AVIC Joy Holdings (HK) Limited
幸福控股（香港）有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 260)

Annual Report

2015

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

Hu Xiaowen
Gong Changhui
Wu Meng

COMPANY SECRETARY

Ngan Wai Kam Sharon

SHARE REGISTRAR

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

AUDITORS

Ernst & Young
Certified Public Accountants

SOLICITORS

Louis K.Y. Pau & Co.

PRINCIPAL BANKERS

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

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

WEBSITE

www.avicjoyhk.com

STOCK CODE

260

CHAIRMAN'S STATEMENT

China's economy continues to slow down in 2015 against a backdrop of weakness in the global economy. The Group's consolidated revenue for the year ended 31 December 2015 reduced by 23.7%, from HK$1,619.7 million to HK$1,236.1 million due to decrease in revenue generated from gas and LED businesses. Together with the increase in finance cost and the substantial impairment losses recognized in gas business during the year, the Group made a loss attributable to the owners of the parent of HK$295 million (2014: HK$79.8 million) for the year ended 31 December 2015.

For the year ended 31 December 2015, the Group recorded total revenue of HK$1,041.6 million (2014: HK$1,440 million) in the gas business segment, reduced by 27.7% compared to last year due to the disposal of certain gas subsidiaries and the downward adjustment on gas price. In the face of the tough market environment, the Group will continue to streamline its operation and enhance efficiency in gas business.

Due to intense price competition and oversupply situation in the LED lighting industry, the LED business experienced difficulties in acquiring new contracts during the year. The segmental revenue for the year ended 31 December 2015 declined by 32.9% to HK$132.6 million (2014: HK$197.5 million). In late December 2015, the Group introduced two investors through a share subscription arrangement in order to enlarge capital base for the LED business. Upon completion of the share subscription arrangement, the LED project companies ceased to be subsidiaries of the Group and became joint ventures.

The Group's finance leasing company has maintained a growth momentum in 2015, and achieved a turnover of HK$18.2 million (2014: HK$12.6 million), representing a growth of 44.4% from last year.

During the year, the Group's land development business in Fuqing City, Fujian Province recorded sales revenue of HK$97.5 million, which was principally generated from sales of construction materials. As the Central Bank of China is maintaining an accommodating monetary policy to increase money and credit supply to support economic recovery and stabilization in the second half of 2015, it is expected that the Group will benefit from growing land demand in second-tier and third-tier cities in the PRC. Considering the future prospects of 中部濱海新城 (New Central Coastal City*) and 融港大道 (Ronggang Boulevard*) (collectively, the "Project"), the Group will strive to speed up the progress for Project construction and land sales.

CHAIRMAN'S STATEMENT

In August 2015, the Group enhanced its business presence in Shanghai through the acquisition of a commercial building with an aggregate gross floor area of 16,352.29 square meters, which comprises a building with office units, retail units and parking spaces.

With the rapid development in the aviation industry (including operations and investment in general aviation and aviation industrial park) in the PRC and related overseas expansion, the Group will continue to look for ways to capture growth opportunities in this sector.

In 2016, the Group will continue to work on improving the efficiency of resources allocation, as well as seeking potential acquisition and business opportunities to enhance the value of the shareholders of the Company (the "Shareholders").

On behalf of the Board, I would like to thank Mr. Ji Guirong (the former chairman of the Board), Mr. Ji Hui (the former chief executive officer), Mr. Zhang Chuanjun (a former executive director) for their invaluable contributions during their term of services with the Group.

Finally, I would also like to extend my appreciation to all Shareholders, the Board, the management team, employees and stakeholders for their support during the year.

Zhu Dong
Chairman

Hong Kong
24 March 2016

* *For identification purpose only*

BUSINESS REVIEW-MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 December 2015, the principal business activities of the Group comprise operation of compressed natural gas ("CNG") and liquefied petroleum gas ("LPG") and liquefied natural gas ("LNG") refueling stations, management and operation of light-emitting diode ("LED") energy management contracts ("EMC"), provision of finance lease and loan financing services and properties investment, class 1 land development and sales of construction materials in the PRC. During the year, the Group recorded consolidated revenue amounted to HK$1,236.1 million (2014: HK$1,619.7 million), representing 23.7% decrease from last year, which was mainly caused by decrease in revenue of the gas and LED segments, nevertheless the performance for finance leasing business slightly improved.

The Group's gross profit for the year ended 31 December 2015 was HK$202.1 million (2014: HK$226.8 million), representing a decrease of 10.9% compared to 2014. The Group made a loss attributable to the owners of the parent for the year amounted to HK$295 million, being an increase of HK$215.2 million from HK$79.8 million in 2014. The substantial increase in loss attributable to the owners of the parent was mainly due to (i) impairment of goodwill, and property, plant and equipment of gas business amounted to HK$83.2 million and HK$22.4 million, respectively; (ii) loss arising from the fair value changes of investment properties amounted to HK$32.7 million; (iii) the increase in share of losses of associates; and (iv) increase in finance cost.

