group was honored the "Business Excellence Awards" by the Association of International Certified Financial Consultants (AICFC). The Group has received this award for three consecutive years since 2014.

In March 2016, the Group was honored the 5th "Outstanding Corporate Social Responsibility Award" by "The Mirror".

In September 2016, Mr. Cheng Ming Kit, the Co-chairman and executive director of the Company, was honored the "Asia Entrepreneurship Award".

In November 2016, the Group was awarded "The Most Valuable Listed Company During the Thirteenth Five-year Period" of China Securities Golden Bauhinia Awards.

USE OF PROCEED

On 5 January 2016, the Company entered into a share subscription agreement and a convertible bond subscription agreement in the principal amount of HK$970.0 million and HK$350.0 million respectively (the "January 2016 Placement") with Beijing Gas Group Company Limited ("Beijing Gas"). As at the date of the subscription agreements, the closing market price of the Company's shares as quoted on the Stock Exchange was HK$0.52 per share.

For the share subscription agreement, the Company issued 2,155,555,555 new ordinary shares of HK$0.055 each at the issue price of HK$0.45 per share by way of subscription to Beijing Gas.

For the convertible bond subscription agreement, the Company issued convertible bond in an aggregate principal amount of HK$350,000,000 at an initial conversion price of HK$0.45 to Beijing Gas.

Management Discussion
and Analysis

On 11 May 2016, the January 2016 Placement was completed. The net proceeds from the issue of new shares and convertible bond after deducting related transaction costs was HK$1,318.0 million. To increase the Company's flexibility in financial management and cope with the future development of the Group's business, the directors have resolved to change the use of the net proceeds would be applied (i) HK$1,000 million for mergers and acquisition of natural gas projects; (ii) HK$100 million for the capital expenditure of the existing projects; (iii) HK$38 million for repayment of loan and interest; and (iv) the remaining balance for general working capital purpose. As at 31 December 2016 (i) HK$919.6 million was used for mergers and acquisitions of natural gas projects (including earnest money paid for potential projects) which located in Shanxi, Heilongjiang, Zhejiang, Jilin, Haikou and Shandong Provinces; (ii) HK$151.7 million was used for general working capital; (iii) HK$62.3 million was used for capital expenditure for existing projects of the Group including projects located in Liaoning, Huanggang and Guizhou Provinces; (iv) HK$26.7 million was used for repayment of finance lease and corresponding interest payment; and (v) HK$157.7 million was used for treasury function in order to better manage the financial resources of the Company.

On 16 December 2016, the Company entered into a convertible bond subscription agreement in the principal amount of HK$200,000,000 with Talent Impact Enterprises Corp., a direct wholly-owned subsidiary of China Orient Asset Management (International) Holdings Limited, which in turn is an indirect wholly-owned subsidiary of China Orient Asset Management Co., Ltd., a company established in the PRC whose ultimate beneficial owners are the PRC Ministry of Finance and National Council for Social Security Fund, pursuant to which the Company has agreed to issue convertible bond at the conversion price of HK$0.67 per conversion share (the "December 2016 Placement") to the investor. As at the date of the subscription agreement, the closing market price of the Company's shares as quoted on the Stock Exchange was HK$0.61 per share.

On 29 December 2016, the December 2016 Placement was completed. The net proceeds from the issue of convertible bond after deducting related transaction costs was HK$189.9 million, of which (i) HK$76.4 million was used for mergers and acquisitions of natural gas projects including projects located in Zhejiang Province; (ii) HK$22.1 million was used for general working capital; and (iii) the balance of HK$91.4 million shall be utilised as proposed, including HK$41.2 million for mergers and acquisition of natural gas projects and HK$50.2 million for general working capital.

CAPITAL STRUCTURE AND FINANCIAL RESOURCES

The Group financed its operations with shareholders' equity, convertible bonds, and other borrowings.

The Group maintained bank deposits, bank balances and cash amounting to HK$91.4 million as at 31 December 2016 (31 December 2015: HK$102.7 million), a decrease of 11.0% from 31 December 2015.

The Group had total borrowings of HK$675.4 million as at 31 December 2016 (2015: HK$465.0 million). The Group's gearing ratio, which is total borrowings divided by the total assets was 15.7% (2015: 19.3%).

As at 31 December 2016, there were no bank borrowings (2015: bank borrowings of HK$3.7 million were secured by corporate guarantee of the Company).

The Group's non-current assets increased to HK$3,654.1 million (31 December 2015: HK$2,100.1 million), primarily due to the increase in (i) deposits for acquisition of subsidiaries of HK$775.1 million; (ii) goodwill of HK$355.4 million; (iii) interests in joint ventures of HK$327.2 million; (iv) financial assets at fair value through profit or loss of HK$47.3 million; (v) available-for-sale investments of HK$30.1 million; and (vi) promissory note receivables of HK$26.8 million.

As at 31 December 2016, the Group's current assets amounted to HK$635.0 million (31 December 2015: HK$311.2 million), mainly comprised of trade and other receivables of HK$312.6 million (31 December 2015: HK$134.7 million), financial assets at fair value through profit or loss of HK$125.5 million (31 December 2015: Nil), cash and bank balances of HK$91.4 million (31 December 2015: HK$102.7 million), amounts due from joint ventures of HK$66.0 million (31 December 2015: HK$51.1 million), amounts due from non-controlling shareholders of subsidiaries of HK$18.6 million (31 December 2015: HK$18.5 million), and promissory note receivable of HK$10.0 million (31 December 2015: Nil).

As at 31 December 2016, the Group's current liabilities of HK$321.4 million (31 December 2015: HK$226.6 million), comprised of trade and other payables of HK$140.6 million (31 December 2015: HK$77.2 million), convertible bonds of HK$108.7 million (31 December 2015: HK$91.2 million), embedded derivatives at fair value through profit or loss of HK$60.9 million (31 December 2015: HK$3.4 million), amounts due to joint ventures of HK$9.0 million (31 December 2015: Nil) and obligation under finance leases of HK$2.1 million (31 December 2015: HK$5.4 million).

As at 31 December 2016, the net current assets of the Group amounted to HK$313.7 million (31 December 2015: net current assets of HK$84.6 million). The Group's current ratio (calculated on the basis of the Group's current assets over current liabilities) was 1.98 as at 31 December 2016 (31 December 2015: 1.37).

During the year ended 31 December 2016, the Group has not entered into any financial instrument for hedging purposes nor other hedging instruments to hedge against foreign exchange rate risks.

EMPLOYEES' INFORMATION

Our employees are based in Hong Kong and the PRC. As at 31 December 2016, there were 360 (2015: 252) employees in the Group. Staff remuneration packages are determined in consideration of market conditions and the performance of the individuals concerned, and are subject to review from time to time. The Group also provides other staff benefits including medical insurance, grants discretionary incentive bonuses and/or share options to eligible staff based on their performance and contributions to the Group.

Biographies of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Cheng Ming Kit ("Mr. Cheng"), aged 42, has been an executive Director and a member of the nomination committee of the Company since 7 May 2014, and is the Co-Chairman of the Board. Mr. Cheng is responsible for the strategic plans and future direction of the Group. He holds a MBA degree from University of North Carolina, Charlotte and a Bachelor degree in Commerce from the University of Alberta, Canada. Mr. Cheng has over 10 years of experience across mergers and acquisitions, capital markets, and corporate finance and has built a specific focus on investment and management in the energy business in Hong Kong, China and overseas. From 1995 to 2003, Mr. Cheng held various positions which were responsible for corporate finance and property development activities in the PRC. From 2003 to 2008, Mr. Cheng was involved in the investment and operations in the gold mining industry in the PRC and had held senior positions in a mining company listed on the Toronto Stock Exchange Venture Board with mining and exploration operations in the PRC. Mr. Cheng is currently an executive director of New Times Energy Corporation Limited (stock code: 0166) and was an executive director of Grand T G Gold Holdings Limited (stock code: 08299) from November 2008 to June 2009, which shares are listed on the SEHK.

Mr. Sze Chun Lee ("Mr. Sze"), aged 48, has been an executive Director of the Company since 19 December 2006. He is one of the founders of the Group. Mr. Sze oversees the overall operations of the sales of book and specialized products of the Group. Prior to joining the Group in 2001, Mr. Sze was a director of another printing company from 1993 to 2001, where he was responsible for the sales, finance and marketing operations.

Mr. Hung Tao ("Mr. Hung"), aged 52, has been an executive Director of the Company since 28 October 2013. He is a real estate appraiser of the China Institute of Real Estate Appraisers and Agents. He holds a Bachelor degree in Biology Department of Science Faculty from the Chinese University of Hong Kong and a MBA degree of the University of Northern Virginia, the United States. He has more than 21 years' experience involving in due diligence for China state-owned, private enterprises and joint ventures, for the purpose of initial public offerings, mergers and acquisitions, financing and etc. Before joining the Company, Mr. Hung was a senior director and head of China Valuation Department of Savills Valuation and Professional Services Limited from 2005 to 2013.

Mr. Hu Xiaoming ("Mr. Hu"), aged 47, has been an executive Director and chief executive officer of the Company since 6 July 2015. He oversees the overall operations of the sales and natural gas and other related products business of the Group. Mr. Hu obtained his Master Degree in Business Administration from Tsinghua University in 1999. Mr. Hu has over 15 years of experience in the establishment, mergers and acquisitions, operation and management of natural gas enterprises in the PRC. Prior to joining the Company, Mr. Hu was the executive director of China Tian Lun Gas Holdings Limited (stock code: 1600) whose shares are listed on the Stock Exchange, from March 2012 and also the chief executive from June 2012 and he left the company in January 2015. Mr. Hu also held senior positions in ENN Group Co., Ltd from 1999 and left in 2011 as vice-president of the firm, where he was responsible for the strategic investment, marketing operations and daily management.

Biographies of Directors and Senior Management

Mr. Tam Man Kin ("Mr. Tam"), aged 39, has been an executive Director and chief financial officer since 4 October 2016. He obtained an Executive Master of Business Administration degree from the University of Western Ontario in Canada in 2005, a Master of Practising Accounting degree from the Monash University in Australia in 2001 and a Bachelor of Civil & Resources Engineering (First Class Honours) degree from the University of Auckland in New Zealand in 1998. Mr. Tam is a Fellow of CPA Australia, a member of the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants. He is also a CFA and FRM charter-holder. Mr. Tam has over 15 years of management experience in banking and finance industry. Prior to joining the Company, Mr. Tam served as the chief financial officer of China Regenerative Medicine International Limited (stock code: 8158), a company listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") from 2015 to 2016. Mr. Tam also served as the Project Director of Mineralogy Pty Ltd. and the chief financial officer of Resourcehouse Ltd., both of which are Australian companies principally engaged in the development of mineral resources. Further, he worked at J.P. Morgan from 2006 to 2010 and held various management positions with The Hongkong and Shanghai Banking Corporation Limited from 1999 to 2006. He also served as the Vice President (Asia Convention) of the World Leadership Alliance — World Economic Council, and has served as the Co-Chairperson of Corporate Sector Committee of CPA Australia — Greater China Since 2016.

Mr. Li Weiqi ("Mr. Li"), aged 42, has been an executive Director since 21 February 2017. Mr. Li obtained a Bachelor degree of City Gas Engineering from Beijing Construction Engineering College (now Beijing University of Civil Engineering and Architecture) in 1998. Mr. Li has over 18 years of experience in gas design, strategic planning, infrastructure investment and market development. Prior to joining the Company, Mr. Li served as the deputy manager of planning and development of Beijing Gas Group from 2011 to 2016. Mr. Li also held various positions of designer, consultant, business manager and deputy head of marketing in Beijing Gas and Heating Engineering Design Institute for 11 years.

NON-EXECUTIVE DIRECTOR

Mr. Zhi Xiaoye ("Mr. Zhi"), aged 49, has been a non-executive Director and Co-Chairman of the Board since 11 May 2016. Mr. Zhi graduated from Beijing University of Technology with a master degree in Management Science and Engineering, possesses the title of senior engineer, and had worked at Tokyo Gas in Japan as Researcher, at Beijing Gas as transmission branch Manager, at Beijing Dingxin New Technology Company Limited（北京市鼎新新技術有限公司）as Chairman and at Beijing Gas as Executive Deputy General Manager. Mr. Zhi has plenty of experience in pipe gas business and corporate management. He is currently the vice president of Beijing Enterprises Holdings Limited since July 2014 (a company listed on the Stock Exchange under stock code 392). Mr. Zhi also serves as general manager of Beijing Gas Group Co., Ltd.

Biographies of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lim Siang Kai ("Mr. Lim"), aged 60, has been an independent non-executive Director since 26 March 2007. Prior to joining the Group, Mr. Lim held various positions in banks, financial services companies and a fund management company and has over 28 years of experience in the securities, private and investment banking and fund management industries. Mr. Lim is the chairman and independent director of ISDN Holdings Limited (a company listed in Singapore and also on the Hong Kong Stock Exchange under stock code 1656) and an independent director of Joyas International Holdings Limited (a company listed in Singapore). Mr. Lim has been the chairman and independent director of Samurai 2K Aerosol Limited since 16 January 2017. He ceased to be an independent director of Natural Cool Holdings Limited (a company listed in Singapore) on 8 February 2017. Mr. Lim holds a Bachelor of Arts degree from the National University of Singapore, a bachelor of social sciences (honours) degree from the National University of Singapore and a Master of Arts degree in economics from the University of Canterbury, New Zealand.

Mr. Wee Piew ("Mr. Wee"), aged 53, has been an independent non-executive Director of the Company since 26 March 2007. He was previously the Chief Executive Officer and an Executive Director of PSL Holdings Ltd as well as HG Metal Manufacturing Limited, both companies are publicly listed in Singapore. Prior to joining HG Metal Manufacturing Limited, Mr. Wee held various positions in both local and foreign banks. Mr. Wee is currently also a non-executive independent director of Hosen Group Limited and Miyoshi Limited. He graduated from the National University of Singapore with a Bachelor of Accountancy (Honours) in 1988 and is a Fellow of the Institute of Singapore Chartered Accountants.

Mr. Ma Arthur On-hing ("Mr. Ma"), aged 48, has been an independent non-executive Director of the Company since 3 November 2014. He holds a bachelor's degree in Accounting and Finance from San Francisco State University, USA, a master's degree in Finance from Golden Gate University, USA, and a master's degree in Linguistics from the Chinese University of Hong Kong. He is a member of the American Institute of Certified Public Accountants. Mr. Ma has over 20 years of experience in investment, fund management and financial management. Mr. Ma is currently an executive director of Sunrise (China) Technology Group Limited, whose shares are listed on the Growth Enterprise Market of the SEHK under stock code: 8226.

Mr. Pang Siu Yin ("Mr. Pang"), aged 57, has been an independent non-executive Director since 21 February 2017. Mr. Pang graduated from the University of Leeds with a bachelor of laws degree in 1984 and obtained a master of business administration degree from the University of Aston in 1985. Mr. Pang also obtained a postgraduate certificate in laws from the University of Hong Kong in 1988. Mr. Pang has been a practising solicitor of the high court of Hong Kong since 1990 and was also admitted as a solicitor in England and Wales in 1997. He is currently a partner of LCP, a firm of solicitors in Hong Kong, with his practice focusing on commercial and litigation. Mr. Pang was appointed as an independent non-executive director of Winto Group (Holdings) Limited (stock code: 8238) on 24 July 2015 and an independent non-executive director of Man Sang Jewellery Holdings Limited (stock code: 1466) on 19 November 2016, both companies are listed on the Stock Exchange.

SENIOR MANAGEMENT

Mr. Siew Chun Fai ("Mr. Siew"), aged 44, is the financial controller of the Group. He holds a Bachelor degree in accounting from the University of Western Sydney, Australia and a Master of Business Administration degree from the University of South Australia, Australia. Mr. Siew is a member of the Hong Kong Institute of Certified Public Accountants, CPA Australia and the Chartered Accountants Australia and New Zealand. He has more than 20 years of experience in finance and accounting. Prior to joining the Group in August 2014, he had held various senior positions in certain listed and private companies in Hong Kong.

Mr. Li Guangfeng ("Mr. Li"), aged 48, is the chief operation officer of the Group. He holds a Master degree from International Relations in Renmin University of China. Prior to joining the Group, Mr. Li worked at ENN Energy Holdings Limited (a company listed on the Stock Exchange under stock code 2688) for more than 10 years and held various positions in different subsidiaries of ENN group including general manager and vice president.

Mr. Che Fuli ("Mr. Che"), aged 41, is the vice president of the Group. He holds a Bachelor degree in City Gas Engineering from Shandong University of Science and Technology and a Master degree in Project Management from Zhejiang University of Technology. Mr. Che has 10 years' experience in natural gas business. Prior to joining the Group, he worked at Shandong Xineng Natural Gas Co., Ltd, ENN Energy Holdings Limited (a company listed on the Stock Exchange under stock code 2688), and Towngas China Company Limited (a company listed on the Stock Exchange under stock code 1083) and held various positions as deputy general manager, general manager and manager for sales management centre.

Mr. Bai Lianming ("Mr. Bai"), aged 39, is the marketing and engineering director of the Group. He holds a Bachelor degree in City Gas Engineering from the Tianjin Chengjian University, PRC and a Master of Business Administration degree from Wuhan University, PRC. Mr. Bai holds senior engineer, registered cost engineer and registered architect qualifications. He was previously served as an engineering manager with Towngas China Company Limited (a company listed on the Stock Exchange under stock code 1083) for over 10 years. He has extensive experience and knowledge in gas engineering, construction, operation and related management.

Mr. Tong Kam Wing ("Mr. Tong"), aged 55, is the business development director of the Group. Mr. Tong is experienced in energy trading business, including trading of refined oil, natural gas and other petro-chemical products. He has been focusing on finance and investment business for many years, and possesses vast experience in investment in Hong Kong and China.

Mr. Tseung Kit ("Mr. Tseung"), aged 69, is the operation director of the Group. He holds a Bachelor degree in Chemical Machinery from Jiangsu Institute of Chemical Technology, PRC. Mr. Tseung holds engineer qualification, with Security Management Certificate (hazardous chemicals) issued by the State Administration of Work Safety Bureau, PRC. He previously held various senior positions in The Hong Kong and China Gas Company Limited (HKSE: 0003). He has over 10 years of experience in establishment, acquisition and operation of natural gas business.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The board of Directors (the "Board") of Beijing Gas Blue Sky Holdings Limited (the "Company") is committed to maintaining a high standard of corporate governance and has put in place self-regulatory corporate practices for compliance with the code provisions set out from time to time in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "SEHK"). The Group has adopted practices which meet the CG Code during the year.

The Company has complied with the code provisions set out in the CG Code throughout the year ended 31 December 2016 (the "Year") save for the deviations as disclosed below.

BOARD OF DIRECTORS

Board's Conduct of its Affairs

The Company is effectively headed by the Board to lead and control it. Apart from its statutory duties and responsibilities, the Board is collectively responsible for the success of the Company and its subsidiaries (the "Group") and it works with management to achieve this. The management remains accountable to the Board. The Board oversees the affairs of the Group and focuses on strategies and policies, with particular attention paid to growth and financial performance. It delegates the formulation of business policies and day-to-day management to the executive Directors. The Board is responsible for:

1. providing entrepreneurial leadership, setting strategic goals, and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives;

2. establishing a framework of prudent and effective control which enables risk to be assessed and managed;

3. reviewing management performance;

4. setting the Group's values and standards, and ensuring that obligations to shareholders and others are understood and met;

5. ensuring the Group's compliance with laws, regulations, policies, directives, guidelines and its internal code of conduct;

6. ensuring the Group's compliance with good corporate governance practices; and

7. approving half-year and full-year result announcements.

Corporate Governance Report

The Company has adopted internal guidelines setting forth matters that require Board approval, examples of which include corporate plans and budgets, material acquisitions and disposals of assets, share issuances, dividends and other distributions to shareholders. All Directors objectively make decisions in the interests of the Company. The Board also delegates certain of its functions to the Audit, Nomination and Remuneration Committees and these functions are described separately under the various sections of each Committee below. Each Committee has its own defined terms of reference and operating procedures.

The Board scheduled to meet at least 4 times a year and as and when warranted by circumstances. Notices of not less than 14 days will be given for regular meetings to provide all Directors with an opportunity to attend and include matters in the agenda. The Company's bye-laws ("Bye-laws") allow a board meeting to be conducted by way of a telephone conference or by means of similar communication equipment whereby all persons participating in the meeting are able to hear each other. Draft agenda for the board meetings will be circulated to all Directors to enable them to include any other matters in the agenda. The meeting papers will be sent to all Directors at least 3 days in advance or within reasonable time prior to the board meetings. Minutes of Board meetings and Board committee meetings, drafted in sufficient details, were circulated to all Directors for their comment and records.

If any Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, that Director will abstain from voting at such Board meeting.

Directors' attendance at Board Meetings, Committee Meetings and General Meetings

The number of meetings held in the Year and the attendance of the Directors are set out in the table below:

	Board Meeting	Audit Committee Meeting	Nomination Committee Meeting	Remuneration Committee Meeting	General Meeting
Mr. Cheng Ming Kit	3/6	N/A	0/1	N/A	0/6
Mr. Sze Chun Lee	5/6	N/A	N/A	N/A	2/6
Mr. Hung Tao	3/6	N/A	N/A	N/A	0/6
Mr. Kwok Shek San[(1)]	5/5	N/A	N/A	N/A	4/5
Mr. Hu Xiaoming	3/6	N/A	N/A	N/A	0/6
Mr. Tam Man Kin[(2)]	1/1	N/A	N/A	N/A	1/1
Ms. Chung Oi Ling, Stella[(3)]	4/5	N/A	N/A	N/A	1/4
Mr. Zhi Xiaoye[(4)]	2/3	N/A	N/A	N/A	0/3
Mr. Lim Siang Kai	6/6	2/2	1/1	1/1	6/6
Mr. Wee Piew	5/6	2/2	1/1	1/1	6/6
Mr. Ma Arthur On-hing	6/6	2/2	1/1	1/1	5/6

Note:

(1) Mr. Kwok Shek San resigned as an executive Director of the Company with effect from 4 October 2016.

(2) Mr. Tam Man Kin was appointed as an executive Director of the Company with effect from 4 October 2016.

(3) Ms. Chung Oi Ling, Stella resigned as a non-executive Director of the Company with effect from 1 September 2016.

(4) Mr. Zhi Xiaoye was appointed as a non-executive Director and Co-Chairman of the Company with effect from 11 May 2016.

Corporate Governance Report

Pursuant to code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings. Ms. Chung Oi Ling, Stella, Mr. Zhi Xiaoye and Mr. Ma Arthur On-hing did not attend all general meetings held in the Year due to their other business commitments.

Board Composition and Guidance

The Board comprises:

Executive Directors
Mr. Cheng Ming Kit
Mr. Sze Chun Lee
Mr. Hung Tao
Mr. Kwok Shek San (Resigned on 4 October 2016)
Mr. Hu Xiaoming
Mr. Tam Man Kin (Appointed on 4 October 2016)
Mr. Li Weiqi (Appointed on 21 February 2017)

Non-executive Directors
Ms. Chung Oi Ling, Stella (Resigned on 1 September 2016)
Mr. Zhi Xiaoye (Appointed on 11 May 2016)

Independent Non-executive Directors
Mr. Lim Siang Kai
Mr. Wee Piew
Mr. Ma Arthur On-hing
Mr. Pang Siu Yin (Appointed on 21 February 2017)

When new Directors are appointed, the Company will provide a formal induction to the new Directors setting out their duties and obligations under the laws and the Listing Rules. In addition, the new Directors will undergo an orientation programme where the Chairman will brief them on the Group's business and operations, policies and governance practices to ensure that they have a proper understanding.

The Board, taking into account the nature and scope of the Group's operations and the impact of the number of Directors upon effectiveness in decision making, is of the view that the current board size of eleven Directors, with four Directors being independent, is appropriate. The Board exercises judgment on corporate affairs objectively and independently, in particular, from management and no individual or small group of individuals dominates the Board's decision making.

The independent non-executive Directors consist of respected individuals from different backgrounds whose core competencies, qualifications, skills and experience are extensive and complementary, and these competencies include accounting, finance, business management, and legal knowledge who provide valuable advice to the Board. None of the independent non-executive Directors has any relationship with the Company, its related companies or its officers that could interfere, or be perceived to interfere with the exercise of their independent business judgment in the best interests of the Company.

Corporate
Governance Report

The independent non-executive Directors constructively challenge and help develop proposals on strategy, review the performance of management in meeting agreed goals and objectives, and monitor the reporting of performance.

The composition of the Board and independence of each independent non-executive Director are and will be reviewed annually by the Nomination Committee. The Company has received from each of the independent non-executive Director an annual confirmation of his independence as required under Rule 3.13 of the Listing Rules and considers that all these Directors (including Mr. Lim Siang Kai and Mr. Wee Piew who have served as independent non-executive Directors of the Company for more than 9 years) are independent.

The non-executive Director, Mr. Zhi Xiaoye, was appointed with the initial term of three years up to 10 May 2019 and shall be automatically renewed annually thereafter and may be terminated by not less than three months' notice in writing served by either party. The independent non-executive Directors Mr. Lim Siang Kai and Mr. Wee Piew have been appointed with the initial term of the appointment up to 31 May 2013 and 26 May 2012 respectively and the term of appointment shall be automatically renewed annually for such annual period thereafter, and may be terminated by not less than three months' notice in writing served by the Company. The independent non-executive Director Mr. Ma Arthur On-hing has been appointed with the initial term of the appointment up to 2 November 2015 and the terms of appointment shall be automatically renewed annually for such annual period thereafter, and may be terminated by not less than three months' notice in writing served by each party on the other. Mr. Pang Siu Yin has been appointed with initial term of the appointment up to 20 February 2018 and shall be automatically renewed annually thereafter, and may be terminated by not less than three months' notice in writing served by each party on the other. All Directors will be subject to retirement by rotation and eligible for re-election pursuant to the Bye-laws.

The Company has arranged appropriate directors' and officers' liabilities insurance coverage for the Directors and officers of the Company.

Role of Chairman and Chief Executive Officer

Under the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The chairman of the Board and the CEO of the Company are currently two separate positions. Mr. Cheng Ming Kit and Mr. Zhi Xiaoye are Co-Chairmen of the Board whereas Mr. Hu Xiaoming is the CEO of the Company, both with clear distinction in responsibilities. The CEO is responsible for the usual leadership and day-to-day management. The responsibilities of the Chairmen include:

1. leading the Board to ensure its effectiveness on all aspects of its role and setting its agenda;
2. ensuring that the Directors receive accurate, timely, clear and reliable information;
3. ensuring effective communication and preserving harmonious relations with the shareholders;
4. encouraging constructive relations between the Board and management and between the executive Directors and non-executive Directors;
5. facilitating the effective contribution of the non-executive Directors in particular;
6. promoting high standards of corporate governance and ensuring the Group's compliance with the CG Code; and
7. acting in the best interest of the Group and the shareholders.

BOARD COMMITTEES

Nomination Committee

The members of the Nomination Committee ("NC") are as follows:

Mr. Ma Arthur On-hing	*(Chairman)*
Mr. Wee Piew	*(Member)*
Mr. Lim Siang Kai	*(Member)*
Mr. Cheng Ming Kit	*(Member)*
Mr. Pang Siu Yin	*(Member)*

The NC is currently made up of four independent non-executive Directors and one executive Director and chaired by an independent non-executive Director. The NC is scheduled to meet at least once a year. The NC is regulated by a set of terms of reference and its role is to establish a formal and transparent process for:

1. reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board annually and making recommendations to the Board on all Board appointments;

2. the re-nomination of the Directors having regard to each Director's contribution and performance, including, if applicable, the independent non-executive Directors;

3. assessing annually the independence of the independent non-executive Directors; and

4. deciding whether or not a Director is able to carry out and has adequately carried out his duties as a director.

In the selection and nomination of new Directors, the NC identifies the key attributes that an incoming Director should have, based on attributes of the existing Board and the requirements of the Group bearing in mind the board diversity policy. After endorsement by the Board of the key attributes, including but not limited to gender, age, cultural and educational background and professional experience, the NC taps on the Directors' personal contacts for recommendations of potential candidates. Executive recruitment agencies may also be appointed to assist in the search process where necessary. The potential candidates will go through a shortlisting process. Interviews are then set up with the shortlisted candidates for the NC to assess them before a decision is made.

The NC chairman is not, and is not directly associated with, a substantial shareholder with interest of 10% or more in the issued shares of the Company.

The NC has established a formal appraisal process to assess the performance and effectiveness of the Board as a whole as well as to assess the contribution of individual Directors. The appraisal process focuses on a set of performance criteria which includes the evaluation of the Board composition and size, the Board process, the Board effectiveness and training, the provision of information to the Board, the Board standards of conduct and financial performance indicators. Such performance criteria are approved by the Board and they address how the Board has enhanced long term shareholders' value. The performance criteria do not change unless circumstances deem it necessary and a decision to change them would be justified by the Board.

The Chairman acts on the results of the performance evaluation, and where appropriate, proposes new members to be appointed to the Board or seek the resignation of Directors in consultation with the NC.

New Directors are appointed by way of a board resolution, after the NC has approved their nominations. Such new Directors submit themselves for re-election at the next general meeting of the Company. Pursuant to the Bye-laws, all Directors are required to offer themselves for re-election at least once every three years. Biographies of the Directors are set out on pages 28 to 30 of this annual report.

Although some of the independent non-executive Directors hold directorships in other companies which are not in the Group, the Board is of the view that such multiple board representations do not hinder them from carrying out their duties as Directors. These Directors would widen the experience of the Board and give it a broader perspective. As such, the NC has not established a maximum number of listed company board representations and/or other principal commitments which Directors may hold. Instead, the Company has adopted internal guidelines to address the competing time commitments faced by these Directors serving on multiple boards.

Remuneration Committee

The Remuneration Committee ("RC") comprises the following Directors:

Mr. Ma Arthur On-hing	*(Chairman)*
Mr. Lim Siang Kai	*(Member)*
Mr. Wee Piew	*(Member)*
Mr. Pang Siu Yin	*(Member)*

The RC is made up of entirely independent non-executive Directors so as to minimise the risk of any potential conflict.

The RC is scheduled to meet at least once a year. For the financial year 2016, one meeting of the RC was held. The RC is regulated by a set of terms of reference and has access to professional advice inside the Company and independent external sources, if necessary, in respect of the remuneration of all Directors and key executives.

The RC's main duties are:

1. to review and recommend to the Board for its decision a framework of remuneration and to determine and/or review the specific remuneration packages and terms of employment for each of the Directors and key executives, including those employees related to the executive Directors and controlling shareholders of the Group, if any, bearing in mind the need for a cautious comparison (in order to prevent the risk of an upward ratchet of remuneration levels with no corresponding improvements in performance) of pay and employment conditions of comparable companies in the same or similar industries, and to submit such recommendations for endorsement by the Board; and

2. to carry out its duties in the manner that it deemed expedient, subject always to any regulations or restrictions that may be imposed upon the RC by the Board from time to time.

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As part of its review, the RC shall ensure that:

1. all aspects of remuneration, including Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind are covered;

2. the remuneration packages of Directors and key executives are comparable to companies in same or similar industries and that for executive Directors, a significant proportion of such remuneration packages include performance-related elements;

3. the performance-related elements mentioned above are designed to align interests of executive Directors with those of shareholders, that they link rewards to corporate and individual performance and that there are appropriate and meaningful measures for the purpose of assessing such performance-related elements in respect of executive Directors;

4. the level of remuneration of non-executive Directors are appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the Directors, but also bearing in mind that non-executive Directors are not over-compensated to the extent that their independence may be compromised;

5. the level of remuneration is appropriate to attract, retain and motivate the Directors needed to run the Group successfully without such levels being more than is necessary for this purpose; and

6. the remuneration package of employees related to executive Directors of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibilities.

The Company adopts a formal and transparent procedure for developing policy on key executive remuneration and for fixing remuneration packages of individual Directors. No Director is involved in deciding his own remuneration. In setting remuneration packages, the Company takes into account the emolument and employment conditions of comparable companies in the same or similar industries, as well as the Group's relative performance and the performance of individual Director or key executive.

Executive Directors do not receive directors' fees. The remuneration policy for executive Directors and key executives consists of two components, that is fixed cash and annual variable. The fixed component includes salary, pension fund contributions and other allowances. The variable component comprises a performance bonus which, for executive Directors, forms a significant proportion of their total remuneration package and is payable on the achievement of corporate and individual performance targets. The Company's share option scheme (the "Scheme") was put in place on 26 May 2011. The Scheme is administered by a committee comprising the RC of the Company. A total of 40,375,000 share options have been granted during 2016 pursuant to the Scheme.

The independent non-executive Directors are paid a basic fee. In determining the quantum of such fees, factors such as frequency of meetings, time spent and responsibilities of Directors are taken into account. Such fees are pro-rated if the Directors serve for less than one year.

