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

(Incorporated in Bermuda with limited liability)
Hong Kong Stock Code: 6828

Annual Report
2017

Contents

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Cheng Ming Kit *(Co-chairman of the Board and appointed as Chief Executive Officer on 19 January 2018)*
Mr. Sze Chun Lee
Mr. Hung Tao
Mr. Hu Xiaoming *(Chief Executive Officer) (resigned on 19 January 2018)*
Mr. Tam Man Kin *(Chief Financial Officer)*
Mr. Li Weiqi *(appointed on 21 February 2017)*

Non-executive Director

Mr. Zhi Xiaoye *(Co-chairman of the Board)*

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

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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

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Hamilton HM 11
Bermuda

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 CODE

6828

Corporate Profile

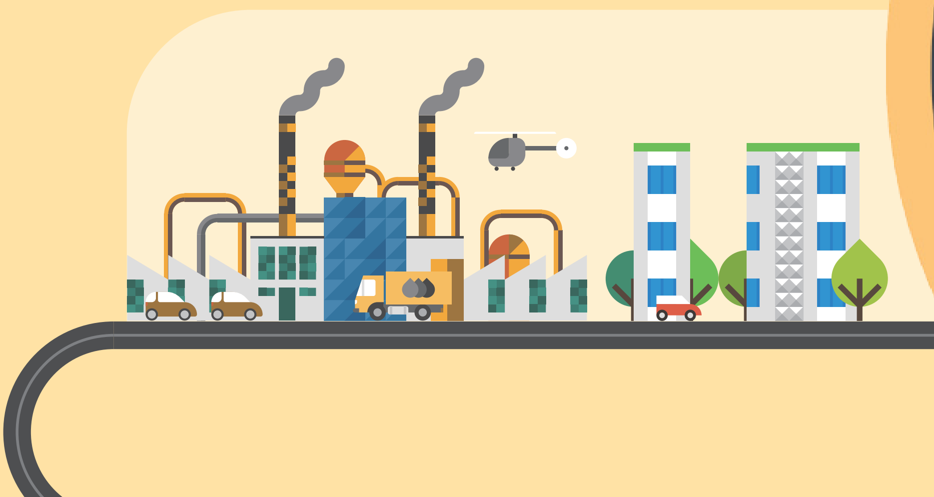
Beijing Gas Blue Sky Holdings Limited is an integrated natural gas provider and operator focusing on the mid-to-down stream segment development of the natural gas industry chain. Its major natural gas business encompasses (i) construction and operation of compressed natural gas ("CNG") and liquefied 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.

Chairman Statement

In 2017, Beijing Gas Blue Sky Holdings Limited (the "Company", together with its subsidiaries, the "Group") recorded an annual gas sales volume of 513.3 million cubic meters, up by 80.1% as compared with the corresponding period of last year. Revenue amounted to HK$1,451 million, while the earnings before interest, tax, depreciation and amortisation increased to HK$244.7 million for the year ended 31 December 2017.

In 2017, the Group completed the acquisition of the city gas project in Songyuan City, Jilin Province in May, and completed the acquisition of the city gas projects in Yuncheng City and Yongji City, Shanxi Province in October, thereby raising the overall gas sales volume and market share of the Group. In December, the Group entered into an agreement with Beijing Gas to acquire 29% equity interest in PetroChina Jingtang LNG receiving terminal. The Group expects that such acquisition, once completed, would promote the Group's strategic development of the entire business chain of liquefied natural gas, create synergies between the various business segments of the Group, and enhance the competitiveness and overall profitability of the Group.

During the year, the Group brought in Central China International Investment Company Limited and China Huarong International Holdings Limited as investors to further enhance our capital strength. In January 2018, the Group entered into a strategic cooperation agreement with GPS, an energy investment company in Thailand and will issue new shares to Ms. Surangrat Chirathivat, its key shareholder and president, to create a strategic cooperation relationship between the parties. The parties would like to cooperate in selected projects, including but not limited to the sourcing and trading of liquefied natural gas for buyers in Southeast Asia and Northeast Asia. In March 2018, the Group entered into a subscription agreement with a subsidiary of SK E&S Co., Ltd. of Korea pursuant to which convertible bonds will be issued thereby allowing the Group to enhance its capital and strengthen its financial position for financing the expansion of natural gas business. SK E&S is a fully integrated global LNG company involved in all parts of the LNG value chain including upstream gas production, midstream LNG liquefaction, storage and regasification and downstream power generation and city gas distribution.



In March 2017, the Group was selected as a constituent stock of the Hang Seng Index Series, including the Hang Seng Mainland China Oil and Gas Index, Hang Seng Global Composite Index, and Hang Seng Composite Index Series. In September 2017, the Group was included in the Hang Seng Stock Connect Hong Kong Index, Hang Seng Stock Connect Hong Kong MidCap & SmallCap Index and Hang Seng Stock Connect Hong Kong SmallCap Index. Such selection and inclusion demonstrate 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 Group's shareholder diversification, thereby enhancing liquidity of shares and broadening its shareholders' base.

Zhi Xiaoye
Co-chairman

Cheng Ming Kit
Co-chairman and CEO

28 March 2018

BUSINESS REVIEW

In 2017, China's macroeconomic development steadily improved. Reform of the energy industry has been further promoted. Local governments have successively rolled out plans to ensure execution of clean energy heating projects. Natural gas consumption achieved rapid growth nationwide and reached 237.3 billion cubic meters, representing an increase of 15.3% over the previous year. During the reporting period, the Group continued to focus on the operation and investment of the natural gas business and kept on ramping up the operation scale, with its current business in the PRC covering places including Liaoning Province, Jilin Province, Shaanxi Province, Shanxi Province, Shandong Province, Anhui Province, Zhejiang Province, Hubei Province, Guizhou Province, Sichuan Province and Hainan Province. For the year ended 31 December 2017, the Group recorded total revenue of HK$1,451.1 million, up by 129.0% as compared with the corresponding period of last year. Gross profit increased from HK$47.2 million to HK$167.6 million. Segment profit of the Group reached HK$106.1 million, dropped by 48.3% as compared with the corresponding period of last year due mainly to the reduction in gain recognised on disposal of equity interest in subsidiaries. The Group together with its associates and joint ventures recorded total gas sales volume of 513.3 million cubic meter, up by 80.1% as compared with the corresponding period of last year (2016: 285.0 million cubic meters).

The Group's together with its associates and joint ventures have the following major natural gas projects in year 2017:

	Project Name	Equity Interests held	Status	LNG/CNG refueling stations As of December			City Gas and power generation project As of December		Direct supply As of December		Trading and distribution As of December		Total As of December	
				No. of Stations	Volume m3	Volume %	Volume m3	Volume %	Volume m3	Volume %	Volume m3	Volume %	Volume m3	Volume %
Subsidiaries	Liaoning Benxi	89%	Existing	1	327,300	0.4%	1,768,268	4.1%	–	0.0%	–	0.0%	2,095,568	0.4%
	Shandong Jinan	60%	Disposed in June 2017	2	840,000	1.1%	–	0.0%	–	0.0%	–	0.0%	840,000	0.2%
	Jinan Guoxu	70%	Existing	–	–	0.0%	–	0.0%	3,868,496	7.0%	–	0.0%	3,868,496	0.8%
	Shandong Tengzhou	100%	Existing	1	2,136,974	2.8%	–	0.0%	1,138,051	2.1%	17,675,284	5.2%	20,950,309	4.1%
	Shandong Chiping	100%	Existing	1	472,400	0.6%	–	0.0%	–	0.0%	7,247,968	2.1%	7,720,368	1.5%
	Shandong Power Energy	100%	Existing	–	–	0.0%	–	0.0%	12,035,500	21.7%	901,040	0.3%	12,936,540	2.5%
	Guizhou Liupanshui	100%	Existing	2	2,999,434	4.0%	–	0.0%	–	0.0%	–	0.0%	2,999,434	0.6%
	Anhui Power Energy	100%	Existing	–	–	0.0%	–	0.0%	305,355	0.6%	216,026,486	63.6%	216,331,841	42.1%
	Hainan Xinyuan	48%	Existing	7	15,099,300	20.1%	–	0.0%	187,597	0.3%	23,240,253	6.9%	38,527,150	7.5%
	Ningbo Beilun	100%	Existing	–	–	0.0%	–	0.0%	6,588,797	11.9%	2,772,364	0.8%	9,361,161	1.8%
	Zhejiang Huzhou	100%	Existing	–	–	0.0%	–	0.0%	30,939,225	55.9%	18,968,628	5.6%	49,907,853	9.7%
	Shaanxi Beijing Gas	100%	Existing	–	–	0.0%	–	0.0%	–	0.0%	11,239,533	3.3%	11,239,533	2.2%
	Hebei Beijing Gas	100%	Existing	–	–	0.0%	–	0.0%	–	0.0%	13,538,336	4.0%	13,538,336	2.6%
	Anhui Beijing Gas	100%	Existing	–	–	0.0%	–	0.0%	291,716	0.5%	–	0.0%	291,716	0.1%
	Jilin Songyuan	100%	Acquired in May 2017	2	1,062,600	1.4%	15,450,432	35.7%	–	0.0%	–	0.0%	16,513,032	3.2%
	Shanxi Minsheng	50%	Acquired in Nov 2017	5	1,868,700	2.5%	19,473,700	45.0%	–	0.0%	–	0.0%	21,342,400	4.2%
	Yongji Minsheng	50%	Acquired in Nov 2017	2	172,600	0.2%	4,709,200	10.9%	–	0.0%	–	0.0%	4,881,800	0.9%
			Subtotal	**23**	**24,979,308**	**33.2%**	**41,401,600**	**95.7%**	**55,354,737**	**100%**	**311,609,892**	**91.8%**	**433,345,537**	**84.4%**
Associates	Hainan Zhongyou Jiarun	40%	Existing	3	8,592,553	11.4%	–	0.0%	–	0.0%	–	0.0%	8,592,553	1.6%
	Hainan Dazhong	12%	Existing	8	34,340,000	45.6%	–	0.0%	–	0.0%	–	0.0%	34,340,000	6.7%
	Hefei Kunlun Energy	30%	Existing	5	7,385,449	9.8%	–	0.0%	–	0.0%	27,795,742	8.2%	35,181,191	6.9%
			Subtotal	**16**	**50,318,002**	**66.8%**	**-**	**0.0%**	**-**	**0.0%**	**27,795,742**	**8.2%**	**78,113,744**	**15.2%**
Joint Ventures	Sichuan	45%	Disposed in December 2017	-	–	0.0%	–	0.0%	–	0.0%	–	0.0%	–	0.0%
	Wuhan Power Energy	50%	Existing	-	–	0.0%	–	0.0%	–	0.0%	–	0.0%	–	0.0%
	Hubei Huanggang	30%	Existing	-	–	0.0%	1,878,925	4.3%	–	0.0%	–	0.0%	1,878,925	0.4%
			Subtotal	**-**	**-**	**0.0%**	**1,878,925**	**4.3%**	**-**	**0.0%**	**-**	**0.0%**	**1,878,925**	**0.4%**
			Grand Total:	**39**	**75,297,310**		**43,280,525**		**55,354,737**		**339,405,634**		**513,338,206**	

In year 2017, the total gas sales volume from subsidiaries amounted to 433.3 million cubic meters (2016: 248.1 million cubic meters). The total gas sales volume from the associates amounted to 78.1 million cubic meters (2016: 35.8 million cubic meters).

During the reporting period, loss per share was HK0.13 cents (2016: earnings per share was HK1.28 cents). Interest expense from financing amounted to HK$165.7 million, of which actual cash interest expense was HK$63.3 million. EBITDA increased from HK$229.8 million to HK$244.7 million.

During the year ended 31 December 2017, the printing business was terminated. On 26 May 2017, the Company completed the disposal of its remaining 75% interests in Legon Ventures Limited at a consideration of HK$178,000,000.

RESIDENTIAL USERS

In 2017, the Group completed the acquisition of city gas projects in Songyuan City, Jilin Province, Yuncheng City and Yongji City, Shanxi Province. During the period, the Group completed connection of piped gas for 66,717 new residential households, the volume of natural gas sold by the Group together with its associates and joint ventures to residential users amounted to 28.8 million cubic meters, with connection fee income of HK$135.0 million. (2016: HK$4.7 million). The Group will continue to actively seize the opportunities to acquire and invest in quality projects in different regions and further enlarge its market share in natural gas business, which are expected to contribute significantly to gas sales volume, cash flow and net profit of the Group.

INDUSTRIAL AND COMMERCIAL USERS

During the year, the Group together with its associates and joint ventures sold 55 million cubic meters of gas to industrial and commercial users, covering Jilin, Liaoning, Shanxi, Shaanxi, Hubei, Shandong, Anhui, and Zhejiang Provinces. Commercial users and public buildings (e.g. schools, restaurants, hospitals and commercial complex) in these regions are using gas-fired boilers for heating and air conditioning to replace the old coal-fired boilers. In line with the national "coal-to-gas" policy, the Group will continue to expand coal-to-gas related business in coastal and inland regions to contribute profit to the Group's overall gas sales volume.

CNG AND LNG REFUELING STATIONS

The Group together with its associates and joint ventures sells natural gas to LNG vehicles (trucks and motor buses) and CNG vehicles (taxis, motor buses and private cars). The Group's refueling gas stations are mainly located in Hainan Province, Anhui Province, Shandong Province, Guizhou Province, Jilin Province and Shanxi Province. During the year ended 31 December 2017, the Group recorded sales income of HK$74.8 million from refuelling gas stations. As of 31 December 2017, the Group together with its associates and joint ventures owned 39 stations including 22 CNG refueling stations and 17 LNG refueling stations for vehicles (2016: a total of 34 stations including 16 CNG refueling stations and 18 LNG refueling stations for vehicles).

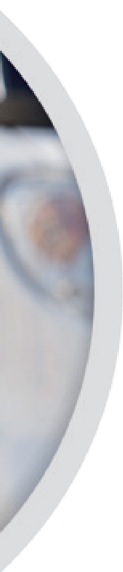
TRADING AND DISTRIBUTION OF CNG AND LNG

During the year ended 31 December 2017, the trading and distribution business of the Group recorded an income of HK$1,084.0 million (2016: HK$533.7 million), which were distributed in Anhui Province, Zhejiang Province and Shandong Province. During the year, total sales volume of our Group from trading and distribution was 339.4 million cubic meters, and we owned 67 natural gas transportation vehicles. With its expanding transportation fleet and logistics platform, the Group distributed and traded CNG and LNG as a wholesaler and sales agent to commercial users through direct supply facilities. In addition, the Group is exploring cooperation opportunities with upstream suppliers. The Group is in the process of acquiring a 29% equity interest in CNPC's Caofeidian LNG receiving terminal and owns 10% equity interest in CNPC's Haikou LNG receiving terminal. It distributes LNG with gas sources ultimately from CNOOC's Ningbo receiving terminal and Sinopec's Dongjiakou receiving terminal, which will secure stable supply of natural gas and further consolidate the Group's position as a wholesaler and sales agent in the midstream market.

EXPANSION INITIATIVES

During the year ended 31 December 2017, projects that were newly acquired or in the process of acquisition were:

	Projects	Status	Principal industry
1	Jilin Songyuan	Acquisition was completed in 2017	Piped gas of residential users, commercial users and public buildings as well as 2 CNG refueling stations for vehicles
2	Shanxi Minsheng	Acquisition was completed in 2017	Piped gas of residential users, utilities and industrial and commercial users as well as 5 CNG refueling stations for vehicles
3	Yongji Minsheng	Acquisition was completed in 2017	Piped gas of residential users, utilities and industrial and commercial users as well as 2 CNG refueling stations for vehicles
4	Teng County	In the process of acquisition	Invest in and operate in the city pipeline system, provision and distribution of piped gas
5	PetroChina Jingtang	In the process of acquisition	Provision of port facilities for vessels, cargo handling services, warehousing and loading services within the port area, and receiving, storage and re-gasification of liquefied natural gas



FINANCIAL RESOURCES OF THE GROUP

Cash and bank balances of the Group amounted to HK$127.7 million as of 31 December 2017. Given the Group's ample cash position, relatively low 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.

As at 31 December 2017, principal amount of the Group's corporate bonds and convertible bonds were HK$539.5 million and HK$815.5 million respectively. The Group's gearing ratio, which is total borrowings divided by total assets, was at 28.9% as at 31 December 2017, which was higher than that as at 31 December 2016. If excluding convertible bonds, the gearing ratio was 18.0% as at 31 December 2017 (7.1% as at 31 December 2016). Cash to total liabilities was 5.0% as at 31 December 2017 (9.0% as at 31 December 2016).

Convertible bonds issuance summary table:

Issue date	Investors	Principal amount *HK$*	Principal amount as at 31 December 2017 *HK$*	Conversion price per share *HK$*	Maturity Date
2015-09-09	Templeton Asset Management Ltd.'s Emerging Markets Group	116,000,000	50,500,000	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
2017-04-24	Central China International Investment Company Limited	150,000,000	150,000,000	0.67	2019-12-23
2017-05-04	China Huarong International Holdings Limited	200,000,000	200,000,000	0.67	2020-04-24

FUTURE PROSPECTS

The Group will "adopt a pragmatic approach for changes, seize opportunities and work in solidarity" to enable the Group to "win good appraise, get to a higher stage and to greater height". In accordance with instructions of the National Energy Association Guiding Opinions on Energy Work for 2018, the first year after the 19th National Congress of the Communist Party of China, work will be rolled out comprehensively in promoting the transformation & development of new energy for China. As China enters into the new era, it will strengthen the clean energy industry and steadily improve its natural gas supply. In the future, "coal-to-gas" progress will focus mainly in Beijing-Tianjin-Hebei Region and its surrounding areas, the Yangtze River Delta, the Pearl River Delta and the Northeast China Region. The Group will continue to follow national policies closely by capitalizing upstream resources in relation to the LNG receiving terminal along the coastal "One Belt" region and invest and operate in downstream end-markets across the "One Road" region of inland China. In addition, the Group will leverage on its trading and distribution network to facilitate its full value-chain development.

During the period under review, the Group extended its natural gas business coverage, completed the acquisition of city gas projects in Jilin Province as well as in Yuncheng City & Yongji City, Shanxi Province and is in the midst of acquiring the project in Guangxi and a 29% equity interest in Petrochina Jingtang (Caofeidian LNG receiving terminal). Upon the completion of LNG terminal acquisition, the Group's full value chain business model will be fulfilled. Significant synergy can be crystalised through securing imported LNG supply via the receiving terminal, trading and distribution of LNG for the midstream segment and the consumption of gas for end markets alongside market share gain of the gas business. The Group is also proactively exploring new business model that can potentially provide additional value-added services to our customers. The Group's finance lease platform has been in place since 2017. Meanwhile the Group is on track to establish or enhance its own supply chain financing, LNG trading as well as Industry M&A platform. The Group expects that such initiatives will drive further growth in the future. The Group would maintain its consistency in identifying new projects across the region and enhancing profitability for existing projects, with an aim to raise our profile amongst peers and to increase profitability and value for our shareholders.

FINANCIAL REVIEW

Revenue

Revenue increased by 129.0% from HK$633.8 million for the year ended 31 December 2016 to HK$1,451.1 million for the year ended 31 December 2017, mainly attributable to i) the Company successfully developing the LNG trading business, and ii) completion of acquisition of Jilin Project in May 2017 and Shanxi Project in October 2017. The two acquired projects contributed revenue of HK$130.7 million and HK$150.1 million respectively.

Gross Profit and Segment Profit

The Group recorded gross profit of HK$47.2 million for the year ended 31 December 2016 and HK$167.6 million for the year ended 31 December 2017. The increase was driven mainly by the increased contribution from city gas business.

Segment profit decreased by 48.3% from HK$205.3 million for the year ended 31 December 2016 to HK$106.1 million for the year ended 31 December 2017, which was mainly attributable to the reduction in gain recognised on disposal of equity interest in subsidiaries.

Earnings before Interest, Tax, Depreciation and Amortisation

Earnings before interest, tax, depreciation and amortisation increased from HK$229.8 million for the year ended 31 December 2016 to HK$244.7 million for the year ended 31 December 2017, which was mainly due to the profit contribution from Jilin and Shanxi projects and offset by the reduction in gain recognised on disposal equity interest in subsidiaries. By excluding one off gain on disposal or deemed disposal of subsidiaries, joint venture and associate, EBITDA of the Company increased by 751.8% to HK$146.9 million.

Other Gains and Losses and Other Income

Other gains and losses and other income increased from HK$84.7 million for the year ended 31 December 2016 to HK$113.3 million for the year ended 31 December 2017, which was mainly due to the increase in gain from fair value change of embedded derivatives of HK$95.0 million but offset by the decrease in investment income, and the change from net exchange gain to net exchange loss.

Gain recognised on disposal of subsidiaries and joint venture

Gain recognised on disposal of subsidiaries and joint venture of HK$97.5 million comprised of the following:

(i) Disposal of 75% equity interests in Printing Group, a discontinued operation, at a cash consideration of HK$178,000,000, resulting in a gain of disposal of subsidiaries of HK$72.9 million;

(ii) Disposal of 100% equity interests in Fan Dream, at a cash consideration of HK$30,000,000 to an independent third party, resulting in gain on disposal of subsidiaries of HK$14.6 million; and

(iii) Disposal of 59.38% equity interests in My Palace, at a cash consideration of HK$86,811,000 (the "My Palace Disposal") to an independent third party, resulting in gain on disposal of joint venture of HK$10.0 million.

Operating expenses

(a) Administrative expenses

The administrative expenses increased by 46.3% from HK$123.1 million for the year ended 31 December 2016 to HK$180.1 million for the year ended 31 December 2017. It was mainly due to the increase in (i) employee benefit expenses by HK$26.5 million; (ii) depreciation by HK$8.1 million; (iii) commission by HK$3.2 million; (iv) travelling expenses by HK$2.6 million; (v) consultancy fee by HK$1.8 million; and other expenses.

(b) Other expenses

Other expenses increased by 30.8% from HK$13.0 million for the year ended 31 December 2016 to HK$17.0 million for year ended 31 December 2017 which was mainly due to the increase in legal and professional fees by HK$4.4 million.

(c) Finance costs

Finance costs increased from HK$95.7 million for the year ended 31 December 2016 to HK$165.7 million for the year ended 31 December 2017 which was mainly due to the increase in (i) interest on convertible bonds of HK$53.8 million; (ii) interest on obligations under finance leases of HK$7.4 million; and (iii) interest on other borrowings of HK$9.5 million. However, actual cash interest expense was only HK$63.3 million.

(d) *Income tax expense*

Income tax expense 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 2017 and 2016 respectively.