BUSINESS REVIEW-MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL REVIEW

(1) Gas Business

Due to intensified competition of the natural gas sector and reduced number of CNG and LPG gas refueling stations, the total sales volume of CNG dropped to 132,161,000 m^3 (2014: 188,873,000 m^3), whereas the sales volume of LPG and LNG business climbed to 72,217 tons and 2,390 tons in 2015, increased by 14,246 tons and 2,214 tons, respectively, from last year. Together with the impact of the deconsolidation of the disposed gas subsidiaries since October 2015, the total revenue of the Group's gas business segment decreased by 27.7% to HK$1,041.6 million (2014: HK$1,440 million). In 2015, the gas segment recorded a segment profit of HK$10.8 million (2014: HK$9.1 million).

On 26 February 2015, the National Development and Reform Commission of the PRC promulgated a notice《國家發展改革委關於理順非居民用天然氣價格的通知》to regulate and reduce natural gas price. In view of the price reduction mentioned above, together with the increasingly difficult operating and regulatory environment as well as the deteriorating financial performance during the year, the Group had performed an assessment of gas businesses accordingly to determine any potential permanent impairment for goodwill. Considering all the factors as a whole, the Group had recognized impairment of goodwill and impairment of items of property, plant and equipment amounted to HK$83.2 million and HK$22.4 million, respectively. Such impairments have no impact on the operations and cash flows of the Group.

(2) LED Business

During the year, the Group's project companies had secured certain new projects in Guizhou, Heilongjiang, Jiangsu, Fujian and Zhejiang Provinces in the PRC. Although the sales revenue of the Group's LED business dropped to HK$132.6 million (2014: HK$197.5 million) as the number of completed installation during the year was less than that in 2014, the segment result recorded a profit of HK$32.1 million (2014: loss HK$14.2 million) due to substantial amount of initial setup and up-front cost had been recognised in previous years. In late December 2015, the LED project companies ceased to be subsidiaries of the Group and became joint ventures subsequent to the completion of a deemed disposal through a share subscription arrangement.

OPERATIONAL REVIEW (continued)

(3) Finance Leasing Business and Properties Investment

The Group's finance leasing and properties investment segment recorded a total revenue of HK$18.2 million (2014: HK$12.6 million) for the year, representing an increase of 44.4% as compared to last year. During the year, the Group's finance leasing subsidiary Guangdong Zi Yu Tai Financing Leasing Company Limited*（廣東資雨泰融資租賃有限公司）continued to enter into new finance leasing contracts primarily for the provision of finance assistance to the LED projects. The segment loss increased to HK$10.9 million (2014: HK$1.4 million) during the year, mainly due to the increase in administration expenses incurred for properties investment.

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

During the year, the Group's land development business in Fuqing City, Fujian Province recorded a sales revenue of HK$97.5 million which was mainly attributed to sales of construction materials.

BUSINESS OUTLOOK

Looking ahead, China's economy is still under considerable downward pressure amid the complicated domestic and unstable global economic environment. The recent deterioration in economic figures indicates that the economy is unlikely to bounce back in the near term.

Due to overall energy consumption slowdown and falls in alternative fuel cost, it is expected that gas business shall continue to suffer from thin profit margin and keen competition. Following the partial disposal of gas businesses, the Group will continue operating its remaining gas businesses with focus to improve efficiency and maximize business value.

It is expected that the unfavorable market condition with escalating price competition, growing product quality issues and intensified mergers and acquisitions will remain in the LED industry. The Group will strive to take measure to overcome the challenges in its operation.

According to the "Guidance on Accelerating the Development of Financial Leasing Industry" issued by the State Council in September 2015, financial leasing will be an important tool in equipment investment and technology upgrades by 2020. To support the development of the industry, the Government is committed to establishing a fair, disciplined and well-regulated business environment coupled with improving fiscal and taxation policies by way of offering subsidies and risk compensation. Leveraging on those favorable policies, the Group will continue to enhance financing channel and improve risk management capacities to pursue sustainable business expansion.

BUSINESS REVIEW-MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OUTLOOK (continued)

In 2015, the Central Bank of China adopted a more accommodating monetary policy including cutting benchmark interest rate and reserve-requirement ratio for banks, giving a strong support to the land development market in China. In view of the supportive government policies and advantageous geographical location, the Group is optimistic about the future prospects of PPP class 1 land development project.

FINANCIAL RESOURCES

As at 31 December 2015, the Group's total borrowings (including interest-bearing bank and other borrowings, loans from related companies and non-controlling shareholders, promissory notes and convertible bonds) amounted to approximately HK$2,859.3 million (2014: HK$1,437.5 million), of which HK$1,979.5 million (2014: HK$723.1 million) was related to bank borrowings at operating subsidiaries level funding the local PRC operations denominated in Renminbi. Cash and bank balances and pledged deposits amounted to HK$446.5 million (2014: HK$650.5 million). Net borrowing amounted to HK$2,412.8 million (2014: net borrowing of HK$787 million). As a result, the Group's gearing ratio, representing the ratio of the Group's net borrowing divided by equity attributable to owners of parent of HK$1,287.6 million (2014: HK$1,106.9 million) plus net borrowing, was 65.2% (2014: 41.6%).