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The executive Directors are paid in accordance with their respective service agreements. These service agreements do not have onerous removal clauses. The executive Directors or the Company may terminate the service agreement by giving to the other party not less than two to six months' notice in writing, or in lieu of notice, payment of an amount equivalent to two to six months' salary based on the executive Director's last drawn salary. A breakdown, showing the amount and mix of each individual Director's remuneration for the Year is as follows:

	Fee *HK$'000*	Salaries and allowances *HK$'000*	Discretionary bonuses# *HK$'000*	Retirement scheme contributions *HK$'000*	Share-based payment *HK$'000*	Total *HK$'000*
2016						
Executive directors						
– Mr. Cheng Ming Kit	–	3,000	1,000	18	157	4,175
– Mr. Sze Chun Lee	–	1,056	146	18	–	1,220
– Mr. Hung Tao	–	840	–	18	1,308	2,166
– Mr. Kwok Shek San (note (a))	–	1,629	1,345	15	1,021	4,010
– Mr. Hu Xiaoming	–	2,400	105	18	676	3,199
– Mr. Tam Man Kin (note (b))	–	576	–	6	–	582
Non-executive director						
– Ms. Chung Oi Ling, Stella (note (c))	80	–	–	–	129	209
– Mr. Zhi Xiaoye (note (d))	–	–	–	–	–	–
Independent non-executive directors						
– Mr. Lim Siang Kai	291	–	–	–	29	320
– Mr. Wee Piew	209	–	–	–	29	238
– Mr. Ma Arthur On-hing	120	–	–	–	168	288
	700	9,501	2,596	93	3,517	16,407

Notes:

(a) resigned as executive director with effect from 4 October 2016.

(b) appointed as executive director with effect from 4 October 2016.

(c) resigned as non-executive director with effect from 1 September 2016.

(d) Mr. Zhi Xiaoye is not entitled to remuneration.

\# discretionary bonus is determined by reference to several factors, including their individual performance and the performance of the Group.

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Five individuals whose emoluments were the highest in the Group for the Year, four (2015: four) were Directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one individual, which were within the HK$1,500,001 to HK$2,000,000 band during the year ended 31 December 2016, were as follows:

	2015 HK$'000	**2016** **HK$'000**
Salaries and other emoluments	844	**859**
Retirements scheme contributions	18	**18**
Share-based payment expense	366	**959**
	1,228	**1,836**

No emoluments were paid by the Group to any of the directors and the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office or are there any arrangement under which a director waived or agree to waive any remuneration for both years.

Audit Committee

The Audit Committee ("AC") comprises the following Directors:

Mr. Lim Siang Kai	*(Chairman)*
Mr. Wee Piew	*(Member)*
Mr. Ma Arthur On-hing	*(Member)*
Mr. Pang Siu Yin	*(Member)*

The AC comprises entirely independent non-executive Directors. The AC is scheduled to meet at least twice a year which is regulated by a written set of terms of reference and performs the following functions:

1. reviewing significant financial reporting issues and judgments so as to ensure the integrity of the financial statements and any formal announcements relating to the Group's financial performance before their submission to the Board;

2. reviewing the audit plans of the Company's external and internal auditors and the results of their examination;

3. reviewing adequacy and effectiveness of the Group's risk management and internal controls, including financial, operational, compliance and information technology controls via reviews carried out by the internal/external auditors;

4. ensuring co-ordination between the internal and external auditors;

5. reviewing the adequacy and effectiveness of the Group's internal audit function;

6. nominating or recommending the nomination of the external auditors for appointment, re-appointment or removal;

7. approving the remuneration and terms of engagement of the external auditors;

8. reviewing the independence and objectivity of the external auditors at least annually; and

9. reviewing interested person transactions.

In addition to the above, the AC has explicit authority to investigate any matter within its terms of reference, full access to and co-operation by management and full discretion to invite any Director or key executive to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

The Board considers that the members of the AC are appropriately qualified to discharge their responsibilities. At least two members have accounting or related financial management expertise and experience.

The external and internal auditors have full access to the AC. The Company has put in place a whistle-blowing framework, endorsed by the AC, where employees of the Group may raise concerns about possible improprieties in matters of financial reporting, risk management and internal control or other matters in confidence to the AC. This arrangement facilitates independent investigation of such matters for appropriate resolution. The AC has expressed power to commission investigations into any matters, which has or is likely to have material impact on the Group's operating results or financial results.

For the financial year 2016, the AC met twice with the external auditors. The AC has undertaken a review of all non-audit services provided by the external auditors for the financial year 2016, has kept the nature and extent of such services under review, has balanced the maintenance of objectivity and value for money and is satisfied that the provision of such services has not, in the AC's opinion, affected the independence of the external auditors.

The work completed by the AC during the year under review and in the course of review of the Group's half-yearly and annual results included consideration of the following matters:

- the integrity and accuracy of the 2016 annual financial statements to ensure that the information presents a true and balanced assessment of the financial position of the Group;

- the Group's compliance with statutory and regulatory requirements;

- developments in accounting standards and the effect on the Group;

- the Group's financial and accounting policies and practices;

- the Group's financial controls, the risk management and internal control systems to ensure that management has discharged its duty to have an effective risk management and internal control systems;

- monitoring the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standard, and discussing with the external auditors the nature and scope of the audit and reporting obligations;

- the audit fees payable to external auditors and the scope and timetable of the audit for the year 2016;
- discussion with auditor for financial results and financial position of the Group for the financial year ended 2016; and
- recommendations to the Board, for the approval by shareholders, for the reappointment of the external auditors.

Auditors' remuneration

For the year ended 31 December 2016, audit services and non-audit services provided to the Group and the amounts of remuneration paid and payable in connection therewith are as follows:

	HK$'000
Annual audit services provided by Deloitte Touche Tohmatsu	1,900
Non-audit services provided by Deloitte Touche Tohmatsu	2,648
Non-audit services provided by other auditors	120
	4,668

Corporate Governance Functions

The Board is responsible for performing the corporate governance functions, which shall include, but not limited to, the following:

- to develop and review the Company's corporate governance policies and practices;
- to review and monitor the training and continuous professional development of the Directors and senior management;
- to review and monitor the Company's policies and practices in relation to compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct applicable to the Directors and employees of the Group; and
- to review the Company's compliance with the CG Code and the disclosure in the Corporate Governance Report as required under the Listing Rules.

Access to Information

In order to ensure that the Board is able to fulfill its responsibilities, management provides the Board members with management accounts and all relevant information which present a balanced and understandable assessment of the Group's performance, position and prospects on a regular basis. In addition, all relevant information on material events and transactions are circulated to Directors as and when they arise. Whenever necessary, senior management staff will be invited to attend the Board meetings and Board committee meetings to answer queries and provide detailed insights into their areas of operations. The Board, either individually or as a group, also has separate and independent access to the senior management staff.

The Board, either individually or as a group, in the discharge of its duties, has access to independent professional advice, if necessary, at the Company's expense.

The Board members have separate and independent access to the company secretary. Under the direction of the Chairman, the company secretary ensures good information flow within the Board and its committees and between management and non-executive Directors, as well as facilitates orientation and assists with professional development as required. The company secretary attends all Board meetings and committees meetings. The company secretary advises the Board on all governance matters and assists the Board to ensure that the Board procedures and relevant rules and regulations are complied with. The appointment and removal of the company secretary is a matter for the Board as a whole.

The minutes of board meetings recorded the matters considered by the Board in details. The minutes of all board meetings and all other committee meetings are kept by the company secretary and are available for inspection by any Director upon request.

ACCOUNTABILITY AND AUDIT

Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility for the preparation of the financial statements which give a true and fair view of the state of affairs of the Group. The financial statements for the Year set out on pages 86 to 200 of this report were prepared on a going concern basis and were prepared in accordance with all relevant statutory requirements and applicable accounting standards.

The Board has received assurance from the chairman of the board and CFO that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances.

Risk Management and Internal Control

Risk management and internal control are essential parts of corporate governance. The Board acknowledges that it is its responsibility to ensure that appropriate and effective risk management and internal control systems are established and maintained, and to oversee the systems on an ongoing basis and to review the effectiveness of the risk management and internal control systems at least annually, while management ensures sufficient and effective operational controls over the key business processes are properly implemented with regular reviews and updates.

The Board is responsible for evaluating and determining the nature and extent of risks it is willing to take in achieving its strategic objectives and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems.

The Board has put in place effective and efficient risk management and internal control systems which enable the Group to respond appropriately to significant business, operational, financial, compliance and other risks. This includes safeguarding assets from inappropriate use or from loss and fraud, and ensuring that liabilities are identified and managed.

To ensure that all major risks are properly identified, evaluated and monitored for achieving a sound and effective risk management system, risk owners across the Group are required to report the risk review exercises regularly. They need to report the effectiveness of the risk management system and details of the key risks including the risk description, change of risk level, current risk level and the corresponding key risk control regularly.

The Company has established its risk management guidelines in the year 2016 and has delegated certain finance personnel to carry out the internal audit function. The internal audit personnel reports directly to the chief financial officer and ensure the risk management and internal control systems are in place and function properly.

The Company has engaged Ernst & Young Advisory Services Limited to assess the effectiveness of the Group's risk management and internal control systems which covered all material controls, including financial, operational and compliance controls as well as risk management functions during the Year. The Board and the Audit Committee acknowledge that they have reviewed the effectiveness of the risk management and internal control systems of the Group.

The risk management and internal control process includes:

1) To determine the scope, identify risks and compile risk lists;

2) To conduct the risk assessment on the impact on operating efficiency, sustainable development capability and creditworthiness and prioritise them according to the generally accepted risk management framework and based on the likelihood of various potential risks and the concern of the Group's management along with potential financial loss resulting from risks;

3) To identify risk management measures of significant risks, conduct internal control assessment on the design and implementation of risk management measures, formulate measures against deficiencies for improvement;

4) To regularly review and summarise the risk management and internal control system of the Group to unleash and continuously enhance the effectiveness of risk management through carrying out internal control assessment on significant risks and implementing rectification measures by the management;

5) To prepare risk management manual in connection with the risk management and internal control work, define the responsibilities of the management, the Board and the AC in the risk management work, and continuously monitor the risk management and internal control system according to the risk management manual;

6) To report the results of regular review and assessment on the risk management and internal control system during the reporting period, significant risk factors and the corresponding measures to the AC by the management.

However, the risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The significant risks set out below are those that could result in the Group's businesses, financial condition and results of operations differing materially from expected or historical results. Such factors are by no means exhaustive or comprehensive, and there may be other risks in addition to those listed below which may not be material now but could turn out to be material in the future.

Changes in government policies and legislations

Any changes in the government policies and legislations such as pricing modification, licensing requirements and tax regulations may adversely and materially affect the Group's financial condition and results of operations. There can be no assurance that the future conditions are no less favourable than the prevailing environment.

Production safety

Any errors appear in operation process of refuelling station, construction of natural gas connection pipelines and supply of piped gas may adversely and materially affect the stability of gas supply to customers or may cause significant personal injury or death.

Financing environment stability

Additional capital may be required to fund our capital expenditure associated with our expansion plan such as proposed acquisition and construction of refuelling stations as well as the expansion of existing business coverage within our existing market. There can be no assurance that we will be able to obtain adequate financing on acceptable terms, or at all.

Areas of improvement have been identified and appropriate measures have been put in place to manage the risks. The management will perform ongoing and periodic monitoring of the risks and ensure that appropriate responses and controls are in place.

Inside information

The Company recognises its obligations under the Securities and Futures Ordinance and the Listing Rules, pursuant to which the Company is required to announce the inside information immediately after such information comes to our attention. The Company conducts its affairs with reference to the Guidelines on Disclosure of Inside Information published by the Securities and Futures Commission and regularly reminds the directors and employees of the compliance with Listing Rules and other regulatory requirements for the handling and dissemination of inside information.

DEALINGS IN SECURITIES

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. In particular, the Directors and officers of the Company may not deal in the Company's securities 30 days and 60 days before the announcements of the Company's half year and full year financial results respectively.

The Company has made specific enquiry with all the Directors and all of them confirmed their compliance with the required standard as set out in the CG Code and the Model Code throughout the year ended 31 December 2016.

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders.

Details of interested person and related party transactions of the Group for the year ended 31 December 2016 which fall under Chapter 14A of the Listing Rules are set out in note 42 to the consolidated financial statements.

PROFESSIONAL DEVELOPMENT

Every newly appointed Director will be given an induction training so as to ensure that he/she has appropriate understanding of the Group's business and of his/her duties and responsibilities under the Listing Rules, and the relevant statutory and regulatory requirements.

The Company also provides regular updates on the business development of the Group. The Directors are regularly briefed on the latest development regarding the Listing Rules and other applicable statutory requirements to ensure compliance and upkeep of good corporate governance practices. In addition, all Directors were encouraged to participate in appropriate continuous professional development and refresh their knowledge and skills during the year for ensuring their contribution to the Board remains informed and relevant. Such professional development could be completed either by way of attending briefings, conference, courses, forum and seminars, teaching, self-reading and participated in business-related research which are relevant to the business or directors' duties. All Directors are requested to provide the Company with their respective training records pursuant to the CG Code.

During the year, certain Directors attended seminars on media interview and all Directors were provided with reading materials on the relevant rules and regulatory updates.

	Type of training	
Directors	**Reading materials**	**Attending seminar**
Cheng Ming Kit	✓	✓
Sze Chun Lee	✓	
Hung Tao	✓	
Hu Xiaoming	✓	✓
Tam Man Kin	✓	
Zhi Xiaoye	✓	✓
Lim Siang Kai	✓	
Wee Piew	✓	
Ma Arthur On-hing	✓	

COMPANY SECRETARY

Mr. Siew Chun Fai ("Mr. Siew") is an employee of the Company and has day-to-day knowledge of the Company's affairs. He was appointed as the company secretary of the Company on 1 August 2015. The biography of Mr. Siew is set out in the section headed "Biographies of Directors and Senior Management". Mr. Siew has taken no less than 15 hours of relevant professional training during the year.

COMMUNICATION WITH SHAREHOLDERS

The Company recognises the need to communicate regularly, effectively, timely and fairly with its shareholders on all material matters affecting the Group. Information would be communicated to shareholders mainly through the Company's corporate communications including interim and annual reports, announcements and circulars, all of which are released through SEHK's website at www.hkexnews.hk, SGX-ST's website at SGXNET (www.sgx.com) and the Company's website at www.bgbluesky.com. The Company may also hold media meetings on significant events.

All shareholders of the Company receive the annual report and notice of the upcoming AGM. At AGMs, shareholders are encouraged to participate and are given the opportunity to voice their views and ask questions regarding the Group and its businesses. Separate resolutions on each substantially separate issue are proposed at general meetings for approval. "Bundling" of resolutions are kept to a minimum and are done only where the resolutions are interdependent so as to form one significant proposal and only where there are reasons and material implications involved. All resolutions are also put to vote by poll. The external auditors and legal advisors (if necessary) are present to assist the Directors in addressing any queries by shareholders. In addition, the chairman of the AC, NC and RC are present to address questions at AGM. The Directors will also engage in investor relations activities to allow the Company to engage shareholders as and when it deems necessary and appropriate.

Apart from AGMs, the Company also regularly conveys pertinent information, gathers views or inputs, and addresses shareholders' concerns. In disclosing information, the Company strives to be as descriptive, detailed and forthcoming as possible.

The Company records minutes of all AGMs and questions and comments from shareholders together with the respective responses are also recorded.

Under code provision E.1.2, the chairman of the Board should attend the annual general meeting. The co-chairmen of the Board, Mr. Cheng Ming Kit and Mr. Zhi Xiaoye, were unable to attend the annual general meeting of the Company held on 3 June 2016 due to other business commitments.

SHAREHOLDERS' RIGHTS

(i) Shareholders to convene a Special General Meeting

Pursuant to Bye-law 57 of the Bye-laws of the Company, members 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 of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so.

(ii) Procedures for Nomination of a Director

A notice in writing of the intention to propose a person for election as a director of the Company and a notice in writing by that person of his willingness to be elected together with his/her particulars (such as qualifications and experience) and information as required to be disclosed under Rule 13.51(2) of the Rules Governing the Listing of Securities on the SEHK shall be lodged at the Company's head office and principal place of business. The period for lodgment of the notices required will commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting, and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

(iii) Procedures for directing Shareholders' enquires to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing to the principal place of business of the Company in Hong Kong or by email for the attention of the company secretary or the Investor Relations of the Company.

CONSTITUTIONAL DOCUMENTS

There is no change in the Company's constitutional documents during the year.

The Bye-laws are available through SEHK's website at www.hkexnews.hk, SGX-ST's website at SGXNET (www.sgx.com) and the Company's website at www. bgbluesky.com.

Environmental, Social and Governance Report

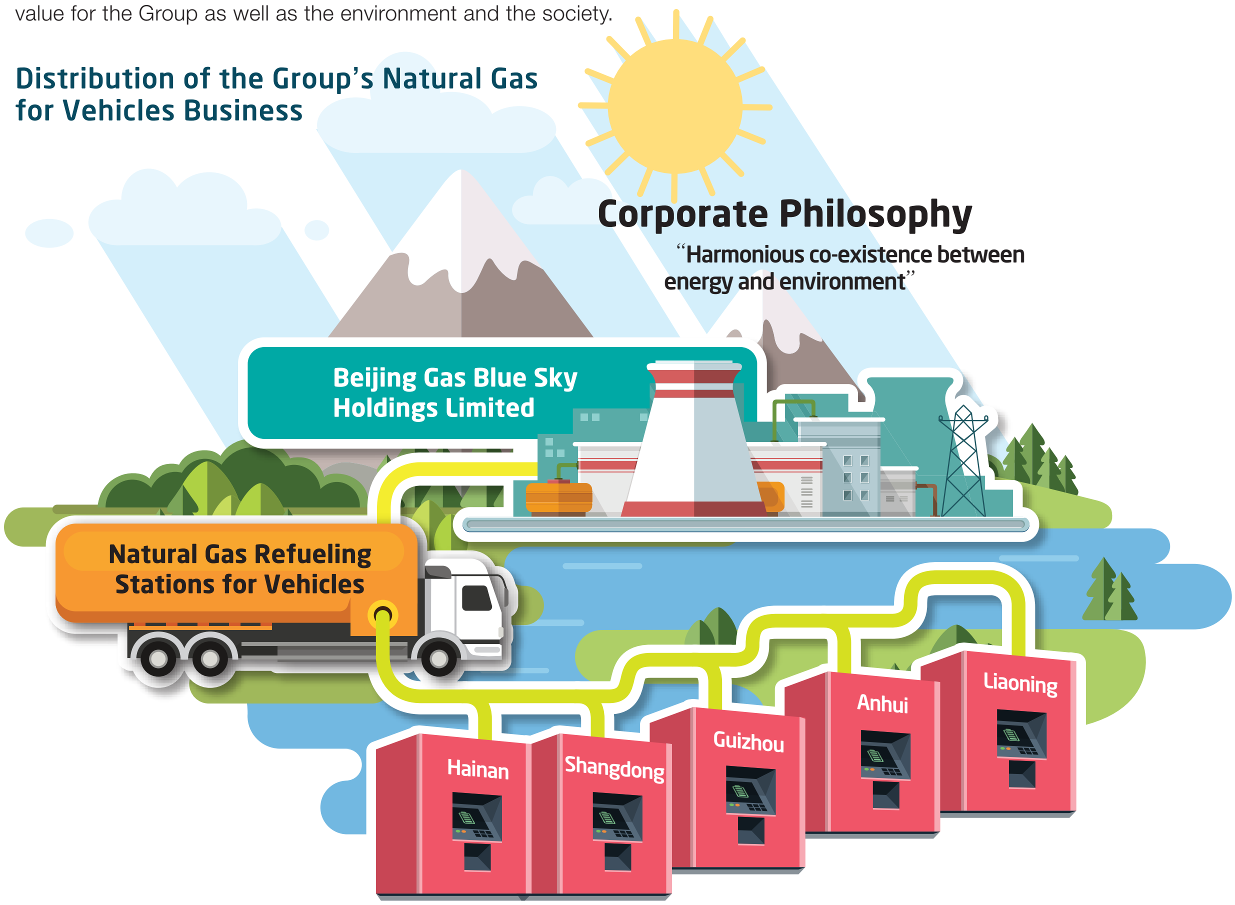
ABOUT US

Beijing Gas Blue Sky Holdings Limited ("Beijing Gas Blue Sky" or the "Group") focuses on natural gas business and is committed to becoming an integrated natural gas provider and distributor. Based in Hong Kong, the Group invests and constructs compressed natural gas and liquefied natural gas projects in China. Its business covers various provinces with growth potential.

Beijing Gas Blue Sky provides customers with reliable and economical natural gas energy solutions. The three major business scopes of the Group include natural gas for transportation, trading and distribution of natural gas and city gas and other related products. Using urban gas as the foundation, the Group focuses on the operation of vehicle gas refueling stations. The Group expands and distributes its natural gas industry chain with the industrial gas supply and transportation energy as its pillars, secured by its natural gas trading and delivery and leveraging on the advantages of low cost and diversified gas sources.

In future, Beijing Gas Blue Sky will continue to be innovative at its best endeavor. Under the national policy of "One Belt One Road", the Group is confident that through the cooperation with other large energy enterprises, it will expedite the exploration of new gas supply model, seize more market opportunities and strive to create maximum value for the Group as well as the environment and the society.

Distribution of the Group's Natural Gas for Vehicles Business



Environmental, Social and
Governance Report

ABOUT THIS REPORT

This report is the first Environmental, Social and Governance (the "ESG") Report published by Beijing Gas Blue Sky, which discloses our practices and performances on different topics of sustainable development during the past year in a transparent and open manner, and demonstrates the Group's strategies and commitments on the road of sustainable development, in order to increase our stakeholders' confidence and understanding in the Group.

For Beijing Gas Blue Sky, this report is not merely a performance review, but a tool to facilitate management reform. To this end, the Group appointed Carbon Care Asia Limited ("Carbon Care Asia"), an independent professional consultant, to prepare this report. During its preparation process, Carbon Care Asia assisted the Group to measure the environmental management and social responsibility performance, identify important subjects that need the Group's utmost attention and take them as the basis for continuous improvement and performance elevation, so as to facilitate the Group to conduct its operating activities in a more continuous manner.

This report also serves as a communication platform. Beijing Gas Blue Sky hopes to strengthen its communication with stakeholders through this report. Stakeholders represent a group or an individual that has a significant impact on or is affected by the business of the Group. The stakeholders of the Group include our internal staff, management, directors as well as external customers, business partners, investors, regulatory authorities and different community groups. The report shows the present and future of the Group and discloses the Group's non-financial performance and overall development strategies to stakeholders. The Group anticipates that stakeholders will give their feedbacks on the Group's information disclosure, and the Group will also respond to their opinions in a timely manner, so as to give the report the role as a close and efficient information communication channel.

Reporting Year

All information contained herein reflects the performance of Beijing Gas Blue Sky on environmental management and social responsibility from January 2016 to December 2016. Subsequently, the Group will publish an ESG Report on a regular basis each year, which can be accessed by various sectors at any time, to continuously enhance the transparency of information disclosure.

Scope of Report

The report focuses on the "natural gas refueling stations" business of Beijing Gas Blue Sky and only reports the operation of the natural gas refueling stations of "Haikou Xinyuan" project in Hainan Province, while other businesses, such as the construction of natural gas connection pipelines, are not included. The scope of disclosure will be expanded to an extent that cover all of our operations after the Group's data collection system becomes more matured and our ESG practices further developed. The Group endeavors to show key performance indicators in this report and supplemented with explanation to establish an assessment basis for convenient comparison. Though the Group has not examined the greenhouse gas emission generated from operation this year, it has engaged Carbon Care Asia to conduct a carbon assessment to further optimize and standardize the reporting metrics from 2017 onwards.

Reporting Standards

This report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "Guide") issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). It summarizes the performance of Beijing Gas Blue Sky on ESG aspects in a simplified manner. The information contained herein is sourced from official documents and statistics of the Group, as well as the consolidated information on control, management and operations in accordance with the Group's relevant policies. A complete content index is appended in the last chapter hereof for quick reference. This report is prepared in both Chinese and English and is available on the Group's website at www.bgbluesky.com. In the event of inconsistency, the Chinese version shall prevail.

In future and within its feasible scope, Beijing Gas Blue Sky will consider preparing the report with reference to the GRI standards formulated by Global Reporting Initiatives (the "GRI"). The GRI standards are currently the most widely used guide for sustainable development report framework throughout the world. With this move, the Group hopes that it will be able to cover substantive issues in a more comprehensive manner, demonstrating the Group's determination in following the best international practices.

Feedbacks

The continuous improvements of Beijing Gas Blue Sky rely on your valuable opinions on our performance and reporting method. If you are in doubt or have any recommendations in regards to this report, you are welcome to email us at ir@ bgbluesky.com for the Group to constantly enhancing its ESG works.

REPORTING PRINCIPLES AND COMMUNICATIONS WITH STAKEHOLDERS

The Stock Exchange proposed four reporting principles in the Guide, including Materiality, Quantitative, Balance and Consistency, as the preparation basis of the Environmental, Social and Governance Report. During its preparation, Beijing Gas Blue Sky conducted the reporting with reference to these reporting principles.

The table below presents the Group's understanding about and responses to these reporting principles. The Group applied these reporting principles during the entire report preparation:

Reporting Principles	Meaning	Reponses from Beijing Gas Blue Sky
Materiality	The report contains environmental and social topics which are material to stakeholders.	The report has paid special emphasis to the most concerned topics relating to core businesses and the stakeholders.
Quantitative	The report should disclose key performance indicators in ways that can be measured.	The Group strived to present quantitative information and enclosed with explanation only if permitted under the circumstances.
Balance	The report should be unbiased in presenting the performance of the Group.	The report identified and described the achievements made and challenges faced by the Group.
Consistency	The report should use consistent statistical and disclosure methods so that meaningful comparison can be performed in future.	No comparison can be made to its data as this is the first report presented by the Group, while the Group will continue to use the existing statistical and disclosure methods in future so that stakeholders can perform comparison on the performances of the Group year-on-year.

As stated by the Stock Exchange, stakeholder engagement is a widely employed method for assessing materiality. Beijing Gas Blue Sky communicated with important stakeholders through different channels, so as to understand their expectations more deeply, identify opportunities for business development and deal with the challenges in its operation. During the past year, Beijing Gas Blue Sky communicated with key stakeholders through different ways as listed in the table below:

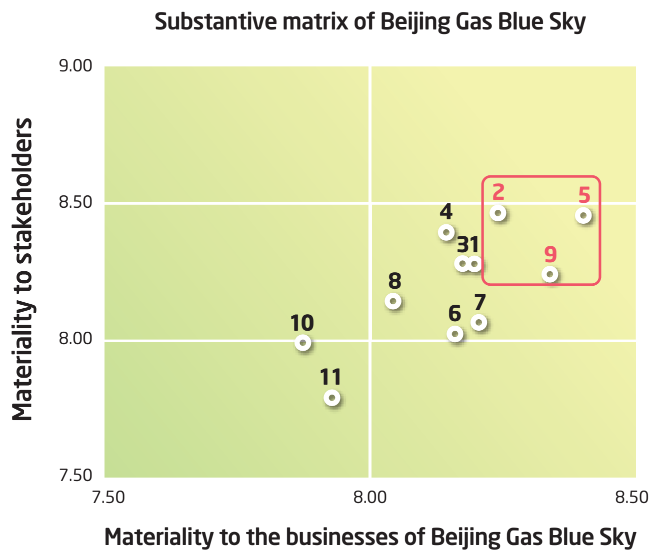
Communication methods with stakeholders during the reporting period

Internal stakeholders	External stakeholders
• The Board • Management/Administrative personnel • General staff	• Shareholders • Investors • Regulatory bodies/Investment analysts • Rating/Research institutes • Suppliers • Customers • Non-government organizations or charitable organizations
Communication methods:	
Meetings, e-mails, mobile communication software, intranet, interviews, telephone, letters, roadshows, seminars, sponsorships or donations	

During the preparation of this report, Beijing Gas Blue Sky especially engaged Carbon Care Asia, an independent consultant, to communicate with stakeholders, so as to help the Group to identify substantive topics in an equitable manner. Carbon Care Asia first conducted in-depth interviews with the senior management of the Group to understand its sustainable development visions and policy direction. Then it conducted questionnaire survey to the staff of the Group so that staff at different level, including the management, administrative personnel and general staff, are provided the chance to express their views fairly. Carbon Care Asia distributed 114 questionnaires in total to the Group's internal stakeholders and collected 114 valid questionnaires in total. Having conducted the substantive analysis after taking into account the results of communications with the stakeholders together with expert's opinions, Beijing Gas Blue Sky identified three "substantive topics" as the main areas of disclosure in this report and the basis for the Group to formulate the direction of sustainable development, details of which are shown in the chart and table below:

Environmental, Social and
Governance Report

Substantive Matrix of Beijing Gas Blue Sky in 2016



Substantive topics of Beijing Gas Blue Sky in 2016 (in the order of materiality from high to low)

Code	Topic
5	Occupational health and safety
2	Effective use of resources
9	Responsibilities on products or services
4	Appropriate employment environment
1	Manage and monitor emissions
3	Impact of business management activities on environment and natural resources
7	Prevent child labour or forced labour
8	Supply chain management
6	Employee development and training
10	Anti-corruption
11	Understand the needs of the communities where our operations are located to ensure that community interests are taken into account in business activities

Different stakeholders are being affected by the businesses of Beijing Gas Blue Sky and they have different expectations on the Group. In future, the Group hopes to improve the communication breadth and depth with stakeholders. The Group will not only invite more internal stakeholders to join the discussions but also extend the scope of communications with stakeholders to external stakeholders, so that different types of stakeholders (including customers, business partners, investors, regulatory bodies and different types of community groups) are provided the opportunities to participate in these activities. The Group will also consider conducting in-depth communication with stakeholders by adopting different communication methods (such as focus groups, workshops and so on) so as to make substantive analysis more comprehensive.

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MESSAGE FROM THE CHAIRMAN

"We have a clear mission, that is, take practical moves to influence our stakeholders."

Facing the impact of climate change, the global demand for clean energy continues to increase. In China, the government is pushing forward vigorously the carbon reduction policy, i.e. "coal-to-gas". Along with the commencement of the transformation since 2013, Beijing Gas Blue Sky currently focuses on the development of natural gas business and strives to become an integrated natural gas provider and distributor.

Due to our business nature, we are able to help customers to reduce air pollutants emissions effectively in our daily operation. Through the liquefied natural gas ("LNG") and compressed natural gas ("CNG") products, we provide customers with cleaner energy solutions to replace the coal and petroleum products that have high pollutants and high carbon emissions. We aggressively act in concert with national energy conservation and emission reduction measures and participate in the improvement of air pollution through our core business, striving to bring back the blue sky.

We believe talents are our most valuable assets. As a natural gas enterprise, we always give top priority to staff safety and spare no efforts to ensure our staff can work in a healthy and safe environment. We provide our staff with sufficient trainings and definite guidelines to ensure they can master the knowledge and skills of safety operation. We do not only provide suitable personal protective gear for them, but also conduct regular inspection on hardware facilities. At work sites, we actively encourage the management team to communicate closely with frontline staff to tackle the problems in a timely manner to ensure the entire operation process is in strict compliance with various safety rules.

As a natural gas integrated solution service provider, customer satisfaction is critical for the continuous development of the Group. We attach great importance to high quality natural gas products and high quality service and undertake to provide them to our customers. We formulated internal guidelines to ensure that the LNG and CNG provided by us are meeting the standards which enable our customers, whether they are industrial and commercial users or urban residents, feel satisfactory and reliable.

As Beijing Gas Blue Sky is a new natural gas enterprise, we manage to explore new business models in an easy pace. Despite the fluctuations in international energy market, the Group will continue to fully leverage on its own advantages to further explore the downstream distribution business through innovative and diversified approach. We have a clear mission, that is, take practical moves to influence our stakeholders and lead the industry to walk towards the sustainable development industrial road. We firmly believe an enterprise will not achieve a sustainable progress and development until it performs environmental protection and social responsibilities in the course of operation and gains social recognition and trust.

Beijing Gas Blue Sky Holdings Limited

Zhi Xiaoye	**Cheng Ming Kit**
Co-chairman	*Co-chairman*

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The United Nations defines sustainable development as "a development model that meets the contemporary needs without compromising the ability of future generations to meet their own needs". Along with the official launch of 17 Sustainable Development Goals ("SDGs") of the United Nations, the society has clearer and stronger expectations on enterprises, and hoping them to strike a balance in the three aspects of "economic development", "environmental protection" and "social progress".

As a player in the energy industry, Beijing Gas Blue Sky has a profound understanding of the relationship between energy and environment. At present, the PRC government is advocating energetically the "coal-to-gas" reform to promote the wide application of natural gas through various policies. Under the trend of energy reform, the Group's business focus is in line with the national strategy. The Group provides natural gas products and services to customers in different regions, which contributes to air pollution reduction and slow down global warming.