Income tax expense of HK$5.8 million for the year ended 31 December 2017 represented the current tax expense arising from the PRC subsidiaries of HK$17.1 million and the deferred tax credit of HK$11.3 million arising from fair value adjustments of intangible assets from acquisition of various natural gas projects.

(e) *Loss/profit attributable to the owners of the Company from continuing operations*

The Group's loss for the year attributable to the owners of the Company from continuing operations was arrived at HK$82.8 million for the year ended 31 December 2017, representing a decrease by HK$195.8 million from the year ended 31 December 2016.

USE OF PROCEEDS

On 13 April 2017, the Company entered into a convertible bond subscription agreement in the principal amount of HK$200,000,000 with China Huarong International Holdings Limited, a company with limited liability incorporated in Hong Kong, pursuant to which the Company has agreed to issue convertible bond at the conversion price of HK$0.67 per conversion share (the "13 April 2017 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$0.57 per share.

On 4 May 2017, the 13 April 2017 Placement was completed. Net proceeds from the issue of convertible bond after deducting related transaction costs was HK$167.6 million, which was used for mergers and acquisitions of natural gas projects.

On 18 April 2017, the Company entered into a convertible bond subscription agreement in the principal amount of HK$150,000,000 with Central China International Investment Company Limited, a company with limited liability incorporated in Hong Kong, pursuant to which the Company has agreed to issue convertible bond at the conversion price of HK$0.67 per conversion share (the "18 April 2017 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$0.57 per share.

On 24 April 2017, the 18 April 2017 Placement was completed. Net proceeds from the issue of convertible bond after deducting related transaction costs was HK$123.3 million, of which (i) HK$74.6 million was used for mergers and acquisitions of natural gas projects, and (ii) HK$48.7 million was used for general working capital.

CAPITAL STRUCTURE AND FINANCIAL RESOURCES

The Group financed its operations with shareholders' equity, amount due to non-controlling interests of subsidiaries, obligation under finance leases, convertible bonds, and bank and other borrowings.

The Group maintained bank deposits, bank balances and cash amounting to HK$127.7 million as at 31 December 2017 (31 December 2016: HK$91.4 million), an increase of 39.7% from 31 December 2016.

The Group had total borrowings of HK$1,717.6 million as at 31 December 2017 (2016: HK$675.4 million). The Group's gearing ratio, which is total borrowings divided by the total assets was 28.9% (2016: 15.7%).

The Group's non-current assets increased to HK$4,784.0 million, primarily due to the increase in (i) intangible assets of HK$757.2 million; (ii) property, plant and equipment of HK$487.4 million; and (iii) goodwill of HK$355.9 million.

As at 31 December 2017, the Group's current assets of HK$1,155.6 million (31 December 2016: HK$635.0 million), mainly comprised of trade and other receivables of HK$703.3 million (31 December 2016: HK$312.6 million); financial assets at fair value through profit or loss of HK$220.9 million (31 December 2016: HK$125.5 million), cash and bank balances of HK$127.7 million (31 December 2016: HK$91.4 million), promissory notes receivables of HK$23.0 million (31 December 2016: HK$10.0 million), inventories of HK$22.4 million (31 December 2016: HK$8.6 million), amounts due from associates of HK$18.9 million (31 December 2016: Nil), amounts due from joint ventures of HK$15.5 million (31 December 2016: HK$66.0 million), amounts due from customers for contract works of HK$6.8 million (31 December 2016: Nil), and amounts due from non-controlling shareholders of subsidiaries of HK$12.4 million (31 December 2016: HK$18.6 million).

As at 31 December 2017, the Group's current liabilities of HK$1,123.6 million (31 December 2016: HK$321.4 million), mainly comprised of trade and other payables of HK$462.1 million (31 December 2016: HK$140.6 million), bank and other borrowings of HK$253.9 million (31 December 2016: Nil), convertible bonds of HK$129.2 million (31 December 2016: HK$108.7 million), obligation under finance leases of HK$83.2 million (31 December 2016: HK$2.1 million), embedded derivatives at fair value through profit or loss of HK$23.2 million (31 December 2016: HK$60.9 million), amounts due to joint ventures of HK$15.3 million (31 December 2016: HK$9.0 million) and amounts due to customers for contract works of HK$1.0 million (31 December 2016: Nil).

As at 31 December 2017, the net current assets of the Group amounted to HK$32.0 million (31 December 2016: net current assets of HK$313.7 million). The Group's current ratio (calculated on the basis of the Group's current assets over current liabilities) was 1.03 as at 31 December 2017 (31 December 2016: 1.98).

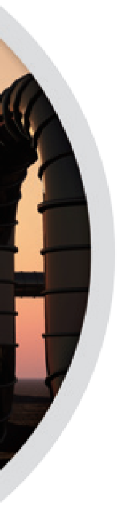
During the year ended 31 December 2017, the Group did not enter into any financial instrument for hedging purposes nor other hedging instruments to hedge against foreign exchange rate risks.

During the year ended 31 December 2017 and up to the date of this report, the Company has entered into separate agreements with the following independent third parties in respect of the issue of the corporate bonds by the Company:

Subscribers	Issue Date	Principal Amount *(HK$'000)*
4 years corporate bonds:		
Tong Xin（童欣）	13 July 2017	10,000
Lin Ling（林淩）	6 September 2017	5,000
1 to 3 years corporate bonds:		
Sun Yifu（孫藝夫）	15 September 2017	20,000
	28 September 2017	20,000
	8 November 2017	10,000
Qi Longjiang（齊龍江）	1 February 2018	10,000
Fang Xiangzai（方香崽）	6 February 2018	12,500
Qu Shengjun（曲聖軍）	2 March 2018	5,000

EMPLOYEES' INFORMATION

Our employees are based in Hong Kong and the PRC. As at 31 December 2017, there were 934 (2016: 360) 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.



EXECUTIVE DIRECTORS

Mr. Cheng Ming Kit ("Mr. Cheng"), aged 43, has been appointed as an executive Director and a member of the nomination committee of the Company since 7 May 2014, is the Co-chairman of the Board and was appointed as the chief executive officer in January 2018. Mr. Cheng is responsible for the strategic plans and future direction of the Group. He has been appointed as a member of the Ningxia Hui Autonomous Region CPPCC in January 2018. 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, PRC and overseas. From 1995 to 2003, Mr. Cheng held various positions which were responsible for corporate finance and property development activities in 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 PRC. Mr. Cheng was re-designated from an executive director to a non-executive director of New Times Energy Corporation Limited (stock code: 0166) on 30 June 2017 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 49, has been an executive Director of the Company since 19 December 2006. He is one of the founders of the Group. Mr. Sze oversaw 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 53, has been appointed as 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. Mr. Hung 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 22 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. Tam Man Kin ("Mr. Tam"), aged 40, has been appointed as an executive Director and group chief financial officer of the Company 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 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 43, has been appointed as an executive Director of the Company since 21 February 2017. He graduated from City Gas Engineering from Beijing Construction Engineering College (now Beijing University of Civil Engineering and Architecture) in 1998 and is a senior engineer. 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 50, a non-executive Director and Co-chairman of the Board of the Company. 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 has been the vice president of Beijing Enterprises Holdings Limited (a company listed on the Stock Exchange, stock code: 392) since July 2014 and a director and a general manager of Beijing Gas Group Co., Ltd.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lim Siang Kai ("Mr. Lim"), aged 61, 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 30 years of experience in the securities, private and investment banking and fund management industries. Mr. Lim is the chairman and independent non-executive 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 (a company listed in Singapore) 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 and 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 54, has been an independent non-executive Director of the Company since 26 March 2007. He is currently the non-executive independent chairman and independent director of Hosen Group Ltd as well as a non-executive independent director of Miyoshi Limited – both companies are listed in Singapore. Mr. Wee was previously the chief executive officer and executive director of three public listed companies in Singapore – PSL Holdings Ltd, HG Metal Manufacturing Ltd and Kian Ho Bearings Ltd. Prior to joining the corporate world, Mr. Wee held various positions in both local and foreign banks. He graduated from the National University of Singapore with a bachelor of Accountancy (Honours) in 1988 and was a Fellow of the Institute of Singapore Chartered Accountants from 2004 to 2017.

Mr. Ma Arthur On-hing ("Mr. Ma"), aged 49, has been an independent non-executive Director of the Company since 3 November 2014. Mr. Ma has over 20 years of experience in investment, fund management and financial management. He is currently Head of Compliance of Wealthy Global Financial Asset Management Limited. He was an executive director of KOALA Finance Group Limited (previously known as "Sunrise (China) Technology Group Limited") (stock code: 8226) until 30 June 2017 which shares are listed on the Growth Enterprise Market of the SEHK. He holds a bachelor degree in Accounting and Finance from San Francisco State University, USA, a master degree in Finance from Golden Gate University, USA, and a master degree in Linguistics from the Chinese University of Hong Kong. He is a member of the American Institute of Certified Public Accountants.

Mr. Pang Siu Yin ("Mr. Pang"), aged 58, has been appointed as an independent non-executive Director of the Company since 21 February 2017. He 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, Affluent Partners Holdings Limited (formerly known as "Man Sang Jewellery Holdings Limited") (stock code: 1466) on 19 November 2016 and Aurum Pacific (China) Group Limited (stock code: 8148) on 15 January 2018, all companies are listed on the Stock Exchange.

SENIOR MANAGEMENT

Mr. Siew Chun Fai ("Mr. Siew"), aged 45, 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 49, 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 42, 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 more than 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 40, 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 56, 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 PRC.

Mr. Tseung Kit ("Mr. Tseung"), aged 70, 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 (stock code: 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 SEHK (the "Listing Rules"). 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 2017 (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.

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	3/5	N/A	1/1	N/A	0/3
Mr. Sze Chun Lee	3/5	N/A	N/A	N/A	0/3
Mr. Hung Tao	4/5	N/A	N/A	N/A	0/3
Mr. Hu Xiaoming(1)	2/5	N/A	N/A	N/A	0/3
Mr. Tam Man Kin	4/5	N/A	N/A	N/A	2/3
Mr. Li Weiqi(2)	5/5	N/A	N/A	N/A	0/2
Mr. Zhi Xiaoye	0/5	N/A	N/A	N/A	0/3
Mr. Lim Siang Kai	5/5	2/2	1/1	1/1	3/3
Mr. Wee Piew	5/5	2/2	1/1	1/1	3/3
Mr. Ma Arthur On-hing	5/5	2/2	1/1	1/1	3/3
Mr. Pang Siu Yin(2)	3/5	1/2	1/1	1/1	0/2

Note:

(1) Mr. Hu Xiaoming resigned as an executive Director and chief executive officer of the Company with effect from 19 January 2018.

(2) Mr. Li Weiqi and Mr. Pang Siu Yin were appointed as executive Director and independent non-executive Director respectively, both were effective from 21 February 2017.

Pursuant to code provision A.6.7 of the CG Code, independent non-executive directors and other non-executive directors should attend general meetings. Mr. Pang Sin Yin and Mr. Zhi Xiaoye did not attend 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. Hu Xiaoming (Resigned on 19 January 2018)
Mr. Tam Man Kin
Mr. Li Weiqi (Appointed on 21 February 2017)

Non-executive Director
Mr. Zhi Xiaoye

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 ten 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 and 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.

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 were 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 was 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 was 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. Mr. Cheng Ming Kit, a co-chairman of the Company, was appointed as chief executive officer on 19 January 2018 and performed both the roles of chairman and chief executive officer of the Company which is deviated from code provision A.2.1 of the Code. The Company believes that Mr. Cheng Ming Kit serves as both the co-chairman and the chief executive officer of the Company is more efficient and effective for the Company to develop its long-term strategies and in the execution of its business plans. The responsibilities of the co-chairman and chief executive officer 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;
7. acting in the best interest of the Group and the shareholders; and
8. day to day management.

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 (Note)	*(Member)*

Note: Appointed on 21 February 2017.

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 gender, 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 Director;

3. assessing annually the independence of an independent non-executive Director; 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 voting 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 16 to 18 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 (Note)	*(Member)*

Note: Appointed on 21 February 2017.

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. During the Year, one meeting of the RC was held to review the Directors' fees and remuneration of the executive Directors. 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.

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 and controlling shareholders 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. No share options have been granted during 2017 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. The Board seeks authorization from shareholders to fix the remuneration of Directors at the AGM.

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. Details of the remuneration payable to the Directors and five highest paid individuals of the Group during the Year under review are set out in note 13 to the consolidated financial statements.

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 (Note)	*(Member)*

Note: Appointed on 21 February 2017.

The AC comprises entirely independent non-executive Directors. The AC is scheduled to meet at least twice a year. The AC 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. Three 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 2017, 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 2017, 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 2017 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 2017;
- discussion with auditor for financial results and financial position of the Group for the financial year ended 2017; 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 2017, 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	3,000
Non-audit services provided by Deloitte Touche Tohmatsu	722
Non-audit services provided by other auditors	3,136
	6,858

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' 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 78 to 193 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 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 2017.

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 2017 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, Directors were provided with reading materials on the relevant rules and regulatory updates.

Directors	**Reading materials**
Cheng Ming Kit	✓
Sze Chun Lee	✓
Hung Tao	✓
Tam Man Kin	✓
Li Weiqi	✓
Zhi Xiaoye	✓
Lim Siang Kai	✓
Wee Piew	✓
Ma Arthur On-hing	✓
Pang Siu Yin	✓

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, 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 the 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 the 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 the 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 9 June 2017 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 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 "Company", together with its subsidiaries, the "Group") focuses on the natural gas industry chain 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 with its business coverage radiating various provinces.

The four major business scopes of the Group include direct supply, trading and distribution of natural gas, natural gas for transportation and city gas. The major operations include: operation of CNG and LNG refueling stations for vehicles; distributing and trading CNG and LNG as a wholesaler and sales agent to industrial and commercial users through direct supply facilities; sale of natural gas to residential, industrial and commercial users through pipelines, pipeline connection fees and other related products, such as transportation income, rental income and value-added services.

Under the "One Belt One Road" strategy, along the key "One Belt" coastal economic presence, the Group aims to leverage the LNG receiving terminals to distribute low cost LNG as a wholesaler and distributor to our own sales outlets. The Group expands and distributes its natural gas industry chain through fully leveraging on the advantages of low cost and diversified gas sources.

In future, Beijing Gas Blue Sky will continue to accelerate its market expansion to reach more customer base to further increase its market share and bargaining power with upstream gas suppliers and strive to create maximum value for the Group as well as the environment and the society.

ABOUT THIS REPORT

This report is the second Environmental, Social and Governance (the "ESG") Report published by Beijing Gas Blue Sky, which allows every stakeholder to better understand the progress and direction of sustainable development of the Group through reporting the policies, measures and performances in the environmental, social and governance aspects.

This report is prepared in both Chinese and English and is available on the websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company (www.bgbluesky.com).

Scope of Report

This report focuses on the natural gas for transportation business and trading and distribution of natural gas business segments of Beijing Gas Blue Sky. The scope covers the Group's operation of the natural gas refueling stations of Haikou Xinyuan project in Hainan Province and the office of the Anhui Power Energy in Anhui Province (the "Two Projects") respectively for the period from January 2017 to December 2017. To facilitate readers to compare the Group's annual performance, the structure of this report is to prepare as close as possible to the first report. The report currently does not cover all the operations of the Group, however, the purpose is to keep on improving the internal data collection procedures and expand the scope of disclosure gradually.

Reporting Standards

This report is in compliance with the "comply or explain" provisions in the Environmental, Social and Governance Reporting Guide (the "Guide") issued by the Stock Exchange and adopts four reporting principles as set out in the Guide, including Materiality, Quantitative, Balance and Consistency, as the basis of preparation of this report. To ensure the accuracy of environmental key performance indicators, Beijing Gas Blue Sky engaged Carbon Care Asia, a professional consulting firm, to conduct carbon evaluation. According to the actual situation of our organization, the report selects some of the key performance indicators in the "Proposed Disclosures" section of the "Guide" to make the report more complete.

A complete content index is appended in the last chapter hereof for quick reference according to the Guide.

Confirmation and Approval

All information referenced in this report is based on the official documents and statistical data of Beijing Gas Blue Sky and its subsidiaries, as well as the management and operation information collected under the Group's system. The report was confirmed and approved by the board of directors of the Group in March 2018.

Feedbacks

Beijing Gas Blue Sky treasures the opinions of stakeholders. If you are in doubt or have any recommendations in regards to the content or reporting format of this report, you are welcome to contact us through the following methods:

Address: Room 1411, 14th Floor, New World Tower I, 16-18 Queen's Road Central, Hong Kong
Email: ir@bgbluesky.com
Fax: (852) 3425 4339

MESSAGE FROM THE CHAIRMAN

Under the background of climatic changes and active implementation of "coal-to-gas" measures by the PRC government, Beijing Gas Blue Sky actively responded to the international trend of developing cleaner energy as well as the needs of domestic customers. To complement with the five-year plan for energy development in the PRC, Beijing Gas Blue Sky has formulated a three-year development plan to speed up the application of natural gas, bringing a safe and stable energy supply to the society.

Being in the energy industry, it allows us to better understand the importance of effective use of resources. To strengthen employees' awareness of environmental protection, the Group has formulated an environmental protection system to manage water and electricity savings at every segment of its business operation. The Hainan project has especially re-engineered compressors and lighting facilities and installed voice and light control devices. The rainwater recycling system of the project collects rainwater for flushing purpose after filtering.

The importance of talents to every company is self-evident. The business expansion and growth of Beijing Gas Blue Sky relies on the efforts of every employee. Therefore, we attach great importance to employees' rights, health and safety. We provide comprehensive employment system and labour practices, comprehensive remuneration system, social insurance and various welfare allowances. We also arrange physical examinations, mental health consultations, occupational health and safety guide and fire drills, and endeavour to create a healthy and safe working environment.

As a natural gas provider, we are highly concerned about product liability and safety. The project company of Beijing Gas Blue Sky organizes regular inspections on pipelines, stations, and indoor safety to ensure secured gas supply safety. To protect consumers more effectively, it also provides safety training for customers and maintains close communication with various government departments to have a full understanding of the information and intelligence related to gas supply.

In future, Beijing Gas Blue Sky will continue to expand the domestic market to meet the needs of social development while at the same time improves air quality and public health. It will also strengthen the communications with employees, business partners, shareholders, suppliers, governments and communities to formulate business strategy in a better manner, so as to meet the needs and expectations of stakeholders in the social and environmental performance aspects.

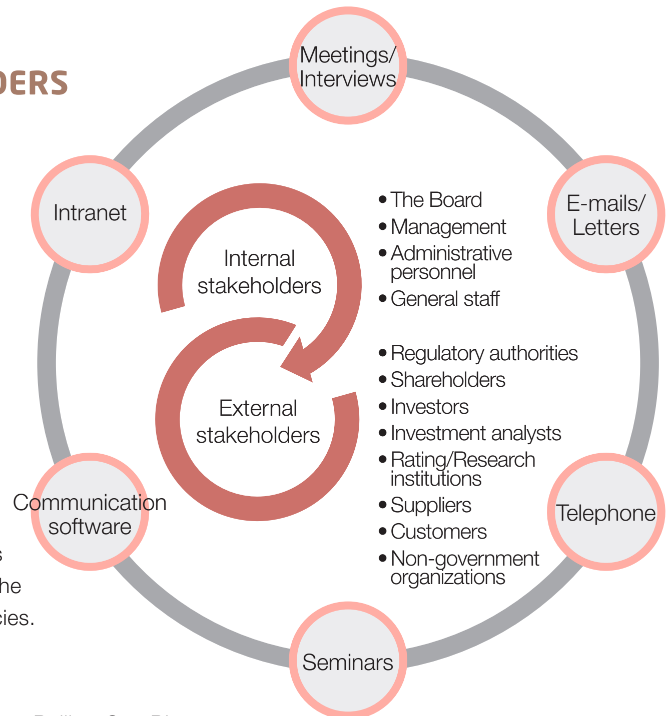
Beijing Gas Blue Sky Holdings Limited

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

COMMUNICATIONS WITH STAKEHOLDERS

Communication methods with major stakeholders[1] during the year

Stakeholders' participation plays an important part in the business management of Beijing Gas Blue Sky, in which it helps the Group to review potential risks and business opportunities. Communicating with stakeholders and understanding of their views will enable the business practices of the Group to be much closer to their needs and expectations and manage the opinions of different stakeholders properly. The Group constantly communicates with key stakeholders internally and externally through different channels to ensure that they have the opportunity to understand the development and operational policy of the Group. It also provides opportunities for the Group to listen to their opinions, so as to identify the priorities of different topics and develop corresponding policies.



Substantive Analysis

In order to identify important environmental and social topics, Beijing Gas Blue Sky engaged Carbon Care Asia, an independent consultant, to conduct an importance assessment. Through questionnaire survey and management interviews, the consultants collected stakeholders' views and importance rating on various topics and analysed the information collected both qualitatively and quantitatively.

The consultants have adopted assessment procedures to identify areas that are of significant importance to Beijing Gas Blue Sky's business and its stakeholders. In the questionnaire survey, stakeholders rated 28 topics according to their importance to the Group and the stakeholders themselves. The consultants conducted a substantive assessment analysis according to the results of the questionnaire survey. As there is a huge difference in the number of feedbacks from internal and external stakeholders, to identify the most critical topics accurately, the consultants conducted a substantive matrix analysis of the results of internal stakeholders' questionnaire survey and concluded the following substantive matrix, whereby the topics above or off the curve are the Group's substantive topics. The consultants also identified topics that external stakeholders are mostly concerned about.

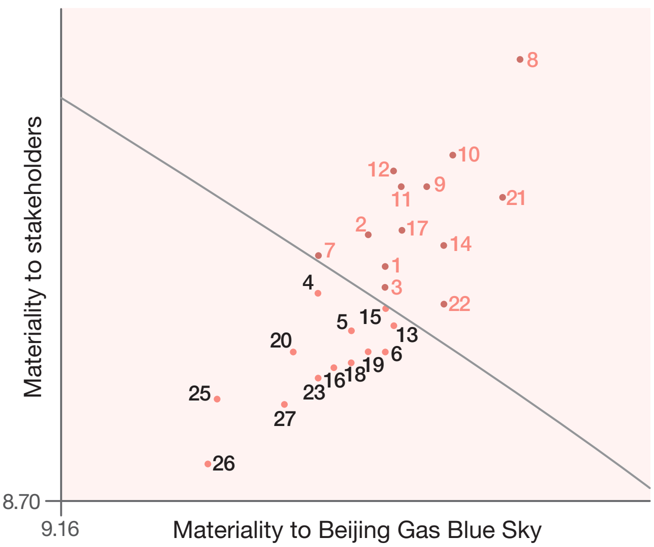
Significant sustainable development topics during the reporting period

In combining the opinions from experts and consultants, the management of Beijing Gas Blue Sky reviewed the substantive matrix and confirmed to pick the 13 most important topics, and "establish an effective community complaints mechanism" that is of most concern by internal stakeholders in the "community investment" aspect. Also, the "ensure fair and reasonable treatment on all business partners" is of most concern by external stakeholders in the "operational practices" aspect, which are the focuses of this report.