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

DIVIDEND

The Board does not recommend the payment of dividend for the year ended 31 December 2015 (2014: Nil).

MATERIAL ACQUISITION AND DISPOSAL

On 3 December 2014, the Company entered into an agreement between Great Concept Investments Holdings Limited (偉念投資集團有限公司) ("Great Concept"), a direct wholly-owned subsidiary of the Company, Sanlin Resources Limited (新聯資源有限公司) ("Sanlin") and Sino Gas Holdings Group Limited (中油潔能控股集團有限公司) ("Sino Gas BVI"), an indirect non-wholly owned subsidiary of the Company, in relation to a proposed group restructuring which comprises (1) the transfer of 4 subsidiaries and a joint venture of the Company to Sino Gas BVI (or its nominated subsidiary) for an aggregate consideration of RMB93,653,263.10; (2) the disposal of the 10% of the issued share capital of Sino Gas BVI and the sum owed by China Full Limited, a subsidiary of Sino Gas BVI, to the Company in the amount of RMB8,767,307, to Sanlin for an aggregate consideration of RMB20,767,307; and (3) the settlement of the debts amounting to RMB84,305,108.18. The group restructuring has been approved by the Shareholders at the extraordinary general meeting of the Company on 13 March 2015 and the transactions contemplated under the agreement were completed in September 2015. Details of the agreement were disclosed in the Company's announcements dated 3 December 2014 and the Company's circular dated 25 February 2015;

On 6 January 2015, the Company entered into a sale and purchase agreement (as amended and supplemented by supplemental agreements dated 10 February 2015, 14 April 2015 and 13 May 2015) to purchase a property in Shanghai, the PRC, at a consideration of RMB1,566,032,890 (the "Property"). The Property comprises a building with office and retail units and parking spaces which together has an aggregate gross floor area of 16,352.29 square metres. The acquisition of the Property has been approved by the Shareholders at the extraordinary general meeting of the Company on 30 March 2015 and the acquisition of the Property was subsequently completed in August 2015. Details of the acquisition were included in the Company's announcements dated 6 January 2015, 30 January 2015, 10 February 2015, 14 April 2015, 15 April 2015 and 13 May 2015, and the circular of the Company dated 26 February 2015;

On 14 April 2015, the Company entered into a disposal agreement (the "Disposal Agreement") to dispose of 40% of the total issued share capital of Sino Gas Holdings Group Limited, an indirect non-wholly owned subsidiary of the Company, at a consideration of HK$75 million. The Disposal Agreement was terminated on 28 May 2015 due to events not controllable by the Company. Details of the Disposal Agreement and its termination were included in the Company's announcements dated 14 April 2015 and 28 May 2015;

BUSINESS REVIEW-MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITION AND DISPOSAL (continued)

On 2 December 2015, Tongda Environmental Technology Limited ("Tongda Environmental"), a direct wholly-owned subsidiary of the Company, Jia Lian International Limited（嘉聯國際有限公司）("Jialian"), an indirect wholly-owned subsidiary of the Company, Merit Progress International Limited ("Merit Progress") and Premium Talent Enterprises Limited ("Premium Talent") entered into a share subscription agreement, pursuant to which, each of Merit Progress and Premium Talent had agreed to subscribe for and Jialian had agreed to allot and issue 300 shares and 250 shares at consideration of HK$14,672,727 and HK$12,227,273, respectively (the "Disposal). Upon the completion of the Disposal in December 2015, Jialian was held as to 45% by Tongda Environmental, 30% by Merit Progress and 25% by Premium Talent, and consequently Jialian together with its subsidiaries ceased to be subsidiaries of the Company and became its joint ventures. Details of the Disposal were included in the Company's announcement dated 2 December 2015; and

On 4 December 2015, Ontex Enterprise Limited ("Ontex"), a non-wholly owned subsidiary of the Company, entered into a share transfer agreement in relation to the disposal of 17.5% of the issued share capital of Spotwin Investment Limited ("Spotwin"), a non-wholly owned subsidiary of Ontex, and 17.5% of the shareholders' loan owed by Spotwin to its shareholders at a total consideration of HK$170,627,660, of which HK$12,187,690 was settled by cash, HK$85,313,830 by a promissory note due on 29 January 2016 and HK$73,126,140 by a promissory note due on the day falling on the 18th month of its issuance date on 15 December 2015. Details of such disposal were included in the Company's announcement dated 4 December 2015 and the disposal had been completed in December 2015. Pursuant to the sale and purchase agreement dated 19 June 2014 as supplemented and amended by a supplemental agreement dated 24 June 2014, the profit undertaking of Ontex and its subsidiaries for the two financial years ended 31 December 2014 and 31 December 2015 had been fulfilled. Details of the profit undertaking were disclosed in the Company's announcement dated 24 June 2014 and the Company's circular dated 30 September 2014.