At the current development stage, renewable energy is not widely used, and natural gas is an important transitional fuel to satisfy market demand. However, Beijing Gas Blue Sky is aware that, even though natural gas is low in carbon as compared to coal, it is still be fossil fuel and will still generate greenhouse gas during the exploitation and application process. Hence, the Group will pay close attention to the change of energy layout and actively follow the national environmental protection policy. At present, China is the world's leading player in terms of renewable energy investment. The Group will follow the government closely, discuss the feasibility of developing this sector and launch innovative and diversified clean energy solutions, putting into practice of what we always aim: "harmonious co-existence between energy and environment".

USE OF RESOURCES

The climate changes have posed unprecedented challenges on global economic development. Extreme weather arising from climate change has direct or indirect impact on the capabilities of different institutions in acquiring resources and maintaining operation, while reducing greenhouse gas emission is the most important mitigation method to address the climate change.

The operation of Beijing Gas Blue Sky mainly relies on natural gas resources. The operation of natural gas refueling stations under the Group's "Hainan Xinyuan" project mainly provides refueling service for vehicles, which can effectively help vehicles to reduce greenhouse gas emission as well as suspended particles and nitrogen oxides discharge and improve air quality.

In November 2016, the "Paris Agreement" came into effect, aiming at controlling global temperature increase within 2℃ by the end of the century as compared to that before industrialization and striving to further control it to be within 1.5℃.

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In view of its business nature, Beijing Gas Blue Sky promotes environmental protection through its daily operations. At the same time, the Group considers reinforcing internal environment management is also our work focus not to be ignored. During the year, the Group resolved and implemented the "Standard on Health, Safety and Environment (HSE) Management System" ("HSE Standard") to complement the existing management system and structure. By taking reduction of the impact of operation on the environment and natural resources as a fundamental principle, the HSE Standard has established clear working strategy and procedural guideline from management commitment, risk identification, target setting to specific implementation and effectiveness monitoring. Through the establishment of the complete and clear internal enterprise standards, the Group integrates environmental management with health and safety, whereby enhancing risk management efficiency and constantly improving the sustainable development performance.

Beijing Gas Blue Sky HSE Management System Model

Currently, the resources consumed in the daily operation of the natural gas refueling stations under the "Hainan Xinyuan" project of Beijing Gas Blue Sky mainly comprise the electricity required for lighting and machine operation in the stations and living water of staff. During the daily operation, the Group is dedicated to advocating the corporate culture of making good use of resources. The Group actively encourages and supports staff to participate in environmental management affairs, especially frontline staff who are familiar with the details of the operation. Along with the increase in staff involvement, staff of gas refueling stations have cultivated the consciousness and habit of cherishing resources. In addition to reminding each other the importance of conserving water from time to time, our staff even take the initiative to reuse waste water. Over 70% of the waste water generated from cleaning and washing in the stations is reused for flushing water in rest rooms, which greatly improves water usage efficiency.

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Beijing Gas Blue Sky considers that, it is necessary to set a clear goal to further improve resource utilization efficiency. The Group is pushing forward the cooperation among various departments to prepare detailed records and statistics of the volume of resources used. Based on such data, the Group sets the quantitative goal for electricity and water consumption in future so as to improve the resource utilization efficiency during daily operation.

During the year, the daily operation of gas refueling stations does not have significant direct emission of greenhouse gas, nor generates any substantial wastes, noise and waste water or cause significant impact on the environment in the vicinity. Although Beijing Gas Blue Sky has not made any detailed statistics of greenhouse gas emission for its daily operation during the year, the Group has incorporated carbon evaluation into its 2017 work plan and has engaged an independent consultancy company to inspect greenhouse gas emission in this business scope. The Group will adopt this as the basis for formulating the specific carbon reduction measure and formulate carbon reduction goal and priority order to enable more efficient carbon reduction working process.

With the HSE Rules finalizing, in future, the Group will further facilitate every regional unit to establish its own comprehensive environmental management procedures and systems according to guidelines, so as to identify key environmental factors within the scope of operation and further improve environmental risk management.

As an important step of HSE risk management, Beijing Gas Blue Sky is in strict compliance with laws, regulations and relevant requirements of environmental protection. When establishing environmental management system and procedures, the Group first carefully analyzed and identified laws and regulations in operation regions and during the course of operation, the Group also focuses on establishing clear information channels, knows the update of laws and regulations in time, which ensure every detail in operation meets the requirements of new rules and communicates relevant information to such stakeholders accurately. During the Reporting Period, the Group had not discovered any default incident related to emissions or environmental impact.

As a keep on improving green enterprise, Beijing Gas Blue Sky will invest more resources in future, and formulate more detailed enterprise's internal environmental guidelines, with environmental protection issues further include in its operation plans and develop long-term and sustainable development policies and road maps to actively promote each environmental action programme.

Overview on Environmental Performance Indicators

Water Utilization	Total water consumption (tons)	835	Domestic staff usage, such as hand-washing
	Intensity for water (tons/yield)	55	Water consumption per production yield
	Total water discharge (tons)	835	Sewage from flushing toilets and cleaning in stations
	Total volume of water reused (tons)	304	Sewage from cleaning is reused for toilet flushing

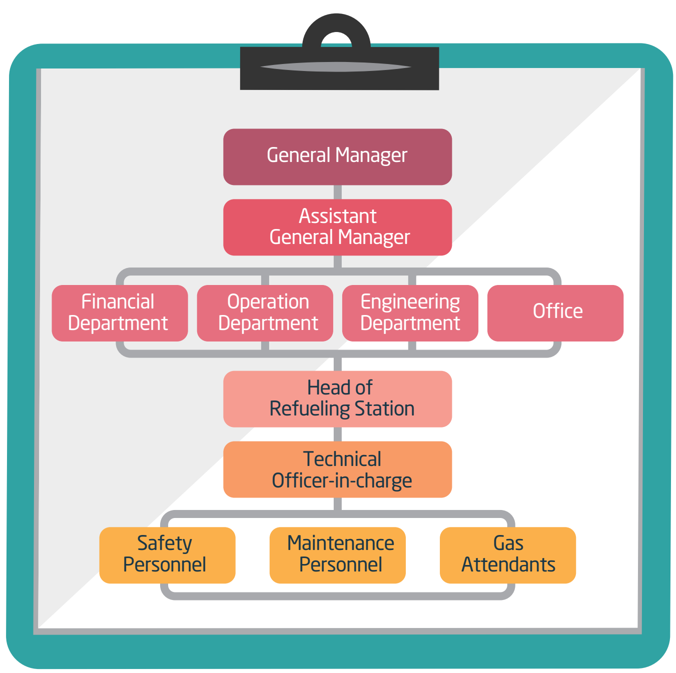
SAFETY AND HEALTH

As a natural gas enterprise, Beijing Gas Blue Sky always puts safety and health on the first place in its operation. This not only includes employees' safety and health, but also the impact on the safety and health of gas refueling stations' surrounding communities. No matter from an international or a nation perspective, regulatory authorities all regard this as the basic requirement. However, its effectiveness is largely depended on the construction and execution of enterprise internal system. The Group strictly follows the relevant safety regulations of Production Safety Law of the PRC and develops internal Refueling Station Management Rules and Quality and Safety Management Manual to establish perfect safety and health management system.

With the safety management spirit of "Prevention as Priority, Humanity as Core Value", Beijing Gas Blue Sky considers it necessary to identity potential safety risks of various positions to avoid accident. According to the actual situations of gas refueling stations, the Group recognizes potential hazards including fire explosion, gas leakage, mechanical injury and traffic accident. Therefore, the Group subdivides the entire work procedures into different steps systematically, including gas cylinder inspection, gas cylinder installation, mechanical operation and trailer unloading, and formulates clear and specific safety operation guidelines in accordance with different work steps respectively. The Group develops defined internal safety management structure and pursues position accountability system, which gives specific requirements for employees' responsibilities according to various work nature, and enables each employee to know their/his responsibility in safety management. The Group also convenes periodic safe production meetings, summarizes work experience, analyzes and discusses solutions of safety hazards to mitigate accidental risks from the source.

Safety Management Structure of "Hainan Xinyuan" Natural Gas Refueling Station

Since natural gas is flammable and combustible, preventing fire risk due to natural gas leakage is one of the key management in Beijing Gas Blue Sky. The Group fully realizes that there are many reasons causing natural gas leakage, which mainly include valve leakage, utility lines crack, over-pressured tanks. Once gas leakage has occurred and spread to wider areas, it will form combustible gas mixture widely, and any minute tinder may cause significant fire explosion.

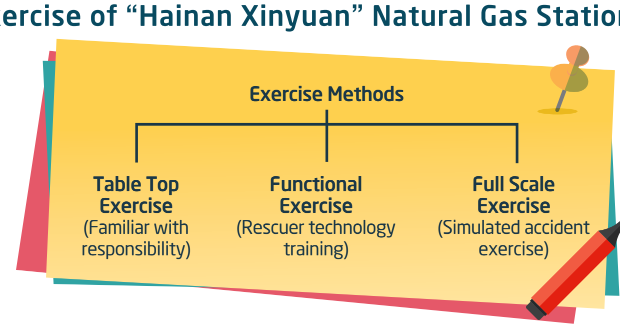


Therefore, for fire prevention and control, Beijing Gas Blue Sky implements a series of safety measures in the stations. The Group set up the equipment inspection system, equipment maintenance system and utilization of special equipment and regular check system to eradicate accident occurrence. The Group's refueling stations also execute "work shift system". Before changing shift, staff must conduct equipment daily maintenance according to regulations, and fill in inspection records. Every shift has a leader and professional safety officer on duty. They perform periodic inspection on all equipment in stations at least 5 times so as to find out and deal with mechanical fault. The Group also carries out stringent fire-fighting management system in stations, full prohibiting smoking and fire. If need to conduct welding and maintenance works, staff can execute under supervision after obtaining approvals. In addition, the Group's gas refueling stations execute stringent gas cylinder acceptance inspection and handling system, inspectors to recognize, segregate and nullify faulty cylinders, and conduct detailed checking before filling them so as to avoid gas leakage.

As vehicles are mostly taxies, private cars and large transport vehicles in refueling stations, Beijing Gas Blue Sky implements stringent traffic control on transportation vehicles. The vehicles entering stations must follow the queue sequence directed by traffic supervisor to drive-in, and other non-refueling vehicles are not allowed to drive-in. Vehicles separation is arranged to avoid traffic accident. Maintenance works of gas refueling vehicles must be conducted in a safe location outside stations to avoid sparks. Except for daily inspections in gas refueling stations, the Group organizes a large-scale safety inspection every quarter, fully inspects the actual environment in work sites, checks the improvement of safety hazards and relevant records, reviews the execution of the entire safety system and keeps on improving the safety management system.

At the same time, Beijing Gas Blue Sky formulates a series of contingency plans, develops detailed emergency processing procedures in accordance with different emergency circumstances such as gas leakage, machinery ablaze, bad weather and natural disasters, and instruct employees to deal with all kinds of accidents. The Group also organizes emergency team and fire-fighting team. Once an accident occurs, the teams will start emergency procedures effectively and report to relevant institutions to minimize damages. Periodic drilling system is also a key to assure operational safety of the Group. Gas refueling stations conduct drilling at least once a year, in the form of table top exercise, functional exercise and full scale exercise. Before each drill, gas refueling stations will set up the scheme, make full preparation, and conduct summary discussion after completion to find out and rectify issues, thereby ensuring employees to be familiar with the solutions to accidents.

Form of Periodic Exercise of "Hainan Xinyuan" Natural Gas Station



Effective execution of safety system needs every employee to participate and coordinate. Starting from employees' educations, Beijing Gas Blue Sky develops complete training assessment system, cultivates employees' safe consciousness, assures them to master technical requirements fully and avoids any accidents arouse by wrong operations. The Group provides new staff with trainings held by the Company, department and team, which enable employees to master the requirements of safety laws, station work procedures, safe operation models, and proper usage of equipment, tools and protective equipment. Employees are allowed to work only when passing the relevant examinations. For professional safety officers, the Group provides them with special training on safety management skills. Meanwhile, the Group assesses different level employees on company policy, safety code, business knowledge, service standard and accident treatment regularly each year, and regards assessment performance as a considerable factor for promotion. The Group selects "Best Station Manager", "Excellent Prefect" and "Excellent gas attendants" each year, and awards those outstanding employees.

Beijing Gas Blue Sky is not only attaching importance on safety incidents prevention, it also very concerned about employee occupational health. The Group provides each employee with sufficient and appropriate personal protective gear according to the requirements of different positions, it also distributes summer cooling items for employees according to the seasonal variation to prevent occupational diseases. Apart from the basic work-related injury insurance protection, the Group also arranges physical examinations for all the employees every year, so as to enhance the understanding and concern on their own health conditions. The safety and health management system of Beijing Gas Blue Sky is practical. During the reporting period, the Group had not identified any non-compliance incident relating to safety and health management, or any work-related injury had occurred.

Summary of Safety and Health Performance Indicators

	Number of work injury/fatality cases	Rate of work injury (per thousand employee)	Number of working day lost due to work injury	Total hours of absence (hours)	Total working hours (hours)	Total absence rate
Male	0	0%	0	632	71,424	1.69%
Female				1,344	45,632	

Summary of Training Performance Indicators

		Management	Managers	General Employees	Total number of "Hainan Xinyuan" Project
Number of Employees Attending Training	Male	16	41	13	100% employees have taken training
	Female	1	43	1	
Training Hours (Hours)	Male	16	32	240	Average 4 hours of training taken by each employee
	Female	1	12	172	
Proportion of Employees Conducted Periodic Performance and Occupational Review (%)	Male	4	8	58	100% employees have received performance and occupational review
	Female	0	3	42	

Apart from providing employees with a safe and healthy working environment, Beijing Gas Blue Sky also committed to developing an equal employment environment for employee, where there is no discrimination on any employee due to race, age, gender or religion. The Group implements a fair and transparent system from recruitment, promotion, remuneration to other benefits, such as the Group prepared the Salary Standard Sheet for Employees in Gas Refueling Stations, which specified the basic salary and other allowances for different positions as the basis of salary adjustment. The Group also concerns about the amendments to employment regulations, proactively follow the changes and even provides employees with benefits exceeding the regulatory requirements, such as more rest time, providing refreshing drinks, which not only enhance work efficiency but also foster a stronger sense of belongings. During the reporting period, the Group had not identified any non-compliance cases relating to employment and labour practices.

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Beijing Gas Blue Sky is aware that employing child labour and forced labour are serious violation of basic human rights and International Labour Conventions, as such, the Group firmly implemented relevant laws and regulations, and prepared its own Regulations on Management of Prohibiting Employment of Child Labour and Minors Worker. The Group conducts a stringent review on age during the recruitment process, and conducts re-checking on suspected fake identity document, and even reports to police department. The Group will only enter into and execute employment contract requirements under mutual consent, and will never adopt unfair measures to restrict the employment relationship between employee and the Group. In case child labour is mistakenly employed, the respective department would be responsible for their dismissal and arrange them to return to their hometowns and take up education again. The Group will also inform the relevant requirements to employees, suppliers, customers and other stakeholders, include them in the periodic assessment of suppliers, and delist non-compliance companies from the qualified suppliers list, terminate cooperation relationship, so as to promote the entire industry chain to jointly protect the rights and interests of labour. During the reporting period, we had not identified any incident involving child labour or forced labour.

International Labour Organization is a professional institution of the United Nations. It established the labour standards through international labour conventions and proposals to improve working and living standards globally. China is a founding member of International Labour Organization and is a permanent member state of this organization.

Summary of Employment Performance Indicators

		Under aged 30	Aged 30-50	Over aged 50	Total number of "Hainan Xinyuan" Project	
Number of Employees	Male	16	41	13	Proportion of male and female 1.56:1	Proportion of remuneration between male and female 1.14:1
	Female	1	43	1		

PRODUCT LIABILITY

Under the intense competitive market environment, there are increasingly higher demand for better products and services from customers. Beijing Gas Blue Sky firmly believes that only by creating maximum value for customers, then it will gain their trust and support. Accordingly, the Group attaches importance to corporate governance, strives to reach a high standard of corporate ethics requirements from product quality, supply chain management to internal control, so as to satisfy the demand for product quality from customers.

The product quality of Beijing Gas Blue Sky greatly relies on the conscientious performance of suppliers. As such, the Group has always reviewed and elected suppliers on a stringent and equitable standard. The Group conducts fair assessment on all potential partners based on the criteria of corporate size, quality of gas sourcing and timeliness of supply, select suitable suppliers and maintain fair market competition. In addition, the Group also specify the requirements on environment, safety and health when entering into contracts, agreements and working memo with suppliers, which clarify the respective responsibility of the parties, so as to further manage the environmental and social risks of supply chains. Currently, the gas sourcing of natural gas refueling for "Hainan Xinyuan" Project is provided by a supplier in Hainan Province.

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Moreover, Beijing Gas Blue Sky also implemented the gas quality acceptance system according to the national requirements and standards on "Regulation on the Administration of Urban Gas" and "Compressed Natural Gas for Vehicles". The natural gas provided by supplier shall enclose with delivery inspection document, and gas inspection report will be issued by regulatory authority periodically. The gas refueling stations will also extract gas sourcing periodically and submit to relevant regulatory authority for inspection, so as to further ensure the quality of gas sourcing.

Apart from managing the supply chain properly, Beijing Gas Blue Sky also strictly managed the quality of natural gas product in refueling stations. The Group prepared operating specifications for gas refueling machine, and inspection procedures for cylinders before and after filling, provided clear working guidelines for frontline staff in the stations, so as to control quality standard of product. The Group also established a set of inspection system for the instrument and apparatus used for quality inspection, which specified that the instrument and apparatus shall submit for annual inspection according to government regulations, so as to ensure the accuracy of instrument and apparatus. The Group also established the treatment system for faulty cylinders, which instructed employees to identify the cylinder with hidden dangers such as damaged, overdue, or modified, sent to inspect, repair or scrap under the guidance of professional technicians in the stations, so as to ensure the natural gas products are in compliance with government regulations and the internal standards of the Group.

Customer management is also the key for maintaining quality service of Beijing Gas Blue Sky. The Group consistently performs its confidentiality responsibility, give clear guidelines for employees to, properly handle and keep customer information to avoid leakage. With an open mind, the Group also understands the demand from customers on environment and safety requirements of products through channels including regular or irregular visit, letter and user forum; seriously handles enquiries and complaints, pass the related opinions to respective department of the Group for timely improvement. In addition, the head of station and safety officer of gas refueling station also educate customers on safety to ensure correct and safe use of natural gas. During the reporting period, the Group had not discovered any non-compliance incidents relating to product liability, or products required to be recovered due to safety reasons.

As a responsible enterprise, Beijing Gas Blue Sky is committed to preventing illegal activities including corruption, bribery, blackmail, fraud and money laundering. The Group prepared the Employee Code of Conduct, which strictly regulated employees' behaviors, and made specific regulations on receiving or accepting gifts, gifting and declaration of interests. The Group also maintains a complaints mechanism, once a suspected corruption case is identified, employee may raise an internal complaint and report confidentially, the management and respective department would follow up independently. During the reporting period, the Group had not identified any corruption lawsuits relating to the Group and its employees.

With the market's concerns on the corporate behavior and "social business licensing", the pursuit of short-term and maximum financial performance to reward shareholders is no longer the only goal of the business management. As a proactive enterprise, Beijing Gas Blue Sky has profound understanding in the importance of meeting different stakeholders' expectations. Currently, although the Group has not prepared specific community investment working plan, however, it will proactively increase its social participation in future, strengthen the relationship with community where its business is located to achieve a long-term, stable and healthy development while making contributions to the society.

"ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORTING GUIDE" CONTENT INDEX

Main Aspects	Description	Key performance indicators or Page Index
A1 Emissions		
General Disclosure	Information on: (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to exhaust gas and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	56-58
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	57
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	58
A3 Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	57-58
B1 Employment		
General Disclosure	Information on: (a) 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, anti-discrimination, and other benefits and welfare.	61-62
B1.1	Total workforce by gender, employment type, age group and geographical region.	62

Main Aspects	Description	Key performance indicators or Page Index
B2 Health and Safety		
General Disclosure	Information on: (a) 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.	59-61
B2.1	Fatality number and rate due to work.	61
B2.2	Lost days due to work injury.	61
B2.3	Description of occupational health and safety measures adopted and how they are being implemented and monitored.	59-61
B3 Development and training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	60
B3.1	Description of training activities provided, percentage of employees trained by gender and employee category (e.g. senior management, middle management etc.).	61
B3.2	Average training hours for trainings completed per employee by gender and employee category.	61
B4 Labour standards		
General Disclosure	Information on: (a) policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	62
B4.1	Description of measures to review employment practices to avoid child and forced labour.	62
B4.2	Description of steps taken to eliminate such practices when discovered any breaching.	62
B5 Supply chain management		
General Disclosure	Policies on managing environmental and social risks of supply chain.	62-63
B5.1	Number of suppliers by geographical region.	62
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are being implemented and monitored.	62

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Main Aspects	Description	Key performance indicators or Page Index
B6 Product liability		
General Disclosure	Information on: (a) 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 rectification.	63
B6.1	Percentage of total products sold or shipped subject to recalls due to safety and health reasons.	63
B6.2	Number of products and service related complaints received and how they are being dealt with.	63
B6.4	Description of quality assurance process and recall procedures.	63
B6.5	Description of consumer data protection and privacy policies, how they are being implemented and monitored.	63
B7 Anti-Corruption		
General Disclosure	Information on: (a) 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.	63
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	63
B7.2	Description of preventive measures and whistle-blowing procedures, how they are being implemented and monitored.	63
B8 Community investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer is operating and ensure its activities have taken into consideration the communities' interests.	63

Report of the Directors

The directors (the “Directors”) of Beijing Gas Blue Sky Holdings Limited (the “Company”) present their report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2016 (the “Year”).

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Company’s subsidiaries are principally engaged in (i) natural gas for transportation; (ii) trading and distribution of natural gas; and (iii) city gas and other related products. The Group’s operations are based in the People’s Republic of China (the “PRC”), including Hong Kong. The principal activities of the subsidiaries are set out in note 44 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group’s future business development are set out in Statement from the Chairman as well as the Management Discussion and Analysis on pages 8 to 11 and pages 14 to 27 of this annual report. A discussion on the Group’s environmental policies are set out in the Environmental, Social and Governance Report of this Annual Report. An analysis of the Group’s performance during the year using financial key performance indicators is set out in the Management Discussion and Analysis on pages 22 to 23 of this Annual Report.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 December 2016, to the best of the Directors’ knowledge, there is no material breach of or non-compliance with applicable laws and regulations by the Group which has a significant impact on its business and operations.

RELATIONSHIP WITH EMPLOYEES, SUPPLIERS AND CUSTOMERS

The Group recognises that employees, suppliers and customers are crucial for the Group’s sustainable development. We strive to maintain a close relationship with our employees, commit to provide high quality products and services to our customers in order to enhance our competitiveness and strengthen the cooperation with our suppliers.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group is exposed to certain market risk such as interest rate risk, credit risk and liquidity risk. The details are set out in note 45 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2016 and the financial position of the Group at that date are set out in the consolidated financial statements on pages 86 to 88.

The Directors do not recommend the payment of dividend in respect of the year ended 31 December 2016 (2015: Nil).

SUMMARY OF FINANCIAL INFORMATION

A summary of the consolidated results and assets and liabilities of the Group for the last five financial years, as extracted from the consolidated financial statements, is set out on page 201 of this annual report.

FIXED ASSETS

Details of movements in the prepaid lease payments, property, plant and equipment and investment properties of the Group during the Year are set out in notes 16, 17 and 18 to the consolidated financial statements, respectively.

SHARE CAPITAL

Details of movements of the Company's share capital are set out in note 32 to the consolidated financial statements.

PRE-EMPTIVE RIGHT

There are no provisions for pre-emptive rights under the Bye-laws or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

PURCHASE, REDEMPTION OR SALE OF SHARES

Neither the Company, nor its subsidiary purchased, redeemed or sold its equity securities during the Year.

RESERVES

Share premium

Under the Bermuda Companies Act 1981, the funds in the share premium account of the Company may be distributed in the form of fully paid bonus shares.

Merger reserve

This arose from the restructuring exercise and represents the difference between the nominal value of the Company's shares issued in exchange for the then consolidated net assets of the subsidiaries acquired as at 26 March 2007.

Details of movements in the reserves of the Group and the Company are set out in consolidated statements of changes in equity.

DISTRIBUTABLE RESERVES

At 31 December 2016, the Company did not have any reserves available for distribution to equity shareholders of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for 41.8% of the total sales for the Year and sales to the largest customer included therein amounted to 25.7%. Purchases from the Group's five largest suppliers accounted for 44.6% of the total purchases for the Year and purchases from the largest supplier included therein amounted to 30.9%. None of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers and customers.

DIRECTORS

The Directors of the Company during the Year and up to the date of this report are listed on page 2 of this annual report.

In accordance with Bye-law 86 of the Bye-laws, Mr. Cheng Ming Kit, Mr. Hung Tao and Mr. Ma Arthur On-hing shall retire at the forthcoming annual general meeting of the Company ("Annual General Meeting"). In accordance with Bye-law 85 of the Bye-laws, Mr. Li Weiqi and Mr. Pang Siu Yin shall retire at the Annual General Meeting. All of the above retiring Directors, being eligible, will offer themselves for re-election.

The Company has received annual confirmations of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and considers them to be independent.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors or their respective spouses or minor children to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 28 to 31 of this annual report.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2016, none of the Directors have entered into any service agreement with any member of the Group which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' remuneration is subject to approval by the RC with reference to Directors' duties, responsibilities and performance and the results of the Group. Details of the Directors' remuneration are set out in note 13 to the consolidated financial statements.

HIGHEST PAID INDIVIDUALS

During the Year, the five individuals with the highest remuneration in the Group are four Directors of the Company and one individual. Details of the highest paid individuals are set out in note 13 to the consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 13 to the consolidated financial statements, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or its subsidiaries was a party subsisting during or at the end of the year under review.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

During the Year and up to the date of this annual report, none of the Directors has any interest in a business which competes or may compete with the business of the Group under the Listing Rules.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 December 2016, the interests or short positions of the Directors of the Company in the shares, warrants, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required as recorded in the register required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the SEHK pursuant to the Model Code contained in the Rules Governing the Listing of Securities on SEHK ("Listing Rules") were as follows:

(i) Interest in shares of the Company

Name of Director	Nature of interest	Number of shares (Note 1)	Approximate percentage of shareholding at 31/12/2016
Mr. Cheng Ming Kit (Note 2)	Beneficial owner	92,141,040 (L)	0.96%
	Interest of controlled corporation	1,069,286,256 (L)	11.10%
Mr. Sze Chun Lee (Note 3)	Beneficial owner	1,800,000 (L)	0.02%
	Interest of controlled corporation	139,488,480 (L)	1.45%
Mr. Hu Xiaoming	Beneficial owner	2,640,000 (L)	0.03%

Notes:

1. The letters "L" denote a long position in the shares of the Company.

2. Mr. Cheng Ming Kit ("Mr. Cheng") holds 100% interest in Grand Powerful Group Limited and is deemed to be interested in 1,069,286,256 Shares held by Grand Powerful Group Limited. Mr. Cheng personally holds 92,141,040 Shares.

3. Mr. Sze Chun Lee ("Mr. Sze") holds 43.75% interest in China Print Power Limited and is deemed to be interested in 139,488,480 Shares held by China Print Power Limited. Mr. Sze personally holds 1,800,000 Shares.

(ii) Interest in underlying shares of the Company

Name of Director	Nature of interest	Number of underlying shares (Note)	Approximate percentage of shareholding at 31/12/2016
Mr. Cheng Ming Kit	Beneficial owner	9,962,690 (L)	0.10%
Mr. Hu Xiaoming	Beneficial owner	10,000,000 (L)	0.10%
Mr. Hung Tao	Beneficial owner	39,906,730 (L)	0.41%
Mr. Lim Siang Kai	Beneficial owner	2,490,670 (L)	0.03%
Mr. Wee Piew	Beneficial owner	2,490,670 (L)	0.03%
Mr. Ma Arthur On-hing	Beneficial owner	2,490,670 (L)	0.03%

Note: The underlying shares are share options granted by the Company to the Directors. The letters "L" denote a long position in the shares of the Company.

(iii) Interest in associated corporations

		At 31/12/2016	
Name of Director	Name of associated corporation	Number of shares	Percentage of shareholding
Mr. Sze Chun Lee	China Print Power Limited	4,375	43.75%

Save as disclosed above, as at 31 December 2016, none of the Directors of the Company had any interests or short positions in the shares, warrants, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they were taken or deemed to have under such provisions of the SFO); or which were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or as otherwise notified to the Company or the SEHK pursuant to the Model Code.

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

As at 31 December 2016, persons/corporations (other than the Directors and the chief executive officer of the Company) which had interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO, or to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO, or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

(i) Interest in shares of the Company

Name	**Capacity**	**Number of shares** (Note 1)	**Approximate percentage of shareholding at 31/12/2016**
Grand Powerful Group Limited (Note 2)	Beneficial owner	1,069,286,256 (L)	11.10%
Lee Tsz Hang (Note 3)	Beneficial owner	462,685,000 (L)	4.80%
	Interest of controlled corporation	202,680,000 (L)	2.10%
Beijing Gas Group Co., Ltd (Note 4)	Beneficial owner	2,644,444,443 (L)	27.45%
Beijing Enterprises Group Company Limited (Note 4)	Interest of controlled corporation	2,644,444,443 (L)	27.45%

(ii) Interest in underlying shares of the Company

Name	**Capacity**	**Number of shares** (Note 1)	**Approximate percentage of shareholding at 31/12/2016**
Beijing Gas Group Co., Ltd (Note 4)	Beneficial owner	288,888,888 (L)	3.00%
Beijing Enterprises Group Company Limited (Note 4)	Interest of controlled corporation	288,888,888 (L)	3.00%

Notes:

1. The letters "L" denote a long position in the shares of the Company.

2. Grand Powerful Group Limited is wholly-owned by Mr. Cheng Ming Kit, a director of the Company. The interest disclosed represented the same interest as the corporate interest of Mr. Cheng Ming Kit as disclosed under the section headed "DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION" above.

3. Mr. Lee Tsz Hang holds 100% interest in Win Ways Investment Limited and is deemed to be interested in 202,680,000 Shares held by Win Ways Investment Limited. Mr. Lee Tsz Hang personally holds 462,685,000 Shares.

4. Beijing Enterprises Group Company Limited indirectly controlled Beijing Gas Company Limited through Beijing Enterprises Holdings Limited and Beijing Gas Group Co., Ltd. and is deemed to be interested in 2,644,444,443 Shares and convertible bond in an aggregate principal amount of HK$130,000,000 at the issue price of HK$0.45 which will be convertible into 288,888,888 Shares. Mr. Zhi Xiaoye, the non-executive Director and Co-Chairman of the Board, is currently vice president of Beijing Enterprises Holdings Limited and he also serves as general manager of Beijing Gas Group Co., Ltd.

Save as disclosed above, the Company has not been notified of any persons/corporations (other than the Directors and the chief executive officer of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of SFO as at 31 December 2016, or who is directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

SHARE OPTIONS

At the special general meeting of the Company held on 26 May 2011, the terms of the share option scheme was adopted by providing incentive to eligible participants to work better for the interests of the Group, under which the Board may, at its discretion, offer to grant options to any full-time or part-time employee and Directors of the Company or any of its subsidiaries. Details of the share option scheme are set out on note 33 to the consolidated financial statements.