[1] "Stakeholders", also known as "interested parties" or "equity owners", refer to groups and individuals that have significant impact on the Group's business or may be affected by the business, including the internal board of directors, management, administrative personnel and general staff, as well as the external regulatory authorities, shareholders, investors, investment analysts, rating/research institutions, suppliers, customers, and non-governmental organizations.

Substantive topics of Beijing Gas Blue Sky in 2017 (in the order of materiality from high to low)

Substantive matrix of Beijing Gas Blue Sky



No.	Topics
8	Establish a comprehensive employment management system
10	Provide a healthy and safe working environment
21	Implement the concept of integrity business, establish systems and measures, and fulfill the terms and conditions stipulated by contracts
9	Eliminate discrimination in workplace and propel equal opportunities
12	Care for employees
11	Provide development and training opportunities to support the continuous development of employees
14	Establish an effective complaint mechanism for employment and labor issues
17	Improve product/service responsibility management system to protect customers' health and safety, and provide customers with quality services
2	Reduce and properly dispose of air pollutants and greenhouse gas emissions generated by operation
22	Prevent bribery, extortion, fraud and money laundering
1	Constantly improve the Group's internal environmental management system in view of its operating conditions
3	Reduce and properly dispose of sewage and wastes generated by operation
7	Conduct environmental protection training for internal and external stakeholders

In order to communicate with internal and external stakeholders effectively, Beijing Gas Blue Sky is committed to maintaining the transparency, completeness, accuracy and timeliness of all information channels. In future, the Group will prepare a more systematic annual stakeholders communication plan, integrates it with the operational and business objectives to support the Group's sustainable development strategy through an evaluation mechanism.

EMPLOYMENT AND LABOUR PRACTICES

Employment system

The Two Projects of Beijing Gas Blue Sky employs over 100 employees. The employment arrangements or requirements of the Group, such as employment management principles, recruitment process, remuneration system, holidays and benefits, attendance and working hours, are set out in staff manuals and employment contracts, which are signed and confirmed by employees.

Beijing Gas Blue Sky is committed to providing fair employment opportunities and employs talents on the principles of fair competition and merit-based employment. The Group recognizes that diversified employment can bring diverse skills and perspectives to the team, which is closely related to enterprise performance. During the year, the Group formally implemented the "Beijing Gas Blue Sky Diversity Policy" to establish our specific commitments, objectives and actions in promoting the diversification of the Group, with the Board supervising the implementation of the policies. The policies were announced on the Group's intranet to enable all employees to be informed.

Objectives and action plans of the Group:

- To ensure all employees are treated equally and with respect
- To attract, reward and retain employees with diverse skills and experience
- To develop flexible work process to meet the needs of diversified employment
- To establish and maintain a safe and open working environment
- To develop recognition and team culture
- To establish quantitative diversification indicators, including male-to-female employee ratio
- To review measuring indicators and progress on achieving the objectives of the Group every year

Number of employees	Male-to-female ratio of employees	Employee remuneration ratio: female versus male
112	Improved from 1.56:1 to 1.43:1	1.15:1, similar to last year

The "Championing Open Dialogue Policy" of the Group stipulates the handling procedures of employees' suggestions and complaints. Apart from performance appraisal, we have "Voice of Blue Sky Power", our internal publications, and various seminars, forums, team sharing sessions and other platforms, and employees can also send e-mails to department heads to express suggestions in improving business processes, project management and engineering technologies, or work difficulties. If the case is special, employees may also choose to send an email to a separate e-mail mailbox, suggestion@bgbluesky.com, which is managed by the human resource director.

Those receiving the information will evaluate the content of the opinions and forward them to the management and respective departments for following up, and reply within the deadline. The employee intranet of the Group has a blog where employees can freely make suggestions and discuss together. The management can also take this opportunity to enhance interaction with employees. Once the proposal is approved, the employee who raises the proposal will receive an award from the Group.

During the year, there was one non-compliance incident involving employment and labor practices at the Hainan Xinyuan gas refueling station of the Group, in which the project company failed to reach an agreement with an employee on the compensation issue when it dismissed that employee due to violation of safety management regulations at the gas refueling station. The local court ruled that the project company needed to compensate the employee for not following the labor union's democratic procedures under the requirements of labor law when discharging the employee's labor contract. Subsequent to that, the project company will clearly stipulate in the management system that in the event of discharging employee labor relations, it shall be implemented according to the relevant provisions of the Labor Law.

Health and Safety

Beijing Gas Blue Sky has formulated Guidelines on Occupational Health and Environmental Protection Management to regulate the "three-in-one" management of safety, health and environment (the "SHE") in regulating the operation of the Two Projects of the Group, safeguard production safety, focus on employees' occupational health and maintain a good environment. The Group co-ordinates and formulates annual SHE targets. The Safety Supervision Department of project companies determine their SHE targets according to the requirements of the Group and the actual operation of the projects. A responsibility statement is signed at all levels and the targets are disseminated to every project department. Safety accidents, casualty rate per million man-hours, leakage rate and environmental pollution incidents are supervised and controlled and annual assessment is conducted. The project companies also carry out SHE inspection and training, hold environmental protection and safety promotion activities regularly, actively participate in improvement programs and new technology application plans organized by the industry and local government regulators to enhance employees' awareness on safety and environmental protection.

For the operation of gas refueling stations, Beijing Gas Blue Sky includes the safety management systems into the Gas Refueling/Gasification Stations Safety Management Guidelines and carries out safety production responsibility system to enable staff at all levels to implement safety precautions at project level.

Project General Manager	Director of Safety Supervision Department	Project Safety Supervision Department (or corresponding department)	Head of Refueling Station and shift foreman	Security administrator
• Lead the Safe Production Committee • Review and approve releasing procedures, specifications and technical standards • Determine the funds for safety measures • Convene regular corporate security meetings • Incorporate safety education into staff education system • Organize and lead the inspection • Establish a reward and punishment mechanism for safety production	• Assist General Manager in formulating production work plan for safety production • Formulate rules and regulations for safe production • Lead safety check • Organize the implementation of hidden danger rectification measures • Organize employees to learn gas related policies and technologies • Command emergency rescue of incidents and find out the cause thereof • Implement the reward and punishment mechanism for safety management	• Work out equipment warranty safety procedures • Conduct facilities maintenance • Deal with hidden danger in a timely manner • Cooperate with safety patrol and spot check. • Organize daily safety check • Organize employees to participate in safety training or examinations • Determine contingency plans and organize regular drills • Participate in the investigation of safety incidents	• Take part in the formulation or modification of management systems and technical procedures • Participate in organizing safety and fire prevention education • Study occupational hazards and propose advice for improvement • Carry out regular itinerant inspection to halt illegal operations • Participate in the investigation of safety incidents	• Participate in the formulation of safety production management systems and operating procedures • Assist head of department to carry out management and supervise the implementation • Prepare incident contingency plans and establish emergency teams and equipment deployment • Organize emergency drills

Beijing Gas Blue Sky adheres to the principle of "Prevention as Priority, Continuous Improvement" in safety management. According to the Group's Guidelines on Safety Education and Training Management, the Two Projects organize various trainings, including safety training for new employees, technical update training and education-focused training before major overhaul, in response to factors such as changes in laws, technological requirements and internal review results. The training is taught by experienced and qualified internal and external tutors. Safety education has already been included in the year-end assessment scope as one of the bases for evaluating departmental performance rewards.

Apart from daily shift changes and inspection, Hainan Project Company, departments and teams shall conduct at least one routine inspection and one regular meeting on a monthly, weekly and daily basis respectively to identify potential safety hazard at workplace, keep staff informed of relevant situation and discuss plans for improvement. Hainan Project Company also checks gas equipment, plant buildings, electrical installations, and transportation vehicles etc. and improve fire and explosion prevention works. Beijing Gas Blue Sky has formulated the Emergency Management Guidelines which stipulate in details the prevention, emergency and follow-up measures for gas leakage, fire disaster, explosion, intoxication and suffocation and other accidents. The Two Projects also conduct annual drills to allow employees to familiarize with the processes of equipment emergency repair and rescue works.

During the year, there was no significant or confirmed health and safety related violations or work-related injury incidents discovered by the Group.

DEVELOPMENT AND TRAINING

Beijing Gas Blue Sky considers employees are the core competitiveness of an enterprise. To improve management quality and staff work efficiency and provide opportunities for personal development, the Group has formulated Training Management Regulations to plan the training programs with standardized models. The Group conducts quarterly training needs investigation every year to prepare training programs for next year, formulate plans for training objects, objectives, budget for engaging lecturers and its implementation.

The Group offers various forms of training, including internal training targeting at new employees, college graduates, departments and even to all staff with different needs, external courses based on training protocols and external learning opportunities such as participating in seminars of the industry. After completion of training, staff should be evaluated and results will be taken as the reference for salary adjustment and promotion. The human resources department of the Group will also assess lecturers performing the training as well the results of training, such as feedback from student, to confirm the effectiveness of the activity.

Objects and subjects of training courses for the year

All staff	Trainees under the mentor system	New employees
Knowledge of natural gas and industry safety standards Situation analysis and suggestions in assuring the 2017 Winter supply Knowledge of lease financing industry Safety hazards and rectification	Corporate culture of Beijing Gas Blue Sky Application range and development trend of industrial point supply Characteristics, market and business model of natural gas distributed energy Gas knowledge and industry safety specification	New employee orientation training

Beijing Gas Blue Sky organized training on gas industry in August this year. On that day, the representatives from Engineering Technology Department briefed the staff regarding the general situation of the gas industry in China, including the development history, supply and transportation construction, national standards, etc. Thereafter, the representatives further introduced the requirements of the internal security responsibility system of the Group, so that employees can have an understanding of the overview, engineering standards, safety standards and safety systems of the industry.

In December this year, the Group held an internal micro class course on lease financing, lectured by the lease financing manager of Qiantang Finance. The purpose was to help employees to understand the business characteristics of lease financing. The whole course analyzed the case of Qiantang Finance Lease Company Limited , a company under the Group, focusing on the discussion of its operation pattern, product characteristics and business advantages. The training deepened employees' understanding of the basic knowledge of lease financing, business model, product features and strengths as well as the operation model of Qiantang Finance.

Labour Standards

Beijing Gas Blue Sky stipulates explicitly in the Regulations on Management of Prohibiting Employment of Child Labour and Minors Worker to prohibit its subsidiaries and partners from employing child labour. The Two Projects provide recruiters with training on certificate identification, interview techniques and questioning methods to confirm the authenticity of applicants' identity documents. Contracts and files signed with employees will be double-checked by the human resources department of the Group every month and if there is any doubt, a background investigation will be conducted again. In case child labour is mistakenly employed, the respective department would arrange them to return to their hometowns to be taken care of by their parents or guardians and offer them medical and educational support subject to their needs. The Group will also inform those regulations and other requirements relevant to corporate social responsibility to other stakeholders, include them in the periodic assessment of cooperative suppliers.

Both the Two Projects sign labour contracts and other applicable supplementary agreements with all successful candidates, safeguarding employee rights in terminating contract and will never adopt unfair measures to restrict the employment relationship between employees and the Group. The Two Projects also have compensation arrangements for overtime work. If employees are required to return to office to work or attend meetings during holidays, they may fill in the overtime application in advance according to relevant procedures. After obtaining the approval from department head, the personnel department will compensate employees with days-in-lieu or overtime pay. The relevant procedures are clearly defined in the Staff Manual of the Two Projects.

During the year, we had not identified any incident involving child labour or forced labour.

Operation Management

The gas refueling stations under Beijing Gas Blue Sky formulate and implement internal quality and safety rules and regulations according to the Group's guidelines. In order to further strengthen quality management and improve the service system, the Group conducted trial runs and officially implemented a series of management measures on service quality, customer relationship and marketing publicity during the year, and further established principles, methods and management procedures for the supervision or inspection measures to ensure their effective implementation regarding product safety and service responsibility.

Product and Service Liability

According to the Quality Supervision and Management Methods and Service On-site Inspection Management Measures of the Group, the Operation Management Department of project companies will monitor the management quality of the Two Projects, including the performance of the project in gas supply and supporting equipment quality, service commitment fulfillment, customer information management and establishment of risk identification and whistle-blowing mechanism through project data verification, project site inspection, customer complaint handling, business re-order or satisfaction survey. In the event that project performance fails to meet the standards or in violation in which it causes damage to the legitimate rights and interests of customers, the projects concerned are required to rectify within a specified time limit, otherwise they may be subject to warning in writing or score deduction in quarterly assessment.

For customers' complaint about products, marketing, service or price, the Group has formulated the Management Measures for Complaint Investigation and Customer Complaints, which defines the channels and tracking procedures of complaints. Customers can lodge a complaint via phone calls and the website of the Group. The Complaint Management Department will respond within one working day and conducts personnel interview, information query and on-site investigation, depending on the nature and level of seriousness of the complaints. Subsequently, the departments concerned will record the investigation results and corrective measures and provide feedback to customers through return visits. Currently, customer complaints have also been included in the quarterly and annual assessment of the Two Projects.

The advertising planning of the Group is carried out according to the requirements of Advertising Marketing Management Measures, and plans can only be officially implemented after being reviewed by several departments and senior management of the Group. The human resources and administration department shall be responsible for the industrial and commercial registration and intellectual property protection of product logo.

During the year, there was no identification of any violation involving product or service liability by the Group.

Supply Chain Management

Pre-qualification review → On-site investigation → Become qualified suppliers → Tendering and bidding → Annual spot check and score ranking

To further regulate the CNG/LNG suppliers, manufacturers, distributors and agents (collectively the "Suppliers") that engage in our procurement, the Group drafted and provisionally conducted the Engineering Materials Supplier Management System during the year to select and monitor cooperative Suppliers in accordance with the quantitative principle.

The supplier management procedures are mainly carried out by the team of the Group's Engineering Technology Department. Suppliers are required to submit application information for the team's pre-qualification review. The data includes various certifications of business license, quality control, environment management, occupational health and safety as well as the compliance and complaints information regarding environmental protection, labour protection, occupational health and human rights of employees in recent three years. Thereafter, the team will conduct on-site plant visit to conduct investigation, spot check and evaluation. During the process, their environmental and social performance, including pollutants control, occupational disease hazard prevention and product specifications, will be checked. Only those that have passed the inspection check, subject to the approval of the Group's review committee and the management, will become our qualified Suppliers.

The Group officially implemented the Bidding Management System during the year. Apart from supply quantity, product quality and after-sales services, the Group also reviews the compliance of environmental and labour protection, the extent of participation in public welfare activities and other factors. It invites well-performed qualified Suppliers to participate in bidding and stipulates the requirements for environmental and labour protection in tender notice and invitation letter. The bidding document is evaluated by the Group's Bid Evaluation Committee, which comprises internal and external experts with expertise in engineering technology, environment and labour protection. If the bidders fail to provide operation information, including use of resources, ecological protection, emissions treatment and employment system, their bidding document will be void.

The Engineering Technology Department gives marks to qualified Suppliers again monthly or quarterly and selects some shortlisted Suppliers every year for site visit from time to time to monitor Suppliers continuously to see if they have fulfilled their governance commitments. The score will be taken as one of the evaluation criteria for shortlisting Suppliers in next session. The Group will, depending on the situation, suspend the purchase or signing of new contracts with underperformed Suppliers or even cancel their qualifications as Suppliers, suspend or permanently prohibit them from participating in bidding. In addition, Suppliers are entitled to report to the Group of any violations by other Suppliers in the procurement activities.

During the reporting period, there was no supplier-related violation in the Group.

Anti-Corruption

Beijing Gas Blue Sky is committed to prevention of corruption. The Two Projects have elaborated the code of conduct in the Staff Manual that all plant employees must observe, which is signed by employees to confirm their understanding and compliance with the stipulations therein. Those behaviors including abuse of power for personal gain, bribery, taking bribe and accepting benefits without the permission of the Group are all defined as major violations. Once the behavior is confirmed, the Group will rescind the labour contract with the employee.

During the reporting period, no incident of violation or litigation action regarding corruption in which the Group and the staff are involved had been identified by the Group.

Environmental Protection

Beijing Gas Blue Sky targets to become the top clean energy supplier and service provider in China and is committed to environmental protection and improvement. To this end, the Group drafted the Guidelines on Occupational Health and Environmental Protection Management (the "Guidelines") during the year. Not only has it covered the previous Health, Safety and Environment (HSE) Management System Specifications, it further established the Company's governance commitment in environmental protection and offers a more specific code of practice to the project companies of the Group in respect of emissions management, use of resources and establishment of environment management system.

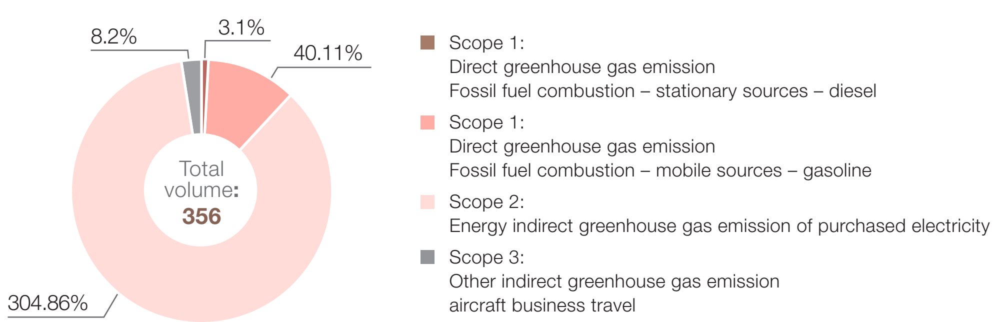
Beijing Gas Blue Sky is committed to achieving the following targets for environmental protection and strives for the understanding, compliance and full support of project companies:

- Attach great importance to environmental protection and make unremitting efforts to improve environmental performance
- Provide a clean, healthy and pollution-free working environment for employees
- Use more environmental-friendly materials and technologies in daily operations
- Formulate energy-saving measures to improve energy efficiency and gradually reduce energy consumption and emissions
- Reduce waste generation and promote recycling
- Improve the environmental protection awareness of employees, customers and business partners
- Comply with all relevant environmental protection laws
- Conduct necessary environmental impact assessment for new projects and conduct regular environmental audits on daily operations
- Carry out regular review of this policy by the environmental protection committee and the coordination, monitoring and control works are conducted by the safety management department

Greenhouse Gas Emission

Beijing Gas Blue Sky pays high attention to the Group's carbon footprint and has been striving for reducing the impact on the environment due to its operation. This year, for the first time, Beijing Gas Blue Sky engaged Carbon Care Asia, a professional consultant, to evaluate the emission of greenhouse gases by the Two Projects. The quantitative measurement of greenhouse gases was conducted based on the "Greenhouse Gas Emissions Accounting Methods and Reporting Guidelines for Petroleum and Natural Gas Production Enterprises in China (Trial)". Total carbon emission for the Two Projects during the year was 356 tCO2e. The major source of greenhouse gas emission came from purchased electricity for use, representing over 80% of total carbon emission. The second largest source of emission was the use of fuel oil, representing approximately 10% of total emission. The quantitative measurement gives the Group a clear picture of how resources are used by the Two Projects.

Greenhouse gas emission by Two Projects (tCO Projects (tCO_2e)



Wastes Gas Emission and Energy Utilization

The Group's direct air emission is generated from fuel consumption, and its original sources are from the diesel generators at gas refueling stations as well as the utilization of petrol by the 10 vehicles in the Two Projects. Total volume of waste gas emissions of the Group was approximately 98 kilograms.

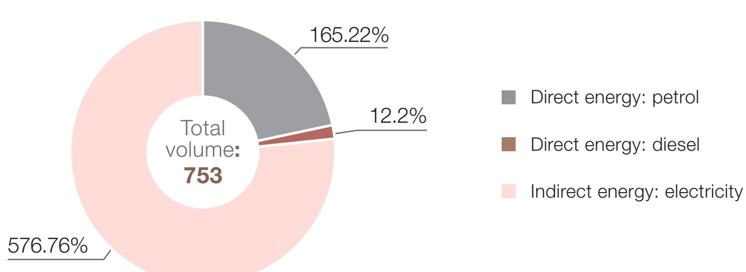
The electric generators at refueling stations are on a standby basis and the wastes gas generated is emitted through flue pipe when utilized. A routine external inspection of refueling stations should be conducted annually in accordance with government regulations to examine gas emission of such generators, so as to confirm whether the national standards such as Integrated Emission Standard of Air Pollutants (《大氣污染物綜合排放標準》 are being complied with. In the current year, the refueling stations established an information interactive mechanism with a local electricity supplier to strengthen communications and reduced the occasions of using the generators up to three times due to blackout.

For vehicle utilization, the Two Projects conduct annual external inspection of all vehicles under the implementation of national standards of vehicle exhaust emission and all vehicles have passed the environmental examination and obtained environmental labeling. The gasoline used by the vehicles of the Two Projects has complied with the requirements of RoHS and other air environmental protection indices. The Group provides eco-driving guidelines to employees, which include encouraging employees to have teleconferencing to the greatest extent to reduce vehicle usage due to business trips. It also instructed drivers to turn off vehicle engines if parking is over 3 minutes and conduct regular vehicles maintenance according to the warranty manual. When comparing with last year, average monthly vehicle usage at refueling stations decreased by 10 times this year. An old vehicle for business purpose with lower fuel efficiency at the refueling station was deployed for office back-up purposes. We purchased another vehicle that has higher fuel efficiency. It is estimated that fuel consumption can be reduced by approximately 2,400 liters during the year.

Air can also be polluted by leakage and spreading natural gas in refueling station. However, the Group has no official statistics for the year. Our refueling stations have leakage alarm detection system in place and we have all along been engaging specialists to examine pipeline devices of leakage weekly using hand-held instrument. The refueling stations conduct equipment maintenance after gas decompression to mitigate emission spreading and has a specific recycling tank in place for gas collection when a certain capacity and number of leakage occasions is reached. This year, the refueling stations engaged external professional authority to inspect the alarm system twice with a passing result. Eight[2] manual leakage inspections on avearge were conducted on a monthly basis.

Energy consumption of Two Projects by category

Energy consumption of Two Projects (MWh)



[2] The optimal number of inspections determined after many inspections and laboratory experience by project companies.