STAFF BENEFITS

As at 31 December 2015, the Group had a total of 590 employees (2014: 1,313). The staff costs for the year ended 31 December 2015 amounted to approximately HK$98.3 million (2014: HK$121.1 million). The Group continues to provide remuneration package to employees according to market practices, their experience and performance. Other benefits include contribution of statutory mandatory provident fund for the employees, medical scheme and share option scheme. There was no major change on staff remuneration policies during the year.

HUMAN RESOURCES

Apart from remunerating and promoting staff according to an established mechanism based on individual performance, experience, professional qualification and prevailing market practices, the Group provides internal and external training for existing staff and makes further study as part of the welfare or incentive system for staff. This aims to encourage staff to embark on life-long study, and to formulate a feasible plan for their career development, which lays a solid foundation for sound and sustainable development of the Group.

PLEDGE OF ASSETS

As at 31 December 2015, the Group had pledged certain of its finance lease receivables and bank deposits for bills payable and bank borrowings granted.

* *For identification purpose only*

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Zhu Dong, aged 42, has been the chairman of the board and an executive director of the Company since December 2015. He is also a member of the remuneration committee of the Company, and a member and the chairman of the nomination committee of the Company. Mr. Zhu holds a Master's degree and a Bachelor's degree in Management Accounting and is a senior accountant. He has over 22 years of experience in accounting, corporate finance and advisory. He is also a director of certain companies controlled by certain substantial shareholders of the Company and of certain subsidiaries of the Company. Mr. Zhu is an executive director and a deputy chief executive officer of Peace Map Holding Limited ("Peace Map"), the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 402). The Company holds 6.79% issued share capital of Peace Map. Mr. Zhu was the deputy chief financial officer of AVIC International (HK) Group Limited, a substantial shareholder of the Company, until his resignation with effect from 1 February 2016.

Mr. Wang Xiaowei, aged 54, has been an executive director of the Company since June 2014 and became the chief executive officer of the Company in August 2015. Mr. Wang holds a Bachelors' degree from Tianjin Armed Police Engineering College, the PRC. He has 14 years of management experiences in real estate, infrastructure, engineering and energy saving sectors. Mr. Wang has served as the general manager of Fujian Huayuan Property Limited and a manager of AVIC International (HK) Group Limited. He is also the vice president of AVIC International (Fujian) Industrial Limited, a subsidiary of the Company, and a director of certain associates of the Company.

Mr. Zang Zheng, aged 65, has been an executive director of the Company since December 2010. Mr. Zang was educated in Northwestern Polytechnical University, the PRC in Aeronautics Material. He has over 35 years of experience in management and investment. Mr. Zang is a vice president of a subsidiary of the Company and a director of certain subsidiaries of the Company. Mr. Zang served as a professional senior engineer and had held various executive positions in the Aviation Industry Corporation of China (the "AVIC Group"), a substantial shareholder of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS (continued)

Mr. Xiao Wei, aged 53, has been re-designated as an executive director of the Company from an independent non-executive director of the Company since November 2012. He was an independent non-executive director of the Company from May 2005 to November 2012, and the chairman and a member of each of the audit committee and the remuneration committee of the Company from April 2008 to November 2012, as well as a member of the nomination committee of the Company from March 2012 to November 2012. Mr. Xiao graduated from the Electrical Engineering Department of Shanghai Tong Ji University, the PRC. He has 31 years of experience in engineering and management. He is also a director of a subsidiary of the Company and a director of an associate of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hu Xiaowen, aged 40, has been an independent non-executive director of the Company since November 2012. He is the chairman and a member of each of the audit committee and the remuneration committee of the Company, and a member of the nomination committee of the Company. Mr. Hu holds a Master's degree in Accounting from Capital University of Economics and Business, the PRC and a Bachelor's degree in Accountancy from Central University of Finance and Economics, the PRC. Mr. Hu served as the chief financial officer of Hanwang Technology Co., Ltd., a company listed on The Shenzhen Stock Exchange, from April 2014 to April 2015. From August 2012 to April 2014, he served as the financial controller of Beijing Bosheng Advanced Technology Co. Ltd. From June 2004 to April 2012, Mr. Hu worked in Tongfang Co. Ltd. as the financial manager and financial controller respectively in digital TV department. From April 2001 to January 2003, he served as the financial controller of Beijing Foseb Auctioneers. Mr. Hu has over 14 years of experience in financial planning and management, mergers and acquisitions and corporate finance.

Mr. Gong Changhui, aged 36, has been an independent non-executive director since August 2014. He is a member of each of the audit committee, the remuneration committee and the nomination committee of the Company. He holds a Bachelor's degree in Computer Science and Technology from Harbin Institute of Technology, the PRC. Mr. Gong is currently the Project Manager of Changzhou Neuracle Technology Ltd. in the PRC, responsible for product development and management in brain–computer interface field and wireless electroencephalogram monitoring equipment since October 2015. From the end of 2011 to September 2015, he worked at Beijing Xinyueqi Technology and Trade Limited, responsible for project management and development. Mr. Gong had held the project manager and senior software engineer positions in several computer software companies and has over 12 years of experience in corporate operation, project management and computer software development.