Report of the Directors

The following table discloses movements of the Company's share options during the year ended 31 December 2016:

Category of grantee	Exercise price per share option *HK$*	Date of grant	Exercisable period	Number of share options as at 1 January 2016	Number of share options granted during the year	Number of share options exercised during the year	Number of share options lapsed during the year	Number of share options reclassified during the year	Number of share options as at 31 December 2016
Directors:									
Mr. Cheng Ming Kit	0.286	21 July 2014	21 July 2015 to 20 July 2024	24,906,730	–	(14,944,040)	–	–	9,962,690
Mr. Hung Tao	0.286	21 July 2014	21 July 2015 to 20 July 2024	24,906,730	–	–	–	–	24,906,730
	0.395	23 July 2015	23 July 2016 to 22 July 2019	15,000,000	–	–	–	–	15,000,000
Mr. Kwok Shek San (Note 1)	0.286	21 July 2014	21 July 2015 to 20 July 2024	24,906,730	–	(14,944,040)	–	(9,962,690)	–
	0.395	23 July 2015	23 July 2016 to 22 July 2019	10,000,000	–	(3,000,000)	–	(7,000,000)	–
Mr. Hu Xiaoming	0.395	23 July 2015	23 July 2016 to 22 July 2019	10,000,000	–	–	–	–	10,000,000
Ms. Chung Oi Ling, Stella (Note 2)	0.286	21 July 2014	21 July 2015 to 20 July 2024	24,906,730	–	(14,944,040)	(9,962,690)	–	–
Mr. Lim Siang Kai	0.286	21 July 2014	21 July 2015 to 20 July 2024	2,490,670	–	–	–	–	2,490,670
Mr. Wee Piew	0.286	21 July 2014	21 July 2015 to 20 July 2024	2,490,670	–	–	–	–	2,490,670
Mr. Ma Arthur On-hing	0.395	23 July 2015	23 July 2016 to 22 July 2019	2,490,670	–	–	–	–	2,490,670
				142,098,930	–	(47,832,120)	(9,962,690)	(16,962,690)	67,341,430
Employees	0.286	21 July 2014	21 July 2015 to 20 July 2024	5,600,000	–	(2,400,000)	(600,000)	9,962,690	12,562,890
	0.349	1 September 2014	1 September 2015 to 31 August 2018	25,438,800	–	(7,390,980)	(637,700)	–	17,410,120
	0.395	23 July 2015	23 July 2016 to 22 July 2019	61,110,000	–	(8,568,000)	(2,480,000)	7,000,000	57,062,000
	0.660	20 July 2016	20 July 2017 to 19 July 2020	–	40,375,000	–	(9,700,000)	–	30,675,000
				92,148,800	40,375,000	(18,358,980)	(13,417,700)	16,962,690	117,709,810
Total				234,247,730	40,375,000	(66,191,100)	(23,380,390)	–	185,051,240
Exercisable at the end of the year									154,376,240
Weighted average exercise price				HK$0.339	HK$0.660	HK$0.312	HK$0.467	HK$0.331	HK$0.402
Weighted average share price at dates of exercise				N/A	N/A	HK$0.426	N/A	N/A	N/A

Notes:

(i) Mr. Kwok Shek San resigned as executive Director of the Company with effect from 4 October 2016 and has been retained as a consultant of the Group from 4 October 2016.

(ii) Ms. Chung Oi Ling, Stella resigned as a non-executive Director of the Company with effect from 1 September 2016.

(iii) During the year, a total of 40,375,000 share options were granted, 23,380,390 share options were lapsed and 66,191,100 share options were exercised.

RELATED PARTY TRANSACTIONS

Details of significant related party transactions of the Group are set out in note 42 to the consolidated financial statements.

CONTINUING CONNECTED TRANSACTIONS

Continuing connected transactions during the Year are set out below:

As announced by the Company on 18 July 2016, certain existing agreements entered into between certain subsidiaries of the Company and Hainan China Petroleum Shennan Petroleum Technology Development Co., Ltd. ("Shennan Petroleum Technology") and its associates in connection with supply of natural gas to the Group in the PRC became continuing connected transactions ("CCT") for the Company under Rule 14A.60 of the Listing Rules. Details of the agreements are summarized as follows:

(i) Natural gas supply agreement entered into between Haikou Xinyuan Natural Gas Technology Co., Ltd. ("Haikou Xinyuan") as purchaser and Shennan Petroleum Technology as the supplier

Terms:	2 November 2015 to 1 November 2016
Subject Matter:	Provision of CNG by Shennan Petroleum Technology to Haikou Xinyuan in Hainan Province
Basis of Pricing:	The consideration is determined after arm's length negotiation between the parties and Is subject to revision in accordance with prevailing market prices

(ii) Natural gas supply agreement entered into between Haikou Xinyuan Xinhe Natural Gas Station Co., Ltd. ("Haikou Xinyuan Xinhe") as purchaser and Hainan China Petroleum Shennan Energy Co., Ltd. ("Shennan Energy") as supplier

Terms:	13 January 2016 to 31 December 2016
Subject Matter:	Provision of LNG by Shennan Energy to Haikou Xinyuan Xinhe in Hainan Province
Basis of Pricing:	Price of natural gas at the local storage tanks owned by Shennan Energy and is subject to revision in accordance with prevailing market prices

(iii) Natural gas supply agreement entered into between Benxi Liaoyou Xinshidai Ranqi Company Limited ("Benxi Liaoyou Xinshidai") as purchaser and Panjing Dingsheng Gas Limited ("Panjing Dingsheng") as supplier

Terms:	6 June 2016 to 5 June 2017
Subject Matter:	Provision of natural gas by Panjing Dingsheng to Benxi Liaoyou Xinshidai
Basis of Pricing:	The consideration is determined after arm's length negotiation between the parties and Is subject to revision in accordance with prevailing market prices

The total amount received from Shennan Petroleum Technology and its associates during the year ended 31 December 2016 amounted to RMB34,551,000 which is within the aggregate annual cap of RMB65,000,000.

The independent non-executive Directors of the Company have reviewed the CCT with Shennan Petroleum Technology and confirmed that the transactions have been entered into:

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

(ii) on normal commercial terms or better; and

(iii) on terms that are fair and reasonable and in the interests of the shareholders and the Company as a whole.

The auditors of the Company were engaged to report on the continuing connected transaction of the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transaction under the Hong Kong Listing Rules" issued by the HKICPA. The auditors have provided a letter to the Board confirming that nothing has come to their attention that causes them to believe the CCT:

(i) have not been approved by the Board;

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

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

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

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

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 9 June 2017. A notice convening the Annual General Meeting will be issued to the shareholders of the Company together with this annual report, which will also be available on the SEHK's website at www.hkexnews.hk, SGX-ST's website at www.sgx.com and the Company's website at www.bgbluesky.com.

CORPORATE GOVERNANCE

The Company has adopted the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on SEHK (the "Listing Rules"). The Company has complied with the code provisions set out in the CG Code throughout the year ended 31 December 2016 except for the following deviations:

Code provision A.6.7

Pursuant to code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings. Ms. Chung Oi Ling, Stella, Mr. Zhi Xiaoye and Mr. Ma Arthur On-hing did not attend all general meetings held in the Year due to their other business commitments.

Code provision E.1.2

Pursuant to code provision E.1.2, the chairman of the Board should attend the annual general meeting. The co-chairmen of the Board, Mr. Cheng Ming Kit and Mr. Zhi Xiaoye, were unable to attend the annual general meeting of the Company held on 3 June 2016 due to their other business commitments.

CHANGES OF DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of Directors required to be disclosed pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) subsequent to the publication of the 2016 interim report are set out below:

(i) Mr. Lim Siang Kai has appointed as independent director of Samurai 2K Aerosol Limited, a company listed on the Singapore Stock Exchange, with effect from 16 January 2017 and ceased to be independent director of Natural Cool Holdings Limited, a company listed on the Singapore Stock Exchange, on 8 February 2017; and

(ii) Mr. Wee Piew ceased to be the chief executive officer and executive director of PSL Holdings Ltd, a company listed on the Singapore Stock Exchange, on 31 December 2016.

SUBSIDIARIES

Details of the Company's principal subsidiaries are set out in note 44 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public throughout the year ended 31 December 2016 and as at the date of this annual report.

DONATIONS

During the year ended 31 December 2016, the Group made charitable donations amounting to approximately HK$260,000.

ACCOUNTABILITY

The Board aims to ensure that the interim and annual financial statements and results announcements are presented in a manner which provides a balanced and understandable assessment of the Group's performance, position and prospect. The financial statements have been prepared in accordance with the International Financial Reporting Standards and give a true and fair view of the state of affairs of the Group at the end of the financial year. The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended 31 December 2016.

AUDIT COMMITTEE

The AC comprises four members, namely, Mr. Lim Siang Kai, Mr. Wee Piew, Mr. Ma Arthur On and Mr. Pang Siu Yin, all being independent non-executive Directors. It has reviewed the accounting principles and standards adopted by the Group, and has discussed and reviewed the risk management and internal control and reporting matters. The AC has reviewed with the management the consolidated financial statements of the Group for the year ended 31 December 2016.

The AC has recommended to the Board the reappointment of Deloitte Touche Tohmatsu as the external auditors of the Company at the forthcoming Annual General Meeting.

AUDITORS

The consolidated financial statements for the year ended 31 December 2016 were audited by Deloitte Touche Tohmatsu, who will retire and, being eligible, offer themselves for reappointment. A resolution will be proposed at the forthcoming annual general meeting of the Company to reappoint Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board of Directors

Mr. Cheng Ming Kit
Director

Mr. Tam Man Kin
Director

29 March 2017

Statement By Directors

We, Mr. Cheng Ming Kit and Mr. Tam Man Kin, being two of the Directors of Beijing Gas Blue Sky Holdings Limited, do hereby state that, in the opinion of the Directors,

(i) the accompanying consolidated statement of financial position of the Group as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information are drawn up so as to give a true and fair view of the financial position of the Group as at 31 December 2016, and of the financial performance and cash flows of the Group for the year then ended; and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

Mr. Cheng Ming Kit
Director

Mr. Tam Man Kin
Director

29 March 2017

Independent Auditor's Report

Deloitte. 德勤

Independent Auditor's Report
To the Members of Beijing Gas Blue Sky Holdings Limited
(Formerly known as "Blue Sky Power Holdings Limited")
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Beijing Gas Blue Sky Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 86 to 200, which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill, operating rights of Group's subsidiaries, associates and joint ventures	
We identified the impairment assessment in relation to goodwill and operating rights of the Group's subsidiaries, associates and joint ventures as a key audit matter because the Group had net cash outflows from operating activities and its associates and joint ventures incurred losses, respectively, for years ended 31 December 2016 and 2015 and these are the most quantitatively material balances in the consolidated financial statements. In addition, there is significant estimation uncertainty involved in determining the recoverable amounts of the goodwill and operating rights of cash generating units comprising the Group's subsidiaries, interests in associates and joint ventures. As disclosed in note 21 to the consolidated financial statements, as at 31 December 2016, the Group's goodwill and operating rights of the natural gas operations in the People's Republic of China ("PRC") amounted to approximately HK$856.9 million and HK$549.3 million, respectively, the goodwill and operating rights of the Group's associates and joint ventures amounted to appropriately HK$130.8 million and HK$250.5 million respectively. No impairment loss has been recognised against goodwill and operating rights for the year then ended. As disclosed in note 4 to the consolidated financial statements, value in use calculations using future cash flow projections are applied by the management to estimate recoverable amounts of respective cash generating units ("CGUs"), being different natural gas operations carried out in the PRC by the Group, its associates and joint ventures to which goodwill and operating rights have been allocated. Key assumptions made by the management in the impairment assessment include the overall growth rates and discount rates applied, all of which vary based on the stage of development of the natural gas operations of the Group's subsidiaries, associates and joint ventures and management's expectation for the market development of natural gas business in the PRC.	Our audit procedures in relation to the impairment assessment of goodwill and operating rights performed by the management included: • obtaining the value in use calculations ("Cashflow Forecasts") of the CGUs to which the Group's goodwill and operating rights are allocated and understanding the key management assumptions adopted in these Cashflow Forecasts through enquiries with the management; • challenging the appropriateness of the key assumptions adopted by the management in the Cashflow Forecasts, such as the discount rate, forecast growth rates applied and unit prices of natural gas and comparing them with available market data and our knowledge of the current market development of natural gas industry in the PRC; • comparing the historical cash flows forecast against the performance of CGUs to test the accuracy of management's projections; and • reviewing the Cashflow Forecasts by stress testing key assumptions, assessing the impact on the sensitivity analysis, and understanding the degree to which assumptions would need to move before impairment would be triggered.

Independent
Auditor's Report

Key audit matter	How our audit addressed the key audit matter
Gain recognised on deemed disposal of subsidiaries	
We identified the gain recognised on deemed disposal of subsidiaries as a key audit matter in view of its significance to the consolidated statement of profit or loss and other comprehensive income and the fact that estimation uncertainty is involved in determining the fair values of retained equity interests in these subsidiaries in accounting for such deemed disposal gain. As disclosed in note 39 to the consolidated financial statements, during the year ended 31 December 2016, the Group disposed of 25% equity interest in Wuhan Zheng Weili Co. Ltd. ("Wuhan Zheng Weili") and 16% equity interest in New Phoenix Global Limited ("New Phoenix"), both of which were non-wholly owned subsidiaries which are principally engaged in sales and distribution of liquefied natural gas, to independent third parties at cash consideration, resulting in loss of control of Wuhan Zheng Weili and New Phoenix and accordingly, a gain on deemed disposal of subsidiaries of approximately HK$208.7 million was recognised in the Group's consolidated statement of profit or loss and other comprehensive income. The fair values of retained equity interests in these subsidiaries at respective dates of disposal amounting to HK178.2 million in aggregate have been arrived at on the basis of valuations carried out by an independent qualified professional valuer (the "Valuer") using a discounted cash flow method. The valuations are dependent on certain significant inputs that involve management's judgment, including the overall growth rates and discount rate applied, all of which vary based on the stage of development of the operations of Wuhan Zheng Weili and New Phoenix and management's expectation for the market development of natural gas business in the PRC.	Our audit procedures in relation to the assessment of the gain recognised on deemed disposal of subsidiaries included: • recalculating the gain recognised on such deemed disposal of subsidiaries; • obtaining the valuation reports and detailed work (the "Valuation") of the Valuer in relation to the determination of the fair value of retained equity interests in these subsidiaries at respective dates of disposal and understanding the key management assumptions adopted in the Valuation through enquiries with the management and the Valuer; • evaluating the competence, capabilities, and objectivity of the Valuer and obtaining an understanding of the Valuer's scope of work and their terms of engagement; • challenging the appropriateness of the key management assumptions adopted in the Valuation, such as the discount rate, forecast growth rates applied and unit prices of natural gas and comparing them with available market data and our knowledge of the current market development of natural gas industry in the PRC; and • comparing the historical cash flows forecast against the performance of Wuhan Zheng Weili and New Phoenix to test the accuracy of management's projections.

OTHER INFORMATION

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

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

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

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

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs 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.

Independent Auditor's Report

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Yu Kin Man.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2016

	Notes	2016 *HK$'000*	2015 *HK$'000* (restated)
Continuing operations			
Revenue	5	**633,776**	105,834
Cost of sales		**(586,621)**	(110,732)
Gross profit/(loss)		**47,155**	(4,898)
Other gains and losses	7	**77,708**	6,083
Other income	8	**7,013**	2,697
Administrative expenses		**(123,054)**	(85,370)
Other expenses		**(12,971)**	(4,399)
Finance costs	9	**(95,743)**	(32,023)
Share of loss of associates		**(10,599)**	(316)
Share of loss of joint ventures		**(2,499)**	(771)
Gain on deemed partial disposal of an associate		**3,830**	–
Gain recognised on deemed disposal of subsidiaries	39	**208,664**	135,207
Profit before income tax	10	**99,504**	16,210
Income tax (expense)/credit	11	**(378)**	4,999
Profit for the year from continuing operations		**99,126**	21,209
Discontinued operation			
Loss for the year from discontinued operation	12	**(13,831)**	(14,306)
Profit for the year		**85,295**	6,903
Other comprehensive expense			
Item that will not be reclassified to profit or loss:			
Exchange loss arising on translation to presentation currency		**(27,095)**	–
Item that may be reclassified subsequently to profit or loss:			
Exchange loss on translation of foreign operations		**(38,678)**	(695)
		(65,773)	(695)
Total comprehensive income for the year		**19,522**	6,208
Profit for the year attributable to owners of the Company			
Continuing operations		**112,984**	31,466
Discontinued operation		**(13,108)**	(14,306)
		99,876	17,160
Non-controlling interests		**(14,581)**	(10,257)
		85,295	6,903
Total comprehensive income for the year attributable to:			
Owners of the Company		**37,029**	14,167
Non-controlling interests		**(17,507)**	(7,959)
		19,522	6,208
Earnings per share	15		(restated)
From continuing and discontinued operations			
– Basic		**HK1.28 cents**	HK0.33 cents
– Diluted		**HK1.27 cents**	HK0.33 cents
From continuing operations			
– Basic		**HK1.45 cents**	HK0.60 cents
– Diluted		**HK1.44 cents**	HK0.60 cents

Consolidated Statement of Financial Position

At 31 December 2016

	Notes	2016 *HK$'000*	2015 *HK$'000*
Non-current assets			
Prepaid lease payments	16	**20,061**	22,204
Property, plant and equipment	17	**240,476**	295,549
Investment properties	18	**103,447**	26,820
Intangible assets	19	**549,296**	564,357
Goodwill	20	**856,887**	501,470
Interests in associates	22	**214,913**	224,169
Interests in joint ventures	23	**419,643**	92,405
Deposits for acquisition of subsidiaries		**944,248**	169,169
Deposits for acquisitions of property, plant and equipment		**84,012**	82,177
Prepayment		**11,687**	16,557
Financial assets at fair value through profit or loss	28	**47,278**	–
Promissory note receivable	28	**26,849**	–
Available-for-sale investments	27	**134,801**	104,671
Other non-current assets		**456**	545
		3,654,054	2,100,093
Current assets			
Prepaid lease payments	16	**728**	820
Inventories	24	**8,642**	1,763
Trade and other receivables	25	**312,572**	134,651
Amounts due from non-controlling shareholders of subsidiaries	26	**18,562**	18,509
Amounts due from joint ventures	23	**65,978**	51,090
Tax recoverable		**1,590**	1,590
Promissory notes receivables	28	**10,000**	–
Financial assets at fair value through profit or loss	28	**125,527**	–
Cash and bank balances	29	**91,426**	102,737
		635,025	311,160

Consolidated Statement of Financial Position

At 31 December 2016

	Notes	2016 *HK$'000*	2015 *HK$'000*
Current liabilities			
Trade and other payables	30	**140,636**	77,206
Bank borrowings	31	**–**	3,694
Obligation under finance leases	34	**2,143**	5,355
Convertible bonds	35	**108,709**	91,157
Embedded derivatives at fair value through profit or loss	35	**60,875**	3,394
Amounts due to non-controlling shareholders of a subsidiary	26	**–**	14,062
Amount due to an associate	22	**–**	31,700
Amounts due to joint ventures	23	**8,998**	–
		321,361	226,568
Net current assets		**313,664**	84,592
Total assets less current liabilities		**3,967,718**	2,184,685
Capital and reserves			
Share capital	32	**529,915**	335,480
Reserves		**2,677,956**	1,200,842
Equity attributable to owners of the Company		**3,207,871**	1,536,322
Non-controlling interests		**67,823**	193,423
Total equity		**3,275,694**	1,729,745
Non-current liabilities			
Obligations under finance leases	34	**1,820**	9,034
Other borrowings	31	**293,000**	182,500
Convertible bonds	35	**260,752**	127,488
Deferred tax liabilities	37	**136,452**	135,918
		692,024	454,940
		3,967,718	2,184,685

The consolidated financial statements on pages 86 to 200 were approved and authorised for issue by the Board of Directors on 29 March 2017 and are signed on its behalf by:

Mr. Cheng Ming Kit
Director

Mr. Tam Man Kin
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Convertible note equity reserve HK$'000	Merger reserve HK$'000 (Note i)	Other reserve HK$'000	Translation reserve HK$'000	Accumulated profits (losses) HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2015	256,223	629,990	5,552	813	(43,048)	–	28,360	(26,670)	851,220	69,136	920,356
Profit/(loss) for the year	–	–	–	–	–	–	–	17,160	17,160	(10,257)	6,903
Other comprehensive (expense)/income for the year	–	–	–	–	–	–	(2,993)	–	(2,993)	2,298	(695)
Total comprehensive (expense)/income for the year	–	–	–	–	–	–	(2,993)	17,160	14,167	(7,959)	6,208
Issue of shares by way of placing	14,438	93,562	–	–	–	–	–	–	108,000	–	108,000
Transaction cost attributable to issue of shares	–	(2,740)	–	–	–	–	–	–	(2,740)	–	(2,740)
Issue of shares for acquisition of subsidiaries	29,242	180,385	–	–	–	–	–	–	209,627	–	209,627
Issue of convertible bonds	–	–	–	94,077	–	–	–	–	94,077	–	94,077
Transaction cost attributable to issue of convertible bonds	–	–	–	(9,804)	–	–	–	–	(9,804)	–	(9,804)
Issue of convertible notes for acquisition of subsidiaries	–	–	–	91,699	–	–	–	–	91,699	–	91,699
Issue of shares upon conversion of convertible note	30,918	202,096	–	(92,512)	–	–	–	–	140,502	–	140,502
Issue of shares upon conversion of convertible bonds	4,467	27,279	–	–	–	–	–	–	31,746	–	31,746
Issue of shares upon conversion of share options	192	809	–	–	–	–	–	–	1,001	–	1,001
Recognition of equity-settled share-based payments	–	–	8,032	–	–	–	–	–	8,032	–	8,032
Transfer to accumulated losses upon forfeiture of share options	–	–	(1,066)	–	–	–	–	1,066	–	–	–
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	(2,557)	(2,557)
Acquisition of additional interest in a subsidiary	–	–	–	–	–	(1,205)	–	–	(1,205)	(295)	(1,500)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	129,574	129,574
Capital injection from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	5,524	5,524
At 31 December 2015	335,480	1,131,381	12,518	84,273	(43,048)	(1,205)	25,367	(8,444)	1,536,322	193,423	1,729,745
Profit/(loss) for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**99,876**	**99,876**	**(14,581)**	**85,295**
Other comprehensive expense for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(62,847)**	**-**	**(62,847)**	**(2,926)**	**(65,773)**
Total comprehensive (expense)/income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(62,847)**	**99,876**	**37,029**	**(17,507)**	**19,522**
Issue of shares by way of placing	**118,556**	**851,444**	**-**	**-**	**-**	**-**	**-**	**-**	**970,000**	**-**	**970,000**
Issue of shares for acquisition of subsidiaries	**8,708**	**67,292**	**-**	**-**	**-**	**-**	**-**	**-**	**76,000**	**-**	**76,000**
Issue of convertible bonds	**-**	**-**	**-**	**151,645**	**-**	**-**	**-**	**-**	**151,645**	**-**	**151,645**
Issue of shares upon conversion of convertible bonds	**44,297**	**324,583**	**-**	**(119,859)**	**-**	**-**	**-**	**-**	**249,021**	**-**	**249,021**
Issue of shares upon conversion of convertible note	**19,233**	**197,579**	**-**	**(148,579)**	**-**	**-**	**-**	**-**	**68,233**	**-**	**68,233**
Issue of shares upon conversion of share options	**3,641**	**27,354**	**(10,337)**	**-**	**-**	**-**	**-**	**-**	**20,658**	**-**	**20,658**
Recognition of equity-settled share-based payments	**-**	**-**	**7,905**	**-**	**-**	**-**	**-**	**-**	**7,905**	**-**	**7,905**
Transfer to accumulated profits upon forfeiture of share options	**-**	**-**	**(2,298)**	**-**	**-**	**-**	**-**	**2,298**	**-**	**-**	**-**
Disposal of subsidiaries (Note 39)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(5,363)**	**(5,363)**
Partial disposal of equity interest in subsidiary (Note 12)	**-**	**-**	**-**	**-**	**-**	**3,584**	**-**	**-**	**3,584**	**12,916**	**16,500**
Acquisition of additional interest in a subsidiary	**-**	**-**	**-**	**-**	**-**	**(61,105)**	**-**	**-**	**(61,105)**	**(155,707)**	**(216,812)**
Issue of convertible note for acquisition of additional interest in a subsidiary	**-**	**-**	**-**	**148,579**	**-**	**-**	**-**	**-**	**148,579**	**-**	**148,579**
Acquisition of subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**40,061**	**40,061**
At 31 December 2016	**529,915**	**2,599,633**	**7,788**	**116,059**	**(43,048)**	**(58,726)**	**(37,480)**	**93,730**	**3,207,871**	**67,823**	**3,275,694**

Note:

i. This arose from the restructuring exercise and represents the difference between the nominal value of the Company's shares issued in exchange for the then consolidated net assets of the subsidiaries acquired as at 26 March 2007.

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Cash flows from operating activities			
Profit for the year		**85,295**	6,903
Adjustments for:			
Amortisation of intangible assets		**22,636**	20,676
Amortisation of prepaid lease payments		**988**	331
Amortisation of other non-current assets		**89**	89
Amortisation investment properties		**3,558**	1,044
Depreciation of property, plant and equipment		**21,057**	23,600
Taxation		**378**	(4,999)
Impairment losses on trade receivables		**–**	94
Change in fair value of financial assets at fair value through profit or loss		**(15,064)**	–
Change in fair value of embedded derivatives		**173**	(6,167)
Interest income		**(5,410)**	(146)
Interest expenses		**95,749**	32,393
Share of loss of associates		**10,599**	316
Share of loss of joint ventures		**2,499**	771
Gain recognised on deemed disposal of subsidiaries		**(208,664)**	(135,207)
Investment income		**(31,666)**	–
Gain on deemed partial disposal of associates		**(3,830)**	–
Net gain on disposal of property, plant and equipment		**–**	(2,719)
Unrealised net exchange gain		**(26,627)**	–
Expense for equity-settled share-based payments		**7,905**	8,032
Operating cash flows before movements in working capital		**(40,335)**	(54,989)
(Increase)/decrease in inventories		**(5,284)**	13,470
(Increase)/decrease in trade and other receivables		**(79,752)**	90,762
Increase/(decrease) in trade and other payables		**27,850**	(101,636)
Cash used in operations		**(97,521)**	(52,393)
Income taxes paid		**(6,037)**	–
Interest paid		**(30,119)**	(9,382)
Net cash used in operating activities		**(133,677)**	(61,775)

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Cash flows from investing activities			
Interest received		**2,492**	146
Purchases of property, plant and equipment		**(43,698)**	(18,838)
Addition to investment property		**–**	(111)
Proceeds from disposal of property, plant and equipment		**–**	3,578
Deposits paid for acquisition of subsidiaries		**(819,079)**	(166,644)
Deposits paid for acquisition of property, plant and equipment		**(5,790)**	(82,177)
Acquisition of addition interest in subsidiary		**–**	(1,500)
Acquisition of subsidiaries	38	**(229,867)**	(55,320)
Acquisition of associates		**(10,730)**	(45,240)
Investment in joint ventures		**(151,575)**	–
Purchase of other non-current assets		**–**	(334)
(Advance to)/repayment from non-controlling shareholders of subsidiaries		**(53)**	3,076
Repayment from related companies		**–**	2,650
Advance to joint venture		**(14,888)**	(2,287)
Purchase of financial assets at fair value through profit or loss		**(229,960)**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**88,849**	–
Purchase of convertible note receivable		**(15,520)**	–
Proceed from disposal and deemed disposal of subsidiaries		**9,053**	13,103
Proceed from partial disposal of a subsidiary		**6,500**	–
Net cash used in investing activities		**(1,414,266)**	(349,898)

Consolidated Statement of Cash Flows

For the year ended 31 December 2016

	2016	2015
	HK$'000	*HK$'000*
Cash flows from financing activities		
Proceeds from issue of shares by way of placing	**970,000**	108,000
Transaction cost attributable to issue of shares	**–**	(2,740)
Proceeds from issue of convertible bonds	**565,000**	316,000
Transaction cost attributable to issue of convertible bonds	**(13,928)**	(35,420)
Proceeds from capital injection from non-controlling shareholders of a subsidiary	**–**	5,524
Prepayment for commission	**–**	(16,557)
Proceeds from exercise of share option	**20,658**	1,001
Repayment of term loans and collateralised borrowings	**(3,694)**	(27,598)
Repayment to directors	**–**	(6,809)
Repayment to non-controlling shareholders of a subsidiary	**(14,062)**	(644)
(Repayment to)/advance from an associate	**(34,004)**	30,750
Other borrowings raised	**110,500**	161,000
Repayment of obligation under finance lease	**(11,164)**	(1,483)
Repayment of promissory note	**(40,000)**	(40,000)
Advance from joint ventures	**963**	–
Net cash from financing activities	**1,550,269**	491,024
Net increase in cash and cash equivalents	**2,326**	79,351
Cash and cash equivalents as at 1 January	**102,737**	18,613
Effect of foreign exchange rate changes	**(13,637)**	4,773
Cash and cash equivalents as at 31 December, representing cash and bank balances	**91,426**	102,737

Notes to the Consolidated Financial Statements

For the year ended 31 December 2016

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability. Its shares are primary listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and secondary listed on Singapore Exchange Securities Trading Limited ("SGX-ST").

The address of its registered office and the principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and Room 1411, 14/F., New World Tower I, 16-18 Queen's Road Central, Hong Kong respectively.

Pursuant to a special resolution passed on 2 December 2016, the name of the Company has been changed from "Blue Sky Power Holdings Limited"（藍天威力控股有限公司）to "Beijing Gas Blue Sky Holdings Limited"（北京燃氣藍天控股有限公司）with effect from 9 December 2016.

The principal activity of the Company is investment holding. The Company's subsidiaries are principally engaged in sales and distribution of natural gas and other related products.

During the year ended 31 December 2016, the Group discontinued its operation in sales of book and specialised products (the "Printing Business") and is principally engaged in sales and distribution of natural gas and other related products in the People's Republic of China (the "PRC"). The directors of the Company reassessed the functional currency of the Company and it is considered that Renminbi ("RMB") better reflects the underlying transactions of the primary economic environment of the Company as the existing subsidiaries are substantially operated in the PRC and the future investment plans of the Company will also be focused mainly in the PRC. Accordingly, the directors of the Company determined that functional currency of the Company has changed from Hong Kong dollar ("HK$") to RMB effective from 28 October 2016. For the convenience of the consolidated financial statements users, the consolidated financial statements have been presented in HK$, as the Company's shares are primary listed in Hong Kong.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

The Group has applied the following amendments to IFRSs for the first time in the current year.

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

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

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

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the related amendments[1]
IFRS 16	Leases[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 7	Disclosure Initiative[4]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to IAS 40	Transfer of Investment Property[1]
Amendments to IFRS	Annual Improvements to IFRS Standards 2014-2016 Cycle[5]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

IFRS 9 "Financial instruments"

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 are described below:

- All recognised financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 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, IFRS 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 of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

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

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

IFRS 9 "Financial instruments" (Continued)

The directors of the Company anticipate that the application of IFRS 9 in the future may have impact on amounts reported in respect of the Group's financial assets and financial liabilities. (The Group's investments in equity securities of private company that are currently classified as available for sale investment may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss.) In addition, the expected credit loss model may result in only provision of credit loss which are not yet incurred in relation to the Group's financial assets measured of amortised cost. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

IFRS 15 Revenue from contracts with customers

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

The core principle of IFRS 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 IFRS 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 IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the International Accounting Standard Board ("IASB") issued classifications to IFRS15 in relation to the identification of performance obligations, principal versus agent considerations as well as licensing application guidance.

The directors of the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported, and more disclosures relating to revenuers required. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review. In addition, the application of IFRS15 in the future may result in more disclosures in the consolidated financial statements.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

IFRS 16 "Leases"

IFRS 16, which upon the effective date will supersede IAS 17 "Leases", introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right-to-use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the consolidated statement of cash flow. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. The accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under IAS 17.

As set out in note 40, total operating lease commitment of the Group in respect of leased premises as at 31 December 2016 is amounted to HK$30,156,000.

Upon the adoption of IFRS 16, the directors of the Company expect that the commitments in future will be required to be recognised in the statement of financial position as right-of-use assets and lease liabilities and it may have financial impact to the results of the Group. However, it is not practicable to provide a reasonable estimate of the effect on the Group's results until the Group performs a detailed review.

The directors of the Company anticipate that the application of other new and revised IFRSs will have no material impact in the results and the financial position of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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 and other comprehensive income 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 consolidated financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combination

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 value 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 principally 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 IAS 12 "Income taxes" and IAS 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 IFRS 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 IFRS 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 reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquire and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

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

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 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests 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. Under the equity method, an interest in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture, 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 interest 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 interest 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 IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's interest in an associate or a joint venture. When necessary, the entire carrying amount of the interest (including goodwill) is tested for impairment in accordance with IAS 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 interest. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interests in associates and joint ventures (Continued)

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 IAS 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 in accordance with IAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing 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 would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an interest in an associate becomes an investment in a joint venture or an interest in a joint venture becomes and interest in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Foreign currencies

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

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

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into HKD. Assets and liabilities have been translated into HKD at the closing rates at the reporting date. Income and expenses have been converted into HKD at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Exchange differences arising, if any, have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Property, plant and equipment

Property, plant and equipment, including buildings held for use in the production or supply of goods and services, or for administrative purposes other than construction-in-progress ("CIP"), are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent impairment losses, if any. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use.

CIP represents buildings under construction for production or supply of goods or for administrative purposes. These are carried at cost less any impairment losses and are not depreciated. Cost comprises direct costs, such as cost of materials, direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use incurred during the periods of construction. CIP is reclassified as buildings and depreciation commences when the construction work is completed and the asset is ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than CIP) less their estimated residual value over their estimated useful lives, at the following rates per annum:

On straight-line method	
Buildings held for own use	$3^1/_3$%
Plant and machinery – natural gas business	10%
Gas pipelines	Over the shorter of 30 years or operation period of the relevant company
On reducing balance method	
Plant and machinery – printing business	15%
Furniture, fixtures and equipment	20%
Motor vehicles	30%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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 the asset. Any gain or loss arising on retirement or disposal is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties

Investment properties are buildings which are owned or held under a leasehold interest to earn rental income and/or for capital appreciation, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

On initial recognition, investment property is measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is provided so as to write off the cost of investment property less their estimated residual value using straight-line method over the lease term of 30 years. The asset's estimated residual value, depreciation method and estimated useful live are reviewed, and adjusted if appropriate, at each reporting date.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the 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.