The aforementioned fuel usage could generate direct waste gas emission. However, in a view of energy consumption distribution of the Two Projects, the consumption of purchased electricity is the most which is mainly for devices operation at refueling stations and office air conditioning and illumination. The proposed energy-saving management measures are set out in the guidelines based on employees' individual habits and operation of project companies.

In the case of refueling stations, each project company should suspend using those devices enlisted in the Elimination of Backward Production Capacity, Process and Product Catalogues and no transfer is allowed. The refueling stations should also install separate ammeter and measure the electricity used for production and domestic consumption separately to help periodic counting, comparison and analysis. For office, each project company should endeavour to use devices with higher energy-saving efficiency and establish an effective system to control the operation time, luminance or temperature of the devices. Currently, the air conditioner systems purchased by project offices are at level 2 or better consumption grading. The temperature of air conditioner in Summer is set at 26℃ with ad hoc inspection by safety and environmental supervising officers and administrative officers to execute the environmental energy-saving regulations of the Company. The Company also actively responds to "Green Travel" promulgated by the government and organizes employees to learn gasoline-saving driving skills. Our employees will give preference to high-speed train, public transportation and others when in business travel and we hold an 'energy-saving star" competition to fulfill the Company's environmental mentality.

Wastes management and supplies utilization

This year, the Two Projects of the Group operated and produced approximately four tons of hazardous wastes and approximately two tons of non-hazardous wastes. The former was mainly used engine oil and lubricating oil generated from operation and the latter was employees' domestic garbage. According to the guidelines of the Group, the Two Projects aimed to store and dispose of hazardous and non-hazardous wastes by type. Used mineral oil was stored in labeled containers and was collected and disposed of by qualified collectors accredited by relevant national regulations. The domestic garbage from refueling stations was cleaned and disposed of by local sanitary department.

To reduce wastes, the guidelines require that, apart from complying with the regulations of relevant wastes management, the Two Projects also need to formulate wastes management scheme, which includes bringing in technologies for reducing wastes production, and giving priority to research to minimize those wastes that have huge hazardous impact on environment or are non-recyclable. In respond to the guidelines, Anhui Power Energy propels the wastes management system in offices and carries out office supplies distribution on a quarterly basis to control departmental usage and sets up wastes category boxes to encourage departments to minimize wastes from source and for recycling purpose.

Sewage emission and water management

Currently, the Two Projects have sufficient water resources through municipal water supply. The Two Projects generated general domestic sewage during its operation, which is mainly from cleaning and lavatories and discharged to sewage disposal plant via local pipeline network. If lubricating oil or engine oil is needed for devices, staff at refueling station would adopt measures to avoid oil leakage. If oil contamination is found in clean water, the Two Projects will collect water separately and pass to qualified handlers to dispose of. The Two Projects will continue to monitor other kinds of sewage generated during the operation such as sewage from laboratory and engineering projects and set up individual treatment process according to the guidelines.

The guidelines of the Group set out the recommendations on water-saving in offices and buildings, encourages every project company to install tab water control device and remind employees to save water usage. The Two Projects at present install faucets with infrared induction and flow control valve in staff toilets and post up notice of water saving. The Two Projects set up rainwater recycling system for flushing toilets purpose with total rainwater volume collected of approximately 120 cubic meters during the year.

Other resources utilization

The operation of the Two Projects does not involve any packaging materials usage. However, their daily operation will consume papers continuously. The Group advocates paper-free office, and currently the Two Projects have already adopted email and internet office system to the greatest extent to reduce paper usage, use recycle papers as office papers and business cards partially.

Environment and natural resources

Beijing Gas Blue Sky requires its project companies to follow guidelines to continue identifying and evaluating environmental factors that affect the atmosphere, water, land or environment caused by other natural resources during the operation. Anhui and Hainan project companies evaluate the probability, incidence and precautionary possibility of contamination and identify key environmental factors, so as to formulate environmental influence control formula, for instance set up soundproof outer layer for compressor room to lower boundary noise. The companies of the Two Projects need to device emergency contingency plans, listing out potential risks and emergency measures of various incidents and emergency conditions in order to prevent and alleviate the impact caused by environmental incidents such as any serious incidents due to chemical leakage, spilling and fire. For instance, check the specific oil storage tanks for lubricating oil storage regularly and have felts in place to prevent environmental contamination due to accidental oil leakage.

Obtaining the support from stakeholders for the environmental management of Beijing Gas Blue Sky is essential. Currently, the Group has issued guidelines to suppliers. Every project company also follows the requirements of the guidelines to carry out environmental education and training for management, department manager, supervisors and front-line employees. In the future, Beijing Gas Blue Sky will check the execution of the guidelines in every project company. The Group will also continue to access, record and disclose its greenhouse gas (GHG) emission and other environmental data every year. In using current year’s data as a base, it compares with future data and review the efficiency of the prevailing emission reduction measures, in which it will help to further formulate the overall quantitative environmental targets of the Group.

This year, there was no material breaching incident relating to emission or the environment by the Group. Looking forward, Beijing Gas Blue Sky will pay close attention to the impact of national emission reduction against its business and adjust our business strategy accordingly.

Community investment

Through studying the cases of community investments by more developed enterprises, Beijing Gas Blue Sky officially starts the drafting works of its community investment policy this year. The Company expects to establish a consistent and on-going principle and standard focusing on the Group as a whole. This will allow different project companies to combine the social needs in their regions as well as the Group’s policy to device a suitable community project on its own.

OVERVIEW OF KEY PERFORMANCE INDICATORS

Environmental performance

	Type	Emission this year (kg)
Waste gas	Sulphur oxide matters	7
	Nitric oxide matters	85
	Particulate matters	6

Scope	Source of emission	Emission in this year (in tons CO_2 equivalent)
Scope 1 – Direct GHG Emissions	Combustion of fossil fuels-fixed source-diesel	3
	Combustion of fossil fuels-mobile source-petrol	40
Scope 2 – Energy Indirect GHG Emissions	Purchased electricity	304
Scope 3 – Other indirect GHG emissions	Business air travel	8
Total GHG emissions		356
GHG intensity (in tons CO2 equivalent/ square foot area)		0.0019

	Type	Yields (tons)
Wastes	Hazardous wastes – used oil	4.2
	Non-hazardous wastes – domestic garbage	1.8
	Total	6.0
	Intensity of hazardous wastes (tons/square foot area)	0.00002
	Intensity of non-hazardous wastes(tons/square foot area)	0.00001

	Type		Energy consumption in this year (kWh in'000s)
Energy Utilization	Direct energy	diesel	12
		petrol	165
	Indirect energy	electricity	576
	Total energy consumption		753
	Energy intensity (kWh in'000s/square foot area)		0.004
Water Utilization	Total water consumption (tons)		839
	Intensity for water consumption (tons/square foot area)		0.004

Social performance – Labour and employment practice

			Age under 30	Age 31 to 40	Age 41 to 50	Age over 50	C-level senior management	Senior management	Middle-level management	General staff	Total
Number of employees	"Hainan Xinyuan" Natural Gas Station	Male	10	24	21	10	0	2	15	48	108
		Female	1	19	21	2	0	1	8	34	
	"Anhui Power Energy" Office	Male	0	1	0	0	0	0	0	1	4
		Female	1	2	0	0	0	0	0	3	

			Age under 30	Age 31 to 40	Age 41 to 50	Age over 50	Total	Turnover rate
Employee turnover	"Haiknan Xinyuan" Natural Gas Station	Male	3	1	1	3	13	12%
		Female	1	2	2	0		
	"Anhui Power Energy" Office	Male	0	0	0	0	1	
		Female	1	0	0	0		

			Age under 30	Age 31 to 40	Age 41 to 50	Age over 50	Total	Percentage of new employees
New employees	"Haiknan Xinyuan" Natural Gas Station	Male	1	2	2	0	8	8%
		Female	1	1	0	1		
	"Anhui Power Energy" Office	Male	0	0	0	0	1	
		Female	0	1	0	0		

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

Main Aspects	Description	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	47-50
A1.1	The types of emissions and respective data	51-52
A1.2	Greenhouse gas emissions in total (in tonnes, CO2 equivalent) and, where appropriate, intensity (e.g. in tonnes CO2 equivalent per square foot area).	51
A1.3	Total hazardous waste produced (in kg) and intensity (e.g. in tonnes CO2 equivalent per square foot area)	51
A1.4	Total non-hazardous waste produced (in kg) and intensity (e.g. in tonnes CO2 equivalent per square foot area)	51
A1.5	Description of measures to mitigate emissions and results achieved.	47-50
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	49-50
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	49-50
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in'000s) and intensity (e.g. kWh in'000s per square foot area).	52
A2.2	Water consumption in total and intensity (e.g. ton per square foot area)	52
A2.3	Description of energy use efficiency initiatives and results achieved.	48-49
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	49-50
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	–
A3 Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	50
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken into manage them.	50

Main Aspects	Description	Page Index
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.	41
B1.1	Total workforce by gender, employment type, age group and geographical region.	52
B1.2	Employee turnover rate by gender, age group and geographical region.	52
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.	42
B2.1	Fatality number and rate due to work.	–
B2.2	Lost days due to work injury.	–
B2.3	Description of occupational health and safety measures adopted and how they are being implemented and monitored.	42-43
B3 Development and training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	43-45
B3.1	Description of training activities provided, percentage of employees trained by gender and employee category (e.g. senior management, middle management etc.).	–
B3.2	Average training hours for trainings completed per employee by gender and employee category	–

Main Aspects	Description	Page Index
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.	44-45
B4.1	Description of measures to review employment practices to avoid child and forced labour.	44-45
B4.2	Description of steps taken to eliminate such practices when discovered any breaching.	–
B5 Supply chain management		
General Disclosure	Policies on managing environmental and social risks of supply chain.	46
B5.1	Number of suppliers by geographical region.	–
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	46
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.	45
B6.1	Percentage of total products sold or shipped subject to recalls due to safety and health reasons	–
B6.2	Number of products and service related complaints received and how they are being dealt with.	45
B6.3	Description of practices relating to observing and protecting intellectual property rights	–
B6.4	Description of quality assurance process and recall procedures.	–
B6.5	Description of consumer data protection and privacy policies, how they are being implemented and monitored.	–

Main Aspects	Description	Page Index
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.	46
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.	–
B7.2	Description of preventive measures and whistle-blowing procedures, how they are being implemented and monitored	–
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.	50
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	–
B8.2	Resources contributed (e.g. money or time) to the focus area.	–

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 2017 (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 principal subsidiaries are set out in note 45 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 4 to 5 and pages 6 to 15 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 6 to 15 of this Annual Report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group has strived to ensure ongoing compliance with rules and regulations and to maintain cordial working relationships with regulators through effective communications. During the Year ended 31 December 2017, 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 and provide them with a competitive remuneration package and opportunities within the Group for career advancement. We 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. Details are set out in note 46 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the Year and the Group's financial position as at 31 December 2017 are set out in the consolidated financial statements on pages 78 to 80.

The Directors do not recommend the payment of final dividend for the Year (2016: 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 194 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 33 to the consolidated financial statements.

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

Subscription of 150,000,000 new Shares under General Mandate

On 24 January 2018, the Company entered into a subscription agreement with Mrs. Surangrat Chirathivat (the "Subscriber") pursuant to which the Company has conditionally agreed to issue, and the Subscriber has conditionally agreed to subscribe for, an aggregate of 150,000,000 Shares at the subscription price of HK$0.57 per subscription share. Please refer to the announcement of the Company dated 24 January 2018 for further details. The subscription of new shares has not been completed at the date of this report.

PRE-EMPTIVE RIGHT

There are no provisions for pre-emptive rights under the Company's 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 any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the Year.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company set out in the section headed "Share Options" on pages 65 to 66 and note 34 to the consolidated financial statements and the issue of convertible bonds with details set out below, no equity-linked agreements were entered into during the Year or subsisted at the end of the Year.

Convertible Bond in an aggregate principal amount of HK$200,000,000

On 13 April 2017, the Company entered into a subscription agreement with China Huarong International Holdings Limited ("Huarong") pursuant to which Huarong agreed to subscribe and the Company agreed to issue the convertible bond in an aggregate principal amount of HK$200,000,000 at the conversion price of HK$0.67 per conversion share, 298,507,462 conversion shares will fall to be issued. Please refer to the announcement of the Company dated 13 April 2017 for further details.

Convertible Bond in an aggregate principal amount of HK$150,000,000

On 18 April 2017, the Company entered into a subscription agreement with Central China International Investment Company Limited ("Central China") pursuant to which Central China agreed to subscribe and the Company agreed to issue the convertible bond in an aggregate principal amount of HK$150,000,000 at the conversion price of HK$0.67 per conversion share, 223,880,597 conversion shares will fall to be issued. Please refer to the announcement of the Company dated 18 April 2017 for further details.

Issue of Consideration Shares

On 28 December 2017, the Company entered into an acquisition agreement with Beijing Gas Company Limited ("Beijing Gas HK") and Beijing Gas Group Company Limited ("Beijing Gas Group") pursuant to which the Company has conditionally agreed to acquire, and Beijing Gas HK has conditionally agreed to sell, all the issued share capital of Beijing Gas JingTang Company Ltd. The consideration for the acquisition is RMB1,008,000,000 (equivalent to approximately HK$1,203,854,400) which shall be satisfied by the issuance of 2,407,708,800 consideration shares by the Company at the issue price of HK$0.50 per consideration share. Please refer to the announcement of the Company dated 28 December 2017 for further details.

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 statement of changes in equity.

DISTRIBUTABLE RESERVES

At 31 December 2017, 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 35% of the total sales for the Year and sales to the largest customer included therein amounted to 20%. Purchases from the Group's five largest suppliers accounted for 39% of the total purchases for the Year and purchases from the largest supplier included therein amounted to 22%. 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 Company's Bye-laws, Mr. Sze Chun Lee, Mr. Lim Siang Kai, Mr. Wee Piew and Mr. Zhi Xiaoye shall retire by rotation at the forthcoming annual general meeting of the Company ("AGM"). All of the above retiring Directors, being eligible, will offer themselves for re-election at the AGM.

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 still 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 16 to 19 of this report.

DIRECTORS' SERVICE CONTRACTS

As at 31 December 2017, 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.

PERMITTED INDEMNITY PROVISIONS

During the Year and up to the date of this report, the Company has in force the permitted indemnity provisions which are provided for in the Company's Bye-laws and in the directors and officers liability insurance maintained for the Group in respect of potential liability and cost associated with legal proceedings that may be brought against the Directors.

DIRECTORS' REMUNERATION

The Directors' remuneration is subject to approval by Remuneration Committee 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 three Directors of the Company and two individuals. Details of the highest paid individuals are set out in note 13 to the consolidated financial statements.

DIRECTORS' INTERESTS IN CONTRACTS

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 2017, the interests and 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/ chief executive	Nature of interest	Number of Shares (Note 1)	Approximate percentage of shareholding at 31/12/2017
Mr. Cheng Ming Kit (Note 2)	Beneficial owner	132,645,040 (L)	1.35%
	Interest of controlled corporation	1,082,862,256 (L)	11.00%
Mr. Sze Chun Lee (Note 3)	Beneficial owner	1,800,000 (L)	0.02%
	Interest of controlled corporation	110,000,000 (L)	1.12%
Mr. Hu Xiaoming (Note 4)	Beneficial owner	2,640,000 (L)	0.03%
Hung Tao	Beneficial owner	37,682,730 (L)	0.38%

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 1,082,862,256 Shares held by Grand Powerful Group Limited. Mr. Cheng personally holds 132,645,040 Shares.

3. Mr. Sze Chun Lee ("Mr. Sze") holds 43.75% interest in China Print Power Limited and is deemed to be interested in 110,000,000 Shares held by China Print Power Limited. Mr. Sze personally holds 1,800,000 Shares.

4. Mr. Hu Xiaoming resigned on 19 January 2018.

(ii) Interest in underlying shares of the Company

Name of Director/ chief executive	Nature of interest	Number of underlying Shares (Note 1)	Approximate percentage of shareholding at 31/12/2017
Mr. Cheng Ming Kit	Beneficial owner	9,962,690 (L)	0.10%
Mr. Hu Xiaoming (Note 2)	Beneficial owner	10,000,000 (L)	0.10%
Mr. Hung Tao	Beneficial owner	6,000,000 (L)	0.06%
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%

Notes:

1. 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.

2. Mr. Hu Xiaoming resigned on 19 January 2018.

(iii) Interest in associated corporations

		At 31/12/2017	
Name of Director	Name of associated corporation	Number of shares	Percentage of shareholding
Mr. Cheng Ming Kit	Grand Powerful Group Limited	1	100%
Mr. Sze Chun Lee	China Print Power Limited	4,375	43.75%

Save as disclosed above, as at 31 December 2017, none of the Directors or chief executive of the Company and their associates 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 2017, persons/corporations (other than the Directors and the chief executive 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 31/12/2017
Grand Powerful Group Limited (Note 2)	Beneficial owner	1,082,862,256 (L)	11.00%
Beijing Gas Company Limited (Note 3)	Beneficial owner	2,644,444,443 (L)	26.87%
Beijing Gas Group Co., Ltd (Note 3)	Interest of controlled corporation	2,644,444,443 (L)	26.87%
Beijing Enterprises Group Company Limited (Note 3)	Interest of controlled corporation	2,644,444,443 (L)	26.87%
Lee Tsz Hang (Note 4)	Beneficial owner	565,325,000 (L)	5.74%
	Interest of controlled corporation	223,856,000 (L)	2.27%

(ii) Interest in underlying shares of the Company

Name	Capacity	Number of Shares (Note 1)	Approximate percentage of shareholding at 31/12/2017
Beijing Gas Company Limited (Note 3)	Beneficial owner	288,888,888 (L)	2.93%
Beijing Gas Group Co., Ltd. (Note 3)	Interest of controlled corporation	288,888,888 (L)	2.93%
Beijing Enterprises Group Company Limited (Note 3)	Interest of controlled corporation	288,888,888 (L)	2.93%

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. Beijing Enterprises Group Company Limited indirectly controlled Beijing Gas Company Limited through 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 converted into 288,888,888 Shares upon conversion. Mr. Zhi Xiaoye, the non-executive Director and Co-Chairman of the Board, is currently vice president of Beijing Enterprises Holdings Limited and a director and general manager of Beijing Gas Group Co., Ltd.

4. Mr. Lee Tsz Hang holds 100% interest in Win Ways Investment Limited and is deemed to be interested in 223,856,000 Shares held by Win Ways Investment Limited. Mr. Lee Tsz Hang personally holds 565,325,000 Shares.

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, which would fall to be disclosed to the Company and the SEHK under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of SFO as at 31 December 2017, 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 34 to the consolidated financial statements.

The following table discloses movements of the Company's share options during the year ended 31 December 2017:

Category of grantee	Exercise price per share option *HK$*	Date of grant	Exercisable period	Number of share options as at 1 January 2017	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 2017
Directors:								
Mr. Cheng Ming Kit	0.286	21 July 2014	21 July 2015 to 20 July 2024	9,962,690	–	–	–	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	-	(9,000,000)	–	6,000,000
Mr. Hu Xiaoming (Note 1)	0.395	23 July 2015	23 July 2016 to 22 July 2019	10,000,000	-	–	–	10,000,000
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
Sub-total				67,341,430	-	(33,906,730)	–	33,434,700
Employees	0.286	21 July 2014	21 July 2015 to 20 July 2024	12,562,690	–	(2,600,000)	–	9,962,690
	0.349	1 September 2014	1 September 2015 to 31 August 2018	17,410,120	–	(3,549,120)	(1,440,000)	12,421,000
	0.395	23 July 2015	23 July 2016 to 22 July 2019	57,062,000	–	(4,314,000)	(2,148,000)	50,600,000
	0.660	20 July 2016	20 July 2017 to 19 July 2020	30,675,000	–	–	(2,335,000)	28,340,000
Sub-total				117,709,810	–	(10,463,120)	(5,923,000)	101,323,690
Total				185,051,240	–	(44,369,850)	(5,923,000)	134,758,390
Exercisable at the end of the year								78,368,122
Weighted average exercise price				HK$0.402	N/A	HK$0.324	HK$0.488	HK$0.426
Weighted average share price at dates of exercise				N/A	N/A	HK$0.556	N/A	N/A

Notes:

(1) Mr. Hu Xiaoming resigned as executive Director and chief executive officer of the Company with effect from 19 January 2018 and has been retained as a consultant of the Group from 19 January 2018.

(2) During the Year, no share options were granted under the Scheme. A total of 44,369,850 share options were exercised, 5,923,000 share options were lapsed.

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

During the year ended 31 December 2017, the Group had the following continuing connected transaction, details of which are set out below:

A Master Agreement entered into between Anhui Power Energy Company Limited ("Anhui Power Energy") as supplier and Beijing Gas Lu Yuan Da Clean Fuel Company Limited ("Beijing Luyuanda") as purchaser

Date: 21 November 2016

Terms: 1 January 2017 to 31 December 2019

Subject Matter: Provision of LNG by Anhui Power Energy to Beijing Luyuanda in PRC

Basis of Pricing: The consideration is determined after arm's length negotiation based on normal commercial terms between the parties and be based on the following principles:

1. The market price of LNG in the PRC;
2. The selling price to Beijing Luyuanda shall not be lower than the selling price to the Independent Third Party in the market.
3. The selling price may be adjusted under the following circumstances:

   (i) the LNG producer or supplier of Anhui Power Energy adjusts its selling price;
   (ii) new governmental policy in relation to the selling price of LNG is implemented; and
   (iii) the delivery cost of the Anhui Power Energy has been increased due to the change of the fuel price.

Annual Caps: For the year ended 31 December 2017: RMB150,000,000
For the year ended 31 December 2018: RMB165,000,000
For the year ended 31 December 2019: RMB180,000,000

The total amount received from Beijing Luyuanda for the year ended 31 December 2017 amounted to approximately RMB38,273,000 which is within the aggregate annual cap of RMB150,000,000.

The independent non-executive Directors of the Company reviewed and confirmed that the CCT as set out above had been entered into by the Group:

(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 CCTs:

(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.

ANNUAL GENERAL MEETING

The annual general meeting will be held on 8 June 2018. 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 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 2017 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. Mr. Zhi Xiaoye and Mr. Pang Siu Yin did not attend 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 9 June 2017 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 2017 interim report are set out below:

(i) Mr. Cheng Ming Kit, a co-chairman of the Company, be appointed as chief executive officer on 19 January 2018.

(ii) Mr. Wee Piew was re-designated as non-executive independent chairman of Hosen Group Ltd., a company listed on the Singapore Stock Exchange, on 3 April 2017.

(iii) Mr. Pang Siu Yin has appointed as an independent non-executive director of Aurum Pacific (China) Group Limited (stock code: 8148), a company listed on SEHK, since 15 January 2018.