BIOGRAPHICAL DETAILS OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

Mr. Wu Meng, aged 43, has been an independent non-executive director since August 2014. He is a member of each of the audit committee, the remuneration committee and the nomination committees of the Company. He holds a Bachelor's Degree in Mechanical Casting Engineering from Guizhou University of Technology, the PRC. From 1996 to 1998, he has served as an assistant engineer in a subsidiary of Aviation Industry Corporation of China, a substantial shareholder of the Company. Mr. Wu served as structural engineer in a manufacturing company in the PRC during 1999 to 2003. Since 2004, he has engaged in the manufacturing, international trading, investment and financing businesses until now and served as the general manager in two manufacturing companies in Shenzhen, the PRC. Mr. Wu has over 20 years of experience in manufacturing, corporate management, trading, investment and financing.

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

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

ENVIRONMENTAL PERFORMANCE AND POLICIES

As an environmentally and socially responsible company, the Group is striving for continuing integration of energy saving and environment protection into its daily business operations by way of supplying clean-burning CNG and LNG in its gas refueling stations to public transportation in the PRC. Furthermore, the Group plans to adopt various measures to make better use of energy and resources.

To enhance employees' environmental awareness and minimize contamination of environment by the Group's business, the Group adopts an energy saving and environment protection policy that all the employees are encouraged to use office facilities in an environmentally friendly manner with an aim to save energy and reduce wastes. As part of its commitments to environmental protection, the Group will only issue papers certified by Forest Stewardship Council ("FSC") for despatch of its interim and annual reports by the reason of FSC certification which ensures that papers come from responsibly managed forests that provide environmental, social and economic benefits.

COMPLIANCE WITH LAWS AND REGULATIONS

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

REPORT OF THE DIRECTORS

RELATIONSHIPS WITH KEY STAKEHOLDERS

Employees are regarded as the most valuable assets of the Group. The Group believes the knowledge and expertise of our employees are crucial to the long-term success of the Group. To assist our staff to reach their potential and maintain their job competence, we provide internal and external job-related training sessions and seminars to all staff on a regular basis.

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

RESULTS AND DIVIDEND

The Group's loss for the year ended 31 December 2015 and the Group's financial position as at that date are set out in the financial statements on pages 51 to 190.

The Board does not recommend the payment of dividend for the year ended 31 December 2015 (2014: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements is set out on page 191. This summary does not form part of the audited financial statements.

SHARE CAPITAL, SHARE OPTIONS AND CONVERTIBLE BONDS

Details of movements in the Company's share capital, share options and convertible bonds during the year are set out in notes 38, 39 and 35 to the financial statements, respectively.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

NEW SHARES ISSUED AND CONVERTED

As at 31 December 2015, the total number of issued shares of the Company (the "Shares") was 5,943,745,741. As compared with the position of 31 December 2014, a total of 1,459,963,202 new Shares were issued during the year.

On 7 May 2015, the Company issued 876,000,000 placing shares to not less than six placees at a price of HK$0.41 per placing share (the "Placing") pursuant to a placing and top-up subscription agreement (the "Placing and Top-Up Subscription Agreement"). The Placing and Top-Up Subscription Agreement completed on 15 May 2015. The gross proceeds from the Placing was approximately HK$359.2 million and the net proceeds of approximately HK$353.4 million, after deduction of share issue expenses, has been being used as general working capital of the Group, details of the Placing and Top-up Subscription Agreement were disclosed in the Company's announcements dated 7 May 2015 and 15 May 2015.

During the year, 137,180,000 share options had been exercised by the option holders at exercise prices ranging from HK$0.20 to HK$0.236 each for the issuance of Shares and the proceeds of HK$31.4 million had been used as general working capital of the Group. Moreover, convertible bonds in principal amounts of HK$28,769,507.60 and HK$60,000,000 had been converted into 146,783,202 and 300,000,000 Shares at conversion prices of HK$0.196 (adjusted conversion price) and HK$0.20 per Share by convertible bond holders, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company had no reserves available for distribution in accordance with the provisions of section 297 of the Hong Kong Companies Ordinance.

MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, sales to the Group's five largest customers accounted for 21.2% of the total sales for the year and sales to the largest customer included therein amounted to 9.7%. Purchases from the Group's five largest suppliers accounted for 50.7% of the total purchases for the year and purchases from the largest supplier included therein amounted to 28.7%.