If an item of property, plant and equipment becames an investment property because its use has changed as evidenced by end of owner-occupation, the carrying amount of the property, plant and equipment at the date of transfer will be the cost of the investment property.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives are carried at cost less accumulated amortisation and any subsequent impairment losses. Amortisation for intangible assets with finite useful lives is provided on straight-line method over their estimated useful lives. Amortisation commences when the intangible assets are available for use. The assets' amortisation method and estimated useful lives are reviewed, and adjusted if applicable, at each reporting date, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

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 when the asset is derecognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Impairment of tangible and intangible assets other than goodwill

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

Recoverable amount of an asset is the higher of its fair value, reflecting market conditions less costs to sell, 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 assessment of time value of money and the risk specific to the asset for which the future cash flow estimates 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 first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based 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.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instruments.

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

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale ("AFS"). 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument 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 debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the asset is (i) hold for trading or (ii) it is designated as at FVTPL

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 IAS 39 "Financial instruments: recognition and measurement" 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 losses excludes any interest paid on the financial liabilities and is included in the other gain and losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from non-controlling shareholders of subsidiaries, amounts due from joint ventures, promissory notes receivables and cash and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

AFS financial assets

AFS financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity instruments.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment loss on financial assets below).

Impairment of financial assets

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

For an AFS equity investment, a significant or prolonged decline in fair value of that investment below its cost is considered to be objective evidence of impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For all other financial assets, objective evidence of impairment could include:

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

For certain categories of financial asset such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables 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 and 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 a financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade 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 trade receivables are considered uncollectible, they are 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 impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading or (ii) it is designated as at FTVPL

- A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination 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 liability 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 liabilities at FVTPL are measured 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 excludes any interest paid on the financial liabilities and is included in the other gains and losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Convertible notes

The component parts of compound instruments (convertible notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument. At the date of issue, the fair value of the liability component is estimated by measuring the fair value of similar liability that dose not have an associated equity component.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to accumulated profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

Convertible bonds contains debt component and derivative components

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Convertible bonds contains debt component and derivative components (Continued)

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

Financial liabilities

The Group's financial liabilities included trade and other payables, bank and other borrowings, amount due to non-controlling shareholders of a subsidiary, amounts due to joint ventures and amount due to an associate. Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. They are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts 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.

Derecognition

The Group derecognises a financial assets when the contractual rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred. 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 in its entirety, 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 liability when the obligation under the financial liability is discharged or cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is calculated using weighted average method, and comprises all costs of purchase, and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated cost necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the year in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the year in which the reversal occurs.

Leasing

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments, including the cost of acquiring land held under operating lesses, are recognised as an expense on a straight-line basis over the lease term.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Leasehold land and building

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

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

Revenue recognition

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

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 net for each of the Group's activities, as described below.

Gas supply is recognised when gas is supplied to/used by the customers.

Rental income receivable from operating leases is recognised in profit or loss on straight-line basis over the periods covered by the lease term. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable.

Deposits received by the Group prior to meeting the above for revenue recognition criteria are included in the consolidated statement of financial position under current liabilities as trade deposits received.

The Group's policy for the recognition of revenue from construction services is described in the accounting policy for construction contracts below.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. 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 estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs. Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

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

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 work. 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 work. 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 receivables.

Employee benefits

Equity-settled share-based employee compensation

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. Estimates are subsequently revised, if there is any indication that the number of equity instruments expected to vest differs from previous estimates. Any resulting adjustment to the cumulative fair value recognised in prior years is charged or credited to profit or loss. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest with a corresponding adjustment to the share option reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. After vesting date, when the vested share options are later forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

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

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 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.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statements of profit or loss and other comprehensive expense because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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 is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base 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 difference to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of the 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Income tax represents the sum of the tax currently payable and deferred tax (Continued)

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 asset 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.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the management 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 associated 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 ongoing basis. Revisions to accounting estimates are recognised in the 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 periods.

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 a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Impairment of goodwill, operating rights of the Group's subsidiaries, associates and joint ventures

Determining whether goodwill and operating rights are impaired requires an estimation of the value in use of the cash generating units to which goodwill and operating rights have been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. When the actual future cash flows are more than expected, a reversal of previously recognised impairment loss on operating rights (if any) may arise. As at 31 December 2016, the carrying amount of the Group's goodwill and operating rights are approximately HK$856,887,000 and HK$549,296,000 respectively (2015: HK$501,470,000 and HK$564,357,000) and the goodwill and operating rights of the Group's associates and joint ventures amounted to approximately HK$130,810,000 and HK$250,453,000 (2015: HK$113,594,000 and HK$92,337,000) respectively. Details of the recoverable amount calculation are disclosed in note 21.

Fair value of convertible bonds and embedded derivative financial instruments

The directors of the Company use their judgements in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. In determining the fair value of convertible bonds and its embedded derivatives, assumptions are made based on quoted market rates adjusted for specific features of the instrument (see note 35 for details of the valuation technique adopted and inputs for fair value measurements).

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages independent qualified valuers to perform the valuation. The chief financial officer works closely with the independent qualified valuers to establish the appropriate valuation techniques and inputs to the model. The chief financial officer reports the findings to the board of directors of the Company every quarter to explain the cause of fluctuations in the fair value of the assets and liabilities.

Estimation of useful lives of property, plant and equipment

Management estimates the useful lives of property, plant and equipment based on the expected lifespan of those property, plant and equipment. The useful lives of property, plant and equipment could change significantly as a result of technical innovation. When the actual useful lives of property, plant and equipment due to the change of commercial and technological environment are different from their estimated useful lives, such difference will impact the depreciation charges and amounts of assets written down for future periods. As at 31 December 2016, the carrying amount of property, plant and equipment is approximately HK$240,476,000 (2015: HK$295,549,000).

5. REVENUE

Revenue represents the fair value of amounts received and receivable for goods sold by the Group to outside customers, net of discounts and related taxes. An analysis of the Group's revenue for the year is as follows:

	2016	2015
	HK$'000	*HK$'000*
Continuing operations		
Sales and distribution of natural gas and other related products	**633,776**	105,834

6. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers ("CODM"), for the purpose of resources allocation and assessment of segment performance focuses on nature of the goods being sold. These revenue streams and the basis of the internal reports about components of the Group are regularly reviewed by the CODM in order to allocate resources to segments and to assess their performance. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

In previous years, specifically, the Group's reported and operating segments under IFRS 8 are as follows:

1. Sales of natural gas and other related products

2. Sales of book and specialised products

During the year, a reportable and operating segment of the Group, namely "Sales of book and specialised products" was discontinued as the Group has resolved to dispose it as detailed in note 12. The Group currently re-organises into the following major operating segments from continuing operations, each of which represents an operating and reportable segment of the Group:

1. Natural gas for transportation – operation of CNG and LNG refueling stations for vehicles

2. Trading and distribution of natural gas – distributing and trading CNG and LNG as a wholesaler and sales agent to industrial and commercial users through direct supply facilities

3. City Gas and other related products – sale of natural gas to residential, industrial and commercial users through pipelines, pipeline connection fees and other related products, such as sale of electricity, transportation income, rental income and other income from value-added services

Accordingly, the segment information reported below has been restated to conform with the current year presentation.

There are no inter segment sales for the year ended 31 December 2015.

6. SEGMENT INFORMATION (Continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments.

For the year ended 31 December 2016

Continuing operations

	Natural gas for transportation *HK$'000*	Trading and distribution of natural gas *HK$'000*	City Gas and other related products *HK$'000*	Consolidated *HK$'000*
External segment revenue	75,775	529,102	28,899	633,776
Inter-segment sales	–	4,567	–	4,567
	75,775	533,669	28,899	638,343
Segment profit	4,313	11,956	189,073	205,342
Other income and other gains and losses				84,721
Central corporate expenses				(94,533)
Finance costs				(95,743)
Share of loss of certain associate				(283)
Profit before income tax				99,504

6. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

Segment profit for the year ended 31 December 2016 consists of gain recognised on deemed disposal of subsidiaries of HK$208.7 million:

(i) Disposal of 25% equity interests in Wuhan Zheng Weili Co. Ltd. (“Wuhan Zheng Weili”), a non-wholly owned subsidiary, at a cash consideration of RMB7,500,000 (equivalent to HK$8,925,000) (the “Wuhan Disposal”) to an independent third party. On the same date, the Company and the other two independent third parties entered into joint venture agreement which resulted in a loss of control of Wuhan Zheng Weili. Accordingly, Wuhan Disposal was treated as deemed disposal of 75% owned subsidiary at a deemed fair value of RMB22,500,000 (equivalent to HK$26,775,000), resulting in a deemed gain of disposal of subsidiaries of HK$17.9 million; and

(ii) Disposal of 16% equity interests in New Phoenix Global Limited (‘New Phoenix”), at a cash consideration of HK$45,000,000 (the “New Phoenix Disposal”). On the same date, the Company and the other two independent third parties entered into shareholders agreement which resulted in a loss of control of New Phoenix. Accordingly, the New Phoenix Disposal was treated as deemed disposal of 73% owned subsidiary at a deemed fair value of HK$205,313,000, resulting in a deemed gain of disposal of subsidiaries of HK$190.8 million.

For the year ended 31 December 2015 (restated)

	Natural gas for transportation *HK$'000*	Trading and distribution of natural gas *HK$'000*	City Gas and other related products *HK$'000*	Consolidated *HK$'000*
Segment revenue	70,452	373	35,009	105,834
Segment (loss)/profit	(16,167)	7	118,851	102,691
Other income and other gains and losses				8,780
Central corporate expenses				(61,704)
Finance costs				(32,023)
Share of loss of certain associate				(1,534)
Profit before income tax				16,210

6. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

Segment profit for the year ended 31 December 2015 consisted of a gain recognised on deemed disposal of subsidiaries of HK$135,207,000. The amount represented the gain on disposal of 15% equity interest in Brightjet Global Limited and the gain on disposal of 26.56% equity interest in My Palace Trading Limited.

Segment profit/(loss) represents the profit/(loss) from by each segment without allocation of other income and other gains and losses, central corporate expenses (including but not limited to directors' emoluments), finance costs, share of loss of certain associate and income tax expense/(credit). This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segments:

Segment assets

	2016	2015
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Natural gas for transportation	**1,809,033**	892,040
Trading and distribution of natural gas	**526,118**	142,527
City Gas and other related products	**1,301,443**	888,871
Discontinued operation		
Sales of book and specialised products	**115,946**	149,033
Total segment assets	**3,752,540**	2,072,471
Certain interests in an associate	**–**	45,888
Prepayment	**11,687**	16,557
Available-for-sale investments	**134,801**	104,671
Cash and bank balances	**91,426**	102,737
Property, plant and equipment for corporate use	**2,925**	4,269
Promissory notes receivables	**36,849**	–
Financial assets at fair value through profit or loss	**172,805**	–
Prepaid lease payments for corporate use	**–**	5,066
Other unallocated assets	**86,046**	59,594
Consolidated assets	**4,289,079**	2,411,253

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

Segment liabilities

	2016	2015
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Natural gas for transportation	**115,603**	137,923
Trading and distribution of natural gas	**70,350**	10,517
City Gas and other related products	**74,882**	103,149
Discontinued operation		
Sales of book and specialised products	**2,235**	15,366
Total segment liabilities	**263,070**	266,955
Convertible bonds	**369,461**	218,645
Bank and other borrowings	**293,000**	186,194
Embedded derivatives at fair value through profit or loss	**60,875**	3,394
Certain obligation under finance leases	**3,963**	1,181
Other unallocated liabilities	**23,016**	5,139
Consolidated liabilities	**1,013,385**	681,508

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating and reportable segments (other than financial assets at fair value through profit or loss, promissory notes receivables, prepayment, available-for-sale investments, certain interests in an associate, cash and bank balances, prepaid lease payments for corporate use and property, plant and equipment for corporate use); and

- all liabilities are allocated to operating and reportable segments (other than bank and other borrowings, convertible bonds, embedded derivatives at fair value through profit or loss and certain obligation under finance leases).

The Group has allocated goodwill to the relevant segments as segment assets.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2016

6. SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 December 2016

	Continuing operations				Discontinued operation		
	Natural gas for transportation	Trading and distribution of natural gas	City Gas and other related products	Continuing operations total	Sales of book and specialised products	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment profit or segment assets:							
Addition to non-current assets (excluding intangible assets and goodwill)	675,351	91,169	436,561	1,203,081	89,278	318,653	1,611,012
Addition to intangible assets	–	29,564	–	29,564	–	–	29,564
Addition to goodwill	113,594	241,823	–	355,417	–	–	355,417
Depreciation of property, plant and equipment	10,358	601	4,756	15,715	3,786	1,556	21,057
Amortisation of investment properties	–	–	–	–	3,558	–	3,558
Amortisation of prepaid lease payments	822	–	–	822	100	66	988
Amortisation of intangible assets	9,148	1,800	11,688	22,636	–	–	22,636
Gain on deemed partial disposal of an associate	–	–	3,830	3,830	–	–	3,830
Gain recognised on deemed disposal of subsidiaries	17,850	–	190,814	208,664	–	–	208,664

For the year ended 31 December 2015 (restated)

	Continuing operations				Discontinued operation		
	Natural gas for transportation	Trading and distribution of natural gas	City Gas and other related products	Continuing operations total	Sales of book and specialised products	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment profit or segment assets:							
Addition to non-current assets (excluding intangible assets and goodwill)	282,977	151,798	174,737	609,512	600	188,073	798,185
Addition to intangible assets	137,906	–	–	137,906	–	–	137,906
Addition to goodwill	69,019	64,194	50,714	183,927	–	–	183,927
Depreciation of property, plant and equipment	11,508	–	7,244	18,752	4,132	716	23,600
Amortisation of investment properties	–	–	–	–	1,044	–	1,044
Amortisation of prepaid lease payments	201	–	–	201	100	30	331
Amortisation of intangible assets	20,112	–	564	20,676	–	–	20,676
Net loss on disposal of property, plant and equipment	–	–	–	–	2,645	74	2,719
Gain recognised on deemed disposal of subsidiaries	–	–	135,207	135,207	–	–	135,207
Impairment losses on trade receivables	–	–	–	–	94	–	94

6. SEGMENT INFORMATION (Continued)

Geographical information

The Group's operations are located in the PRC (country of domicile) including Hong Kong.

Information about the Group's revenue from external customers from continuing operations is presented based on customers' location of the operations.

	Revenue from external customers	
	2016	2015
	HK$'000	*HK$'000*
		(restated)
The PRC	**633,776**	105,834

Other than interests in an associate, which is located in Australia, the Group's non-current assets (excluding financial instruments) are mainly located in the PRC.

Information about major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group from continuing operations are as follows:

	2016	2015
	HK$'000	*HK$'000*
		(restated)
Customer A[1]	**162,940**	N/A
Customer B[2]	**N/A**	13,497

Notes:

1 Revenue related to trading and distribution of natural gas segment.
2 Revenue related to natural gas for transportation segment.

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7. OTHER GAINS AND LOSSES

	2016 *HK$'000*	2015 *HK$'000* (restated)
Continuing operations		
Government grants	**4,524**	–
Investment income (note)	**31,666**	–
Impairment losses on trade receivables	**–**	(94)
Net exchange gain	**26,627**	84
Net loss on disposal of property, plant and equipment	**–**	(74)
Change in fair value of embedded derivatives at fair value through profit or loss	**(173)**	6,167
Change in fair value of financial assets at fair value through profit or loss	**15,064**	–
	77,708	6,083

Note: During the year, the Group acquired 100% equity interest in Lasermoon Limited and Shenzhen Lanran Technology Service Co., Ltd., both are online business to business and business to customer platform service providers, and subsequently disposed of the entire interests to two independent third parties at consideration of HK$27,041,000 and HK$5,550,000 respectively. Investment income of HK$25,852,000 and HK$5,814,000 are recognised in the profit or loss.

8. OTHER INCOME

	2016 *HK$'000*	2015 *HK$'000* (restated)
Continuing operations		
Interest income	**5,410**	138
Rental income	**606**	–
Sundry income	**997**	2,559
	7,013	2,697

9. FINANCE COSTS

	2016 HK$'000	2015 HK$'000 (restated)
Continuing operations		
Finance charges on obligations under finance leases	**738**	1,172
Interest on other borrowings	**15,188**	9,012
Interest on amount due to an associate	**2,304**	950
Interest on convertible notes	**–**	11,688
Interest on convertible bonds	**77,513**	9,201
	95,743	32,023

10. PROFIT BEFORE INCOME TAX

	2016 HK$'000	2015 HK$'000 (restated)
Continuing operations		
Profit before income tax is arrived at after charging:		
Auditor's remuneration	**1,900**	1,670
Amortisation of intangible assets*	**22,636**	20,676
Cost of inventories recognised as expense*	**586,621**	110,732
Depreciation of property, plant and equipment#	**17,271**	19,468
Employee benefit expenses* (including directors' emoluments)		
– Salaries and allowances	**53,862**	39,533
– Contribution to defined contribution plans	**8,017**	6,753
– Share-based payment (included in administrative expenses)	**7,905**	8,032
	69,784	54,318
Amortisation of prepaid lease payments	**888**	231
Operating lease charges on premises	**7,746**	4,925
Legal and professional fees (included in other expenses)	**11,891**	4,399

* Included in cost of inventories are depreciation of property, plant and equipment, amortisation of intangible assets and employee benefit expenses of HK$26,821,000 (2015: HK$20,850,000), which have also been included in the respective total amounts as disclosed above.

Depreciation of property, plant and equipment disclosed above included depreciation on leased assets of HK$2,415,000 (2015: HK$1,100,000).

11. INCOME TAX (EXPENSE)/CREDIT

	2016 HK$'000	2015 HK$'000
Continuing operations		
Current tax – PRC Enterprise Income Tax ("EIT")	**(6,037)**	–
Deferred tax (note 37)	**5,659**	4,999
Total income tax (expense)/credit	**(378)**	4,999

No Hong Kong Profits Tax has been provided as the Company and its subsidiaries did not generate any assessable profits in Hong Kong for both years.

Under the Law of the PRC EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

The income tax (expense)/credit for the year can be reconciled to the profit before income tax from continuing operations per consolidated statement of profit or loss and other comprehensive income as follows:

	2016 HK$'000	2015 HK$'000
Profit before income tax (from continuing operations)	**99,504**	16,210
PRC Enterprise Income Tax at 25%	**(24,876)**	(4,053)
Tax effect of expenses not deductible for tax purpose	**(45,584)**	(27,117)
Tax effect of income not taxable for tax purpose	**75,268**	39,783
Tax effect of share of loss of associates and joint ventures	**(3,275)**	(272)
Tax effect of tax losses not recognised as deferred tax asset	**–**	(2,139)
Effect of different tax rate of group entities operating in Hong Kong	**(1,911)**	(1,203)
Total income tax (expense)/credit (relating to continuing operations)	**(378)**	4,999

12. DISCONTINUED OPERATION

On 4 September 2015, the directors of the Company resolved that the Printing Business will be faded out. On 27 June 2016, the Company entered into the sale and purchase agreement with an independent third party in relation to the proposed disposal of 25% equity interest in Legon Ventures Limited, a subsidiary of the Company, at a consideration of HK$16,500,000 of which HK$10,000,000 was settled by promissory note and HK$6,500,000 was settled by cash (the "Printing Business Disposal"). Details are set out in the Company's announcement dated 27 June 2016. Legon Ventures Limited and its subsidiaries are mainly engaged in sales of book and specialised products. The Printing Business Disposal was approved by the shareholders of the Company at the special general meeting held on 20 September 2016 and completed on 28 October 2016. The directors of the Company consider that the Printing Business is fading out and are of the view that it is appropriate to classify the reportable and operating segment namely "Sales of book and specialised products" as discontinued operation.

The loss for the year from the discontinued operation in respect of the Printing Business is analysed as follows:

	2016	2015
	HK$'000	*HK$'000*
Revenue	**–**	107,289
Cost of sales	**–**	(99,658)
Gross profit	**–**	7,631
Other income	**1,022**	1,395
Other expenses	**(137)**	(449)
Other gains and losses	**–**	3,295
Selling and distribution costs	**–**	(4,912)
Administrative expenses	**(14,710)**	(20,896)
Finance costs - interest on trust receipts loans	**(6)**	(370)
Loss before tax	**(13,831)**	(14,306)
Income tax expense	**–**	–
Loss for the year from discontinued operation	**(13,831)**	(14,306)

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12. DISCONTINUED OPERATION (Continued)

Loss for the year from discontinued operation has been arrived at after charging:

	2016 *HK$'000*	2015 *HK$'000*
Amortisation of investment properties	**3,558**	1,044
Amortisation of prepaid lease payments	**100**	100
Auditor's remuneration	**30**	30
Depreciation of property, plant and equipment	**3,786**	4,132
Cost of inventories recognise as expense#	**–**	99,658
Employee benefit expenses		
– Salaries and allowance	**2,862**	31,582
– Contribution to definal contribution plans	**54**	218
Sub total	**2,916**	31,800

For the year ended 31 December 2015, included in cost of inventories were depreciation of property, plant and equipment and employee benefit expenses of HK$34,109,000, which have also been included in the respective total amounts as disclosed above.

13. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

Directors' and chief executive's emoluments

The remuneration paid or payable to each of the directors are as follows:

	Fee *HK$'000*	Salaries and allowances *HK$'000*	Discretionary bonuses[#] *HK$'000*	Retirement scheme contributions *HK$'000*	Share-based payment *HK$'000*	Total *HK$'000*
Year ended 31 December 2016						
Executive directors						
– Mr. Sze Chun Lee	–	1,056	146	18	–	1,220
– Mr. Cheng Ming Kit	–	3,000	1,000	18	157	4,175
– Mr. Kwok Shek San (note (b))	–	1,629	1,345	15	1,021	4,010
– Mr. Hung Tao	–	840	–	18	1,308	2,166
– Mr. Hu Xiaoming (note (a))	–	2,400	105	18	676	3,199
– Mr. Tam Man Kin (note (e))	–	576	–	6	–	582
Non-executive director						
– Ms. Chung Oi Ling, Stella (note (c))	80	–	–	–	129	209
– Mr. Zhi Xiaoye (note (d))	–	–	–	–	–	–
Independent non-executive directors						
– Mr. Lim Siang Kai	291	–	–	–	29	320
– Mr. Wee Piew	209	–	–	–	29	238
– Mr. Ma Arthur On-hing	120	–	–	–	168	288
	700	9,501	2,596	93	3,517	16,407

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13. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

Directors' and chief executive's emoluments (Continued)

	Fee *HK$'000*	Salaries and allowances *HK$'000*	Discretionary bonuses[#] *HK$'000*	Retirement scheme contributions *HK$'000*	Share-based payment *HK$'000*	Total *HK$'000*
Year ended 31 December 2015						
Executive directors						
– Mr. Sze Chun Lee	–	878	146	18	–	1,042
– Mr. Cheng Ming Kit	–	840	–	18	791	1,649
– Mr. Kwok Shek San (note (b))	–	2,039	–	18	1,156	3,213
– Mr. Hung Tao	–	840	–	18	1,339	2,197
– Mr. Hu Xiaoming (note (a))	–	1,203	–	9	365	1,577
Non-executive director						
– Ms. Chung Oi Ling, Stella (note (c))	120	–	–	–	791	911
Independent non-executive directors						
– Mr. Lim Siang Kai	292	–	–	–	79	371
– Mr. Wee Piew	212	–	–	–	79	291
– Mr. Ma Arthur On-hing	120	–	–	–	91	211
	744	5,800	146	81	4,691	11,462

Notes:

(a) appointed as executive director with effect from 6 July 2015.

(b) resigned as executive director with effect from 4 October 2016.

(c) resigned as non-executive director with effect from 1 September 2016.

(d) appointed as executive director with effect from 11 May 2016.

(e) appointed as executive director with effective from 4 October 2016.

[#] discretionary bonus is determined by reference to several factors, including their individual performance and the performance of the Group.

The executive directors and non-executive director's remuneration shown above were mainly for their services in connection with the management of the affairs of the Group. The independent non-executive directors' remuneration shown above were mainly for their services as directors of the Company.

13. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, four (2015: four) were directors of the Company whose emoluments are reflected in the analysis presented above. The emoluments of the remaining individual of which fell within the band of HK$1,500,001 to HK$2,000,000 were as follows:

	2016	2015
	HK$'000	*HK$'000*
Salaries and allowances	**859**	844
Contributors to retirement schemes contributions	**18**	18
Share-based payment	**959**	366
	1,836	1,228

No emoluments were paid by the Group to any of the directors and the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office or are there any arrangement under which a director waived or agree to waive any remuneration for both years.

14. DIVIDEND

The Board did not recommend a payment of dividend for the years ended 31 December 2015 and 2016.

15. EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2016	2015
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to the owners of the Company for the purposes of basic and diluted earnings per share	**99,876**	17,160

	2016	2015
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**7,779,977,895**	5,249,341,262
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**46,798,899**	935,061
Convertible bond issued by the Company	**12,412,210**	–
	59,211,109	935,061
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**7,839,189,004**	5,250,276,323

15. EARNINGS PER SHARE (Continued)

From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to the owners of the Company is based on the following data:

	2016 *HK$'000*	2015 *HK$'000*
Earnings		
Profit for the year attributable to the owners of the Company	**99,876**	17,160
Add: Loss for the year from the discontinued operation	**13,108**	14,306
Earnings for the purpose of basis and diluted earnings per share from continuing operations	**112,984**	31,466

The denominators used are the same as these detailed above for basic and diluted earnings per share from continuing and discontinued operations.

From discontinued operation

Basic loss per share from discontinued operation is HK0.17 cents per share (2015: HK0.27 cents per share) and diluted loss per share from the discontinued operation in HK0.17 cents per share (2015: HK0.27 cents per share), based on the loss for the year from discontinued operation of HK$13,108,000 (2015: HK$14,306,000) and the denominators detailed above for both basic and diluted loss per share.

16. PREPAID LEASE PAYMENTS

	2016 *HK$'000*	2015 *HK$'000*
Land use rights in the PRC	**20,789**	23,024

Analysed for reporting purposes as:

	2016 *HK$'000*	2015 *HK$'000*
Non-current asset	**20,061**	22,204
Current asset	**728**	820
	20,789	23,024

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings	Construction in progress	Gas pipelines	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Leasehold improvements	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST								
At 1 January 2015	139,388	18,362	33,874	171,714	13,231	3,602	271	380,442
Exchange adjustments	(4,129)	(262)	(1,012)	(5,108)	(380)	(100)	(8)	(10,999)
Acquisition of subsidiaries (note 38)	1,275	42,196	17,025	–	1,185	11,345	790	73,816
Disposal of subsidiaries (note 39)	–	(1,978)	–	–	(8,123)	(110)	–	(10,211)
Additions	3,506	10,304	5,992	7,091	3,237	745	2,694	33,569
Disposals/written-off	–	–	–	(750)	(71)	–	(271)	(1,092)
Transfer	7,087	(15,621)	8,534	–	–	–	–	–
At 31 December 2015	147,127	53,001	64,413	172,947	9,079	15,482	3,476	465,525
Exchange adjustments	(2,163)	(4,404)	(6,227)	(14,157)	(694)	(1,377)	(127)	(29,149)
Acquisition of subsidiaries (note 38)	4,280	11,826	–	6,603	9	945	–	23,663
Additions	165	39,538	–	7,661	202	89	–	47,655
Disposal of subsidiaries (note 39)	–	(701)	–	–	(83)	(639)	–	(1,423)
Transfer	–	(26,308)	–	26,308	–	–	–	–
Transfer to investment properties (note 18)	(116,570)	–	–	–	–	–	–	(116,570)
At 31 December 2016	32,839	72,952	58,186	199,362	8,513	14,500	3,349	389,701
ACCUMULATED DEPRECIATION								
At 1 January 2015	24,240	–	707	120,284	5,691	644	101	151,667
Exchange adjustments	(722)	–	(22)	(3,348)	(164)	(19)	(3)	(4,278)
Provided for the year	5,380	–	2,851	9,104	1,733	3,816	716	23,600
Disposal of subsidiaries (note 39)	–	–	–	–	(775)	(5)	–	(780)
Eliminated on disposals/ written-off	–	–	–	(100)	(9)	–	(124)	(233)
At 31 December 2015	28,898	–	3,536	125,940	6,476	4,436	690	169,976
Exchange adjustments	(300)	–	(336)	(12,478)	(328)	(456)	(80)	(13,978)
Provided for the year	6,446	–	2,029	7,096	641	4,079	766	21,057
Disposal of subsidiaries (note 39)	–	–	–	–	(69)	(469)	–	(538)
Transfer to investment properties (note 18)	(27,292)	–	–	–	–	–	–	(27,292)
At 31 December 2016	7,752	–	5,229	120,558	6,720	7,590	1,376	149,225
CARRYING VALUES								
At 31 December 2016	25,087	72,952	52,957	78,804	1,793	6,910	1,973	240,476
At 31 December 2015	118,229	53,001	60,877	47,007	2,603	11,046	2,786	295,549

The leasehold buildings of the Group are situated in the PRC.

The carrying values of plant and machinery and motor vehicles of HK$78,804,000 and HK$6,910,000, included amounts of HK$10,319,000 (2015: HK$11,466,000) and HK$1,311,000 (2015: HK$1,873,000) in respect of assets held under finance leases respectively.

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18. INVESTMENT PROPERTIES

	HK$'000
COST	
At 1 January 2015	31,969
Addition	111
Exchange adjustments	(761)
At 31 December 2015	31,319
Transfer from property, plant and equipment (note 17)	89,278
Exchange adjustments	(10,182)
At 31 December 2016	110,415
ACCUMULATED AMORTISATION	
At 1 January 2015	3,539
Charged for the year	1,044
Exchange adjustments	(84)
At 31 December 2015	4,499
Charged for the year	3,558
Exchange adjustments	(1,089)
At 31 December 2016	6,968
CARRYING VALUES	
At 31 December 2016	103,447
At 31 December 2015	26,820

The Group's investment properties are located in the PRC.

Had investment properties been stated on the fair value basis, the carrying amount as at 31 December 2016 would be HK$117,667,000 (2015: HK$28,413,000). Fair value as at 31 December 2016 and 2015 were was determined by an independent, professionally qualified valuers, Eidea Professional Services Company Limited, who have the experience in the location and category of property being valued.

For the purposes of the disclosure requirements of IFRS 13, the fair value investment properties are classified under level 3 in the fair value hierarchy because the above fair value requires the use of unobservable inputs that are significant to the fair value measurement. Fair value was estimated by using the sale comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant unobservable input into this valuation approach is adjusted price per square foot as well as quality of properties (e.g. location, size and condition of the properties).

19. INTANGIBLE ASSETS

	Operating rights *HK$'000*
COST	
At 1 January 2015	481,731
Acquisition of subsidiaries (note 38)	137,906
Disposal of subsidiaries (note 39)	(28,638)
At 31 December 2015	590,999
Acquisitions of subsidiaries (note 38)	29,564
Disposal of subsidiaries (note 39)	(22,539)
At 31 December 2016	598,024
ACCUMULATED AMORTISATION	
At 1 January 2015	6,704
Charged for the year	20,676
Disposal of subsidiaries (note 39)	(738)
At 31 December 2015	26,642
Charged for the year	22,636
Disposal of subsidiaries (note 39)	(550)
At 31 December 2016	48,728
CARRYING VALUES	
At 31 December 2016	549,296
At 31 December 2015	564,357

The operating rights of natural gas operations in the PRC are amortised on a straight-line method over the period of 10 to 30 years pursuant to the terms of the rights granted. Particulars regarding impairment testing on intangible assets are disclosed in note 21.

20. GOODWILL

	HK$'000
COST AND CARRYING VALUES	
At 1 January 2015	317,543
Acquisition of subsidiaries (note 38)	183,927
At 31 December 2015	501,470
Acquisition of subsidiaries (note 38)	355,417
At 31 December 2016	856,887

The Group tests for impairment of goodwill annually and in the financial year in which the acquisition takes place, or more frequently if there are indications that goodwill might be impaired. Particulars regarding impairment on goodwill are disclosed in note 21.