SUBSIDIARIES

Details of the Company's principal subsidiaries are set out in note 45 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 2017 and as at the date of this report.

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 2017.

AUDIT COMMITTEE

The Audit Committee comprises four members, namely, Mr. Lim Siang Kai, Mr. Wee Piew, Mr. Ma Arthur On-hing 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 Audit Committee has reviewed with the management the consolidated financial statements of the Group for the year ended 31 December 2017.

The Audit Committee 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 2017 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

28 March 2018

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 2017, 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 2017, 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

28 March 2018

Deloitte. 德勤

To the Members of Beijing Gas Blue Sky 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 78 to 193, which comprise the consolidated statement of financial position as at 31 December 2017, 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 2017, 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 judgement, 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 and operating rights	
We identified the impairment assessment in relation to goodwill and operating rights of the Group's subsidiaries as a key audit matter because the Group had net cash outflows from operating activities for years ended 31 December 2017 and 2016 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 for impairment assessment. As disclosed in note 21 to the consolidated financial statements, the Group's goodwill and operating rights amounted to approximately HK$1,212,765,000 and HK$1,306,494,000, 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 flows projections are applied by the management to estimate recoverable amounts of respective cash generating units ("CGUs"), being different natural gas operations of the Group 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 Group's natural gas operations and management's expectation for the market development of natural gas business in the People's Republic of China (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.

Key audit matter	How our audit addressed the key audit matter
Purchase price allocation ("PPA") arising from acquisition of subsidiaries	
We identified the accounting for the acquisition of OctoNet Limited and August Zone Limited ("OctoNet and August Zone Group") and Top Grand Global Limited ("Top Grand") as a key audit matter because the accounting for these acquisitions required judgements relating to measurement of the fair values of the assets acquired and the liabilities assumed. During the year, the Group completed the acquisitions of OctoNet and August Zone Group and Top Grand and paid a total consideration of approximately HK$415,908,000 and HK$408,322,000 respectively. Further details are set out in note 38 to the consolidated financial statements. Goodwill arising from these acquisitions amounted to approximately HK$355,878,000, which represented the excess of the consideration paid over the Group's share of the fair value of the identifiable net assets of OctoNet and August Zone Group and Top Grand, including the intangible assets of the acquired businesses. The fair values of the identifiable assets and liabilities acquired in these transactions, determined provisionally, at the acquisition dates, are determined by reference to the valuations performed by an independent qualified professional valuer (the "Valuer") which required the exercise of significant judgement and estimation, particularly in relation to the forecast cash flows of the businesses acquired.	Our audit procedures in relation to assessing the PPA arising from acquisition of subsidiaries included: • inspecting the sale and purchase agreements and evaluating management's accounting treatment for the acquisition with reference to the terms set out in the sale and purchase agreements; • obtaining the valuations (the "Valuations") prepared by the Valuer in relation to the determination of the fair values of identifiable net assets of OctoNet and August Zone Group and Top Grand at respective dates of acquisition and understanding the key management assumptions adopted in the Valuations through enquiries with the management and the Valuer; • evaluating the competence, capabilities, and objectivity of the Valuer; • Involving our internal valuation specialist to evaluate the valuation techniques and reasonableness of the significant inputs, on a sample basis, used by the Valuer; and • challenging the appropriateness of the key management assumptions adopted in the Valuations, 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.

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.

As part of an audit in accordance with HKSAs, we exercise professional judgement 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
28 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Continuing operations			
Revenue	5	**1,451,140**	633,776
Cost of sales		**(1,283,566)**	(586,621)
Gross profit		**167,574**	47,155
Other gains and losses	7	**99,924**	77,708
Other income	8	**13,411**	7,013
Administrative expenses		**(180,071)**	(123,054)
Other expenses		**(16,993)**	(12,971)
Finance costs	9	**(165,652)**	(95,743)
Share of loss of associates		**(4,833)**	(10,599)
Share of profit/(loss) of joint ventures		**1,883**	(2,499)
Gain on deemed partial disposal of an associate		**239**	3,830
Gain on disposal of a subsidiary	39	**14,627**	–
Gain recognised on deemed disposal of subsidiaries	39	**–**	208,664
Gain on disposal of a joint venture		**10,049**	–
(Loss)/profit before income tax	10	**(59,842)**	99,504
Income tax expense	11	**(5,791)**	(378)
(Loss)/profit for the year from continuing operations		**(65,633)**	99,126
Discontinued operation			
Profit/(loss) for the year from discontinued operation	12	**69,448**	(13,831)
Profit for the year		**3,815**	85,295
Other comprehensive income/(expense)			
Item that will not be reclassified to profit or loss:			
Exchange gain/(loss) arising on translation to presentation currency		**21,657**	(27,095)
Item that may be reclassified subsequently to profit or loss:			
Exchange gain/(loss) on translation of foreign operations		**13,673**	(38,678)
		35,330	(65,773)
Total comprehensive income for the year		**39,145**	19,522
Profit for the year attributable to owners of the Company			
Continuing operations		**(82,791)**	112,984
Discontinued operation		**70,302**	(13,108)
		(12,489)	99,876
Non-controlling interests		**16,304**	(14,581)
		3,815	85,295
Total comprehensive income for the year attributable to:			
Owners of the Company		**18,962**	37,029
Non-controlling interests		**20,183**	(17,507)
		39,145	19,522
(Loss)/earnings per share	15		
From continuing and discontinued operations			
– Basic		**HK(0.13) cents**	HK1.28 cents
– Diluted		**HK(0.32) cents**	HK1.27 cents
From continuing operations			
– Basic		**HK(0.84) cents**	HK1.45 cents
– Diluted		**HK(1.00) cents**	HK1.44 cents

Consolidated Statement of Financial Position

At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Prepaid lease payments	16	**51,681**	20,061
Property, plant and equipment	17	**727,905**	240,476
Investment properties	18	**–**	103,447
Intangible assets	19	**1,306,494**	549,296
Goodwill	20	**1,212,765**	856,887
Interests in associates	22	**210,320**	214,913
Interests in joint ventures	23	**374,866**	419,643
Deposits for acquisition of subsidiaries		**651,477**	944,248
Deposits for acquisitions of property, plant and equipment		**86,477**	84,012
Prepayment		**19,472**	11,687
Financial assets at fair value through profit or loss	29	**–**	47,278
Promissory note receivable	29	**7,410**	26,849
Available-for-sale investments	28	**134,828**	134,801
Other non-current assets		**300**	456
		4,783,995	3,654,054
Current assets			
Prepaid lease payments	16	**4,674**	728
Inventories	24	**22,369**	8,642
Amounts due from customers for contract works	25	**6,776**	–
Trade and other receivables	26	**703,296**	312,572
Amounts due from non-controlling shareholders of subsidiaries	27	**12,447**	18,562
Amounts due from joint ventures	23	**15,539**	65,978
Amount due from an associate	22	**18,865**	–
Tax recoverable		**–**	1,590
Promissory note receivable	29	**22,968**	10,000
Financial assets at fair value through profit or loss	29	**220,909**	125,527
Cash and bank balances	30	**127,725**	91,426
		1,155,568	635,025

Consolidated Statement of Financial Position

At 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
Current liabilities			
Trade and other payables	31	**462,053**	140,636
Amounts due to customers for contract works	25	**1,006**	–
Amounts due to non-controlling shareholders of subsidiaries	27	**155,703**	–
Bank and other borrowings	32	**253,902**	–
Obligation under finance leases	35	**83,214**	2,143
Convertible bonds	36	**129,160**	108,709
Embedded derivatives at fair value through profit or loss	36	**23,239**	60,875
Amounts due to joint ventures	23	**15,280**	8,998
		1,123,557	321,361
Net current assets		**32,011**	313,664
Total assets less current liabilities		**4,816,006**	3,967,718
Capital and reserves			
Share capital	33	**541,362**	529,915
Reserves		**2,758,023**	2,677,956
Equity attributable to owners of the Company		**3,299,385**	3,207,871
Non-controlling interests		**110,523**	67,823
Total equity		**3,409,908**	3,275,694
Non-current liabilities			
Obligations under finance leases	35	**83,638**	1,820
Bank and other borrowings	32	**478,750**	293,000
Convertible bonds	36	**517,961**	260,752
Deferred tax liabilities	37	**325,749**	136,452
		1,406,098	692,024
		4,816,006	3,967,718

The consolidated financial statements on pages 78 to 193 were approved and authorised for issue by the Board of Directors on 28 March 2018 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 2017

	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$'000	Accumulated (losses)/ profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2016	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
Profit/(loss) for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(12,489)**	**(12,489)**	**16,304**	**3,815**
Other comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**31,451**	**-**	**31,451**	**3,879**	**35,330**
Total comprehensive (expense)/income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**31,451**	**(12,489)**	**18,962**	**20,183**	**39,145**
Issue of shares upon conversion of convertible bonds	**9,006**	**67,843**	**-**	**(21,809)**	**-**	**-**	**-**	**-**	**55,040**	**-**	**55,040**
Issue of shares upon conversion of share options	**2,441**	**13,150**	**(1,223)**	**-**	**-**	**-**	**-**	**-**	**14,368**	**-**	**14,368**
Recognition of equity-settled share-based payments	**-**	**-**	**6,728**	**-**	**-**	**-**	**-**	**-**	**6,728**	**-**	**6,728**
Transfer to accumulated profits upon forfeiture of share options	**-**	**-**	**(203)**	**-**	**-**	**-**	**-**	**203**	**-**	**-**	**-**
Disposal of subsidiaries (Note 39)	**-**	**-**	**-**	**-**	**-**	**(3,584)**	**-**	**-**	**(3,584)**	**(10,887)**	**(14,471)**
Acquisition of subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**27,388**	**27,388**
Capital injection from non-controlling shareholders of subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6,016**	**6,016**
At 31 December 2017	**541,362**	**2,680,626**	**13,089**	**94,250**	**(43,048)**	**(62,310)**	**(6,029)**	**81,445**	**3,299,385**	**110,523**	**3,409,908**

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 2017

	2017 *HK$'000*	2016 *HK$'000*
Cash flows from operating activities		
Profit for the year	**3,815**	85,295
Adjustments for:		
Amortisation of intangible assets	**44,292**	22,636
Amortisation of prepaid lease payments	**1,527**	988
Amortisation of other non-current assets	**156**	89
Amortisation investment properties	**776**	3,558
Depreciation of property, plant and equipment	**22,858**	21,057
Taxation	**5,791**	378
Impairment losses on trade receivables	**763**	–
Change in fair value of financial assets at fair value through profit or loss	**(26,439)**	(15,064)
Change in fair value of embedded derivatives	**(94,798)**	173
Interest income	**(9,687)**	(5,410)
Interest expenses	**165,652**	95,749
Share of loss of associates	**4,832**	10,599
Share of (profit)/loss of joint ventures	**(1,883)**	2,499
Gain recognised on deemed disposal of subsidiaries	**–**	(208,664)
Gain on disposal of a joint venture	**(10,049)**	–
Investment income	**–**	(31,666)
Gain on deemed partial disposal of an associate	**(239)**	(3,830)
Gain on disposal of subsidiaries	**(87,490)**	–
Unrealised net exchange loss/(gain)	**22,937**	(26,627)
Expense for equity-settled share-based payments	**6,728**	7,905
Operating cash flows before movements in working capital	**49,542**	(40,335)
Increase in inventories	**(6,277)**	(5,284)
Increase in amounts due from customers for contract works	**(6,776)**	–
Increase in amounts due to customers for contract works	**1,006**	–
Increase in trade and other receivables	**(237,129)**	(79,752)
(Decrease)/increase in trade and other payables	**(13,255)**	27,850
Cash used in operations	**(212,889)**	(97,521)
Income taxes paid	**(14,450)**	(6,037)
Interest paid	**(55,161)**	(30,119)
Net cash used in operating activities	**(282,500)**	(133,677)

	Note	2017 HK$'000	2016 HK$'000
Cash flows from investing activities			
Interest received		**6,158**	2,492
Purchases of property, plant and equipment		**(14,410)**	(43,698)
Deposits paid for acquisition of subsidiaries		**(303,743)**	(819,079)
Deposits paid for acquisition of property, plant and equipment		**(2,465)**	(5,790)
Acquisition of subsidiaries	38	**(194,616)**	(229,867)
Acquisition of associates		**–**	(10,730)
Investment in joint ventures		**–**	(151,575)
Advance to non-controlling shareholders of subsidiaries		**–**	(53)
Repayment from non-controlling shareholders of subsidiaries		**6,115**	–
Advance to associates		**(18,865)**	–
Advance to joint ventures		**–**	(14,888)
Repayment from joint ventures		**50,439**	–
Purchase of financial assets at fair value through profit or loss		**(25,961)**	(229,960)
Proceeds from disposal of financial assets at fair value through profit or loss		**4,296**	88,849
Proceeds from redemption of promissory note receivable		**10,000**	–
Purchase of convertible note receivable		**–**	(15,520)
Proceeds from disposal of subsidiaries		**197,457**	–
Proceeds from disposal and deemed disposal of subsidiaries		**–**	9,053
Proceeds from partial disposal of a subsidiary		**–**	6,500
Net cash used in investing activities		**(285,595)**	(1,414,266)

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
Cash flows from financing activities		
Proceeds from issue of shares by way of placing	–	970,000
Proceeds from issue of convertible bonds	**348,798**	565,000
Transaction cost attributable to issue of convertible bonds	**(61,282)**	(13,928)
Proceeds from exercise of share option	**14,368**	20,658
Repayment of term loans and collateralised borrowings	–	(3,694)
Repayment to non-controlling shareholders of subsidiaries	**(144,209)**	(14,062)
Repayment to an associate	–	(34,004)
Proceeds from bank and other borrowings raised	**439,652**	110,500
Repayment of obligation under finance lease	**(1,477)**	(11,164)
Repayment of promissory note	–	(40,000)
Advance from joint ventures	**6,282**	963
Capital contribution from non-controlling interests of subsidiaries	**6,016**	–
Net cash from financing activities	**608,148**	1,550,269
Net increase in cash and cash equivalents	**40,053**	2,326
Cash and cash equivalents as at 1 January	**91,426**	102,737
Effect of foreign exchange rate changes	**(3,754)**	(13,637)
Cash and cash equivalents as at 31 December, represented by cash and bank balances	**127,725**	91,426

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability. Its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and were delisted on Singapore Exchange Securities Trading Limited ("SGX-ST") on 23 February 2018.

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.

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.

The consolidated financial statements are presented in Hong Kong dollars ("HK$") and the functional currency of the Company is Renminbi ("RMB"). As the Company is a listed entity in Hong Kong, the directors of the Company consider that it is appropriate to present the consolidated financial statements in HK$.

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

Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") for the first time in the current year.

Amendments to IAS 7	*Disclosure Initiative*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to IFRS 12	*As part of the Annual Improvements to IFRS Standards 2014-2016 Cycle*

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

Amendments to IAS 7 Disclosure initiative

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

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

Amendments to IAS 7 Disclosure initiative (Continued)

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

A reconciliation between the opening and closing balances of these items is provided in note 44. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 44, the application of these amendments has had no impact on the Group's consolidated financial statements.

New and revised IFRSs in issue but not yet effective

The Group has not early applied the following new and revised to 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]
IFRS 17	Insurance Contracts[4]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[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 9	Prepayment Features with Negative Compensation[2]
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 19	Plan Amendments, Curtailment or Settlement[2]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to IAS 28	As part of the Annual Improvements to IFRS Standards 2014-2016 Cycle[1]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle[2]

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

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

IFRS 9 "Financial instruments"

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

Key requirements of IFRS 9 relevant to the Group are described below:

- all recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income ("FVTOCI"). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under 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.

- 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)

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the Directors anticipate the following potential impact on initial application of IFRS 9:

Classification and measurement:

- Debt instruments classified as promissory note receivable carried at amortised cost as disclosed in note 29: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of IFRS 9;

- Equity securities classified as available-for-sale investments carried at cost less impairment as disclosed in note 28: these securities qualified for designation as measured at FVTOCI under HKFRS 9 and the Group will measure these securities at fair value at the end of subsequent reporting periods with fair value gains or losses to be recognised as other comprehensive income and accumulated in the investments revaluation reserve. Upon initial application of HKFRS 9, the directors of the Company consider that no significant fair value gain or loss on unlisted equity investment would be adjusted to investment revaluation reserve as at 1 January 2018.

- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under IAS 39.

Impairment

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

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by Group as at 1 January 2018 would be increased as compared to the accumulated amount recognised under IAS 39 mainly attributable to expected credit losses provision on trade receivables, amount due from associates/non-controlling shareholders of subsidiaries/joint ventures and promissory notes receivables. Such further impairment recognised under expected credit loss model would reduce the opening accumulated profits and increase the deferred tax assets at 1 January 2018.

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

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 Standards 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 anticipate that the application of HKFRS 15 may result in change of the identification of performance obligations under HKFRS 15 and allocation of total consideration (including connection fee received from the customers for the construction of the Group's main gas pipeline) to the respective performance obligations which may affect the timing and amounts of revenue recognition. Under HKFRS 15, the contract asset (liability) balance is recognised which includes an amount reclassified from amounts due from (to) customers under construction contracts. In addition, the application of HKFRS 15 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 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 "Leases" and the related interpretations when it becomes effective.

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

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

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

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

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

IFRS 16 Leases (Continued)

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of HK$9,001,000 as disclosed in note 40. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases.

In addition, the Group currently considers refundable rental deposits paid of HK$2,668,000 as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments.

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

The Directors anticipate that the application of the other new and amendments to IFRSs and interpretations will have no material impact on the consolidated financial statements.

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 and by the Hong Kong Companies Ordinance.

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 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

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 and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, 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, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. 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 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 HKFRSs). 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 HKAS 39 or, 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. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture, 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 HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

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 in a currency different from the Group's functional currency, have been converted into RMB. Assets and liabilities would then be 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. Exchanges differences in relation to foreign operations would be reclassified to profit or loss upon disposal of the foreign operations.

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	
Leasehold buildings held for own use	$3\frac{1}{3}$%
Plant and machinery – natural gas business	10%
Gas pipelines	Over the shorter of 30 years or operation period of the relevant company
Furniture, fixtures and equipment	20%
Motor vehicles	30%
Leasehold improvements	Over the shorter of term of the lease, or 5 years

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.

An item of property, plant and equipment would become an investment property when its use has changed as evidenced by end of owner-occupation.

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 less costs of disposal, and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset (or a cash-generating unit) 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.

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

Financial instruments

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets

The Group's financial assets are classified into financial assets at 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.

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 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) held for trading or (ii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL (Continued)

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.

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 associates, 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).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

AFS financial assets

AFS financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, 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, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired 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.

Objective evidence of impairment could include:

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

Objective evidence of impairment for a portfolio of 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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.

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 the Company are recognised at the proceeds received, net of direct issue costs.

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 does not have an associated equity component.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Convertible notes (Continued)

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. 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 (losses) 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.

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 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.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Derivative financial instruments (Continued)

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL. Generally, multiple embedded derivatives in a single instrument are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

Financial liabilities

The Group's financial liabilities included trade and other payables, bank and other borrowings, amounts due to non-controlling shareholders of a subsidiary and amounts due to joint ventures. 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.

On derecognition of a financial asset, the difference between the asset's carrying amount and 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 lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

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

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

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 apportionment 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, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

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

Share options granted to employees

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

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions 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 (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated (losses) 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 statement 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 temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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 and operating rights of the Group's subsidiaries

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 2017, the carrying amount of the Group's goodwill and operating rights are approximately HK$1,212,765,000 (2016: HK$856,887,000) and HK$1,306,494,000 (2016: HK$549,296,000) respectively.

Acquisition of subsidiaries

The initial accounting on the acquisition of subsidiaries involves identifying and determining the fair value to be assigned to the identified assets and liabilities of the acquired entities. The fair value of the identified assets are determined by reference to the valuation performed by independent valuer. Any changes in assumptions used and estimates made in determining the fair value will impact the carrying amount of these assets and liabilities. Details of the Group's acquisition of subsidiaries are set out in note 38.

Fair value of embedded derivative financial instruments of convertible bonds

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 the embedded derivatives of the convertible bonds, assumptions are made based on quoted market rates adjusted for specific features of the instrument (see note 36 for details of the valuation technique adopted and inputs for fair value measurements).

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 2017, the carrying amount of property, plant and equipment is approximately HK$727,905,000 (2016: HK$240,476,000).

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:

	2017	2016
	HK$'000	*HK$'000*
Continuing operations		
Natural gas for transportation	**74,783**	75,775
Trading and distribution of natural gas	**876,836**	529,102
City Gas and other related products	**218,739**	28,899
Sales of natural gas		
– Connection fee income	**280,782**	–
	1,451,140	633,776

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.

For the year ended 31 December 2016, a reportable and operating segment of the Group, namely "Sales of book and specialised products" was discontinued as the Group has disposed it during the year ended 31 December 2017 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 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

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 2017

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	74,783	876,836	499,521	1,451,140
Inter-segment sales	–	207,284	–	207,284
	74,783	1,084,120	499,521	1,658,424
Segment profit	5,949	6,530	93,615	106,094
Other income and other gains and losses				113,335
Central corporate expenses				(113,619)
Finance costs				(165,652)
Loss before income tax				(59,842)

Segment profit for the year ended 31 December 2017 consists of a gain on disposal of subsidiary of HK$14.6 million and a gain on disposal of a joint venture of HK$10.0 million:

(i) Disposal of 100% equity interests in Fan Dream Limited ("Fan Dream"), a wholly owned subsidiary, at a cash consideration of HK$30,000,000 (the "Jinan disposal") to an independent third party. The Jinan disposal results in gain on disposal of a subsidiary of HK$14.6 million.

(ii) Disposal of 59.38% equity interests in My Palace Trading Limited ("My Palace"), a partially owned joint venture, at a cash consideration of HK$86,811,000 (the "My Palace Disposal") to an independent third party. The My Palace Disposal results in gain on disposal of a joint venture of HK$10.0 million.

6. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the year ended 31 December 2016

	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

Segment profit of City Gas and other related products 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 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 fair value of HK$205,313,000, resulting in a deemed gain of disposal of subsidiaries of HK$190.8 million.

Segment profit represents the profit 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.