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

REPORT OF THE DIRECTORS

DIRECTORS

The directors of the Company during the year and up to the date of the annual report were:

Executive directors:

Zhu Dong *(Chairman)*	(appointed with effect from 7 December 2015)
Wang Xiaowei *(Chief Executive Officer)*	(appointed as the Chief Executive Officer with effect from 1 August 2015)
Zang Zheng	
Xiao Wei	
Ji Hui *(former Chief Executive Officer)*	(resigned with effect from 1 August 2015)
Zhang Chuanjun	(resigned with effect from 1 August 2015)

Non-executive director:

Ji Guirong *(former Chairman)*	(resigned with effect from 7 December 2015)

Independent non-executive directors:

Hu Xiaowen
Gong Changhui
Wu Meng

In accordance with article 86(B) of the Company's articles of association (the "Articles"), Mr. Zhu Dong will retire from office, whereas in accordance with Article 87, Mr. Zang Zheng and Mr. Xiao Wei will retire by rotation, and being eligible, each of Mr. Zhu Dong, Mr. Zang Zheng and Mr. Xiao Wei will offer themselves for re-election at the forthcoming annual general meeting. The terms of office of all directors (including non-executive director and independent non-executive directors) are subject to re-appointment or retirement by rotation in accordance with Articles 86(B), 87 and 88.

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

DIRECTORS' BIOGRAPHIES

Biographical details of the directors of the Company are set out on pages 12 to 14 of the annual report. Mr. Zhu Dong and Mr. Wang Xiaowei, the chairman of the Board and the chief executive officer of the Company, respectively, are the senior management of the Group.

CHANGES IN INFORMATION OF DIRECTORS

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

DIRECTORS' SERVICE CONTRACTS

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at annual general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

REPORT OF THE DIRECTORS

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

At 31 December 2015, the interests and short positions of the Directors and chief executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

Long positions in ordinary shares of the Company:

	Number of shares held, capacity and nature of interest		
Name of director	**Through spouse or minor children**	**Total**	**Percentage of the Company's share capital**
Zhu Dong*	1,740,000	1,740,000	0.03%

Note:

* During the year ended 31 December 2015, Mr. Zhu Dong was appointed as an executive Director and the chairman of the Board and accordingly, Mr. Zhu is deemed to be interested in the shares of the Company held by his spouse under the SFO.

Long positions in share options of the Company:

Name of director	**Number of options beneficially owned**
Wang Xiaowei	8,980,000

Save as disclosed above, as at 31 December 2015, none of the Directors and chief executive of the Company had registered an interest or a short position in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of SFO), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The share option scheme of the Company adopted on 15 April 2005 (the "Old Share Option Scheme") expired on 14 April 2015 upon the expiry of the 10-year period. No further options will be granted, but in all other aspects, the provisions of the Old Share Option Scheme shall remain in full force and effect, for options which were granted during the life of the Old Share Option Scheme, and may continue to be exercisable in accordance with their respective terms of issue.

For the sake of the continuity of a share option scheme for the Company to provide incentives and/or reward to the eligible participants (as defined below), the Shareholders passed an ordinary resolution at the annual general meeting of the Company held on 25 June 2015 (the "Adoption Date") to approve the adoption of a new share option scheme of the Company (the "New Share Option Scheme") in substantially similar terms as those of the Old Share Option Scheme. Under the terms of the New Share Option Scheme, the Directors may, at their discretion, offer any eligible participants (as defined below) of the Company options to subscribe for Shares (the "Options") subject to the terms and conditions stipulated in the New Share Option Scheme. A summary of the New Share Options Scheme is set out below:

(1) Purpose

The New Share Option Scheme will provide incentive and/or reward to the Eligible Participants (as defined below) for their contributions to the Group, and for their continuing efforts to promote the interests of the Group.

(2) Eligible Participants

For the purpose of the New Share Option Scheme, the Options may be granted to:

(a) any full time or part time employees of the Company (including any directors, whether executive or non-executive and whether independent or not, of the Company);

(b) any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sub-licensees);

(c) distributors, landlords or tenants (including any sub-tenants) of the Company; or

(d) any person who, in the sole discretion of the Board, has contributed or may contribute to the Company, eligible for Options under the New Share Option Scheme.

SHARE OPTION SCHEME (continued)

(3) Maximum number of shares available for issue

The maximum number of Shares which may be issued upon exercise of all Options to be granted at any time under the New Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 10% of the Shares in issue as at the date of the approval of the New Share Option Scheme (the "Scheme Mandate Limit"). Options lapsed in accordance with the terms under the New Share Option Scheme or any other share option schemes of the Company shall not be counted for the purpose of calculating the Scheme Mandate Limit.

At any time, the overall limit on the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 30% of Shares in issue from time to time. No Options may be granted under the New Share Option Scheme or any other share option schemes of the Company if such grant will result in the said 30% limit being exceeded.

(4) Maximum entitlement of each Eligible Participant

The maximum number of Shares issued and to be issued upon exercise of the Options granted to each Eligible Participant under the New Share Option Scheme (including both exercised and outstanding options) in any twelve (12)-month period up to the date of grant shall not (when aggregated with any Shares subject to options granted during such period under any other share option schemes of the Company other than those options granted pursuant to specific approval by the Shareholders in a general meeting) exceed 1% of the total number of Shares in issue for the time being.