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21. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS

Management considers each subsidiary, joint venture or associate represents a separate CGU for the purpose of goodwill and intangible assets impairment testing. The carrying amounts of goodwill and operating rights of subsidiaries, joint ventures or associate engaged in natural gas operations as at 31 December 2016 and 2015 are allocated as follows:

	As at 31 December 2016	
	Goodwill *HK$'000*	**Operating rights** *HK$'000*
Subsidiaries engaged in natural gas operations		
Smart Union Holdings Limited ("Smart Union")	–	3,500
Fan Dream Limited ("Fan Dream")	–	9,544
Focus On Group Limited ("Focus On")	49,181	–
Cloud Decade Limited ("Cloud Decade")	268,362	401,128
Shine Great Investments Limited ("Shine Great")	3,549	107,360
Energy Shell Limited ("Energy Shell")	156,525	–
Faster Success Global Limited ("Faster Success")	23,853	–
Haikou Xinyuan Natural Gas Technology Co., Ltd. ("Haikou Xinyuan")	113,594	–
Diamond Maple Limited ("Diamond Maple")	100,204	27,764
Day Zone Limited ("Day Zone")	141,619	–
	856,887	549,296
Associate engaged in natural gas operations		
Hainan Zhongyou Jiarun Natural Gas Co., Limited ("Hainan Zhongyou Jiarun")	130,810	–
Joint ventures engaged in natural gas operations		
Brightjet	43,418	–
My Palace	48,919	–
New Phoenix	149,191	–
Wuhan Zheng Weili	8,925	–
	250,453	–

21. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS (Continued)

	As at 31 December 2015	
	Goodwill	Operating rights
	HK$'000	*HK$'000*
Subsidiaries engaged in natural gas operations		
Smart Union	–	3,150
Fan Dream	–	9,886
Focus On	49,181	–
Cloud Decade	268,362	417,367
Shine Great	3,549	133,954
Energy Shell	156,525	–
Faster Success	23,853	–
	501,470	564,357
Associate engaged in natural gas operations		
Haikou Xinyuan	113,594	–
Joint ventures engaged in natural gas operations		
Brightjet	43,418	–
My Palace	48,919	–
	92,337	–

The recoverable amounts of these CGUs have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering 5-year period, and discount rate ranging from 18% to 24% (2015: 17% to 23%). The cash flows for the financial budgets are using an average growth rate ranging from 3% to 20% (2015: 1% to 20%) for a 5-year period depending on the stage of development of the respective natural gas operations. The cash flows beyond this 5-year period are extrapolated using a 3% growth rate. Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows which included budget sales and gross margin, such estimation based on the unit's past performance and management's expectations for the market development. In view of the recoverable amounts exceed the carrying amounts of the above CGUs, the management is of the opinion that there is no impairment of goodwill and operating rights allocated to the above CGUs during the year ended 31 December 2016 and 2015.

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22. INTERESTS IN ASSOCIATES AND AMOUNT DUE TO AN ASSOCIATE

	2016 **HK$'000**	2015 HK$'000
Cost of investment in associates		
Listed	**30,369**	16,733
Unlisted	**195,143**	207,752
Share of losses and other comprehensive income	**(10,599)**	(316)
	214,913	224,169
Fair value of listed investment	**44,396**	36,665
Amount due to an associate	**–**	(31,700)

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

Name of entities	**Place of incorporation/ registration and operation**	**Proportion of nominal value of issued capital and voting rights held by the Group**		**Principal activities**
		2016	2015	
Triple Energy Limited ("Triple")	Australia	**48.99%** (Note a)	39.7%	Operating a coal bel methane gas project in the PRC
Haikou Xinyuan	The PRC	**48%** (Note b)	48%	Sales and distribution of LNG through gas refueling station for vehicles
海南大眾天然氣開發利用有限公司 Hainan Dazhong Natural Gas Development Co., Ltd. ("Hainan Dazhong")	The PRC	**26%** (Note b)	–	Sales and distribution of LNG through gas refueling station for vehicles
瑞盈信融(深圳)融資租賃有限公司 Ruiying Xinrong (Shenzhen) Finance Lease Co. Ltd. ("Ruiying")	The PRC	**5%** (Note c)	25%	Finance leasing
六盤水中石油昆侖燃氣有限公司 Liu Pan Shui Zhong Shi You Kunlun Natural Gas Co., Ltd. ("Liu Pan Shui")	The PRC	**40%** (Note d)	20%	Sales and distribution of LNG through gas refueling station for vehicles
Hainan Zhongyou Jiarun	The PRC	**40%** (Note e)	–	Sales and distribution of LNG through gas refueling station for vehicles
Hefei Kulun Energy Company Limited ("Hefei Kulun")	The PRC	**30%** (Note e)	–	Sales and distribution of LNG through gas refueling station for vehicles

22. INTERESTS IN ASSOCIATES AND AMOUNT DUE TO AN ASSOCIATE (Continued)

Notes:

(a) On 25 November 2014, Waypost Limited ("Waypost"), a subsidiary of the Company, entered into a legally-binding memorandum of understanding ("MOU") with Triple which is a company listed on the Australian Securities Exchange ("ASX"), for an investment package incorporating a two-stage share placement, convertible loan and the procuring of drilling services for Triple to be settled by the issue of Triple's shares.

On 9 December 2014, Triple issued 158,000,000 ordinary shares for a consideration of A$790,000 (equivalent to approximately HK$5,144,000) at a price of A$0.005 per share to Waypost, representing 19.90% of the issued share capital of Triple.

On 5 December 2014, Waypost lent an interest free loan in the principal amount of A$500,000 (equivalent to approximately HK$3,256,000) to a wholly owned subsidiary of Triple. The loan has no fixed term for repayment and will be convertible into 83,333,333 shares of Triple at a price of A$0.006 per share subject to Triple's shareholders' approvals. The loan became part of the consideration for the acquisition of an additional 19.8% equity interest in Triple during the year ended 31 December 2015.

Pursuant to the MOU, Triple proposed to conduct a further placement of 333,333,333 ordinary shares at a price of A$0.006 per share and Waypost will underwrite 208,333,333 ordinary shares at a total consideration of A$1,250,000 (equivalent to HK$7,938,500) and the remaining 125,000,000 ordinary shares shall be reserved for the existing shareholders of Triple (excluding Waypost). Such placement was completed on 28 April 2015.

Waypost shall also procure a drilling company to perform drilling services for Triple at a consideration of not more than US$2,750,000 (equivalent to approximately HK$21,307,000). The consideration will be settled by the issue of up to 525,401,250 ordinary shares of Triple at a price of A$0.006 per share to Waypost for the procurement. No payment was made to the drilling company nor as escrow money to Triple by the Group as at 31 December 2015 and 2014 as the proposals are still subject to fulfilment of conditions precedent.

On 24 April 2015, the Group converted the convertible loan of A$500,000 (equivalent to approximately HK$3,256,000) to 83,333,333 shares of Triple as mentioned above. On 28 April 2015, the Group paid a consideration of A$1,250,000 (equivalent to approximately HK$7,938,500) for 208,333,333 ordinary shares of Waypost which Waypost agreed to issue under the placement. Upon the completion of the above transactions, the Group holds 39.7% equity interest in Triple.

On 15 April 2016, Triple issued 116,521,733 ordinary shares at a price of A$0.015 per shares by way of placing, the Group shares of interest decreased to 35.99%, and the Group recognise a gain on deemed disposal of A$348,000 (HK$:1,967,000) in the consolidate statement of profit or loss and other comprehensive income. On 29 June 2016, Triple issued 318,438,239 performance shares to the Group and the Group shares of interest increased to 48.99% as at year end date.

The financial year end date for Triple is 31 March. For the purpose of applying the equity method of accounting, the condensed consolidated financial statements of Triple for the six months ended 30 September 2016 and 2015 have been used as the Group considers that it is impracticable for Triple with its shares listed on the ASX to provide a separate and complete set of financial statements as of 31 December. Adjustments in accordance with Group's accounting policy made for the Group's share of the results of the associate for the effects of significant transactions between these dates and 31 December 2016 and 2015 respectively.

22. INTERESTS IN ASSOCIATES AND AMOUNT DUE TO AN ASSOCIATE (Continued)

Notes: (Continued)

(b) During the year ended 31 December 2015, the Group acquired Haikou Xinyuan through acquisition of 100% equity interest of Well Organising Group Limited ("Well Organising"). The consideration is satisfied by HK$22,000,000 cash and the issue of convertible note with fair value of HK$138,444,000 at the date of acquisition. Haikou Xinyuan which is principally engaged in sales and distribution of natural gas and other related products in the PRC.

On 18 July 2016, the Company was able to impose its controlling power over Haikou Xinyuan on the relevant major business and financial activities by way of securing the majority of the board seats of Haikou Xinyuan, and Haikou Xinyuan was accounted for as a non-wholly owned subsidiary of the Company.

Haikou Xinyuan hold 26% equity interest of Hainan Dazhong, upon Haikou Xinyuan became the subsidiary of the Group, Hainan Dazhong also became the associate of the Group.

(c) On 7 September 2015, the Group acquired 25% equity interest of Ruiying from a independent third party at a cost of RMB25,000,000 (equivalent to HK$30,690,000). On 28 February 2016, Ruiying increased its registered capital to RMB50,000,000 and the share of interest by the Group was diluted to 5% accordingly. Since the Group has lost significant influence on Ruiying, the Group deemed disposed Ruiying as an associate and recognised loss from deemed disposal of associate amount to HK$606,000. The 5% of equity interest in Ruiying are recognised as available-for-sale investments in the consolidated statement of financial position as at 31 December 2016.

(d) During the year ended 31 December 2015, the Group acquired 51% equity interest of Shine Great which hold 40% equity interest in Liu Pan Shui which is a company principally engaged in sales and distribution of natural gas and other related products in the PRC. The details of the acquisition of Shine Great is set out in note 38(a).

On 4 July 2016, the group acquired remaining 49% equity interest of Shine Great, upon the completion of the transaction, the Group hold 40% equity interest in Liu Pan Shui.

(e) During the year ended 31 December 2016, the Group acquired Hainan Zhongyou Jiarun and Hefei Kulun through acquisition of 100% equity interest in Fox Smart Limited ("Fox Smart"). The consideration of HK$136,000,000 was satisfied by HK$40,000,000 in cash, HK$20,000,000 by issue of promissory note and HK$76,000,000 by the issue of consideration shares at the date of acquisition. Hainan Zhongyou Jiarun and Hefei Kulun which is principally engaged in sales and distribution of natural gas and other related products in the PRC.

22. INTERESTS IN ASSOCIATES AND AMOUNT DUE TO AN ASSOCIATE (Continued)

Summarised financial information of associates

The summarised financial information below represents amounts shown in the associates' financial statements prepared in accordance with IFRSs.

Triple

Summarised financial information in respect of Triple as at 30 September 2016 and 2015 and for the year ended 30 September 2016 and six months ended 30 September 2015 is set out below.

	2016	2015
	HK$'000	*HK$'000*
Current assets	**4,759**	8,761
Non-current assets	**48,677**	39,968
Current liabilities	**(4,055)**	(4,454)
Revenue	**–**	–
Loss and total comprehensive expense for the year	**17,749**	5,087

	2016	2015
	HK$'000	*HK$000*
Net assets of Triple	**49,381**	44,275
Proportion of the Group's Ownership in Triple	**48.99%**	39,7%
Other adjustment	**(1)**	(2,374)
Carrying amount of the Group's interest in Triple	**24,191**	15,203

22. INTERESTS IN ASSOCIATES AND AMOUNT DUE TO AN ASSOCIATE (Continued)

Summarised financial information of associates (Continued)

Hainan Zhongyou Jiarun

	2016
	HK$'000
Current assets	23,417
Non-current assets	40,749
Current liabilities	(59,446)
Revenue for the period from the date of acquisition to 31 December 2016	60,287
Profit and total comprehensive income for the period from the date of acquisition to 31 December 2016	4,745

	2016
	HK$000
Net assets of Hainan Zhongyou Jiarun	4,720
Proportion of the Group's Ownership in Hainan Zhongyou Jiarun	40%
Goodwill	74,299
Carrying amount of the Group's interest in Hainan Zhongyou Jiarun	76,187

22. INTERESTS IN ASSOCIATES AND AMOUNT DUE TO AN ASSOCIATE (Continued)

Summarised financial information of associates (Continued)

Hefei Kulun

	2016
	HK$'000
Current assets	9,652
Non-current assets	23,993
Current liabilities	(28,996)
Revenue for the period from the date of acquisition to 31 December 2016	31,613
Profit and total comprehensive income for the period from the date of acquisition to 31 December 2016	2,191

	2016
	HK$000
Net assets of Hefei Kulun	**4,649**
Proportion of the Group's Ownership in Hefei Kulun	**30%**
Goodwill	**56,511**
Carrying amount of the Group's interest in Hefei Kulun	**57,906**

Aggregate information of associates that are not individually material

	2016	2015
	HK$000	*HK$000*
The Group's share of loss for the period from the respective dates of acquisition to 31 December 2016	**(770)**	1,976
Aggregate carrying amount of the Group's interests in these associates	**56,629**	40,776

Amount due to an associate

The amount due to an associate as at 31 December 2015 included amount of HK$30,750,000 which was secured by the associate's shares, carried interest at 7% per annum and a maturity of one year. The remaining balance of HK$950,000 was unsecured, interest-free and repayable on demand.

23. INTERESTS IN JOINT VENTURES AND AMOUNT DUE FROM/(TO) JOINT VENTURES

Investments in joint ventures

Details of the Group's investments in joint ventures are as follows:

	2016 *HK$'000*	2015 *HK$'000*
Cost of investments in joint ventures		
Unlisted	**422,142**	93,176
Share of losses and other comprehensive income	**(2,499)**	(771)
	419,643	92,405

Details of the Group's joint ventures at the end of the reporting period are as follow:

Name of entities	Form of entity	Place of registration	Principal place of operation	Proportion of interest held by the Group		Voting rights held by the Group		Principal activities
				2016	2015	**2016**	2015	
Brightjet (Note a)	Incorporated	BVI	PRC	**55%**	55%	**33%**	33%	Sales and distribution of LNG
My Palace (Note b)	Incorporated	BVI	PRC	**59.38%**	59.38%	**33%**	33%	Sales and distribution of LNG
Wuhan Zheng Weili (Note c)	Incorporated	PRC	PRC	**50%**	N/A	**33%**	N/A	Sales and distribution of LNG
New Phoenix (Note d)	Incorporated	BVI	PRC	**57%**	N/A	**33%**	N/A	Sales and distribution of LNG
Qian Tang Finance Lease Co. Ltd ("Qian Tang") (Note e)	Incorporated	PRC	PRC	**65%**	N/A	**50%**	N/A	Finance leasing

Notes:

(a) On 1 April 2015, the Group acquired an additional 15% equity interest in Brightjet, then a non-wholly owned subsidiary of the Group, from the non-controlling shareholder of Brightjet at a consideration of HK$1,500,000. The difference of HK$1,205,000 between consideration paid and the carrying amount of the 15% non-controlling interests was charged to other reserve.

On 15 June 2015, the Group entered into a sales and purchase agreement with an independent third party to dispose of the Group's 15% equity interests in Brightjet at a total cash consideration of HK$12,000,000. Upon the completion of the disposal on 15 June 2015, the Group hold 55% equity interest in Brightjet, and 30% and 15% equity interest of Brightjet are held by two other shareholders respectively. Pursuant to the shareholders' agreement entered into among the Group, and the two other shareholders of Brightjet, on the same date, each of the parties can reserve the rights to appoint or remove one director out of the three directors at the board of directors of Brightjet respectively. The shareholders of Brightjet has also contractually agreed sharing control over Brightjet, as key decisions about the relevant activities, including but not limited to business, financial and operational matters of Brightjet, require unanimous consents from all of the directors of Brightjet. Accordingly, the Group has joint control over Brightjet and the Group's in equity interest of Brightjet is accounted for as investment in joint venture with effect from that date. The details of disposal of subsidiary are set out in note 39.

23. INTERESTS IN JOINT VENTURES AND AMOUNT DUE FROM/(TO) JOINT VENTURES (Continued)

Investments in joint ventures (Continued)

Notes: (Continued)

(b) On 20 December 2015, the Group entered into a sales and purchase agreement with a third party to dispose of the Group's 26.56% equity interests in My Palace at a total cash consideration of HK$22,000,000. Upon the completion of the disposal, the Group holds 59.38% equity interest in My Palace, and 26.56% and 14.06% equity interest of held by two other shareholders respectively. Pursuant to the shareholders' agreement entered into among the Group and the two other shareholders of My Palace, each of the parties can reserve the rights to appoint or remove one director out of the three directors at the board of directors of My Palace respectively. The shareholders of My Palace has also contractually agreed sharing control over My Palace, as key decisions about the relevant activities, including but not limited to business, financial and operational matters of My Palace, require unanimous consents from all of the directors of My Palace. Accordingly, the Group has joint control over My Palace and the Group's in equity interest in My Palace is accounted for as investment in joint venture. The details of disposal of subsidiary are set out in note 39.

(c) On 23 July 2016, the Group entered into a sales and purchase agreement with a third party to dispose of the Group's 25% equity interests in Wuhan Zheng Weili at a total cash consideration of RMB7,500,000 (equivalent to HK$8,925,000). Upon the completion of the disposal, the Group holds 50% equity interest in Wuhan Zheng Weili, and the remaining 25% and 25% equity interests are held by two other shareholders respectively. Pursuant to the shareholders' agreement entered into among the Group and the two other shareholders of Wuhan Zheng Weili, each of the parties can reserve the rights to appoint or remove one director out of the three directors at the board of directors of Wuhan Zheng Weili respectively. The shareholders of Wuhan Zheng Weili has also contractually agreed sharing control over Wuhan Zheng Weili, as key decisions about the relevant activities, including but not limited to business, financial and operational matters of Wuhan Zheng Weili, require unanimous consents from all of the directors of Wuhan Zheng Weili. Accordingly, the Group has joint control over Wuhan Zheng Weili and the Group's in equity interest in Wuhan Zheng Weili is accounted for as investment in joint venture. The details of deemed disposal of subsidiary are set out in note 39.

(d) On 27 December 2016, the Group entered into a sales and purchase agreement with a third party to dispose of the Group's 16% equity interests in New Phoenix at a total cash consideration of HK$45,000,000. Upon the completion of the disposal, the Group holds 57% equity interest in New Phoenix, and the remaining 23% and 20% equity interests are held by two other shareholders respectively. Pursuant to the shareholders' agreement entered into among the Group and the two other shareholders of New Phoenix, each of the parties can reserve the rights to appoint or remove one director out of the three directors at the board of directors of New Phoenix respectively. The shareholders of New Phoenix has also contractually agreed sharing control over New Phoenix, as key decisions about the relevant activities, including but not limited to business, financial and operational matters of New Phoenix, require unanimous consents from all of the directors of New Phoenix. Accordingly, the Group has joint control over New Phoenix and the Group's in equity interest in New Phoenix is accounted for as investment in joint venture. The details of deemed disposal of subsidiary are set out in note 39.

(e) During the year ended 31 December 2016, the Group entered into joint venture agreement with an independent third party, the Group holds 65% equity interest of Qian Tang which is a company principally engaged in finance leasing in the PRC. Both the Group and the independent third party contractually agreed sharing control over Qian Tang, as key decisions about the relevant activities, including but not limited to business, financial and operational matters of Qian Tang, require unanimous consents from all of the directors of Qian Tang. Accordingly, the Group has joint control over Qian Tang and the Group's equity interest in Qian Tang is accounted for as investment in joint venture.

23. INTERESTS IN JOINT VENTURES AND AMOUNT DUE FROM/(TO) JOINT VENTURES (Continued)

Summarised financial information of material joint ventures

Summarised financial information in respect of the Group's material joint ventures is set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with IFRSs.

The joint ventures are accounted for using the equity method in these consolidated financial statements.

Brightjet	**2016** ***HK$'000***	2015 *HK$'000*
Current assets	**20,136**	16,287
Non-current assets	**18,947**	14,663
Current liabilities	**40,508**	31,295
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**1,260**	1,562
Current financial liabilities (excluding trade and other payables and provisions)	**39,413**	27,356
For the year/period ended 31 December		
Revenue	**–**	–
Loss and total comprehensive expense for the period	**595**	771

	2016 ***HK$000***	2015 *HK$000*
Net liabilities of Brightjet	**(1,425)**	(345)
Proportion of the Group's Ownership in Brightjet	**55%**	55%
Goodwill	**43,418**	43,418
Carrying amount of the Group's interest in Brightjet	**42,634**	43,228

23. INTERESTS IN JOINT VENTURES AND AMOUNT DUE FROM/(TO) JOINT VENTURES (Continued)

Summarised financial information of material joint ventures (Continued)

My Palace	**2016** ***HK$'000***	2015 *HK$'000*
As at 31 December 2016		
Current assets	**22,166**	13,819
Non-current assets	**24,367**	23,259
Current liabilities	**49,306**	36,644
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**567**	1,219
Current financial liabilities (excluding trade and other payables and provisions)	**43,686**	31,402
For the year/period ended 31 December		
Revenue	**5,271**	–
Loss and total comprehensive expense for the period	**1,904**	–

	2016 ***HK$000***	2015 *HK$000*
Net (liabilities)/assets of My Palace	**(2,773)**	434
Proportion of the Group's Ownership in My Palace	**59.38%**	59.38%
Goodwill	**48,919**	48,919
Carrying amount of the Group's interest in My Palace	**47,272**	49,177

23. INTERESTS IN JOINT VENTURES AND AMOUNT DUE FROM/(TO) JOINT VENTURES (Continued)

Summarised financial information of material joint ventures (Continued)

Qing Tang	**2016** ***HK$'000***
As at 31 December 2016	
Current assets	**233,192**
The above amounts of assets and liabilities include the following:	
Cash and cash equivalents	**151,575**
Period from 10 October 2016 to 31 December 2016	
Revenue	**–**
Loss and total comprehensive expense for the period	**–**

	2016 ***HK$000***
Net assets of Qing Tang	**233,192**
Proportion of the Group's Ownership in Qing Tang	**65%**
Goodwill	**–**
Carrying amount of the Group's interest in Qing Tang	**151,575**

23. INTERESTS IN JOINT VENTURES AND AMOUNT DUE FROM/(TO) JOINT VENTURES (Continued)

Summarised financial information of material joint ventures (Continued)

New Phoenix	**2016** ***HK$'000***
As at 31 December 2016	
Current assets	**1,596**
Non-current assets	**22,874**
Current liabilities	**4,609**
The above amounts of assets and liabilities include the following:	
Cash and cash equivalents	**18**
Period from 16 December 2016 to 31 December 2016	
Revenue	**–**
Loss and total comprehensive expense for the period	**–**

	2016 ***HK$000***
Net assets of New Phoenix	**19,861**
Proportion of the Group's Ownership in New Phoenix	**56%**
Goodwill	**149,191**
Carrying amount of the Group's interest in New Phoenix	**160,313**

	2016 ***HK$000***
Aggregate information of joint ventures that are not individually material	
The Group's share of loss	**–**
Aggregate carrying amount of the Group's interest in these joint ventures	**17,849**

Amounts due from joint ventures

The amounts due from joint ventures are unsecured, interest-free and repayable on demand.

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24. INVENTORIES

	2016 HK$'000	2015 HK$'000
Finished goods	**8,642**	1,763

25. TRADE AND OTHER RECEIVABLES

	Notes	2016 HK$'000	2015 HK$'000
Trade receivables		**91,900**	61,622
Less: Impairment losses	(a)	**(4,063)**	(4,063)
Trade receivables – net	(b), (c)	**87,837**	57,559
Prepayments and other receivables	(d)	**224,735**	77,092
		312,572	134,651

Notes:

(a) Movements in the Group's impairment losses on trade receivables are as follows:

	2016 HK$'000	2015 HK$'000
At 1 January	**4,063**	3,969
Impairment losses recognised	–	94
At 31 December	**4,063**	4,063

At each reporting date, the Group reviews its trade receivables for impairment on both an individual and collective basis. As at 31 December 2016, the Group determined trade receivables of HK$4,063,000 (2015: HK$4,063,000) as individually impaired. Based on this assessment, no impairment losses (2015: HK$94,000) are recognised during the year. The impaired trade receivables are due from customers experiencing financial difficulties that were in default or delinquency of payments or have been past due for more than one year and have not responded to repayment demands.

The Group does not hold any collateral as security or other credit enhancements over the impaired trade receivables, whether determined on an individual or collective basis.

25. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(b) The Group generally allows a credit period of 30 to 120 days (2015: 30 to 120 days) to its trade customers for printing business and a credit period of 30 to 90 days (2015: 30 to 90 days) to its trade customers for natural gas business. Before accepting any new customers, the Group performs credit check to assess the potential customer's credit quality and defines credit limits by customers. Based on invoice dates, which approximate the respective revenue recognition dates, ageing analysis of trade receivables (net of impairment losses) was as follows:

	2016 ***HK$'000***	2015 *HK$'000*
0 – 90 days	**86,584**	48,482
91 – 120 days	**2**	8,622
121 – 180 days	**102**	25
181 – 365 days	**1,149**	–
Over 365 days	–	430
	87,837	57,559

(c) Ageing analysis of trade receivables that were not impaired, based on due date, is as follows:

	2016 ***HK$'000***	2015 *HK$'000*
Neither past due nor impaired	**86,584**	48,482
0 – 90 days past due	–	8,647
91 – 180 days past due	**104**	–
Over 181 days	**1,149**	430
	87,837	57,559

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

Trade receivables that were past due but not impaired related a large number of diversified customers that had a good track record of credit with the Group. Based on past credit history, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collateral over these balances.

(d) The balance as at 31 December 2016, included (i) prepayment of purchase of natural gas of HK$87,803,000 (31 December 2015: HK$5,202,000); (ii) a loan receivable of HK$23,784,000 (31 December 2015: HK$18,699,000). The loan receivable is short term loan advance to an independent third party, which is unsecured, interest bearing at 12% per annum and repayable within one year. The Group reviewed the recoverable amount of the loan receivable at the end of the reporting period and considered no impairment losses are required; and (iii) the consideration receivable of HK$45,000,000 arising from the New Phoenix Disposal (31 December 2015: consideration receivable of HK$19,000,000 arising from the Sichuan project).

26. AMOUNTS DUE FROM/(TO) NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES

The amounts are unsecured, interest-free and repayable on demand.

27. AVAILABLE FOR SALE INVESTMENTS

The available-for-sale investments are unlisted equity securities issued by three private entities incorporated in the PRC. The available-for-sales investments mainly consist of 10% equity interest of 海南中油深南能源有限公司 Hainan China Petroleum Shennan Energy Co., Limited ("Shennan Energy") through acquisition of the entire equity interest in Smart Rainbow Investments Limited ("Smart Rainbow") at a consideration of HK$100,000,000 (see note 38(b) for details) during the year ended 31 December 2015. The investment in Shennan Energy represent investment in unlisted equity securities issued by a private entity incorporated in the PRC. Shennan Energy owns and operates a LNG receiving terminal in Haikou, Hainan Province, the PRC.

The investments are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be reliably measured.

28. OTHER FINANCIAL ASSETS

Financial assets at FVTPL comprise:	**2016** ***HK$000***	2015 *HK$000*
Convertible note receivable (note a)	**110,341**	–
Equity security listed in Hong Kong	**22,464**	–
Investment security fund (note b)	**40,000**	–
	172,805	
Less: Convertible note receivable shown under non-current assets	**(47,278)**	–
Amount shown under current assets	**125,527**	–

Note (a): The convertible note receivables comprises of three convertible notes subscribed by the Company during the year ended 31 December 2016, namely "Convertible Note A", "Convertible Note B" and "Convertible Note C". Convertible Note A is issued by a company listed in Hong Kong with principal amount of HK$30,000,000, unsecured and non-interest bearing, and will be matured on 3 June 2017 and have an early redemption option by the issuer. Convertible Note B is issued by a private entity with a principal amount of HK$55,000,000, unsecured and non-interest bearing, and will be matured on 18 April 2018 and have an early redemption option by the issuer. Convertible Note C is issued by a private entity with a principal amount of US$2,100,000, unsecured and non-interest bearing, and will be matured on 16 June 2017 and have an early redemption option by the issuer.

Note (b): The investment security fund is a fund which hold equity securities listed in Hong Kong.

28. OTHER FINANCIAL ASSETS (Continued)

Promissory note receivables

As at 31 December 2016, the Group has two promissory note receivables namely “Promissory Note A” and “Promissory Note B”. Promissory Note A is part of the consideration receivable in relation to the disposal of a subsidiary with principal amount of HK$33,000,000, unsecured and non-interest bearing, of which HK$24,200,000 will fall due on 28 June 2018, and HK$ 8,800,000 will fall due on 28 June 2019. (See note 39 for the details of the disposal). Promissory Note B is part of the consideration of partial disposal of a subsidiary with principal amount of HK$10,000,000, unsecured and non-interest bearing and will fall due on 28 October 2017. Please refer to note 12 for the details of the partial disposal.

29. CASH AND BANK BALANCES

Bank balances carry interest at market rates which range from 0.01% to 0.35% (2015: 0.01% to 0.35%) per annum.

30. TRADE AND OTHER PAYABLES

	Notes	**2016** **HK$'000**	2015 HK$'000
Trade payables	(a)	**29,286**	17,495
Accrued charges and other creditors	(b)	**61,915**	18,858
Construction cost payables		**30,338**	38,465
Trade deposits received		**19,097**	2,388
		140,636	77,206

Notes:

(a) The Group was granted by its suppliers credit periods ranging from 30 to 120 days (2015: 30 to 120 days). Based on invoice dates, ageing analysis of trade payables was as follows:

	2016 **HK$'000**	2015 HK$'000
0 – 90 days	**26,067**	7,602
91 – 180 days	–	5,342
Over 365 days	**3,219**	4,551
	29,286	17,495

(b) The balance as at 31 December 2016 included commission payable of HK$10,000,000 in relation to the issue of convertible bonds on 30 December 2016.

31. BANK AND OTHER BORROWINGS

	2016 HK$'000	2015 HK$'000
Secured trust receipt loans	–	3,694
Unsecured corporate bonds (note)	293,000	182,500
	293,000	186,194
Carrying amount repayable*:		
Within one year	–	3,694
More than one year, but not exceeding two years	–	–
More than two years, but not exceeding five years	225,000	106,500
More than five years	68,000	76,000
	293,000	186,194
Less: Amounts due within one year or contain a repayment on demand clause shown under current liabilities	–	(3,694)
Amounts shown under non-current liabilities	293,000	182,500
Carrying amount of bank borrowings that are repayable within one year and contain a repayment on demand clause	–	3,694

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

Note: The unsecured corporate bonds issued by the Company during the year ended 31 December 2016 amounted to HK$110,500,000 (2015: HK$161,000,000). The unsecured bonds have maturity of three to eight years (2015: five to eight years) until 2024 (2015: 2023) and carry interest at 4.8% to 8% (2015: 5% to 8%) per annum. Transaction costs of approximately HK$11,050,000 (2015: HK$18,508,000) have been incurred and the corporate bonds carry effective interest at 7.5% (2015: 7.7%) per annum.

As at 31 December 2015, the secured trust receipt loans were interest-bearing at floating rates. The effective interest rate as at the reporting date was 3.10% per annum.

32. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.055 each		
Authorised share capital		
At 1 January 2015, 31 December 2015 and 2016	91,000,000,000	5,005,000
Issued and fully paid share capital		
At 1 January 2015	4,658,605,900	256,223
Issue of shares by way of placing (note i)	262,500,000	14,438
Issue of shares upon conversion of convertible notes and convertible bonds (note ii)	643,354,980	35,385
Issue of shares for acquisition of subsidiaries (note iii)	531,679,993	29,242
Issue of shares upon exercise of share options (note iv)	3,500,000	192
At 31 December 2015	6,099,640,873	335,480
Issue of shares by way of placing (note v)	2,155,555,555	118,556
Issue of shares upon conversion of convertible note and convertible bonds (note vi)	1,155,104,983	63,530
Issue of shares for acquisition of subsidiaries (note vii)	158,333,333	8,708
Issue of shares upon exercise of share options (note viii)	66,191,100	3,641
At 31 December 2016	9,634,825,844	529,915

32. SHARE CAPITAL (Continued)

Notes:

(i) In March 2015 and June 2015, the Company issued, by way of placing, 162,500,000 ordinary shares and 100,000,000 ordinary shares of HK$0.055 each at the issue price of HK$0.40 and HK$0.43 respectively and the net proceeds (after legal and professional costs) from such issues amounted to HK$63,355,000 and HK$41,905,000 respectively. An amount of HK$54,417,000 and HK$36,406,000 in excess of par value were credited to share premium.

(ii) During the year ended 31 December 2015, a total of 643,354,980 new ordinary shares of the Company of HK$0.055 each were issued upon the conversion of the convertible notes and convertible bonds of the Company.

(iii) On 15 September 2015, 23 October 2015, and 26 October 2015, the Company issued 251,250,000, 24,019,737 and 256,410,256 new ordinary shares of HK$0.055 each at the issue price of HK$0.40, HK$0.384 and HK$0.394 per share, respectively, as part of the consideration for the acquisition of subsidiaries.

(iv) During the year ended 31 December 2015, a total of 3,500,000 new ordinary shares of the Company of HK$0.055 each were issued upon the conversion of the share options of the Company.