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

Segment assets

	2017	2016
	HK$'000	*HK$'000*
Continuing operations		
Natural gas for transportation	**1,051,264**	1,809,033
Trading and distribution of natural gas	**174,984**	526,118
City Gas and other related products	**3,991,143**	1,301,443
Discontinued operation		
Sales of book and specialised products	**–**	115,946
Total segment assets	**5,217,391**	3,752,540
Prepayment	**19,472**	11,687
Available-for-sale investments	**134,828**	134,801
Cash and bank balances	**127,725**	91,426
Property, plant and equipment for corporate use	**2,469**	2,925
Promissory notes receivables	**30,378**	36,849
Financial assets at FVTPL	**220,909**	172,805
Other unallocated assets	**186,391**	86,046
Consolidated assets	**5,939,563**	4,289,079

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

Segment liabilities

	2017	2016
	HK$'000	*HK$'000*
Continuing operations		
Natural gas for transportation	**53,283**	115,603
Trading and distribution of natural gas	**33,190**	70,350
City Gas and other related products	**995,860**	74,882
Discontinued operation		
Sales of book and specialised products	**–**	2,235
Total segment liabilities	**1,082,333**	263,070
Convertible bonds	**647,121**	369,461
Bank and other borrowings	**732,652**	293,000
Embedded derivatives at FVTPL	**23,239**	60,875
Certain obligation under finance leases	**881**	3,963
Other unallocated liabilities	**43,429**	23,016
Consolidated liabilities	**2,529,655**	1,013,385

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 FVTPL, 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 other assets not attributable to segment); and

- all liabilities are allocated to operating and reportable segments (other than bank and other borrowings, convertible bonds, embedded derivatives at FVTPL and certain obligation under finance leases and other liabilities not attributable to segment).

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

6. SEGMENT INFORMATION (Continued)

Other segment information

For the year ended 31 December 2017

	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)	20,763	820	314,454	336,037	–	7,870	343,907
Addition to intangible assets	–	–	810,866	810,866	–	–	810,866
Addition to goodwill	–	–	355,878	355,878	–	–	355,878
Depreciation of property, plant and equipment	7,247	45	13,270	20,562	1,611	685	22,858
Amortisation of investment properties	–	–	–	–	776	–	776
Amortisation of prepaid lease payments	1,507	–	–	1,507	20	–	1,527
Amortisation of intangible assets	4,762	–	39,530	44,292	–	–	44,292
Share of loss of associates	402	–	(5,235)	(4,833)	–	–	(4,833)
Share of profit of joint ventures	–	–	1,883	1,883	–	–	1,883
Gain on deemed partial disposal of an associate	–	–	–	–	–	239	239
Gain recognised on disposal of subsidiaries	14,627	–	–	14,627	72,863	–	87,490
Impairment losses on trade receivables recognised in profit or loss	–	–	763	763	–	–	763

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
Share of loss of associates	(1,414)	–	(8,902)	(10,316)	–	(283)	(10,599)
Share of loss of joint ventures	–	–	(2,499)	(2,499)	–	–	(2,499)
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

6. SEGMENT INFORMATION (Continued)

Geographical information

The Group's operations are located in the People's Republic of China (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	
	2017	2016
	HK$'000	*HK$'000*
The PRC	**1,451,140**	633,776

Other than interests in an associate, which is located and listed 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:

	2017	2016
	HK$'000	*HK$'000*
Customer A[1]	**289,422**	162,940

Notes:

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

7. OTHER GAINS AND LOSSES

	2017 HK$'000	2016 HK$'000
Continuing operations		
Government grants	**2,387**	4,524
Investment income (note)	**–**	31,666
Impairment losses on trade receivables	**(763)**	–
Net exchange (loss)/gain	**(22,937)**	26,627
Change in fair value of embedded derivatives at FVTPL	**94,798**	(173)
Change in fair value of financial assets designated as at FVTPL	**39,524**	15,064
Change in fair value of financial assets classified as held for trading	**(13,085)**	–
	99,924	77,708

Note: During the year ended 31 December 2016, 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 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

	2017 HK$'000	2016 HK$'000
Continuing operations		
Interest income	**9,687**	5,410
Rental income	**95**	606
Gas appliances income	**2,054**	–
Sundry income	**1,575**	997
	13,411	7,013

9. FINANCE COSTS

	2017 *HK$'000*	2016 *HK$'000*
Continuing operations		
Finance charges on obligations under finance leases	**8,145**	738
Interest on bank borrowings	**1,391**	–
Interest on other borrowings	**24,730**	15,188
Interest on amount due to an associate	**–**	2,304
Interest on convertible bonds	**131,386**	77,513
	165,652	95,743

10. (LOSS)/PROFIT BEFORE INCOME TAX

	2017 *HK$'000*	2016 *HK$'000*
Continuing operations		
(Loss)/profit before income tax is arrived at after charging:		
Auditor's remuneration	**3,000**	1,900
Amortisation of intangible assets*	**44,292**	22,636
Cost of inventories recognised as expense*	**1,283,566**	586,621
Depreciation of property, plant and equipment#	**21,247**	17,271
Employee benefit expenses* (including directors' emoluments)		
– Salaries and allowances	**68,804**	53,862
– Contribution to defined contribution plans	**12,961**	8,017
– Share-based payment (included in administrative expenses)	**6,727**	7,905
	88,492	69,784
Amortisation of prepaid lease payments	**1,507**	888
Operating lease charges on premises	**9,189**	7,746
Impairment losses on trade receivables (note 26)	**763**	–
Legal and professional fees (included in other expenses)	**16,330**	11,891

* Included in cost of inventories are depreciation of property, plant and equipment, amortisation of intangible assets and employee benefit expenses of HK$50,230,000 (2016: HK$26,821,000 in aggregate), 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$11,032,000 (2016: HK$2,415,000).

11. INCOME TAX EXPENSE

	2017 HK$'000	2016 HK$'000
Continuing operations		
Current tax – the PRC Enterprise Income Tax ("EIT")	**(17,146)**	(6,037)
Deferred tax (note 37)	**11,355**	5,659
Total income tax expense	**(5,791)**	(378)

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

	2017 HK$'000	2016 HK$'000
(Loss)/profit before income tax (from continuing operations)	**(59,842)**	99,504
PRC Enterprise Income Tax at 25%	**14,960**	(24,876)
Tax effect of expenses not deductible for tax purpose	**(45,306)**	(45,584)
Tax effect of income not taxable for tax purpose	**28,575**	75,268
Tax effect of share of loss of associates and joint ventures	**(737)**	(3,275)
Effect of different tax rate of group entities operating in Hong Kong	**(3,283)**	(1,911)
Total income tax expense (relating to continuing operations)	**(5,791)**	(378)

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 considered that the Printing Business was fading out and were of the view that it was appropriate to classify the reportable and operating segment namely "Sales of book and specialised products" as discontinued operation in year 2016.

During the year ended 31 December 2017, the Company entered into the sale and purchase agreement with the same party to dispose of the remaining 75% equity interest in Legon Ventures Limited at a consideration of HK$178,000,000 of which HK$158,000,000 was settled by promissory note and HK$20,000,000 was settled by cash. The transaction was completed on 26 May 2017 and the promissory note was redeemed during the year. The carrying amount of retained equity interest at 26 May 2017 was approximately HK$105,000,000. Accordingly, the transaction results in gain on disposal of a subsidiary of approximately HK$72,863,000.

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

	2017 ***HK$'000***	2016 *HK$'000*
Revenue	**–**	–
Cost of sales	**–**	–
Gross profit	**–**	–
Other income	**–**	1,022
Other expenses	**(268)**	(137)
Other gains and losses	**728**	–
Selling and distribution costs	**–**	–
Administrative expenses	**(3,875)**	(14,710)
Finance costs - interest on trust receipts loans	**–**	(6)
Loss before tax	**(3,415)**	(13,831)
Income tax expense	**–**	–
Loss for the year from discontinued operation	**(3,415)**	(13,831)
Gain recognised on disposal of a subsidiary (note 39)	**72,863**	–
	69,448	(13,831)

12. DISCONTINUED OPERATION (Continued)

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

	2017 HK$'000	2016 HK$'000
Amortisation of investment properties	776	3,558
Amortisation of prepaid lease payments	20	100
Auditor's remuneration	–	30
Depreciation of property, plant and equipment	1,611	3,786
Employee benefit expenses		
– Salaries and allowance	1,342	2,862
– Contribution to defined contribution plans	18	54
Sub total	1,360	2,916

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 2017						
Executive directors						
– Mr. Sze Chun Lee	–	1,147	186	18	–	1,351
– Mr. Cheng Ming Kit *(Chief executive)*	–	2,982	1,000	18	–	4,000
– Mr. Hung Tao	–	822	–	18	418	1,258
– Mr. Hu Xiaoming (note (a))	–	2,382	200	18	697	3,297
– Mr. Tam Man Kin	–	2,022	117	18	–	2,157
– Mr. Li Weiqi (note (e))	–	1,000	–	–	–	1,000
Non-executive director						
– Mr. Zhi Xiaoye (note (d))	–	–	–	–	–	–
Independent non-executive directors						
– Mr. Lim Siang Kai	289	–	–	–	–	289
– Mr. Wee Piew	216	–	–	–	–	216
– Mr. Ma Arthur On-hing	120	–	–	–	174	294
– Mr. Pang Siu Yin (note (f))	103	–	–	–	–	103
	728	10,355	1,503	90	1,289	13,965

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 2016						
Executive directors						
– Mr. Sze Chun Lee	–	1,056	146	18	–	1,220
– Mr. Cheng Ming Kit *(Chief executive)*	–	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	–	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 19 January 2018.

(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 non-executive director with effect from 11 May 2016.

(e) appointed as executive director with effect from 21 February 2017.

(f) appointed as independent non-executive director with effect from 21 February 2017.

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 for their services in connection with the management of the affairs of the Group. The independent non-executive directors' remuneration shown above were 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

The five highest paid employees of the Group during the year included three directors (2016: four directors), details of whose remuneration are set out in the analysis presented above. Details of the remuneration for the year of the remaining two (2016: one) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2017 **HK$'000**	2016 HK$'000
Salaries and allowances	**1,769**	709
Performance related bonuses	**272**	150
Contributors to retirement schemes contributions	**36**	18
Share-based payment	**877**	959
	2,954	1,836

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bans is as follow:

	2017 **No. of employees**	2016 No. of employees
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**1**	1
	2	1

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 payment of dividend for both years ended 31 December 2016 and 2017.

15. (LOSS)/EARNINGS PER SHARE

From continuing and discontinued operations

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

	2017 *HK$'000*	2016 *HK$'000*
(Loss)/earnings		
(Loss)/profit for the year attributable to the owners of the Company for the purposes of basic and diluted (loss)/earnings per share	**(12,489)**	99,876
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	**59,229**	–
Change in fair value of embedded derivatives at fair value through profit or loss	**(79,816)**	–
(Loss)/earnings for the purpose of diluted earnings per share	**(33,076)**	99,876

	2017	2016
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**9,816,522,234**	7,779,977,895
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**N/A**	46,798,899
Convertible bonds issued by the Company	**496,422,000**	12,412,210
	496,422,000	59,211,109
Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share	**10,312,944,234**	7,839,189,004

For the year ended 31 December 2017, the computation of diluted loss per share does not assume the exercise of the Company's share options since their assumed would result in a decrease in loss per share.

15. (LOSS)/EARNINGS PER SHARE (Continued)

From continuing operations

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

	2017 HK$'000	2016 HK$'000
(Loss)/earnings		
(Loss)/profit for the year attributable to the owners of the Company	**(12,489)**	99,876
Less: (Profit)/loss for the year from the discontinued operation	**(70,302)**	13,108
(Loss)/earnings for the purpose of basic (loss)/earnings per share from continuing operations	**(82,791)**	112,984
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	**59,229**	–
Change in fair value of embedded derivatives at fair value through profit or loss	**(79,816)**	–
(Loss)/earnings for the purpose of diluted (loss)/earnings per share from continuing operation	**(103,378)**	112,984

The denominators used are the same as those detailed above for basic and diluted (loss)/earnings per share from continuing and discontinued operations.

From discontinued operation

Basic earnings per share from discontinued operation is HK0.72 cent per share (2016: HK0.17 cent basic loss per share) and diluted earnings per share from the discontinued operation in HK0.68 cent per share (2016: HK0.17 cent diluted loss per share), based on the profit for the year from discontinued operation of HK$70,302,000 (2016: loss of HK$13,108,000) and the denominators detailed above for both basic and diluted earnings/(loss) per share.

16. PREPAID LEASE PAYMENTS

	2017 HK$'000	2016 HK$'000
Land use rights in the PRC	**56,355**	20,789

Analysed for reporting purposes as:

	2017 HK$'000	2016 HK$'000
Non-current asset	**51,681**	20,061
Current asset	**4,674**	728
	56,355	20,789

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 2016	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 (note18)	(116,570)	–	–	–	–	–	–	(116,570)
At 31 December 2016	32,839	72,952	58,186	199,362	8,513	14,500	3,349	389,701
Exchange adjustments	2,649	2,454	11,369	2,080	24	35	38	18,649
Acquisition of subsidiaries (note 38)	51,238	21,079	305,582	50,667	739	4,020	–	433,325
Additions	1,487	31,838	22,581	2,348	421	6,544	–	65,219
Disposal of subsidiaries (note 39)	–	–	–	(109,646)	(5,591)	(428)	–	(115,665)
Transfer	–	(42,797)	42,797	–	–	–	–	–
At 31 December 2017	88,213	85,526	440,515	144,811	4,106	24,671	3,387	791,229
ACCUMULATED DEPRECIATION								
At 1 January 2016	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
Exchange adjustments	394	–	671	1,699	146	754	42	3,706
Provided for the year	2,705	–	6,209	12,074	499	1,346	25	22,858
Disposal of subsidiaries (note 39)	–	–	–	(106,530)	(5,590)	(345)	–	(112,465)
At 31 December 2017	10,851	–	12,109	27,801	1,775	9,345	1,443	63,324
CARRYING VALUES								
At 31 December 2017	77,362	85,526	428.406	117,010	2,331	15,326	1,944	727,905
At 31 December 2016	25,087	72,952	52,957	78,804	1,793	6,910	1,973	240,476

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

The carrying values of plant and machinery and motor vehicles of HK$117,010,000 and HK$15,326,000, included amounts of HK$41,073,000 (2016: HK$10,319,000) and HK$3,017,000 (2016: HK$1,311,000) in respect of assets held under finance leases respectively.

18. INVESTMENT PROPERTIES

	HK$'000
COST	
At 1 January 2016	31,319
Transfer from property, plant and equipment (note 17)	89,278
Exchange adjustments	(10,182)
At 31 December 2016	110,415
Disposal of subsidiary (note 39)	(119,467)
Exchange adjustments	9,052
At 31 December 2017	–
ACCUMULATED AMORTISATION	
At 1 January 2016	4,499
Charged for the year	3,558
Exchange adjustments	(1,089)
At 31 December 2016	6,968
Charged for the year	776
Exchange adjustments	1,382
Disposal of subsidiary (note 39)	(9,126)
At 31 December 2017	–
CARRYING VALUE	
At 31 December 2017	–
At 31 December 2016	103,447

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. Fair value as at 31 December 2016 was determined by an independent, professionally qualified valuer, 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 2016	590,999
Acquisition of subsidiaries (note 38)	29,564
Disposal of subsidiaries (note 39)	(22,539)
At 31 December 2016	598,024
Acquisitions of subsidiaries (note 38)	810,866
Disposal of subsidiaries (note 39)	(10,241)
At 31 December 2017	1,398,649
ACCUMULATED AMORTISATION	
At 1 January 2016	26,642
Charged for the year	22,636
Disposal of subsidiaries (note 39)	(550)
At 31 December 2016	48,728
Charged for the year	44,292
Disposal of subsidiaries (note 39)	(865)
At 31 December 2017	92,155
CARRYING VALUES	
At 31 December 2017	1,306,494
At 31 December 2016	549,296

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 of the Group's subsidiaries are disclosed in note 21.

20. GOODWILL

	HK$'000
COST AND CARRYING VALUES	
At 1 January 2016	501,470
Acquisition of subsidiaries (note 38)	355,417
At 31 December 2016	856,887
Acquisition of subsidiaries (note 38)	355,878
At 31 December 2017	1,212,765

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 testing on goodwill are disclosed in note 21.

21. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS

The management considers each subsidiary represents a separate CGU for the purpose of goodwill and intangible assets impairment testing. The carrying amounts of goodwill and operating rights of subsidiaries engaged in natural gas operations as at 31 December 2017 and 2016 are allocated as follows:

	As at 31 December 2017	
	Goodwill	**Operating rights**
	HK$'000	***HK$'000***
Subsidiaries engaged in natural gas operations		
Smart Union Holdings Limited ("Smart Union")	**–**	**3,500**
Focus On Group Limited ("Focus On")	**49,181**	**–**
Cloud Decade Limited ("Cloud Decade")	**268,362**	**385,240**
Shine Great Investments Limited ("Shine Great")	**3,549**	**102,767**
Energy Shell Limited ("Energy Shell")	**157,329**	**–**
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**	**24,877**
Day Zone Limited ("Day Zone")	**140,815**	**–**
OctoNet Limited and August Zone Limited ("OctoNet and August Zone Group")	**224,154**	**442,945**
Top Grand Global Limited ("Top Grand")	**131,724**	**347,165**
	1,212,765	**1,306,494**

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

	As at 31 December 2016	
	Goodwill	Operating rights
	HK$'000	*HK$'000*
Subsidiaries engaged in natural gas operations		
Smart Union	–	3,500
Fan Dream	–	9,544
Focus On	49,181	–
Cloud Decade	268,362	401,128
Shine Great	3,549	107,360
Energy Shell	156,525	–
Faster Success	23,853	–
Haikou Xinyuan	113,594	–
Diamond Maple	100,204	27,764
Day Zone	141,619	–
	856,887	549,296

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 13%-24% (2016: 18% to 24%). The cash flows for the financial budgets are using an average growth rate ranging from 3%-15% (2016: 3% 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 2017 and 2016.

22. INTERESTS IN ASSOCIATES AND AMOUNT DUE FROM AN ASSOCIATE

	2017	2016
	HK$'000	*HK$'000*
Cost of investment in associates		
Listed	**24,431**	30,369
Unlisted	**190,722**	195,143
Share of losses and other comprehensive income	**(4,833)**	(10,599)
	210,320	214,913
Fair value of listed investment	**11,719**	44,396

As at 31 December 2017 and 2016, 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**
		2017	2016	
Triple Energy Limited ("Triple")	Australia	**46.61% (Note a)**	48.99%	Operating a coal bel methane gas project in the PRC
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%**	26%	Sales and distribution of LNG through gas refueling station for vehicles
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%**	40%	Sales and distribution of LNG through gas refueling station for vehicles
Hainan Zhongyou Jiarun	The PRC	**40%**	40%	Sales and distribution of LNG through gas refueling station for vehicles
Hefei Kulun Energy Company Limited ("Hefei Kulun")	The PRC	**30%**	30%	Sales and distribution of LNG through gas refueling station for vehicles

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

Note:

(a) 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 consolidated 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.

On 5 April 2017, Triple issued 80,000,000 ordinary shares at a price of A$0.006 per shares by way of placing, the Group shares of interest decreased to 46.61%, and the Group recognise a gain on deemed disposal of A$40,000 (equivalent to HK$239,000) in the consolidated statement of profit or loss and other comprehensive income.

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 2017 and 2016 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 the 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 2017 and 2016 respectively.

Summarised financial information of associates

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

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

Summarised financial information of associates (Continued)

Triple

Summarised financial information in respect of Triple as at 30 September 2017 and 2016 and for the twelve months ended 30 September 2017 and twelve months ended 30 September 2016 is set out below.

	2017	2016
	HK$'000	*HK$'000*
Current assets	**3,879**	4,759
Non-current assets	**51,070**	48,677
Current liabilities	**(5,033)**	(4,055)
Revenue	**–**	–
Loss and total comprehensive expense for the year	**(4,586)**	(17,749)

	2017	2016
	HK$'000	*HK$000*
Net assets of Triple	**49,916**	49,381
Proportion of the Group's Ownership in Triple	**46.61%**	48.99%
Other adjustment	**–**	(1)
Carrying amount of the Group's interest in Triple	**23,266**	24,191

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

Summarised financial information of associates (Continued)

Hainan Zhongyou Jiarun

	2017 HK$'000	2016 HK$'000
Current assets	10,099	23,417
Non-current assets	30,257	40,749
Current liabilities	(6,215)	(59,449)
Non-current liabilities	(12,008)	–
Revenue for the year/period	31,401	60,287
(Loss)/profit and total comprehensive (expense)/income for the year/period	(2,060)	4,745

	2017 HK$'000	2016 HK$000
Net assets of Hainan Zhongyou Jiarun	22,133	4,720
Proportion of the Group's Ownership in Hainan Zhongyou Jiarun	40%	40%
Goodwill	74,299	74,299
Carrying amount of the Group's interest in Hainan Zhongyou Jiarun	83,152	76,187

Hefei Kulun

	2017 HK$'000	2016 HK$'000
Current assets	17,921	9,652
Non-current assets	23,980	23,993
Current liabilities	(39,304)	(28,996)
Revenue for the year/period	115,828	31,613
(Loss)/profit and total comprehensive (expense)/income for the year/period	(2,334)	2,191

	2017 HK$'000	2016 HK$000
Net assets of Hefei Kulun	2,597	4,649
Proportion of the Group's Ownership in Hefei Kulun	30%	30%
Goodwill	56,511	56,511
Carrying amount of the Group's interest in Hefei Kulun	57,290	57,906

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

Aggregate information of associates that are not individually material

	2017 HK$000	2016 HK$000
The Group's share of loss for the period from the respective dates of acquisition to 31 December 2017	**(1,171)**	(770)
Aggregate carrying amount of the Group's interests in these associates	**46,612**	56,629

Amount due from an associate

The amount due from an associate is unsecured, interest-free and repayable on demand.

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

Investments in joint ventures

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

	2017 HK$'000	2016 HK$'000
Cost of investments in joint ventures		
Unlisted	**372,983**	422,142
Share of profit/(loss) and other comprehensive income/(expense)	**1,883**	(2,499)
	374,866	419,643

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 2017	2016	Voting rights held by the Group 2017	2016	Principal activities
Brightjet	Incorporated	British Virgin Islands ("BVI")	PRC	**55%**	55%	**33%**	33%	Sales and distribution of LNG
My Palace (Note a)	Incorporated	BVI	PRC	**–**	59.38%	**–**	33%	Sales and distribution of LNG
Wuhan Zheng Weili (Note b)	Sino-foreign equity joint venture	PRC	PRC	**50%**	50%	**33%**	33%	Sales and distribution of LNG
New Phoenix (Note c)	Incorporated	BVI	PRC	**57%**	57%	**33%**	33%	Sales and distribution of LNG
Qian Tang Finance Lease Co. Ltd ("Qian Tang") (Note d)	Sino-foreign equity joint venture	PRC	PRC	**65%**	65%	**50%**	50%	Finance leasing

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

Investments in joint ventures (Continued)

Notes:

(a) 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 were 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.