Subject to separate approval by the Shareholders in general meeting with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting provided that the Company shall send a circular of Options to be granted (and options previously granted) to such Eligible Participants, the information required under the Listing Rules including the number and terms of Options to be granted to such Eligible Participant which must be fixed before the date on which Shareholders' approval is sought, the Company may grant an Eligible Participant Options which would in aggregate exceed 1% of the Shares in issue in any twelve (12)-month period up to and including the date of such further grant.

SHARE OPTION SCHEME (continued)

(5) Time of exercise of Options

Subject to the terms of the New Share Option Scheme, an Option may be exercised in whole or in part (but if in part only, in respect of a board lot or an integral multiple thereof) at any time during the period to be determined and notified by the Directors to the Eligible Participant or the grantee thereof at the time of making an Offer provided that such period shall not exceed the period of ten (10) years from the date of the grant of the particular Option but subject to the provisions for early termination of the New Share Option Scheme.

(6) Minimum period for which the Options must be held

Subject to requirements of the time of exercise of Options which are briefed in paragraph (5) above of this summary, there is no specified minimum period under the New Share Option Scheme for which an Option must be held or the performance target which must be achieved before an Option can be exercised under the terms of the New Share Option Scheme.

(7) Payment on acceptance of the Options

An Option shall be deemed to have been accepted when the duplicate letter comprising acceptance of the Options duly signed by the Eligible Participant together with the non-refundable nominal consideration of HK$1.00 is received by the Company.

An offer must be accepted within twenty-one (21) days from the date of grant provided that no such Offer shall be open for acceptance after the earlier of the 10th anniversary of the Adoption Date or the termination of the New Share Option Scheme or the Eligible Participant to whom such offer is made has ceased to be an Eligible Participant.

REPORT OF THE DIRECTORS

SHARE OPTION SCHEME (continued)

(8) Basis of determining the subscription price

The subscription price for Shares under the New Option Scheme shall be determined by the Board at its absolute discretion at the time of the grant of the Options but shall not be less than the highest of:

(i) the closing price of the Shares as shown in the daily quotations sheets of the Stock Exchange on the date of grant, which must be a business day; and

(ii) the average closing prices of the Shares as shown in the daily quotations sheets of the Stock Exchange for the five (5) business days immediately preceding the date of grant.

(9) The remaining life of the New Share Option Scheme

The life of the New Share Option Scheme is ten years commencing from the Adoption Date and will expire on 24 June 2025.

As at 31 December 2015, no Options have been granted under the New Share Option Scheme since its adoption.

The total number of Shares available for issue under the New Share Option Scheme is 563,331,007 Shares, representing approximately 9.48% of the issued Shares as at the date of this report.

The Company did not issue any Options during the year ended 31 December 2015 but 527,980,000 Options have been granted under the Old Share Option Scheme, of which 199,180,000 have been exercised, 176,870,000 Options have been lapsed, 71,300,000 Options have been cancelled, the addition of 164,600,000 Options have been resulted due to the open offer of the Company completed on 23 February 2012 and 245,230,000 Options remain outstanding as at the date of this report, representing approximately 4.13% of the existing Shares in issue of the Company.

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the share option scheme are disclosed in note 39 to the financial statements.

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

SHARE OPTION SCHEME (continued)

Name or category of participant	Number of share options: At 1 January 2015	Granted during the year	Exercised during the year	Transfer in/out during the year	Expired during the year	Forfeited during the year	At 31 December 2015	Date of grant of share options[1]	Exercise period of share options	Exercise price of share options HK$ per share[2]
Directors										
Wang Xiaowei	4,490,000	–	–	–	–	–	4,490,000	13-6-12	13-6-13 to 12-6-22	0.236
	4,490,000	–	–	–	–	–	4,490,000	13-6-12	13-6-14 to 12-6-22	0.236
	8,980,000	–	–	–	–	–	8,980,000			
Ji Guirong	7,450,000	–	(7,450,000)	–	–	–	–	23-8-07	1-10-07 to 31-1-15	0.233
(resigned with effect	7,450,000	–	(7,450,000)	–	–	–	–	23-8-07	1-1-08 to 31-1-15	0.233
from 7 December	7,450,000	–	(7,450,000)	–	–	–	–	23-8-07	1-7-08 to 31-1-15	0.233
2015)	30,000,000	–	–	(30,000,000)	–	–	–	31-8-10	31-8-10 to 30-8-20	0.227
	52,350,000	–	(22,350,000)	(30,000,000)	–	–	–			
Ji Hui										
(resigned with effect										
from 1 August 2015)	2,000,000	–	(2,000,000)	–	–	–	–	3-1-06	1-2-06 to 31-1-15	0.2
	30,000,000	–	–	(30,000,000)	–	–	–	31-8-10	31-8-10 to 30-8-20	0.227
	32,000,000	–	(2,000,000)	(30,000,000)	–	–	–			
Zhang Chuanjun										
(resigned with effect	10,000,000	–	(8,000,000)	–	(2,000,000)	–	–	3-1-06	1-2-06 to 31-1-15	0.2
from 1 August 2015)	30,000,000	–	–	(30,000,000)	–	–	–	31-8-10	31-8-10 to 30-8-20	0.227
	40,000,000	–	(8,000,000)	(30,000,000)	(2,000,000)	–	–			