(v) On 11 May 2016, the Company issued, by way of placing, 2,155,555,555 new ordinary shares of HK$0.055 each at the issue price of HK$0.45 and the proceeds from such issues amounted to HK$970,000,000. An amount of HK$851,444,000 in excess of par value were credited to share premium.

(vi) During the year ended 31 December 2016, a total of 1,155,104,983 new ordinary shares of the Company of HK$0.055 each were issued upon the conversion of the convertible note and convertible bonds of the Company.

(vii) On 20 April 2016, the Company issued 158,333,333 new ordinary shares of HK$0.055 each at the issue price of HK$0.48 per share, as part of the consideration for the acquisition of subsidiaries.

(viii) During the year ended 31 December 2016, a total of 66,191,100 new ordinary shares of the Company of HK$0.055 each were issued upon the exercises of the share options of the Company.

All shares issued rank pari passu with the existing shares of the Company in all respects.

33. SHARE OPTION SCHEME

Equity-settled share option schemes

At the special general meeting of the Company held on 26 May 2011, the terms of the share option scheme was adopted by providing incentive to eligible participants to work better for the interests of the Group, under which the Board of directors (the “Board”) may, at its discretion, offer to grant an option to any full-time or part-time employee and directors of the company or any of its subsidiaries (collectively the “Grantee”).

33. SHARE OPTION SCHEME (Continued)

Equity-settled share option schemes (Continued)

The maximum number of shares in respect of which options may be granted under the share option scheme of the Company must not in aggregate exceed 10% of the total number of shares in issue from time to time. The total number of shares which may fall to be issued upon exercise of the share option granted under the share option scheme to each Grantee in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue as at the date of grant.

Any grant of options to a director of the Company, the chief executive officer or substantial shareholder of the Company or any of their respective associates is required to be approved by the independent non-executive Directors. If the Board proposed to grant options to a substantial shareholder or any independent non-executive Director or their respective associates which will result in the number of shares to be issued upon exercise of the option granted and to be granted to such person in the 12-month period up to and including the date of such grant, representing in aggregate over 0.1% of the shares in issue on the date of grant and having an aggregate value in excess of HK$5 million, based on the closing price of the shares at the date of each grant, such further grant of option will be subjected to the shareholders' approval in general meeting.

The offer of a grant of share options may be accepted within 28 days from the offer date or within such other period of time as may be determined by the Board. Upon acceptance of the option, the Grantee shall pay S$1.00 (or the equivalent Hong Kong dollars) to the Company by way of consideration for the grant.

The subscription price of a share in respect of any option granted under the share option scheme shall be priced by the Board in its absolute discretion shall determine, but must be (i) at least the higher of the closing price of the Company's shares as quoted on the Stock Exchange or that of the SGX-ST (whichever is higher) on the date of grant; (ii) the average closing price of the Company's shares as quoted on the Stock Exchange or SGX-ST for the five consecutive business days immediately preceding the date of grant (whichever is higher) and (iii) the nominal value of a share of the Company.

The period during which an option may be exercised will be determined by the Board in its absolute direction, and option may be exercised in accordance with the terms of the share option scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The shares to be allotted upon the exercise of an option will not carry voting rights until the completion of the registration of the Grantee.

At 31 December 2016, the number of shares in respect of which options had been granted and remained outstanding under the share option scheme was 185,051,240 (31 December 2015: 234,247,730), representing 1.9% (31 December 2015: 3.8%) of the shares of the Company in issue at that date. The total number of shares in respect of which options may be granted under the scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders. The number of shares issued and to be issued in respect of which options granted and may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

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33. SHARE OPTION SCHEME (Continued)

Equity-settled share option schemes (Continued)

The following table discloses movements of the Company's share options during the year ended 31 December 2016:

Category of grantee	Exercise price per share option *HK$* (note i)	Date of grant	Exercisable period	Number of share options as at 1 January 2016	Number of share options granted during the year	Number of share options exercised during the year	Number of share options lapsed during the year	Number of share options reclassified during the year	Number of share options as at 31 December 2016
Directors:									
Mr. Cheng Ming Kit	0.286	21 July 2014	21 July 2015 to 20 July 2024	24,906,730	–	(14,944,040)	–	–	9,962,690
Mr. Hung Tao	0.286	21 July 2014	21 July 2015 to 20 July 2024	24,906,730	–	–	–	–	24,906,730
	0.395	23 July 2015	23 July 2016 to 22 July 2019	15,000,000	–	–	–	–	15,000,000
Mr. Kwok Shek San (Note)	0.286	21 July 2014	21 July 2015 to 20 July 2024	24,906,730	–	(14,944,040)	–	(9,962,690)	–
	0.395	23 July 2015	23 July 2016 to 22 July 2019	10,000,000	–	(3,000,000)	–	(7,000,000)	–
Ms. Chung Oi Ling, Stella	0.286	21 July 2014	21 July 2015 to 20 July 2024	24,906,730	–	(14,944,040)	(9,962,690)	–	–
Mr. Lim Siang Kai	0.286	21 July 2014	21 July 2015 to 20 July 2024	2,490,670	–	–	–	–	2,490,670
Mr. Wee Piew	0.286	21 July 2014	21 July 2015 to 20 July 2024	2,490,670	–	–	–	–	2,490,670
Mr. Hu Xiaoming	0.395	23 July 2015	23 July 2016 to 22 July 2019	10,000,000	–	–	–	–	10,000,000
Mr. Ma Arthur On-hing	0.395	23 July 2015	23 July 2016 to 22 July 2019	2,490,670	–	–	–	–	2,490,670
				142,098,930	–	(47,832,120)	(9,962,690)	(16,962,690)	67,341,430
Employees	0.286	21 July 2014	21 July 2015 to 20 July 2024	5,600,000	–	(2,400,000)	(600,000)	9,962,690	12,562,690
	0.349	1 September 2014	1 September 2015 to 31 August 2018	25,438,800	–	(7,390,980)	(637,700)	–	17,410,120
	0.395	23 July 2015	23 July 2016 to 22 July 2019	61,110,000	–	(8,568,000)	(2,480,000)	7,000,000	57,062,000
	0.660	20 July 2016	20 July 2017 to 19 July 2020	–	40,375,000	–	(9,700,000)	–	30,675,000
				92,148,800	40,375,000	(18,358,980)	(13,417,700)	16,962,690	117,709,810
Total				234,247,730	40,375,000	(66,191,100)	(23,380,390)	–	185,051,240
Exercisable at the end of the year									154,376,240
Weighted average exercise price				HK$0.339	HK$0.660	HK$0.312	HK$0.467	HK$0.331	HK$0.402
Weighted average share price at dates of exercise				N/A	N/A	HK$0.426	N/A	N/A	N/A

Note : Mr . Kwok Shek San resigned as executive director during the year, but he remains as an employee of the Company.

33. SHARE OPTION SCHEME (Continued)

Equity-settled share option schemes (Continued)

The following table discloses movements of the Company's share options during the year ended 31 December 2015:

Category of grantee	Exercise price per share option HK$ (note i)	Date of grant	Exercisable period	Number of share options as at 1 January 2015	Number of share options granted during the year	Number of share options exercised during the year	Number of share options lapsed during the year	Number of share options as at 31 December 2015
Directors:								
Mr. Cheng Ming Kit	0.286	21 July 2014	21 July 2015 to 20 July 2024	24,906,730	–	–	–	24,906,730
Mr. Hung Tao	0.286	21 July 2014	21 July 2015 to 20 July 2024	24,906,730	–	–	–	24,906,730
	0.395	23 July 2015	23 July 2016 to 22 July 2019	–	15,000,000	–	–	15,000,000
Mr. Kwok Shek San	0.286	21 July 2014	21 July 2015 to 20 July 2024	24,906,730	–	–	–	24,906,730
	0.395	23 July 2015	23 July 2016 to 22 July 2019	–	10,000,000	–	–	10,000,000
Ms. Chung Oi Ling, Stella	0.286	21 July 2014	21 July 2015 to 20 July 2024	24,906,730	–	–	–	24,906,730
Mr. Lim Siang Kai	0.286	21 July 2014	21 July 2015 to 20 July 2024	2,490,670	–	–	–	2,490,670
Mr. Wee Piew	0.286	21 July 2014	21 July 2015 to 20 July 2024	2,490,670	–	–	–	2,490,670
Mr. Hu Xiaoming	0.395	23 July 2015	23 July 2016 to 22 July 2019	–	10,000,000	–	–	10,000,000
Mr. Ma Arthur On-hing	0.395	23 July 2015	23 July 2016 to 22 July 2019	–	2,490,670	–	–	2,490,670
				104,608,260	37,490,670	–	–	142,098,930
Employees	0.286	21 July 2014	21 July 2015 to 20 July 2024	14,000,000	–	(3,500,000)	(4,900,000)	5,600,000
	0.349	1 September 2014	1 September 2015 to 31 August 2018	31,449,300	–	–	(6,010,500)	25,438,800
	0.395	23 July 2015	23 July 2016 to 22 July 2019	–	64,460,000	–	(3,350,000)	61,110,000
				45,449,300	64,460,000	(3,500,000)	(14,260,500)	92,148,800
Total				150,057,560	101,950,670	(3,500,000)	(14,260,500)	234,247,730
Exercisable at the end of the year								135,647,060
Weighted average exercise price				HK$0.279	HK$0.395	HK$0.286	HK$0.321	HK$0.339
Weighted average share price at dates of exercise				N/A	N/A	HK$0.426	N/A	N/A

Note:

(i) The exercise prices per share were adjusted upon the Share Subdivision of the Company's share effective on 15 October 2014 (the"Share Subdivision").

The aggregate fair value of options granted on at 23 July 2015 and 20 July 2016 determined using the Binominal model were appropriately HK$14,152,000 and HK$6,225,000 respectively.

33. SHARE OPTION SCHEME (Continued)

Equity-settled share option schemes (Continued)

The following assumptions were used to calculate the fair values of share options.

	23 July 2015	20 July 2016
Grant date share price (adjusted for the Share Subdivision)	HK$0.395	HK$0.630
Exercise price (adjusted for the Share Subdivision)	HK$0.395	HK$0.660
Option life	4 years	4 years
Expected volatility	46%	35.29%
Dividend yield	0%	0%
Risk-free interest rate	1.00%	0.600%

The share options granted during the years ended 31 December 2016 and 2015 are subject to the vesting period as to 30%, 30% and 40% of the aggregate number of shares underlying the option on the date of the first, second and third anniversary of the date of grant of such options respectively.

The Binomial option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

During the year ended 31 December 2016, an amount of share-based payment expenses in respect of its share options of HK$7,950,000 (2015: HK$8,032,000) has been recognised in the consolidated statement of profit or loss and other comprehensive income with a corresponding adjustment recognised in the Group's share option reserve.

34. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease certain of its machinery and motor vehicles under finance leases. The average lease term was five years. Interest rates underlying all obligations under finance leases are fixed at 1.8% per annum.

	Minimum lease payments		**Present value of minimum lease payments**	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amount payable under finance leases:				
Within one year	**2,577**	6,534	**2,143**	5,355
In more than one year but not more than two years	**1,548**	6,666	**1,440**	5,975
In more than two years but not more than five years	**556**	3,553	**380**	3,059
	4,681	16,753	**3,963**	14,389
Less: Future finance charges	**(718)**	(2,364)	**–**	–
Present value of lease obligations	**3,963**	14,389	**3,963**	14,389
Less: Amount due for settlement within one year (shown under current liabilities)			**(2,143)**	(5,355)
Amount due for settlement after one year			**1,820**	9,034

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets (note 17).

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35. CONVERTIBLE BONDS

		Liability component	
	Notes	**2016** *HK$000*	2015 *HK$000*
Convertible Bonds I	a	**–**	15,462
Convertible Bonds II	b	**96,379**	75,695
Convertible Bonds III	c	**48,951**	127,488
Convertible Bonds IV	d	**12,305**	–
Convertible Bonds V	e	**82,482**	–
Convertible Bonds VI	f	**129,344**	–
		369,461	218,645
Carrying amount repayable:			
Within one year		**108,709**	91,157
More than one year, but not exceeding two years		**48,951**	127,488
More than two years, but not exceeding five years		**211,801**	–
		396,461	218,645
Less: Amounts due within one year shown under current liabilities		**(108,709)**	(91,157)
Amounts due after one year shown under non-current liabilities		**260,752**	127,488

(a) Convertible Bonds I

On 17 October 2014, the Company issued HK$50,000,000, 8% convertible bonds (the "Convertible Bonds I"). The bond holders are entitled to convert the Convertible Bonds I into ordinary shares of the Company at any time between the 6 months from the date of issue of the Convertible Bonds I and 30 days before their maturity date on 17 October 2017 at a conversion price of HK$3.94 per convertible share, subject to adjustment and resets in accordance with the terms and conditions of the Convertible Bonds I. If the Convertible Bonds I have not been converted, they will be redeemed on 17 October 2017 at 104% of the principal amount. The conversion price is adjusted to HK$0.394 per share after the Share Subdivision. Both the Company and the bond holders are entitled to early redemption of whole or part of the outstanding principal amount of the Convertible Bonds I at 104% of the principal amount at any time between the 6 months from the date of issue and 30 days before their maturity date.

The Convertible Bonds I contain liability component and conversion option. The conversion option is not closely related to the liability component and is classified as a derivative because the conversion will not result in the Company issuing a fixed number of shares in settlement of a fixed amount of liability component. Conversion option is measured at fair value with change in fair value recognised in profit or loss.

The movement of the liability component and conversion option and other embedded derivatives of the Convertible Bonds I for the year is set out as below:

35. CONVERTIBLE BONDS (Continued)

(a) Convertible Bonds I (Continued)

	Liability component	Conversion and other embedded derivatives	Total
	HK$'000	*HK$'000*	*HK$'000*
As at 1 January 2015	39,427	17,341	56,768
Converted during the year	(26,290)	(7,780)	(34,070)
Interest charged	2,325	–	2,325
Gain arising on change in fair value	–	(6,167)	(6,167)
As at 31 December 2015	15,462	3,394	18,856
Converted during the year	(15,487)	(3,394)	(18,881)
Interest charged	25	–	25
As at 31 December 2016	–	–	–

The methods and assumptions applied for the valuation of the Convertible Bonds I are as follows:

(1) Valuation of liability component

At the date of issue, the liability component was recognised at fair value. The fair value of liability component was calculated based on the present value of the contractually determined stream of future cash flows discounted at the required yield, which was determined with reference to the average yield of notes with similar credit rating and remaining time to maturity. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. The effective interest rate of the liability component of the Convertible Bonds I is 17.3%.

(2) Valuation of conversion option and issuer and bondholders early redemption options for Convertible Bonds I

Binomial model is used for valuation of conversion option and early redemption options of the Convertible Bonds I. The inputs into the model were as follows:

	17 October 2014	31 December 2014	31 December 2015
Stock price (adjusted for Share Subdivision)	HK$0.400	HK$0.435	HK$0.510
Exercise price (adjusted for Share Subdivision)	HK$0.394	HK$0.394	HK$0.394
Volatility	48%	46%	35%
Option life	36 months	34 months	22 months
Risk-free interest rate	0.574%	0.900%	0.323%

35. CONVERTIBLE BONDS (Continued)

(b) Convertible Bonds II

On 9 September 2015, the Company issued unsecured convertible bonds of HK$116,000,000 ("Convertible Bonds II").The Convertible Bonds II will mature on the date falling on the third anniversary of the date of issuance of the Convertible Bonds II at a conversion price of HK$0.4 per convertible share subject to anti-dilutive adjustment. The principal amount of the Convertible Bond II which remains outstanding on their maturity date shall be automatically redeemed by the Company at 124% of its outstanding principal amount. The bondholders are entitled to early redeem whole or part of the outstanding principal amount of the Convertible Bond II at 120% of the principal amount when the Group fails to meet certain requirements in relation to financial performance of the Group, subject further to the condition relating to price and trading volume of the Company's shares being met, as set out in the Convertible Bonds II agreement dated 13 August 2015. In the opinion of the directors of the Company, taking into accounts the conditions to be met for exercisability of the holders' put options, the fair value of the early redemption option of the Convertible Bonds II is insignificant.

The Convertible Bonds II contain liability and equity components. The equity component is presented in consolidated statement of changes in equity under the heading "Convertible note equity reserve". The effective interest rate of the liability component of the Convertible Bonds II is 26.7%.

The movement of the liability component of the Convertible Note II during the year is set out below:

	HK$'000
As at 1 January 2015	–
Issued during the year	75,557
Converted during the year	(5,637)
Interest charged	5,775
As at 31 December 2015	75,695
Interest charged	20,684
As at 31 December 2016	96,379

35. CONVERTIBLE BONDS (Continued)

(c) Convertible Bonds III

On 11 December 2015, the Company issued 5% unsecured convertible bonds of HK$200,000,000 ("Convertible Bond III").The Convertible Bond III will mature on the interest payment date falling on or nearest to 9 December 2018 at a conversion price of HK$0.48 per convertible share subject to anti-dilutive adjustment. The principal amount of the Convertible Bond III which remains outstanding on their maturity date shall be automatically redeemed by the Company on their maturity date at a redemption amount in accordance with the following formula:

Redemption amount = outstanding principal amount of such Convertible Bond III being redeemed $\times$ $(1.095)^N - AI$

Where:

"N" = a fraction the numerator of which is the number of calendar days between the issue date and the applicable date of redemption and the denominator of which is 365; and

"AI" = Interest accrued and paid in respect of such Convertible Bond III (excluding any default interest payable), prior to the applicable date of redemption.

The Convertible Bond III contains two components, liability and equity components. The equity component is presented in consolidated statement of changes in equity under the heading "Convertible note equity reserve". The effective interest rate of the liability component is 15.9% per annum.

The movement of the liability component of the Convertible Bonds III for the year is set out as below:

	HK$'000
As at 1 January 2015	–
Issued during the year	146,366
Transaction cost attributable to issue of convertible bond	(19,979)
Interest charged	1,101
As at 31 December 2015	127,488
Converted during the year	(88,655)
Interest charged	19,816
Interest paid	(9,698)
As at 31 December 2016	48,951

35. CONVERTIBLE BONDS (Continued)

(d) Convertible Bonds IV

On 7 January 2016, the Company issued unsecured convertible bonds of HK$15,000,000 ("Convertible Bonds IV").The Convertible Bonds IV will mature on the date falling on the third anniversary of the date of issuance of the Convertible Bonds IV at a conversion price of HK$0.4 per convertible share subject to anti-dilutive adjustment. The principal amount of the Convertible Bond IV which remains outstanding on their maturity date shall be automatically redeemed by the Company at 124% of its outstanding principal amount. The bondholders are entitled to early redeem whole or part of the outstanding principal amount of the Convertible Bond IV at 120% of the principal amount when the Group fails to meet certain requirements in relation to financial performance of the Group, subject further to the condition relating to price and trading volume of the Company's shares being met, as set out in the Convertible Bonds IV agreement dated 30 November 2015. In the opinion of the directors of the Company, taking into accounts the conditions to be met for exercisability of the holders' put options, the fair value of the early redemption option of the Convertible Bonds IV is insignificant.

The Convertible Bonds IV contain liability and equity components. The equity component is presented in consolidated statement of changes in equity under the heading "Convertible note equity reserve". The effective interest rate of the liability component of the Convertible Bonds IV is 21.39%.

The movement of the liability component of the Convertible Bonds IV for the year is set out as below:

	HK$'000
As at 1 January 2016	–
Issued during the year	9,605
Interest charged	2,700
As at 31 December 2016	12,305

(e) Convertible Bonds V

On 11 May 2016, the Company issued 4.5% unsecured convertible bonds of HK$350,000,000 ("Convertible Bond V").The Convertible Bond V will mature on the interest payment date falling on or nearest to 11 May 2019 at a conversion price of HK$0.45 per convertible share subject to anti-dilutive adjustment. The principal amount of the Convertible Bond V which remains outstanding on their maturity date shall be automatically redeemed by the Company on their maturity date at the outstanding amount of Convertible Bond V at the time of redemption plus the interest accrued at the compounded rate of 3% per annum for the period from the issue date to the date of redemption.

35. CONVERTIBLE BONDS (Continued)

(e) Convertible Bonds V (Continued)

The Convertible Bond V contains two components, liability and equity components. The equity component is presented in consolidated statement of changes in equity under the heading "Convertible note equity reserve". The effective interest rate of the liability component is 25.5% per annum.

The movement of the liability component of the Convertible Bonds V for the year is set out as below:

	HK$'000
As at 1 January 2016	–
Issued during the year	203,750
Transaction cost attributable to issue of convertible bond	(3,872)
Converted during the year	(141,486)
Interest charged	34,133
Interest paid	(10,043)
As at 31 December 2016	82,482

(f) Convertible Bonds VI

On 29 December 2016, the Company issued HK$200,000,000, 4.8% convertible bonds (the "Convertible Bonds VI"). The Convertible Bonds VI will mature on the date falling on the third anniversary of the date of Convertible Bonds VI at a conversion price of HK$0.67 per convertible share, subject to adjustment and resets in accordance with the terms and conditions of the Convertible Bonds VI. If the Convertible Bonds VI have not been converted, they will be redeemed on the maturity date at 118% of the principal amount.

The Convertible Bonds VI contain liability component and conversion option. The Company changed its functional currency from HK$ to RMB on 28 October 2016, which is different from the issue currency of Convertible Bonds VI. Therefore the conversion option of Convertible Bonds VI is not closely related to the liability component and is classified as a derivative because the conversion will not result in the Company issuing a fixed number of shares in settlement of a fixed amount of liability component. Conversion option is measured at fair value with change in fair value recognised in profit or loss.

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35. CONVERTIBLE BONDS (Continued)

(f) Convertible Bonds VI (Continued)

The movement of the liability component and embedded derivatives of the Convertible Bonds VI for the year is set out as below:

	Liability component *HK$'000*	Embedded derivatives *HK$'000*	Total *HK$'000*
As at 1 January 2016	–	–	–
Issued during the year	139,298	60,875	200,173
Transaction cost attributable to issue of convertible bond	(10,056)	–	(10,056)
Interest charge	155	–	155
Interest paid	(53)	–	(53)
As at 31 December 2016	129,344	60,875	190,219

The methods and assumptions applied for the valuation of the Convertible Bonds VI are as follows:

(1) Valuation of liability component

At the date of issue, the liability component was recognised at fair value. The fair value of liability component was calculated based on the present value of the contractually determined stream of future cash flows discounted at the required yield, which was determined with reference to the average yield of notes with similar credit rating and remaining time to maturity. In subsequent periods, the liability component is carried at amortised cost using the effective interest method. The effective interest rate of the liability component of the Convertible Bonds VI is 18.7%.

35. CONVERTIBLE BONDS (Continued)

(f) Convertible Bonds VI (Continued)

(2) Valuation of conversion option and issuer and bondholders early redemption options for Convertible Bonds VI

Binomial model is used for valuation of conversion option of the Convertible Bonds VI. The inputs into the model were as follows:

	29 December 2016
Stock price	HK$0.600
Exercise price (adjusted for Share Subdivision)	HK$0.670
Volatility	41.47%
Option life	36 months
Risk-free interest rate	1.32%

36. CONVERTIBLE NOTE

Convertible Note I

As part of the consideration for the acquisition of additional 49% equity interest in Shine Great during the year ended 31 December 2016, convertible note with principal amount of HK$132,535,348 was issued on 4 July 2016 with conversion price of HK$0.379 per convertible share subject to anti-dilutive adjustments (the "Convertible Note I") to the vendor. The fair value of the Convertible Note I at the date of acquisition of Shine Great was HK$216,812,000. It entitled the holders to convert it into ordinary shares of the Company at any time between the date of issue of the Convertible Note I and its maturity date, which is on the third anniversary of the date of issue of the Convertible Note I. If the Convertible Note I has not been converted, it will be redeemed on maturity date at the entire principal amount. The Convertible Note I bears no interest.

The Convertible Note I contains two components, liability and equity components. The equity component is presented in consolidated statement of changes in equity heading "convertible note equity reserve". The effective interest rate of the liability component is 24% per annum.

The movement of the liability component of the Convertible Note I for the year is set out below:

	HK$'000
As at 1 January 2016	–
Issued during the year	68,236
Converted during the year	(68,236)
As at 31 December 2016	–

37. DEFERRED TAX LIABILITIES

Deferred tax liabilities in current year represent deferred tax arise from fair value adjustments of intangible assets. Movements in the deferred tax liabilities during the year are as follows:

	2016 ***HK$'000***	2015 *HK$'000*
At 1 January	**135,918**	108,184
Acquisition of subsidiaries (note 38)	**7,391**	32,733
Disposal of subsidiaries (note 39)	**(1,198)**	–
Credited to profit or loss (note 11)	**(5,659)**	(4,999)
At 31 December	**136,452**	135,918

At 31 December 2016, deferred tax liabilities have been recognised in relation to the Group's taxable temporary differences of HK$59,687,000 (2015: HK$37,051,000). The Group also has tax losses arising in Hong Kong of approximately HK$25,798,000 (2015: HK$25,798,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these tax losses due to the uncertainty of future taxable profits against which the tax losses can be utilised. The tax losses arising in Hong Kong are subject to the approval from the Inland Revenue Department of Hong Kong and may be carried forward against future taxable profits. Under the current tax legislation, these tax losses can be carried forward indefinitely.

38. ACQUISITION OF SUBSIDIARIES

(a) Acquisitions accounted for business combinations

For the year ended 31 December 2016

During the year ended 31 December 2016, the Group acquired the following subsidiaries which are principally engaged in the sales and distribution of natural gas and other related products in the PRC. The primary reason for the acquisition was for the expansion of the Group's business and to increase returns to its shareholders.

	Date of acquisition	**Percentage of registered capital acquired**	**Purchase consideration** *HK$'000*
Business combination:			
Diamond Maple	31 August 2016	100%	118,892
Day Zone	24 November 2016	100%	148,626

The acquisition-related costs of HK$3,040,000 (2015: HK$1,271,000) were recognised as expenses in the current year, within other expenses.

38. ACQUISITION OF SUBSIDIARIES (Continued)

(a) Acquisitions accounted for business combinations (Continued)

For the year ended 31 December 2016 (Continued)

During the year ended 31 December 2016, the Group acquire Haikou Xinyuan by way of securing the majority of the boardseats of Haikou Xinyuan. Details please refer to note 22.

Details of fair value of net identifiable assets acquired and provisional goodwill are as follows:

	Diamond Maple	Day Zone	Haikou Xinyuan	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Fair value of the purchase consideration:				
– settled by cash	118,892	148,626	–	267,518
Investment in associate derecognised	–	–	168,817	168,817
Non-controlling interests	–	–	40,061	40,061
Acquiree's provisional fair value of net identifiable assets acquired (see below)	(18,688)	(7,007)	(95,284)	(120,979)
Provisional goodwill	88,371	141,619	113,594	355,417

The non-controlling interests in Haikou Xinyuan recognised at the acquisition date was measured by reference to net asset of Haikou Xinyuan before the fair value adjustment arise from the business combination.

The net identifiable assets/(liabilities) acquired in the transactions are as follows:

Acquirees' provisional fair values at respective acquisition dates:

	Diamond Maple	Day Zone	Haikou Xinyuan	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net assets/(liabilities) acquired:				
Intangible assets	29,564	–	–	29,564
Property, plant and equipment	11,826	204	11,633	23,663
Available-for-sale investment	–	–	333	333
Interest in an associate	–	–	48,748	48,748
Inventories	373	1,222	–	1,595
Trade and other receivables	5,811	5,027	33,837	44,675
Cash and bank balances	3	1,137	13,587	14,727
Trade and other payables	(21,498)	(583)	(12,854)	(34,935)
Deferred tax liabilities	(7,391)	–	–	(7,391)
	18,688	7,007	95,284	120,979

38. ACQUISITION OF SUBSIDIARIES (Continued)

(a) Acquisitions accounted for business combinations (Continued)

For the year ended 31 December 2016 (Continued)

The fair values of the assets and liabilities acquired and goodwill have been determined on a provisional basis, awaiting the completion of the identification of separable intangible assets and valuation of the identifiable assets and liabilities.

Net cash outflow arising on acquisitions:

	Diamond Maple	Day Zone	Haikou Xinyuan	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Purchase cash consideration	118,892	148,626	–	267,518
Cash and bank balances acquired	(3)	(1,137)	(13,587)	(14,727)
Deposit paid for acquisition of subsidiaries	(20,000)	(24,000)	–	(44,000)
	98,889	123,489	(13,587)	208,791

Goodwill arose from the above acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the business.

None of the goodwill arising on these acquisition is expected to be deductible for tax purposes.

The acquired subsidiaries contributed HK$161,669,000 to the Group's turnover and generated profit of HK$17,332,000 for the period between the respective dates of acquisition and the end of the reporting period.

Had the above acquisition been effected at the beginning of the reporting period, the total amount of revenue of the Group from continuing operations for the year ended 31 December 2016 would have been approximately HK$1,087,608,000 and the amount of the profit for the year from continuing operations would have been approximately HK$149,400,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the reporting period, nor is it intended to be a projection of future results.

38. ACQUISITION OF SUBSIDIARIES (Continued)

(a) Acquisitions accounted for business combinations (Continued)

For the year ended 31 December 2015

During the year ended 31 December 2015, the Group acquired the following subsidiaries which are principally engaged in the sales and distribution of natural gas and other related products in the PRC. The primary reason for the acquisition was for the expansion of the Group's business and to increase returns to its shareholders.

	Date of acquisition	Percentage of registered capital acquired	Purchase consideration
			HK$'000
Business combination:			
Shine Great	February 2015	51%	134,863
Energy Shell	September 2015	100%	158,000
Faster Success	October 2015	100%	15,990

The acquisition-related costs of HK$1,271,000 (2014: 6,145,000) were recognised as expenses in the current year, within other operating expenses.

Details of fair value of net identifiable assets acquired and goodwill are as follows:

	Shine Great	Energy Shell	Faster Success	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Fair value of the purchase consideration:				
– settled by cash (note a)	54,800	17,500	6,863	79,163
– settled by issue of convertible note	80,063	–	–	80,063
– settled by issue of promissory note	–	40,000	–	40,000
– settled by issue of shares of the Company (note b)	–	100,500	9,127	109,627
Total consideration	134,863	158,000	15,990	308,853
Non-controlling interests	126,165	–	–	126,165
Acquiree's provisional fair value of net identifiable assets acquired (see below)	(257,479)	(1,475)	7,863	(251,091)
Goodwill	3,549	156,525	23,853	183,927

38. ACQUISITION OF SUBSIDIARIES (Continued)

(a) Acquisitions accounted for business combinations (Continued)

For the year ended 31 December 2015 (Continued)

Note:

(a) Included the payable of HK$37,800,000 by the Group to Shine Great for the subscription of the share capital of Shine Great as enlarged by the subscription shares, which is recognised as other receivable in Shine Great and other payable in the Group at the date of acquisition.

(b) The fair value of the consideration settled by issue of shares of the Company was determined by the market price of the Company's shares at the acquisition dates.

The non-controlling interests recognised at the acquisition dates were measured by reference to the proportionate share of provisional fair values of the acquirees' net assets at the acquisition dates and amounted to HK$126,165,000.

The net identifiable assets/(liabilities) acquired in the transactions are as follows:

Acquirees' provisional fair values at respective acquisition dates:

	Shine Great	Energy Shell	Faster Success	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Net assets/(liabilities) acquired:				
Intangible assets	137,906	–	–	137,906
Property, plant and equipment	54,970	13,670	5,176	73,816
Prepaid lease payments	4,184	–	2,897	7,081
Inventories	221	1,080	–	1,301
Trade and other receivables	153,315	5,395	136	158,846
Interest in an associate	12,331	–	–	12,331
Cash and bank balances	3,097	3,576	156	6,829
Other payables	(64,609)	(22,246)	(16,228)	(103,083)
Bank and other borrowings	(7,544)	–	–	(7,544)
Obligations under finance leases	(250)	–	–	(250)
Deferred taxation	(32,733)	–	–	(32,733)
Non-controlling interests	(3,409)	–	–	(3,409)
	257,479	1,475	(7,863)	251,091

38. ACQUISITION OF SUBSIDIARIES (Continued)

(a) Acquisitions accounted for business combinations (Continued)

For the year ended 31 December 2015 (Continued)

The fair values of the assets and liabilities acquired and goodwill have been determined on a provisional basis, awaiting the completion of the identification of separable intangible assets and valuation of the identifiable assets and liabilities.

Net cash outflow arising on acquisitions:

	Shine Great	Energy Shell	Faster Success	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Purchase cash consideration	54,800	17,500	6,863	79,163
Cash and bank balances acquired	(3,097)	(3,576)	(156)	(6,829)
Deposits paid for acquisition of subsidiaries (Note)	(17,000)	–	–	(17,000)
	34,703	13,924	6,707	55,334

Note: Part of the cash consideration was paid in advance to the vendor during the year ended 31 December 2014, and the amount was recorded as deposits for acquisition of subsidiaries in the consolidated statement of financial position as at 31 December 2014.