On 27 December 2017, the Group entered into a sales and purchase agreement with a third party to dispose of the Group's 59.38% equity interests in My Palace at a total consideration of RMB73,000,000 (equivalent to HK$86,811,000). The transaction was completed on the same date. The disposal of My Palace resulted in a gain on disposal of a joint venture of HK$10,049,000.

(b) 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.

(c) 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.

(d) 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 AMOUNTS 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	**2017** *HK$'000*	2016 *HK$'000*
Current assets	**12,232**	20,136
Non-current assets	**39,909**	18,947
Current liabilities	**(51,410)**	(40,508)
Non-current liabilities	**(2,959)**	–
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**989**	1,260
Current financial liabilities (excluding trade and other payables and provisions)	**–**	(39,413)
For the year ended 31 December		
Revenue	**5,831**	–
Loss and total comprehensive expense for the year	**(677)**	(595)

	2017 *HK$000*	2016 *HK$000*
Net liabilities of Brightjet	**(2,228)**	(1,425)
Proportion of the Group's Ownership in Brightjet	**55%**	55%
Goodwill	**43,418**	43,418
Carrying amount of the Group's interest in Brightjet	**42,192**	42,634

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

Summarised financial information of material joint ventures (Continued)

My Palace	**2017** ***HK$'000***	2016 *HK$'000*
Current assets	–	22,166
Non-current assets	–	24,367
Current liabilities	–	(49,306)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	–	567
Current financial liabilities (excluding trade and other payables and provisions)	–	(43,686)
For the period/year ended 31 December		
Revenue	**2,497**	5,271
Loss and total comprehensive expense for the period/year ended 31 December	**(904)**	(1,904)

	2017 ***HK$'000***	2016 *HK$'000*
Net liabilities of My Palace	–	(2,773)
Proportion of the Group's Ownership in My Palace	–	59.38%
Goodwill	–	48,919
Carrying amount of the Group's interest in My Palace	–	47,272

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

Summarised financial information of material joint ventures (Continued)

Qing Tang	**2017** ***HK$'000***	2016 *HK$'000*
Current assets	**90,420**	233,192
Non-current assets	**169,812**	–
Current liabilities	**(21,371)**	–
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**5,681**	151,575
For the year/period ended 31 December		
Revenue	**9,069**	–
Profit and total comprehensive income for the year/period	**5,669**	–

	2017 ***HK$'000***	2016 *HK$'000*
Net assets of Qing Tang	**238,861**	233,192
Proportion of the Group's Ownership in Qing Tang	**65%**	65%
Goodwill	**–**	–
Carrying amount of the Group's interest in Qing Tang	**155,260**	151,575

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

Summarised financial information of material joint ventures (Continued)

New Phoenix	**2017**	2016
	HK$'000	*HK$'000*
Current assets	**1,798**	1,596
Non-current assets	**22,027**	22,874
Current liabilities	**–**	(4,609)
Non-current liabilities	**(5,302)**	–
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**10**	18
For the year/period ended 31 December		
Revenue	**–**	–
Loss and total comprehensive expense for the year/period	**(1,314)**	–

	2017	2016
	HK$'000	*HK$'000*
Net assets of New Phoenix	**18,523**	19,861
Proportion of the Group's Ownership in New Phoenix	**57%**	57%
Goodwill	**149,191**	149,191
Carrying amount of the Group's interest in New Phoenix	**159,564**	160,313

	2017	2016
	HK$'000	*HK$'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	**17,850**	17,849

Amounts due from joint ventures

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

Amounts due to joint ventures

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

24. INVENTORIES

	2017 HK$'000	2016 HK$'000
Finished goods	**22,369**	8,642

25. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORKS

	2017 HK$'000	2016 HK$'000
Contracts in progress at the end of the reporting period:		
Contract costs incurred plus recognised profits	**41,856**	–
Less: Progress billings	**(36,086)**	–
	5,770	–
Analysed for reporting purposes as:		
Amounts due from customers for contract works	**6,776**	–
Amounts due to customers for contract works	**(1,006)**	–
	5,770	–

As at 31 December 2017, advances received from customers before the contract work is performed amounted to HK$84,271,000 and were included in trade and other payables in note 31.

26. TRADE AND OTHER RECEIVABLES

	Notes	2017 HK$'000	2016 HK$'000
Trade receivables		**254,983**	91,900
Less: Impairment losses	(a)	**(763)**	(4,063)
Trade receivables – net	(b), (c)	**254,220**	87,837
Prepayments and other receivables	(d)	**449,076**	224,735
		703,296	312,572

26. TRADE AND OTHER RECEIVABLES (Continued)

Notes:

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

	2017 HK$'000	2016 HK$'000
At 1 January	**4,063**	4,063
Disposal of a subsidiary	**(4,063)**	–
Impairment losses recognised	**763**	–
At 31 December	**763**	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 2017, the Group determined trade receivables of HK$763,000 (2016: HK$4,063,000) as individually impaired. Based on this assessment, HK$763,000 (2016: Nil) 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.

(b) The Group generally allows a credit period of 30 to 90 days (2016: 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:

	2017 HK$'000	2016 HK$'000
0 – 90 days	**212,017**	86,584
91 – 120 days	**888**	2
121 – 180 days	**37,345**	102
181 – 365 days	**3,970**	1,149
	254,220	87,837

26. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

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

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	**153,422**	86,584
0 – 90 days past due	**58,598**	–
91 – 180 days past due	**38,230**	104
Over 181 days	**3,970**	1,149
	254,220	87,837

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 2017, included (i) prepayment of purchase of natural gas of HK$102,416,000 (31 December 2016: HK$87,803,000); (ii) a loan receivable of HK$26,034,000 (31 December 2016: HK$23,784,000) and HK$54,560,000 (31 December 2016: Nil). These loan receivables are short term loan advance to independent third parties, which are unsecured, interest bearing at 12% and 18% per annum respectively and repayable within one year. (iii) a bond receivable of HK$12,104,000. The bond receivable is a zero coupon rate bond issued to an independent third party, the bond is redeemable within one year. The Group reviewed the recoverable amount of the loan receivables and bond receivable at the end of the reporting period and considered no impairment losses are required; and (v) the consideration receivable of HK$86,811,000 arising from the My Palace Disposal (31 December 2016: consideration receivable of HK$45,000,000 arising from the New Phoenix Disposal).

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

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

28. 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"). 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.

29. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS AND PROMISSORY NOTE RECEIVABLE

Financial assets at FVTPL comprise of:

	2017 *HK$'000*	2016 *HK$'000*
Financial assets designated as at FVTPL:		
Convertible note receivables (note a)	**149,373**	110,341
Financial assets classified as held for trading:		
Equity securities listed in Hong Kong	**29,669**	22,464
Investment security funds (note b)	**41,867**	40,000
	220,909	172,805
Less: Convertible note receivables shown under non-current assets	**–**	(47,278)
Amount shown under current assets	**220,909**	125,527

Note (a): The convertible note receivables comprises of one convertible note subscribed by the Company during the year ended 31 December 2017, namely "Convertible Note A", and comprises of three convertible notes subscribed by the Company during the year ended 31 December 2016, namely "Convertible Note B", "Convertible Note C", and "Convertible Note D".

Convertible Note A 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 21 February 2018 with conversion price of HK$0.4 per conversion share and have an early redemption option by the issuer.

Convertible Note B 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 2 June 2018 with conversion price of HK$0.4 per conversion share and have an early redemption option by the issuer.

Convertible Note C 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 representing approximately 29.9% of the enlarged issued share of the issuer and have an early redemption option by the issuer.

Convertible Note D 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 2018 with conversion price of HK$0.4 per conversion share and have an early redemption option by the issuer.

Note (b): Investment security funds were funds which hold equity securities listed in Hong Kong.

Promissory note receivables

As at 31 December 2017, the Group has one promissory note receivables "Promissory Note A". 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 with present value of HK$22,968,000 and HK$7,410,000 respectively.

30. CASH AND BANK BALANCES

Bank balances carry interest at market rates which range from 0.01% to 0.35% (2016: 0.01% to 0.35%) per annum.

31. TRADE AND OTHER PAYABLES

	Notes	**2017** **HK$'000**	2016 HK$'000
Trade payables	(a)	**143,262**	29,286
Accrued charges and other creditors	(b)	**77,965**	61,915
Construction cost payables		**72,218**	30,338
Advances received from customers for sales of natural gas		**84,337**	19,097
Advances received from customers for contract work		**84,271**	–
		462,053	140,636

Notes:

(a) The Group was granted by its suppliers credit periods ranging from 30 to 120 days (2016: 30 to 120 days). Based on invoice dates, ageing analysis of trade payables was as follows:

	2017 **HK$'000**	2016 HK$'000
0 – 90 days	**135,375**	26,067
91 – 180 days	**2,614**	–
181 – 365 days	**2,136**	–
Over 365 days	**3,137**	3,219
	143,262	29,286

(b) The balance as at 31 December 2017 included commission payable of HK$16,550,000 in relation to the issue of convertible bonds for the year 2017.

32. BANK AND OTHER BORROWINGS

	2017 HK$'000	2016 HK$'000
Unsecured bank borrowings	**106,024**	–
Unsecured corporate bonds (note a)	**539,500**	293,000
Unsecured other borrowing (note b)	**87,128**	–
	732,652	293,000
Carrying amount repayable*:		
Within one year	**253,902**	–
More than one year, but not exceeding two years	**202,738**	–
More than two years, but not exceeding five years	**225,012**	225,000
More than five years	**51,000**	68,000
	732,652	293,000
Less: Amounts due within one year or contain a repayment on demand clause shown under current liabilities	**253,902**	–
Amounts shown under non-current liabilities	**478,750**	293,000

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

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's unsecured bank borrowings are as follows:

	2017	2016
Effective interest rate:		
Fixed-rate bank borrowings	**7%**	–
Variable-rate bank borrowings	**3.0% – 3.58%**	–

As at 31 December 2017, HK$70,000,000 out of the total unsecured bank borrowing balances of approximately HK$106,024,000 are denominated in HK$.

Notes:

(a) The unsecured corporate bonds issued by the Company during the year ended 31 December 2017 amounted to HK$246,500,000 (2016: HK$110,500,000). The unsecured bonds have maturity of one to eight years (2016: three to eight years) until 2024 (2016: 2024) and carry interest at 2% to 8% (2016: 4.8% to 8%) per annum. Transaction costs of approximately HK$7,359,000 (2016: HK$11,050,000) have been incurred and the corporate bonds carry effective interest at 6.77% (2016: 7.5%) per annum.

(b) The unsecured other borrowing has maturity of more than one year and carry interest at 8% per annum.

33. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.055 each		
Authorised share capital		
At 1 January 2016, 31 December 2016 and 2017	91,000,000,000	5,005,000
Issued and fully paid share capital		
At 1 January 2016	6,099,640,873	335,480
Issue of shares by way of placing (note i)	2,155,555,555	118,556
Issue of shares upon conversion of convertible notes and convertible bonds (note ii)	1,155,104,983	63,530
Issue of shares for acquisition of subsidiaries (note iii)	158,333,333	8,708
Issue of shares upon exercise of share options (note iv)	66,191,100	3,641
At 31 December 2016	9,634,825,844	529,915
Issue of shares upon conversion of convertible bonds (note v)	163,750,000	9,006
Issue of shares upon exercise of share options (note vi)	44,369,850	2,441
At 31 December 2017	9,842,945,694	541,362

Notes:

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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.

(v) During the year ended 31 December 2017, a total of 163,750,000 new ordinary shares of HK$0.055 each were issued upon conversion of convertible bonds of the Company.

(vi) During the year ended 31 December 2017, a total of 44,369,850 new ordinary shares of HK$0.055 each were issued upon exercises of the share options of the Company.

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

34. 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").

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 on the date of grant; (ii) the average closing price of the Company's shares as quoted on the Stock Exchange for the five consecutive business days immediately preceding the date of grant 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 2017, the number of shares in respect of which options had been granted and remained outstanding under the share option scheme was 134,758,390 (31 December 2016: 185,051,240), representing 1.4% (31 December 2016: 1.9%) 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.

34. 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 2017:

Category of grantee	Exercise price per share option HK$ (Note i)	Date of grant	Exercisable period	Number of share options as at 1 January 2017	Number of share options granted during the year	Number of share options exercised during the year	Number of share options forfeited during the year	Number of share options as at 31 December 2017
Directors:								
Mr. Cheng Ming Kit	0.286	21 July 2014	21 July 2015 to 20 July 2024	9,962,690	–	–	–	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	–	(9,000,000)	–	6,000,000
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 (Note ii)	0.395	23 July 2015	23 July 2016 to 22 July 2019	10,000,000	–	–	–	10,000,000
Mr. Ma Authur On-hing	0.395	23 July 2015	23 July 2016 to 22 July 2019	2,490,670	–	–	–	2,490,670
				67,341,430	–	(33,906,730)	–	33,434,700
Employees:	0.286	21 July 2014	21 July 2015 to 20 July 2024	12,562,690	–	(2,600,000)	–	9,962,690
	0.349	1 September 2014	1 September 2015 to 31 August 2018	17,410,120	–	(3,549,120)	(1,440,000)	12,421,000
	0.395	23 July 2015	23 July 2016 to 22 July 2019	57,062,000	–	(4,314,000)	(2,148,000)	50,600,000
	0.660	20 July 2016	20 July 2017 to 19 July 2020	30,675,000	–	–	(2,335,000)	28,340,000
				117,709,810	–	(10,463,120)	(5,923,000)	101,323,690
Total				185,051,240	N/A	(44,369,850)	(5,923,000)	134,758,390
Exercisable at the end of the year								78,368,122
Weighted average exercise price				HK$0.402	N/A	HK$0.324	HK$0.488	HK$0.426
Weighted average share price at date of exercise				N/A	N/A	HK$0.556	N/A	N/A

Notes:

(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").

(ii) Mr. Hu Xiaoming resigned as executive director and chief executive officer of the Company with effect from 19 January 2018.

34. 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 forfeited 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 ii)	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 (Note iii)	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

Notes:

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

(ii) 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.

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

34. SHARE OPTION SCHEME (Continued)

Equity-settled share option schemes (Continued)

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

	20 July 2016
Grant date share price (adjusted for the Share Subdivision)	HK$0.630
Exercise price (adjusted for the Share Subdivision)	HK$0.660
Option life	4 years
Expected volatility	35.29%
Dividend yield	0%
Risk-free interest rate	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 option 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 2017, an amount of share-based payment expenses in respect of its share options of HK$6,727,000 (2016: HK$7,905,000) 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.

35. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease certain of its plant and machinery and motor vehicles under finance leases. The average lease term was four years. Interest rates underlying all obligations under finance leases are fixed at 3.6% per annum.

	Minimum lease payments		Present value of minimum lease payments	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Amount payable under finance leases:				
Within one year	**94,212**	2,577	**83,214**	2,143
In more than one year but not more than two years	**59,015**	1,548	**55,925**	1,440
In more than two years but not more than five years	**27,878**	556	**27,713**	380
	181,105	4,681	**166,852**	3,963
Less: Future finance charges	**(14,253)**	(718)	**–**	–
Present value of lease obligations	**166,852**	3,963	**166,852**	3,963
Less: Amount due for settlement within one year (shown under current liabilities)			**(83,214)**	(2,143)
Amount due for settlement after one year			**83,638**	1,820

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

36. CONVERTIBLE BONDS

		Liability component	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
Convertible Bonds I	a	**53,736**	96,379
Convertible Bonds II	b	**58,992**	48,951
Convertible Bonds III	c	**16,432**	12,305
Convertible Bonds IV	d	**100,054**	82,482
Convertible Bonds V	e	**159,170**	129,344
Convertible Bonds VI	f	**108,617**	–
Convertible Bonds VII	g	**150,120**	–
		647,121	369,461
Carrying amount repayable:			
Within one year		**129,160**	108,709
More than one year, but not exceeding two years		**367,841**	48,951
More than two years, but not exceeding five years		**150,120**	211,801
		647,121	396,461
Less: Amounts due within one year shown under current liabilities		**(129,160)**	(108,709)
Amounts due after one year shown under non-current liabilities		**517,961**	260,752

36. CONVERTIBLE BONDS (Continued)

(a) Convertible Bonds I

On 9 September 2015, the Company issued unsecured convertible bonds of HK$116,000,000 ("Convertible Bonds I").The Convertible Bonds I will mature on the date falling on the third anniversary of the date of issuance of the Convertible Bonds I at a conversion price of HK$0.4 per convertible share subject to anti-dilutive adjustment. The principal amount of the Convertible Bond I 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 I 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 I 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 I is insignificant.

The Convertible Bonds I 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 I is 26.7%.

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	75,695
Interest charged	20,684
As at 31 December 2016	96,379
Converted during the year	(55,040)
Interest charged	12,397
As at 31 December 2017	53,736

36. CONVERTIBLE BONDS (Continued)

(b) Convertible Bonds II

On 11 December 2015, the Company issued 5% unsecured convertible bonds of HK$200,000,000 ("Convertible Bond II").The Convertible Bond II 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 II 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 II 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 II (excluding any default interest payable), prior to the applicable date of redemption.

The Convertible Bond II 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%.

The movement of the liability component of the Convertible Bonds II for the year is set out as below:

	HK$'000
As at 1 January 2016	127,488
Convert during the year	(88,655)
Interest charged	19,816
Interest paid	(9,698)
As at 31 December 2016	48,951
Interest charged	13,541
Interest paid	(3,500)
As at 31 December 2017	58,992

36. CONVERTIBLE BONDS (Continued)

(c) Convertible Bonds III

On 7 January 2016, the Company issued unsecured convertible bonds of HK$15,000,000 ("Convertible Bonds III").The Convertible Bonds III will mature on the date falling on the third anniversary of the date of issuance of the Convertible Bonds III at a conversion price of HK$0.4 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 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 III 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 III 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 III is insignificant.

The Convertible Bonds III 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 III is 21.39%.

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 2016	–
Issued during the year	9,605
Interest charged	2,700
As at 31 December 2016	12,305
Interest charged	4,127
As at 31 December 2017	16,432

(d) Convertible Bonds IV

On 11 May 2016, the Company issued 4.5% unsecured convertible bonds of HK$350,000,000 ("Convertible Bond IV").The Convertible Bond IV 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 IV 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 IV 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.

36. CONVERTIBLE BONDS (Continued)

(d) Convertible Bonds IV (Continued)

The Convertible Bond IV 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 IV 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
Interest charged	23,422
Interest paid	(5,850)
As at 31 December 2017	100,054

(e) Convertible Bonds V

On 29 December 2016, the Company issued HK$200,000,000, 4.8% convertible bonds (the "Convertible Bonds V"). The Convertible Bonds V will mature on the date falling on the third anniversary of the date of Convertible Bonds V 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 V. If the Convertible Bonds V have not been converted, they will be redeemed on the maturity date at 118% of the principal amount.

The Convertible Bonds V 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 V. Therefore the conversion option of Convertible Bonds V 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.

36. CONVERTIBLE BONDS (Continued)

(e) Convertible Bonds V (Continued)

The movement of the liability component and embedded derivatives of the Convertible Bonds V 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
Gain arising on change in fair value	–	(56,244)	(56,244)
Interest charge	39,426	–	39,426
Interest paid	(9,600)	–	(9,600)
As at 31 December 2017	159,170	4,631	163,801

The methods and assumptions applied for the valuation of the Convertible Bonds V 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 V is 18.7%.

36. CONVERTIBLE BONDS (Continued)

(e) Convertible Bonds V (Continued)

(2) Valuation of conversion option and issuer and bondholders early redemption options for Convertible Bonds V

Binomial model is used for valuation of conversion option of the Convertible Bonds V. The inputs into the model were as follows:

	29 December 2016	31 December 2017
Stock price	HK$0.600	HK$0.510
Exercise price (adjusted for Share Subdivision)	HK$0.670	HK$0.670
Volatility	41.47%	35.98%
Option life	36 months	24 months
Risk-free interest rate	1.32%	1.30%

(f) Convertible Bonds VI

On 24 April 2017, the Company issued HK$150,000,000, 3.8% convertible bonds (the "Convertible Bonds VI") The Convertible Bonds VI will initial mature on the date falling thirty-two months from the issue date at a conversion price of HK$0.67 per convertible share. Bondholder may, with prior consent by the Company, extend the initial maturity date, which fall on or after 4 months but not more than 12 months from the initial maturity date. The Company will redeem the Convertible Bonds VI at the redemption amount which shall be calculated in accordance to the following formula:

Redemption amount = Principal amount of the Convertible Bonds VI x (4.7% x (N/365) +1) x 100% + (any accrued but unpaid interest)

N = Number of days from the issue date of the bonds to the maturity date

The Convertible Bonds VI contain liability component and conversion option. The Company's functional currency is RMB, 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.

36. 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 2017	–	–	–
Issued during the year	120,611	30,386	150,997
Transaction costs attributable to the issue of convertible bonds	(26,730)	–	(26,730)
Gain arising on change in fair value	–	(14,982)	(14,982)
Interest charged	18,671	–	18,671
Interest paid	(3,935)	–	(3,935)
As at 31 December 2017	108,617	15,404	124,021

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 27%.

36. 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:

	24 April 2017	**31 December 2017**
Stock price	HK$0.580	HK$0.510
Exercise price (adjusted for Share Subdivision)	HK$0.670	HK$0.670
Volatility	53.48%	52.17%
Option life	32 months	24 months
Risk-free interest rate	0.88%	1.30%

(g) Convertible Bonds VII

On 4 May 2017, the Company issued HK$200,000,000, 4.8% convertible bonds (the "Convertible Bonds VII"). The Convertible Bonds VII will mature on the date falling on the third anniversary of the date of Convertible Bonds VII 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 VII. If the Convertible Bonds VII have not been converted, they will be redeemed on the maturity date at 106% of the principal amount.

The Convertible Bonds VII 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 VII. Therefore, the conversion option of Convertible Bonds VII 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.

36. CONVERTIBLE BONDS (Continued)

(g) Convertible Bonds VII (Continued)

The movement of the liability component and embedded derivatives of the Convertible Bonds VII for the year is set out as below:

	Liability component	Embedded derivatives	Total
	HK$'000	*HK$'000*	*HK$'000*
As at 1 January 2017	–	–	–
Issued during the year	168,826	28,975	197,801
Transaction costs attributable to the issue of convertible bonds	(32,353)	(2,199)	(34,552)
Gain arising on change in fair value	–	(23,572)	(23,572)
Interest charged	19,802	–	19,802
Interest paid	(6,155)	–	(6,155)
As at 31 December 2017	150,120	3,204	153,324

The methods and assumptions applied for the valuation of the Convertible Bonds VII 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 VII is 21.2%.