Goodwill arose from the above acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the business.

None of the goodwill arising on these acquisition is expected to be deductible for tax purposes.

The acquired subsidiary contributed HK$32,862,000 to the Group's turnover and incurred loss of HK$7,570,000 for the period between the respective dates of acquisition and the end of the reporting period.

Had the above acquisition been effected at the beginning of the reporting period, the total amount of revenue of the Group for the year ended 31 December 2015 would have been approximately HK$289,125,000 and the amount of the profit for the year would have been approximately HK$15,558,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the reporting period, nor is it intended to be a projection of future results.

38. ACQUISITION OF SUBSIDIARIES (Continued)

(b) Acquisition of assets through acquisition of subsidiaries

For the year ended 31 December 2016

During the year ended 31 December 2016, the Group acquired the following subsidiaries which are holdings operating rights for the sales and distribution of natural gas and other related products in the PRC. The Directors of the Company are of the opinion that the subsidiary acquired does not constitute a business as defined in HKFRS 3, therefore, the acquisitions have been accounted for as acquisition of assets rather than business combination. The primary reason for the below acquisition was for the expansion of the Group's business and to increase returns to its shareholders.

	Date of acquisition	**Percentage of registered capital acquired**	**Purchase consideration**
			HK$'000
Fox Smart Limited ("Fox Smart")	April 2016	100%	136,000
Ningxia Jiaqimao Network Technology Co. Ltd. ("Jiaqimao")	June 2016	100%	1,080

Details of fair value of net identifiable assets acquired and purchase consideration are as follows:

	Jiaqimao	**Fox Smart**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Fair value of net assets acquired:			
Interest in an associate	–	136,649	136,649
Cash and bank balances	–	4	4
Other receivables	1,080	–	1,080
Other payables	–	(653)	(653)
	1,080	136,000	137,080
Fair value of the purchase consideration:			
– settled by cash	1,080	20,000	21,080
– settled by issue of promissory note	–	40,000	40,000
– settled by issue of shares (note)	–	76,000	76,000
Total consideration	1,080	136,000	137,080

Net cash outflow arising on acquisitions:

	Jiaqimao	**Fox Smart**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Purchase cash consideration	1,080	20,000	21,080
Bank balances and cash acquired	–	(4)	(4)
	1,080	19,996	21,076

Note: The fair value of the consideration settled by issue of shares of the Company was determined by the market price of the Company's shares at the acquisition date.

38. ACQUISITION OF SUBSIDIARIES (Continued)

(b) Acquisition of assets through acquisition of subsidiaries (Continued)

For the year ended 31 December 2015

During the year ended 31 December 2015, the Group acquired the following subsidiary which hold an investment in an investee that holds operating rights for the sales and distribution of natural gas and other related products in the PRC. The directors of the Company are of the opinion that the subsidiary acquired does not constitute a business as defined in IFRS 3 as the commercial operation of the investee had yet commenced at the date of acquisition, therefore, the acquisition has been accounted for as acquisition of assets rather than business combination. The primary reason for the below acquisition was for the expansion of the Group's business and to increase returns to its shareholders.

	Date of acquisition	**Percentage of registered capital acquired**	**Purchase consideration**
			HK$'000
Smart Rainbow	October 2015	100%	100,000

Details of fair value of net identifiable assets acquired and purchase consideration are as follows:

	Smart Rainbow
	HK$'000
Fair value of net assets acquired:	
Trade and other receivables	646
Available for sale investment	104,668
Cash and bank balances	14
Other payables	(5,328)
	100,000
Fair value of the purchase consideration:	
– settled by issue of shares of the Company (note)	100,000

Note: The fair value of the consideration settled by issue of shares of the Company was determined by the market price of the Company's shares at the acquisition date.

38. ACQUISITION OF SUBSIDIARIES (Continued)

(b) Acquisition of assets through acquisition of subsidiaries (Continued)

For the year ended 31 December 2015 (Continued)

Net cash inflow arising on acquisitions:

	Smart Rainbow *HK$'000*
Purchase cash consideration	–
Cash and bank balances acquired	(14)
	(14)

39. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2016

As part of the transaction under the Sales and purchase agreements set out in note 23, the Group disposed of 25% and 16% equity interests in Wuhan Zheng Weili and New Phoenix both were non-wholly owned subsidiaries which are principally engaged in sales and distribution of LNG, to independent third parties at a consideration of RMB7,500,000 (equivalent to HK$8,925,000) and HK$45,000,000 respectively.

The fair values of retained equity interest in these subsidiaries at respective dates of disposal have been arrived at on the basis of valuations carried out by an independent qualified professional valuer which is not connected with the Group, Roma Appraisals Limited (the "Valuer"). The valuations are dependent on certain significant inputs that involve management's judgment, including the overall growth rates and discount rate applied, all of which vary based on the management's expectation for the market development of natural gas business in the PRC.

The calculation of the fair values of retained equity interest in subsidiaries uses cash flow projections based on financial budgets approved by management. The cash flows for the financial budgets are using an average growth rate range from 0% to 8% depending on the stage of development of the respective natural gas and diesel for river vessels operations and discount rate at 20%. Other key assumptions for the calculations related to the estimation of cash inflows/outflows which included budget sales and gross margin, such estimation based on the unit's past performance and management's expectations for the market development.

39. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 December 2016 (Continued)

The net assets of Wuhan Zheng Weili and New Phoenix at the respective dates of disposal were as follows:

Net assets of Wuhan Zheng Weili disposed of	*HK$'000*
Other receivables	41
Cash and bank balances	1,745
Amount due from holding company	7,140
Tax payables	(1)
	8,925
Gain on disposal of Wuhan Zheng Weili	
Cash consideration	8,925
Fair value of the retained 50% equity interests of Wuhan Zheng Weili	17,850
Less: Net assets disposed of	(8,925)
	17,850
Net cash inflow arising on disposal of Wuhan Zheng Weili	
Cash consideration	8,925
Less: Cash and bank balances disposed of	(1,745)
	7,180

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39. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 December 2016 (Continued)

Net assets of New Phoenix disposed of	*HK$'000*
Intangible assets	21,989
Property, plant and equipment	885
Other receivables	1,579
Cash and bank balances	18
Amount due from holding company	894
Other payables	(4,305)
Deferred tax liabilities	(1,198)
	19,862
Gain on disposal of New Phoenix	
Cash consideration	45,000
Fair value of the retained 57% equity interests of New Phoenix	160,313
Non-controlling interests	5,363
Less: Net assets disposed of	(19,862)
	190,814
Net cash outflow arising on disposal of New Phoenix	
Cash consideration	45,000
Less: Consideration receivables (included in other receivable)	(45,000)
Less: Cash and bank balances disposed of	(18)
	(18)

According to the shareholders' agreement of Wuhan Zheng Weili and New Phoenix newly entered upon the deemed disposal of those subsidiaries, the Group have joint control with the other shareholders. The fair values of the Group's retained equity interests in Wuhan Zheng Weili and New Phoenix were approximately HK$17,850,000 and HK$160,313,000, respectively, have been regarded as cost of interests in joint ventures.

39. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 December 2015

As part of the transactions under the sales and purchase agreements set out in note 23, the Group disposed of 15% and 26.56% equity interest in Brightjet and My Palace at a consideration of HK$12,000,000 and HK$22,000,000 respectively. The net (liabilities)/assets of Brightjet and My Palace at the respective dates of disposal were as follows:

Net liabilities of Brightjet disposed of	*HK$'000*
Property, plant and equipment	635
Intangible assets	13,437
Trade and other receivables	5,284
Cash and bank balances	678
Amounts due from group companies	5,040
Amounts due to group companies	(24,214)
Trade and other payables	(6,768)
	(5,908)
Gain on disposal of Brightjet	
Cash consideration	12,000
Fair value of the retained 55% equity interest of Brightjet	44,000
Non-controlling interests	1,276
Less: Net liabilities disposed of	5,908
	63,184

39. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 December 2015

Net assets of My Palace disposed of	*HK$'000*
Property, plant and equipment	8,796
Intangible assets	14,463
Trade and other receivable	7,085
Cash and bank balances	1,219
Amount due from non-controlling shareholder	5,515
Amounts due to group companies	(29,629)
Trade and other payables	(5,241)
Obligation under finance lease	(1,774)
	434
Gain on disposal of My Palace	
Cash consideration	22,000
Fair value of the retained 59.38% equity interest of My Palace	49,176
Non-controlling interests	1,281
Less: Net assets disposed of	(434)
	72,023
Net cash inflow arising on disposal of Brightjet and My Palace	
Cash consideration	34,000
Less: Consideration receivables (included in other receivables)	(19,000)
Less: Cash and bank balances disposed of	(1,897)
	13,103

According to the shareholders' agreement of Brightjet and My Palace, the Group have joint control with the other shareholders. The fair values of the Group's retained equity interest in Brightjet and My Palace were approximately HK$44,000,000 and HK$49,176,000 respectively, have been regarded as cost of interests in joint ventures. The details of the interests in joint ventures are set out in note 23.

40. COMMITMENTS

Capital commitments

At the end of the reporting period, commitments in respect of capital expenditure are as follows:

	2016 HK$'000	2015 HK$'000
Contracted but not provided:		
– property, plant and equipment	27,757	41,239
– acquisition of subsidiaries	152,000	96,000
	179,757	137,239

Operating lease commitments as lessee

At the end of the reporting period, the total future minimum lease payments in respect of land and buildings under non-cancellable operating leases are as follows:

	2016 HK$'000	2015 HK$'000
Within one year	15,100	3,815
In the second to fifth year inclusive	8,166	6,583
More than five years	6,890	4,121
	30,156	14,519

The Group leases its office premises under an operating lease. The leases run for an initial period ranging from one to three years, with an option to renew the lease and renegotiated the terms at the expiry date or at dates as mutually agreed between the Group and the landlord. The leases do not include contingent rentals.

Operating lease commitments as lessor

At the end of the reporting period, the total future minimum lease receipts in respect of land and buildings under non-cancellable operating leases are as follows:

	2016 HK$'000	2015 HK$'000
Within one year	319	638
In the second to fifth year inclusive	–	319
	319	957

The Group leases its investment properties (note 18) under operating leases. The leases run for an initial period of 5 years and require the tenants to pay security deposits. The leases do not include contingent rentals.

41. RETIREMENT BENEFITS PLANS

The Group had joined the Mandatory Provident Fund Scheme under the rules and regulations of the Hong Kong Mandatory Provident Fund Schemes Authority. The Group's employees in Hong Kong are required to join the scheme. The Group and each employee employed in Hong Kong are required to make a contribution of 5% on the employees' monthly relevant income with a maximum monthly contribution of HK$1,500 per person.

The Company's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in various central pension schemes operated by the relevant municipal and provincial governments. These subsidiaries are required to make defined contributions to these schemes at rates ranging from 15% to 30% of their covered payroll. The Group has no other material obligation for the payment of its staff's retirement and other post-retirement benefits other than the contributions described above.

42. RELATED PARTY TRANSACTIONS

In addition to the transactions or information disclosed elsewhere in these financial statements, the Group entered into the following material transactions with related parties:

	2016 ***HK$'000***	2015 *HK$'000*
Finance cost in related to finance lease obligation with an associate (note a)	**770**	274
Purchases of goods (note b)	**6,808**	–
Interest paid to an associate	**2,304**	950
Key management personnel remuneration		
Short-term employee benefits	**12,560**	9,009
Post-employment benefits	**304**	197
Share based payments	**6,708**	4,967
	29,454	15,397

Note a: During the year ended 31 December 2016 and 2015, the Group entered into finance lease agreement with one of the associates.

Note b: The amount represents purchases of goods from a shareholder of a subsidiary which have significant influence in that subsidiary.

43. MAJOR NON-CASH TRANSACTIONS

(i) During the year ended 31 December 2016, convertible note with fair value amounted to HK$216,812,000 was issued as the consideration for the acquisition of additional interest in a subsidiary.

(ii) During the year ended 31 December 2016, as part of the consideration for the acquisition of subsidiaries, 158,333,333 (2015: 531,679,993) ordinary shares with aggregate fair values amounted to HK$76,000,000 (2015: HK$209,627,000) were issued.

(iii) During the year ended 31 December 2016, all of the issued convertible note with aggregate principal amounts of approximately HK$132,535,348 (2015: HK$220,805,000) have been converted into 349,697,488 (2015: 643,354,980) ordinary shares of the Company.

(iv) During the year ended 31 December 2016, Promissory Note A was received as part of the consideration for the disposal of entire equity interest of a subsidiary.

(v) During the year ended 31 December 2016, Promissory Note B was received as part of the consideration for the Printing Business Disposal.

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44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

As at 31 December 2016 and 2015

Name of subsidiaries	Place/country of incorporation/ registration/operation	Form of business structure	Paid up issued share capital/ registered capital	Proportion of issued capital/ registered capital held indirectly by the Company 2016 %	2015 %	Principal activities
Power Printing Products Ltd.	Hong Kong	Incorporated	3,000,000 ordinary shares of HK$1 each	**75 (note 12)**	100	Sales of books and specialised products
Carta & Cuoio Co., Ltd.	Hong Kong	Incorporated	30,000 ordinary shares of HK$1 each	**75 (note 12)**	100	Sales of books and specialised products
Power Printing (He Yuan) Co., Ltd.	PRC	Wholly-foreign owned enterprise	Registered capital US$22,800,000	**75 (note 12)**	100	Sales of books and specialised products
Smart Union	Hong Kong	Incorporated	1 ordinary shares of HK$1 each	**100**	100	Investment holding
Fan Dream	British Virgin Islands ("BVI")/Hong Kong	Incorporated	100 ordinary shares of US$1 each	**100**	100	Investment holding
Focus On	BVI/Hong Kong	Incorporated	60 ordinary shares of US$1 each	**60**	60	Investment holding
Cloud Decade	BVI/Hong Kong	Incorporated	100 ordinary shares of US$1 each	**100**	100	Investment holding
Waypost	BVI/Hong Kong	Incorporated	100 ordinary shares of US$1 each	**60**	60	Investment holding
Shine Great	BVI/Hong Kong	Incorporated	10,000,000 ordinary shares of US$1 each	**100**	51	Investment holding
Well Organising	BVI/Hong Kong	Incorporated	1 ordinary share of US$1 each	**100**	100	Investment holding
Energy Shell	BVI/Hong Kong	Incorporated	1 ordinary share of US$1 each	**100**	100	Investment holding
Faster Success	BVI/Hong Kong	Incorporated	1 ordinary share of US$1 each	**100**	100	Investment holding
Smart Rainbow	BVI/Hong Kong	Incorporated	1 ordinary share of US$1 each	**100**	100	Investment holding
Diamond Maple	BVI/Hong Kong	Incorporated	1 ordinary share of US$1 each	**100 (note 38)**	–	Investment holding
Day Zone	BVI/Hong Kong	Incorporated	1 ordinary share of US$1 each	**100 (note 38)**	–	Investment holding
貴州坤煜經貿有限公司	PRC	Wholly-foreign owned enterprise	Registered capital RMB68,000,000	**100 (note 38)**	100	Sales and distribution of natural gas and other related products
湖州博臣天然氣有限公司	PRC	Wholly-foreign owned enterprise	Registered capital RMB68,000,000	**100 (note 38)**	–	Sales and distribution of natural gas and other related products
寧波北侖博臣能源貿易有限公司	PRC	Wholly-foreign owned enterprise	Registered capital RMB68,000,000	**100 (note 38)**	–	Sales and distribution of natural gas and other related products

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiaries	Place/country of incorporation/ registration/operation	Form of business structure	Paid up issued share capital/ registered capital	Proportion of issued capital/ registered capital held indirectly by the Company		Principal activities
				2016 **%**	2015 %	
海口鑫元天然氣技術股份有限公司	PRC	Sino-foreign owned enterprise	Registered capital RMB68,000,000	**48 (note 38)**	–	Sales and distribution of natural gas and other related products
德州華鑫天然氣有限公司	PRC	Sino-foreign owned enterprise	Registered capital US$5,705,000	**60**	60	Sales and distribution of natural gas and other related products
本溪遼油新時代燃氣有限公司	PRC	Sino-foreign owned enterprise	Registered capital RMB90,000,000	**90**	90	Sales and distribution of natural gas and other related products
濟南勝樂福舟能源科技有限公司	PRC	Sino-foreign owned enterprise	Registered capital RMB10,000,000	**60**	60	Sales and distribution of natural gas and other related products

The above list includes the subsidiaries of the Company which, in the opinion of the directors, principally affect the results of the Group for the year or form a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of both years.

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiaries	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		(Loss)/profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2016	2015	**2016** *HK$'000*	2015 *HK$'000*	**2016** *HK$'000*	2015 *HK$'000*
Shine Great and its subsidiaries ("Shine Great Group")	BVI	**100%**	49%	**(1,812)**	(2,507)	**–**	114,239
Haikou Xinyuan and its subsidiaries ("Haikou Xinyuan Group")	PRC	**52%**	52%	**839**	–	**40,938**	–
Individually immaterial subsidiaries with non-controlling interests	N/A	**N/A**	N/A	**(13,608)**	(7,750)	**26,885**	79,184
				(14,581)	(10,257)	**67,823**	193,423

Summarised financial information in respect of Shine Great Group that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Haikou Xinyuan Group	*HK$'000*
As at 31 December 2016	
Current assets	47,466
Non-current assets	42,496
Current liabilities	11,235
Equity attributable to owners of the Company	37,789
Non-controlling interest	40,938
For the period from date of acquisition to 31 December 2016	
Revenue	73,234
Profit for the year	1,613
Profit for the year attributable to:	
Owners of the Company	774
Non-controlling interests	839
	1,613
Total comprehensive expenses for the year attributable to:	
Owners of the Company	36
Non-controlling interests	39
	75

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Shine Great Group	*HK$'000*
As at 31 December 2015	
Current assets	36,473
Non-current assets	258,349
Current liabilities	40,681
Non-current liabilities	21,001
Equity attributable to owners of the Company	118,901
Non-controlling interest	114,239
For the period from date of acquisition to 31 December 2015	
Revenue	12,146
Loss for the year	5,116
Loss for the year attributable to:	
Owners of the Company	2,609
Non-controlling interests	2,507
	5,116
Total comprehensive expenses for the year attributable to:	
Owners of the Company	2,187
Non-controlling interests	2,102
	4,289

45. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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 shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of debt, which include other borrowings, amount due to joint ventures, obligation under finance leases, and convertible bonds and equity attributable to owners of the Company, comprising issued share capital, share premium, reserves and set off with accumulated losses.

The directors of the Company review the capital structure on a continuous basis. As part of this review, the directors consider the cost of capital and the risks associates with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of cash dividends, new share issues, as well as the issue of new debts or the redemption of existing debts.

(a) Categories of financial instruments

The carrying amounts presented in the statements of financial position relate to the following categories of financial assets and financial liabilities:

	2016	2015
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**404,702**	280,383
Available-for-sale investments	**134,801**	104,671
Financial assets at FVTPL	**172,805**	–
Financial liabilities		
Amortised cost	**792,998**	525,419
Financial liabilities at FVTPL	**60,875**	3,394

(b) Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables, amounts due from non-controlling shareholders of subsidiaries, financial assets at FVTPL, available-for-sale investments, amount due from joint ventures, promissory note receivables, cash and bank balances, trade and other payables, other borrowings, amounts due to joint ventures, convertible bonds and embedded derivatives at FVTPL. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and polices on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

45. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk

Foreign currency risk management

Several subsidiaries of the Company have foreign currency sales and purchases, which expose 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 carrying amounts of the Group's foreign currency denominated monetary assets and liabilities excluding intra-group balances at the reporting date are as follows:

	Assets		Liabilities	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
United States Dollars ("US$")	**16,341**	10,487	**–**	9,271
HK$	**311,752**	–	**662,461**	–

Sensitivity analysis

The directors considered that, the currency risk is mainly arising from exchange rate of RMB against HK$ and US$.

5% is the sensitivity rate used by directors in the assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis below demonstrated the effect of the foreign exchange differences by 5% change in exchange rate of the functional currencies against the relevant foreign currencies of the Company and respective subsidiaries, assuming all other variables were held constant. A positive number below indicates a decrease in post-tax profit where the functional currencies weaken 5% against the relevant foreign currencies of the Company and respective subsidiaries. For a 5% strengthening of the functional currencies of the Company and respective subsidiaries, there would be an equal and opposite impact on the profit for the year.

	2016	2015
	HK$'000	*HK$'000*
Decrease in profit for the year	**13,960**	–

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45. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from other borrowings, obligations under finance leases and convertible bonds. Other borrowings, obligations under finance leases and convertible bonds bearing fixed rates expose the Group to fair value interest rate risk. The exposure to interest rates for the Group's bank deposits is considered immaterial. Accordingly, no sensitivity analysis is presented.

The Group manages interest rate risk by monitoring its interest rate profile on an ongoing basis. The Group has not used any interest rate swaps to hedge its exposure to interest rate risk. The policies to manage interest rate risk have been followed by the Group since prior years and are considered to be effective.

Price risk on embedded conversion option

The Group is required to estimate the fair value of the conversion option embedded in the convertible bonds at the end of the reporting period with changes in fair value to be recognised in the profit or loss as long as the convertible bonds are outstanding. The fair value adjustment will be affected either positively or negatively, amongst others, by the changes in market interest rate, the Company's share market price and share price volatility.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to the Company's share price risk at the reporting date only. If the Company's share price at the reporting date had been 10% higher/lower and assuming all other variables were held constant, the impact to the Group's post-tax profit for the year (as a result of changes in fair value of conversion and other embedded derivatives of convertible bonds) would be:

	2016 ***HK$'000***	2015 *HK$'000*
10% higher in Company's share price Increase in post-tax profit (2015: increase in post-tax profit for the year)	**16,959**	143
10% lower in Company's share price Decrease in post-tax profit (2015: decrease in post-tax profit for the year)	**11,648**	1,517

In the opinion of the directors of the Company, the sensitivity analysis above is unrepresentative of the inherent market risk as the pricing model used in the fair value valuation of the loan receivable with embedded derivation involves multiple variables and certain variables are interdependent.

45. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's maximum exposure to credit risk mainly arises from carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position as at the end of the reporting period. Further details of the Group's exposure to credit risk on trade and other receivables from the customers in the ordinary course of operations are set out in note 25.

The credit risk for liquid funds is considered negligible as the counterparties are reputable banks with high quality external credit ratings.

Management has a credit policy in place for approving the credit limits and the exposures to credit risk are monitored such that any outstanding debtors are reviewed and followed up on an ongoing basis. Credit evaluations are performed on customers requiring a credit over a certain amount including assessing the customer's creditworthiness and financial standing.

The general credit terms allowed range from 30 to 120 days for the sales and distribution of book and specialised products, and a credit period of 30 to 90 days for the sales and distribution of natural gas. As at the reporting date, the Group does not hold any collateral from its customers but has a certain degree of concentration in credit risk in trade receivables, amounts due from non-controlling shareholders of subsidiaries and joint ventures. The debts due from the Group's largest debtor and the five largest debtors within the Group, which are based in the PRC (including Hong Kong) represent 6% (2015: 16%) and 24% (2015: 50%) of total trade receivables as at 31 December 2015 respectively.

The credit risk for bank balance is considered as not material as such amounts are placed in banks with high credit rating assigned by international credit-rating agencies or state-owned.

The credit policies have been followed by the Group since prior years and are considered to have been effective in limiting the Group's exposure to credit risk to a desirable level.

45. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by cash or other financial assets.

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 flow.

The Group is exposed to liquidity risk in respect of settlement of trade and other payables and its financing obligations, and also in respect of its cash flow management. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants by reviewing each operating entity's cash flow forecast, to ensure that the Group maintains an appropriate level of liquid assets and committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term. The liquidity policies have been followed by the Group since prior years and are considered to have been effective in managing liquidity risks.

Analysed below is the Group's remaining contractual maturities for its financial liabilities as at 31 December 2015 and 2016. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date which the Group can be required to pay. Bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choose to exercise their rights within one year after the reporting date.

The maturity analysis for the financial liabilities is prepared based on the scheduled repayment dates.

45. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities. The amounts for variable interest rate instrument are subject to change if changes in variable interest rates different from those of estimates determined at the end of the reporting period.

	Weighted average interest rate *%*	On demand or within 1 year *HK$'000*	Between 1 and 2 years *HK$'000*	Between 2 and 5 years *HK$'000*	More than 5 years *HK$'000*	Total undiscounted cash flow *HK$'000*	Carrying amount at 31 December 2016 *HK$'000*
At 31 December 2016							
Trade and other payables	–	121,539	–	–	–	121,539	121,539
Convertible bonds*	4.0	24,450	160,659	386,905	–	573,014	369,461
Amount due to joint ventures	–	8,998	–	–	–	8,998	8,998
Obligation under finance leases	5.8	2,577	1,548	556	–	4,681	3,963
Other borrowings	7.5	19,518	17,518	258,214	73,954	369,204	293,000
		178,082	179,725	645,675	73,954	1,077,436	796,961

	Weighted average interest rate *%*	On demand or within 1 year *HK$'000*	Between 1 and 2 years *HK$'000*	Between 2 and 5 years *HK$'000*	More than 5 years *HK$'000*	Total undiscounted cash flow *HK$'000*	Carrying amount at 31 December 2015 *HK$'000*
At 31 December 2015							
Trade and other payables	–	74,818	–	–	–	74,818	74,818
Short-term bank borrowings	4.1	3,705	–	–	–	3,705	3,694
Convertible bonds*	6.3	11,440	19,440	326,000	–	356,880	218,645
Amount due to non-controlling shareholders of a subsidiary	–	14,062	–	–	–	14,062	14,062
Amount due to an associate	7.0	32,902	–	–	–	32,902	31,700
Obligation under finance leases	2.0	6,534	6,666	3,553	–	16,753	14,389
Other borrowings	8.0	14,600	15,768	179,008	103,397	312,773	182,500
		158,061	41,874	508,561	103,397	811,893	539,808

* The contractual maturity analysis on the convertible bonds are prepared with the assumption that the early redemption options are not exercised by either the bond holders or the Company.

45. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurement

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of option-based derivative instruments (embedded derivative as included in convertible bonds), is estimated using option pricing model; and
- the fair value of other financial assets and financial liabilities (excluding derivative financial instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31 December 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Financial asset of fair value through profit or loss	**22,464**	**40,000**	**110,341**	**172,805**
Embedded conversion and other options of convertible bonds	**–**	**–**	**60,875**	**60,875**

	31 December 2015			
	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Embedded conversion and other options of convertible bonds	–	–	3,394	3,394

There were no transfer between Level 1 and 2 in both years.

46. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2016	2015
	HK$'000	*HK$'000*
Non-current assets		
Property, plant and equipment	**28**	36
Prepayment	**11,687**	16,557
Amount due from subsidiaries	**–**	220,380
Financial assets at fair value through profit or loss	**47,278**	–
Investments in subsidiaries	**2,600,512**	1,187,578
	2,659,783	1,424,551
Current assets		
Other receivables	**43,390**	36,624
Amounts due from subsidiaries	**848,301**	238,243
Amounts due from joint ventures	**42,991**	–
Financial assets at fair value through profit or loss	**78,760**	–
Promissory notes receivables	**10,000**	–
Cash and bank balances	**42,919**	67,270
	1,066,361	342,137
Current liabilities		
Other payables	**30,793**	1,509
Amounts due to subsidiaries	**33,627**	41,481
Convertible bonds	**108,709**	91,157
Embedded derivative at fair value through profit or loss	**60,875**	3,394
	234,004	137,541
Net current assets	**832,357**	204,596
Total assets less current liabilities	**3,492,140**	1,629,147
Capital and reserves		
Share capital (note 32)	**529,915**	335,480
Reserves	**2,408,473**	983,679
Total equity	**2,938,388**	1,319,159
Non-current liabilities		
Other borrowings	**293,000**	182,500
Convertible bonds	**260,752**	127,488
	553,752	309,988
	3,492,140	1,629,147

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46. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Movement in the Company's share capital and reserve

	Attributable to owners of the Company							
	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Convertible note equity reserve HK$'000	Merger reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2015	256,223	629,990	5,552	813	(43,048)	–	(155,168)	694,362
Loss for the year and total comprehensive expense for the year	–	–	–	–	–	–	(47,343)	(47,343)
Issue of shares by way of placing	14,438	93,562	–	–	–	–	–	108,000
Transaction cost attributable to issue of shares	–	(2,740)	–	–	–	–	–	(2,740)
Issue of shares for acquisition of subsidiaries	29,242	180,385	–	–	–	–	–	209,627
Issue of convertible bond	–	–	–	94,077	–	–	–	94,077
Transaction cost attributable to issue of convertible note	–	–	–	(9,804)	–	–	–	(9,804)
Issue of convertible note for acquisition of subsidiaries	–	–	–	91,699	–	–	–	91,699
Issue of shares upon conversion of convertible note	30,918	202,096	–	(92,512)	–	–	–	140,502
Issue of shares upon conversion of convertible bonds	4,467	27,279	–	–	–	–	–	31,746
Issue of shares upon conversion of share option	192	809	–	–	–	–	–	1,001
Recognition of equity-settled share-based payments	–	–	8,032	–	–	–	–	8,032
Transfer to accumulated losses upon forfeiture of share options	–	–	(1,066)	–	–	–	1,066	–
At 31 December 2015	335,480	1,131,381	12,518	84,273	(43,048)	–	(201,445)	1,319,159
Loss for the year	**-**	**-**	**-**	**-**	**-**	**-**	**(24,862)**	**(24,862)**
Other comprehensive expense for the year	**-**	**-**	**-**	**-**	**-**	**(47,950)**	**-**	**(47,950)**
Total comprehensive expense for the year	**-**	**-**	**-**	**-**	**-**	**(47,950)**	**(24,862)**	**(72,812)**
Issue of shares by way of placing	**118,556**	**851,444**	**-**	**-**	**-**	**-**	**-**	**970,000**
Issue of shares for acquisition of subsidiaries	**8,708**	**67,292**	**-**	**-**	**-**	**-**	**-**	**76,000**
Issue of convertible bonds	**-**	**-**	**-**	**151,645**	**-**	**-**	**-**	**151,645**
Issue of shares upon conversion of convertible bonds	**44,297**	**324,583**	**-**	**(119,859)**	**-**	**-**	**-**	**249,021**
Issue of shares upon conversion of convertible note	**19,233**	**197,579**	**-**	**(148,579)**	**-**	**-**	**-**	**68,233**
Issue of shares upon conversion of share options	**3,641**	**27,354**	**10,337**	**-**	**-**	**-**	**-**	**20,658**
Recognition of equity-settled share-based payments	**-**	**-**	**7,905**	**-**	**-**	**-**	**-**	**7,905**
Transfer to accumulated losses upon forfeiture of share options	**-**	**-**	**(2,298)**	**-**	**-**	**-**	**2,298**	**-**
Issue of convertible note for acquisition of additional interest in subsidiaries	**-**	**-**	**-**	**148,579**	**-**	**-**	**-**	**148,579**
At 31 December 2016	**529,915**	**2,599,633**	**7,788**	**116,059**	**(43,048)**	**(47,950)**	**(224,009)**	**2,938,388**

Five-Year Financial Summary

RESULTS (From continuing and discontinued operations)

	For the year ended 31 December				
	2012	2013	2014	2015	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Revenue	191,874	154,475	200,430	213,123	**633,776**
(Loss)/profit before income tax	(13,794)	(60,489)	(70,480)	1,904	**85,673**
Income tax (charge)/credit	(940)	1,920	457	4,999	**(378)**
(Loss)/profit for the year	(14,734)	(58,569)	(70,023)	6,903	**85,295**
Attributable to:					
Owners of the Company	(14,734)	(58,569)	(70,763)	17,160	**99,876**
Non-controlling interests	–	–	740	(10,257)	**(14,581)**
	(14,734)	(58,569)	(70,023)	6,903	**85,295**
(Loss)/earnings per share					
Basic (in HK cents)	(0.88)	(2.91)	(2.21)	0.33	**1.28**
Diluted (in HK cents)	(0.88)	(2.91)	(2.21)	0.33	**1.27**

ASSETS AND LIABILITIES

	At 31 December				
	2012	2013	2014	2015	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	279,377	241,711	1,238,010	2,411,253	**4,289,079**
Total liabilities	(62,026)	(47,807)	(317,654)	(681,508)	**(1,013,385)**
	217,351	193,904	920,356	1,729,745	**3,275,694**
Equity attributable to owners of the Company	217,351	193,904	851,220	1,536,322	**3,207,871**
Non-controlling interests	–	–	69,136	193,423	**67,823**
	217,351	193,904	920,356	1,729,745	**3,275,694**

Particulars of Properties

	Use	Unexpired lease term
Leasehold property held for investment	Industrial	Medium
Industrial Complex comprises various industrial buildings with a total gross floor area of approximately 88,000 sq. meters, which situated in Gaopu Technology Industrial Park Heyuan High Technology Development Zone Heyuan Guangdong Province The People's Republic of China		(40 years)