(2) *Valuation of conversion option and issuer and bondholders early redemption options for Convertible Bonds VII*

Binomial model is used for valuation of conversion option of the Convertible Bonds VII. The inputs into the model were as follows:

	4 May 2017	31 December 2017
Stock price	HK$0.570	HK$0.510
Exercise price (adjusted for Share Subdivision)	HK$0.670	HK$0.670
Volatility	50.86%	49.62%
Option life	36 months	28 months
Risk-free interest rate	0.95%	1.30%

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:

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**136,452**	135,918
Acquisition of subsidiaries (note 38)	**203,038**	7,391
Disposal of subsidiaries (note 39)	**(2,386)**	(1,198)
Credited to profit or loss (note 11)	**(11,355)**	(5,659)
At 31 December	**325,749**	136,452

At 31 December 2017, the Group had tax losses arising in Hong Kong of approximately HK$25,798,000 (2016: 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 2017

During the year ended 31 December 2017, 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:			
OctoNet and August Zone Group	12 May 2017	100%	415,908
Top Grand	31 October 2017	100%	408,322

The acquisition-related costs of HK$4,886,000 (2016: HK$3,040,000) 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 2017 (Continued)

Details of provisional fair value of net identifiable assets acquired and provisional goodwill are as follows:

	OctoNet and August Zone Group	Top Grand	Total
	HK$'000	*HK$'000*	*HK$'000*
Fair value of the purchase consideration:			
– settled by cash	415,908	408,322	824,230
Non-controlling interests	–	27,388	27,388
Acquiree's provisional fair value of net identifiable assets acquired (see below)	(191,754)	(303,986)	(495,740)
Provisional goodwill	224,154	131,724	355,878

The net identifiable assets/(liabilities) acquired in the transactions are as follows:

Acquirees' provisional fair values at respective acquisition dates:

	OctoNet and August Zone Group	Top Grand	Total
	HK$'000	*HK$'000*	*HK$'000*
Net assets/(liabilities) acquired:			
Intangible assets	460,681	350,185	810,866
Prepaid lease payments	4,856	35,931	40,787
Property, plant and equipment	102,734	330,591	433,325
Inventories	123	7,474	7,597
Trade and other receivables	17,567	98,364	115,931
Cash and bank balances	2,419	30,681	33,100
Trade and other payables	(183,465)	(161,460)	(344,925)
Amounts due to non-controlling interests of subsidiaries	–	(299,912)	(299,912)
Obligations under finance leases	(97,991)	–	(97,991)
Deferred tax liabilities	(115,170)	(87,868)	(203,038)
	191,754	303,986	495,740

The fair value as well as the gross contractual amounts of trade and other receivables acquired amounted to HK$115,931,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected was nil.

38. ACQUISITION OF SUBSIDIARIES (Continued)

(a) Acquisitions accounted for business combinations (Continued)

For the year ended 31 December 2017 (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:

	OctoNet and August Zone Group	Top Grand	Total
	HK$'000	*HK$'000*	*HK$'000*
Purchase cash consideration	415,908	408,322	824,230
Cash and bank balances acquired	(2,419)	(30,681)	(33,100)
Deposit paid for acquisition of subsidiaries	(304,899)	(291,615)	(596,514)
	108,590	86,026	194,616

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$280,782,000 to the Group's turnover and generated profit of HK$104,840,000 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 2017 would have been approximately HK$2,266,787,000 and the amount of the profit for the year from continuing operations would have been approximately HK$135,158,000. 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 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.

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 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 fair value of net identifiable assets acquired (see below)	(18,688)	(7,007)	(95,284)	(120,979)
Goodwill	100,204	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.

38. ACQUISITION OF SUBSIDIARIES (Continued)

(a) Acquisitions accounted for business combinations (Continued)

For the year ended 31 December 2016 (Continued)

The net identifiable assets/(liabilities) acquired in the transactions are as follows:

Acquirees' 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

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

38. ACQUISITION OF SUBSIDIARIES (Continued)

(a) Acquisitions accounted for business combinations (Continued)

For the year ended 31 December 2016 (Continued)

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.

39. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2017

On 26 May 2017, the Group disposed of 75% equity interest in Legon Ventures Limited at a cash consideration of HK$178,000,000 of which HK$158,000,000 was settled by promissory note and HK$20.000,000 was settled by cash. The promissory note was redeemed in current year. The net assets of Legon Ventures Limited at the date of disposal was as follows:

Net assets of Legon Ventures Limited disposed of	*HK$'000*
Prepaid lease payments	4,620
Investment properties	110,341
Trade and other receivables	1,600
Cash and bank balances	8,909
Trade and other payables	(11,031)
	114,439
Gain on disposal of Legon Ventures Limited	
Cash consideration	178,000
Non-controlling interests	9,302
Less: Net assets disposed of	(114,439)
	72,863

On 30 June 2017, the Group disposed of 100% equity interest in Fan Dream at a cash consideration of HK$30,000,000. The net assets of Fan Dream at the date of disposal was as follows:

Net assets of Fan Dream disposed of	*HK$'000*
Property, plant and equipment	3,200
Intangible assets	9,376
Inventories	147
Trade and other receivables	8,897
Cash and bank balances	1,634
Trade and other payables	(3,912)
Deferred tax liabilities	(2,386)
	16,956
Gain on disposal of Fan Dream	
Cash consideration	30,000
Non-controlling interests	1,583
Less: Net assets disposed of	(16,956)
	14,627

39. DISPOSAL OF SUBSIDIARIES (Continued)

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.

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

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.

40. COMMITMENTS

Capital commitments

At the end of the reporting period, commitments in respect of capital expenditure are as follows:

	2017 HK$'000	2016 HK$'000
Contracted for but not provided:		
– property, plant and equipment	**24,857**	27,757
– acquisition of subsidiaries/associates	**1,355,854**	152,000
	1,380,711	179,757

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:

	2017 HK$'000	2016 HK$'000
Within one year	**3,261**	15,100
In the second to fifth year inclusive	**2,876**	8,166
More than five years	**2,864**	6,890
	9,001	30,156

The Group leases its office premises under 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 equipments under non-cancellable operating leases are as follows:

	2017 HK$'000	2016 HK$'000
Within one year	**347**	319
In the second to fifth year inclusive	**–**	–
	347	319

The Group leases its equipments under operating leases. The leases run for an initial period of 1 year 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:

	2017 ***HK$'000***	2016 *HK$'000*
Finance cost related to finance lease obligation with an associate (note a)	**–**	770
Finance cost related to finance lease obligation with a joint venture (note c)	**8,126**	–
Purchases of goods (note b)	**2,540**	6,808
Interest paid to an associate	**–**	2,304
Key management personnel remuneration		
Short-term employee benefits	**16,447**	12,560
Post-employment benefits	**403**	304
Share based payments	**3,807**	6,708
	20,657	19,572
	31,323	29,454

Note a: During the year ended 31 December 2016, 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 has significant influence in that subsidiary.

Note c: During the year ended 31 December 2017, the Group entered into finance lease agreement with one of the joint ventures.

43. MAJOR NON-CASH TRANSACTION

During the year ended 31 December 2017, issued convertible bonds with aggregate principal amounts of approximately HK$65,500,000 (2016: HK$132,535,348) have been converted into 163,750,000 (2016: 349,697,488) ordinary shares of the Company (note 33).

44. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Amounts due to joint ventures	**Amounts due to non-controlling shareholders of subsidiaries**	**Bank and other borrowings**	**Obligations under finance leases**	**Convertible bonds**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	Note 23	Note 27	Note 32	Note 35	Note 36	
At 1 January 2017	8,998	–	293,000	3,963	369,461	675,422
Financing cash flows (note)	6,282	(144,209)	439,652	(1,477)	287,516	587,764
Acquisition of subsidiaries	–	299,912	–	97,991	–	397,903
New finance leases	–	–	–	58,230	–	58,230
Interest expenses	–	–	–	8,145	84,942	93,087
Change in fair value of embedded densities	–	–	–	–	(94,798)	(94,798)
At 31 December 2017	15,280	155,703	732,652	166,852	647,121	1,717,608

Note: The financing cash flows represented the net amount of proceeds from bank and other borrowings, proceed from issue of convertible bonds, transaction cost attributable to issue of convertible bonds, payment to obligations under finance leases, advance from joint ventures and repayment to non-controlling shareholders of subsidiaries.

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

As at 31 December 2017 and 2016

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 2017 %	2016 %	Principal activities
Power Printing Products Ltd.	Hong Kong	Incorporated	3,000,000 ordinary shares of HK$1 each	– (note 39)	75 (note 12)	Sales of books and specialised products
Carta & Cuoio Co., Ltd.	Hong Kong	Incorporated	30,000 ordinary shares of HK$1 each	– (note 39)	75 (note 12)	Sales of books and specialised products
Power Printing (He Yuan) Co., Ltd.	PRC	Wholly-foreign owned enterprise	Registered capital US$22,800,000	– (note 39)	75 (note 12)	Sales of books and specialised products
Smart Union	Hong Kong	Incorporated	1 ordinary share of HK$1 each	**100**	100	Investment holding
Fan Dream	BVI/Hong Kong	Incorporated	1 ordinary share of US$1 each	– (note 39)	100	Investment holding
Focus On	BVI/Hong Kong	Incorporated	10,000 ordinary shares of US$1 each	**60**	60	Investment holding
Cloud Decade	BVI/Hong Kong	Incorporated	1,000 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**	100	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	100 ordinary share of US$1 each	**100**	100 (note 38)	Investment holding
Day Zone	BVI/Hong Kong	Incorporated	1 ordinary share of US$1 each	**100**	100 (note 38)	Investment holding
OctoNet Limited	BVI/Hong Kong	Incorporated	1,000 ordinary shares of US$1 each	**100** (note 38)	–	Investment holding
August Zone Limited	BVI/Hong Kong	Incorporated	100 ordinary shares of US$1 each	**100** (note 38)	–	Investment holding
Top Grand Global Limited	BVI/Hong Kong	Incorporated	1 ordinary share of US$1 each	**100** (note 38)	–	Investment holding

45. 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 2017 %	2016 %	Principal activities
貴州坤煜經貿有限公司	PRC	Wholly-foreign owned enterprise	Registered capital RMB68,000,000	100	100 (note 38)	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	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	100 (note 38)	Sales and distribution of natural gas and other related products
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	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	36	36	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	– (note 39)	60	Sales and distribution of natural gas and other related products
吉林松原燃氣有限公司	PRC	Wholly-foreign owned enterprise	Registered capital RMB50,000,000	100 (note 38)	–	Sales and distribution of natural gas and other related products
山西民生天燃氣有限公司	PRC	Sino-foreign owned enterprise	Registered capital RMB80,000,000	51 (note 38)	–	Sales and distribution of natural gas and other related products
永濟市民生天燃氣有限公司	PRC	Sino-foreign owned enterprise	Registered capital RMB60,000,000	51 (note 38)	–	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.

45. 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		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2017	2016	**2017** **HK$'000**	2016 HK$'000	**2017** **HK$'000**	2016 HK$'000
Haikou Xinyuan and its subsidiaries ("Haikou Xinyuan Group")	PRC	**52%**	52%	**1,752**	839	**43,674**	40,938
Top Grand and its subsidiaries (Top Grand Group)	PRC	**49%**	–	**19,741**	–	**47,397**	–
Individually immaterial subsidiaries with non-controlling interests	N/A	**N/A**	N/A	**(1,310)**	(13,608)	**19,452**	26,885
				20,183	(12,769)	**110,523**	67,823

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	**2017** **HK$'000**	2016 HK$'000
As at 31 December		
Current assets	**93,081**	47,466
Non-current assets	**44,590**	42,496
Current liabilities	**17,493**	11,235
Non-current liabilities	**36,023**	–
Equity attributable to owners of the Company	**40,481**	37,789
Non-controlling interest	**43,674**	40,938
For the year ended 2017, for the period from date of acquisition to 31 December 2016		
Revenue	**157,450**	73,234
Profit for the year	**3,243**	1,613
Profit for the year attributable to:		
Owners of the Company	**1,491**	774
Non-controlling interests	**1,752**	839
	3,243	1,613
Total comprehensive income for the year attributable to:		
Owners of the Company	**873**	36
Non-controlling interests	**983**	39
	1,856	75

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Top Grand Group	*HK$'000*
As at 31 December 2017	
Current assets	273,256
Non-current assets	435,002
Current liabilities	520,186
Non-current liabilities	75,696
Equity attributable to owners of the Company	64,979
Non-controlling interest	47,397
For the period from date of acquisition to 31 December 2017	
Revenue	150,057
Profit for the year	39,464
Profit for the year attributable to:	
Owners of the Company	19,723
Non-controlling interests	19,741
	39,464
Total comprehensive income for the year attributable to:	
Owners of the Company	268
Non-controlling interests	269
	537

46. 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 bank and other borrowings, amounts due to joint ventures, obligations 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 (loss)/ profit.

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.

46. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

(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:

	2017	2016
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**653,580**	404,702
Available-for-sale investments	**134,828**	134,801
Financial assets at FVTPL		
– Held for trading	**71,535**	62,464
– Designated as at FVTPL	**149,374**	110,341
Financial liabilities		
Amortised cost	**2,011,053**	796,961
Financial liabilities at FVTPL	**23,239**	60,875

(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, amounts due from associates, financial assets at FVTPL, available-for-sale investments, amounts due from joint ventures, promissory note receivables, cash and bank balances, trade and other payables, bank and other borrowings, amounts due to joint ventures, amounts due to non-controlling shareholders of subsidiaries, convertible bonds and embedded derivatives at FVTPL, obligations under finance leases. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and policies 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.

46. 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	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
United States Dollars ("US$")	**17,117**	16,341	**–**	–
HK$	**410,874**	311,752	**1,256,621**	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.

	2017	2016
	HK$'000	*HK$'000*
Decrease in profit for the year	**34,595**	13,960

46. 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 bank and other borrowings, obligations under finance leases and convertible bonds. Bank and 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 financial assets at fair value through profit or loss

The Group is exposed to equity price risk through its investments in equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is concentrated on equity instruments quoted in the Stock Exchange. In addition, the Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the reporting date.

If the prices of the respective equity instruments had been 10% (2016: 10%) higher/lower:

- post-tax profit for the year ended 31 December 2017 would increase/decrease by HK$2,477,000 (2016: increase/decrease by HK$1,875,000) as a result of the changes in fair value of held-for-trading investments

The Group's sensitivity to held-for-trading investments has not changed significantly from the prior year.

46. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

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:

	2017 ***HK$'000***	2016 *HK$'000*
10% higher in Company's share price		
Decrease in post-tax profit		
(2016: decrease in post-tax profit for the year)	**20,562**	16,959
10% lower in Company's share price		
Increase in post-tax profit		
(2016: increase in post-tax profit for the year)	**15,242**	11,648

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.

46. 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 26.

The credit risk for liquid funds is considered negligible as the counterparties are reputable banks with high quality external credit ratings.

The 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 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% (2016: 6%) and 21% (2016: 24%) of total trade receivables as at 31 December 2017 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.

46. 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 2016 and 2017. 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.

46. 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$'000	Carrying amount at 31 December 2017 HK$'000
At 31 December 2017							
Trade and other payables	–	293,445	–	–	–	293,445	293,445
Convertible bonds*	4.2	129,160	391,240	177,842	–	698,242	647,121
Amounts due to joint ventures	–	15,280	–	–	–	15,280	15,280
Amounts due to non-controlling shareholders of subsidiaries	–	155,703	–	–	–	155,703	155,703
Obligation under finance leases	8.5	94,212	59,015	27,878	–	181,105	166,852
Bank and other borrowings	6.7	253,902	219,970	272,961	70,765	817,598	732,652
		941,702	670,225	478,681	70,765	2,161,373	2,011,053

	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	–	572,014	369,461
Amounts 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
Bank and other borrowings	7.5	19,518	17,518	258,214	73,954	369,204	293,000
		177,082	179,725	645,675	73,954	1,076,436	796,961

* 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.

(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.

46. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurement (Continued)

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximated to their fair values.

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.

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 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Financial asset of fair value through profit or loss	**29,669**	**41,867**	**149,373**	**220,909**
Embedded conversion and other options of convertible bonds	**–**	**–**	**23,239**	**23,239**

	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

There were no transfer between Level 1 and 2 in both years.

46. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurement (Continued)

Reconciliation of Level 3 fair value measurements

31 December 2017

	Total
	HK$'000
Opening balance	**110,341**
Total gain	
– in profit or loss	**39,032**
Closing balance	**149,373**

31 December 2016

	Total
	HK$'000
Opening balance	–
Purchases	110,341
Closing balances	110,341

Of the total gains for the period included in profit or loss, HK$39,032,000 relates to convertible note receivables held at the end of the current reporting period.

47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2017 HK$'000	2016 HK$'000
Non-current assets		
Property, plant and equipment	**19**	28
Prepayment	**19,472**	11,687
Financial assets at FVTPL	**–**	47,278
Investments in subsidiaries	**3,381,344**	2,600,790
	3,400,835	2,659,783
Current assets		
Other receivables	**112,796**	43,390
Amounts due from subsidiaries	**861,410**	848,301
Amounts due from joint ventures	**13,756**	42,991
Financial assets at FVTPL	**140,791**	78,760
Promissory notes receivables	**–**	10,000
Cash and bank balances	**1,802**	42,919
	1,130,555	1,066,361
Current liabilities		
Other payables	**27,095**	30,793
Amounts due to subsidiaries	**33,805**	33,627
Convertible bonds	**129,160**	108,709
Other borrowings	**251,500**	–
Embedded derivative at FVTPL	**23,239**	60,875
	464,799	234,004
Net current assets	**665,756**	832,357
Total assets less current liabilities	**4,066,591**	3,492,140
Capital and reserves		
Share capital (note 32)	**541,362**	529,915
Reserves	**2,562,140**	2,408,473
Total equity	**3,103,502**	2,938,388
Non-current liabilities		
Other borrowings	**445,128**	293,000
Convertible bonds	**517,961**	260,752
	963,089	553,752
	4,066,591	3,492,140

47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Movement in the Company's reserves

	Attributable to owners of the Company						
	Share premium HK$'000	Share option reserve HK$'000	Convertible note equity reserve HK$'000	Merger reserve HK$'000	Translation reserve HK$'000	Accumulated loss HK$'000	Total HK$'000
At January 2016	1,131,381	12,518	84,273	(43,048)	–	(201,445)	983,679
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	851,444	–	–	–	–	–	851,444
Issue of shares for acquisition of subsidiaries	67,292	–	–	–	–	–	67,292
Issue of convertible bonds	–	–	151,645	–	–	–	151,645
Issue of shares upon conversion of convertible bonds	324,583	–	(119,859)	–	–	–	204,724
Issue of shares upon conversion of convertible note	197,579	–	(148,579)	–	–	–	49,000
Issue of shares upon conversion of share options	27,354	(10,337)	–	–	–	–	17,017
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	2,599,633	7,788	116,059	(43,048)	(47,950)	(224,009)	2,408,473
Profit for the year	**–**	**–**	**–**	**–**	**–**	**80,178**	**80,178**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**8,800**	**–**	**8,800**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**8,800**	**80,178**	**88,978**
Issue of shares upon conversion of convertible bonds	**67,843**	**–**	**(21,809)**	**–**	**–**	**–**	**46,034**
Issue of shares upon conversion of share options	**13,150**	**(1,223)**	**–**	**–**	**–**	**–**	**11,927**
Recognition of equity-settled share-based payments	**–**	**6,728**	**–**	**–**	**–**	**–**	**6,728**
Transfer to accumulated loss upon forfeiture of share options	**–**	**(203)**	**–**	**–**	**–**	**203**	**–**
At 31 December 2017	**2,680,626**	**13,090**	**94,250**	**(43,048)**	**(39,150)**	**(143,628)**	**2,562,140**

48. SUBSEQUENT EVENTS

(i) On 24 January 2018, the Company entered into a subscription agreement with the subscriber, pursuant to which the Company has conditionally agreed to issue and the subscriber has conditionally agreed to subscribe for 150,000,000 new Shares of the Company at the subscription price of HK$0.57 per subscription Share. Details of the transaction were disclosed in the Company's announcement dated 24 January 2018.

(ii) In consideration of lack of liquidity of the Company's shares on the Singapore Exchange Securities Trading Limited ("SGX-ST") and the administrative overhead and costs of compliance incurred in the listing on the SGX-ST, the Board resolved to voluntarily delist the Company's shares from the SGX-ST. The delisting was effective on 23 February 2018. Details of the delisting of the Company's Shares from SGX-ST were disclosed in the Company's announcements dated 13 October 2017, 27 October 2017, 1 February 2018 and 21 February 2018.

(iii) On 5 March 2018, the Company entered into a convertible bond agreement with an investor, pursuant to which the investor conditionally agreed to subscribe, and the Company conditionally agreed to issue convertible bonds in an aggregate principal amount of HK$180,000,000 at the conversion price of HK$0.57 per conversion Share. Upon conversion in full, a total of 315,789,473 conversion Shares will be allotted and issued. As at the date of this report issue of convertible bonds has not been completed. Details of the transaction were disclosed in the Company's announcement dated 5 March 2018.

Five-Year Financial Summary

RESULTS (From continuing and discontinued operations)

	For the year ended 31 December				
	2013	2014	2015	2016	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Revenue	154,475	200,430	213,123	633,776	**1,451,140**
(Loss)/profit before income tax	(60,489)	(70,480)	1,904	85,673	**9,606**
Income tax (credit)/charge	1,920	457	4,999	(378)	**(5,791)**
(Loss)/profit for the year	(58,569)	(70,023)	6,903	85,295	**3,815**
Attributable to:					
Owners of the Company	(58,569)	(70,763)	17,160	99,876	**(12,489)**
Non-controlling interests	–	740	(10,257)	(14,581)	**16,304**
	(58,569)	(70,023)	6,903	85,295	**3,815**
(Loss)/earnings per share					
Basic (in HK cents)	(2.91)	(2.21)	0.33	1.28	**(0.13)**
Diluted (in HK cents)	(2.91)	(2.21)	0.33	1.27	**(0.32)**

ASSETS AND LIABILITIES

	At 31 December				
	2013	2014	2015	2016	**2017**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	241,711	1,238,010	2,411,253	4,289,079	**5,939,563**
Total liabilities	(47,807)	(317,654)	(681,508)	(1,013,385)	**(2,529,655)**
	193,904	920,356	1,729,745	3,275,694	**3,409,908**
Equity attributable to owners of the Company	193,904	851,220	1,536,322	3,207,871	**3,299,385**
Non-controlling interests	–	69,136	193,423	67,823	**110,523**
	193,904	920,356	1,729,745	3,275,694	**3,409,908**