SHARE OPTION SCHEME (continued)

Name or category of participant	At 1 January 2015	Granted during the year	Exercised during the year	Transfer in/out during the year	Expired during the year	Forfeited during the year	At 31 December 2015	Date of grant of share options[1]	Exercise period of share options	Exercise price of share options HK$ per share[2]
	Number of share options									
Consultants										
In aggregate	57,150,000	–	(2,860,000)	–	(54,290,000)	–	–	23-8-07	1-10-07 to 31-1-15	0.233
	57,150,000	–	(2,860,000)	–	(54,290,000)	–	–	23-8-07	1-1-08 to 31-1-15	0.233
	57,150,000	–	(2,860,000)	–	(54,290,000)	–	–	23-8-07	1-7-08 to 31-1-15	0.233
	127,500,000	–	(37,500,000)	60,000,000	–	–	150,000,000	31-8-10	31-8-10 to 30-8-20	0.227
	20,000,000	–	(20,000,000)	–	–	–	–	13-6-12	13-6-13 to 12-6-22	0.236
	20,000,000	–	(20,000,000)	–	–	–	–	13-6-12	13-6-14 to 12-6-22	0.236
	338,950,000	–	(86,080,000)	60,000,000	(162,870,000)	–	150,000,000			
Other employees										
In aggregate	75,000,000	–	(18,750,000)	30,000,000	–	–	86,250,000	31-8-10	31-8-10 to 30-8-20	0.227
	547,280,000	–	(137,180,000)	–	(164,870,000)	–	245,230,000			

Notes to the table of share options outstanding during the year:

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

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

Save as disclosed above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any of the Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company, or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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

As at 31 December 2015, the following interests and short positions of 5% or more of the issued share capital and convertible bonds of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:

Name	Notes	Long/short position	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's share capital	Number of convertible shares (issuable under the convertible bonds held)	Percentage of the Company's share capital if the convertible shares were exercised
Billirich Investment Limited ("Billirich")	(a)	Long	Beneficial owner	1,031,595,000	17.36%	225,112,486	3.79%
AVIC International Holding (HK) Limited ("AVIC Int'l")	(a)	Long	Interest of a controlled corporation	1,031,595,000	17.36%	225,112,486	3.79%
Tacko International Limited	(a)	Long	Interest of a controlled corporation	1,031,595,000	17.36%	225,112,486	3.79%
AVIC International (HK) Group Limited	(a)	Long	Beneficial owner and interest of a controlled corporation	1,535,618,891	25.84%	225,112,486	3.79%
Sanmax Investment Limited	(b)	Long	Beneficial owner	–	–	1,138,931,082	19.16%
China Joy Airlines (HK) Holdings Ltd.	(b)	Long	Interest of a controlled corporation	–	–	1,138,931,082	19.16%
AVIC Joy Air Holdings Limited	(c)	Long	Beneficial owner	60,810,000	1.02%	–	–
AVIC Joy Air (HK) Holdings Limited	(c)	Long	Interest of a controlled corporation	60,810,000	1.02%	1,138,931,082	19.16%
幸福航空控股有限公司	(b), (c)	Long	Interest of a controlled corporation	60,810,000	1.02%	1,138,931,082	19.16%

REPORT OF THE DIRECTORS

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

Name	Notes	Long/short position	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's share capital	Number of convertible shares (issuable under the convertible bonds held)	Percentage of the Company's share capital if the convertible shares were exercised
AVIC International Holding Corporation	(a), (b), (c)	Long	Interest of a controlled corporation	1,596,428,891	26.86%	1,364,043,568	22.95%
Aviation Industry Corporation of China ("AVIC")	(a), (b), (c)	Long	Interest of a controlled Corporation	1,596,428,891	26.86%	1,364,043,568	22.95%
Huatai Capital Investment Limited	(d)	Long	Beneficial owner	195,470,000	3.29%	575,000,000	9.67%
Huatai Financial Holdings (Hong Kong) Limited	(d)	Long	Interest of a controlled Corporation	195,470,000	3.29%	575,000,000	9.67%
Huatai Securities Company Limited	(d)	Long	Interest of a controlled corporation	195,470,000	3.29%	575,000,000	9.67%
Grand Win Overseas Ltd. ("Grand Win")	(e)	Long	Beneficial owner	313,965,000	5.28%	–	–
Sun Shining Investment Corp.	(e)	Long	Interest of a controlled corporation	313,965,000	5.28%	–	–
Tai Yuen Textile Company Ltd.	(e)	Long	Interest of a controlled corporation	313,965,000	5.28%	–	–

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

Notes:

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

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

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

(d) Huatai Capital Investment Limited is a wholly-owned subsidiary of Huatai Financial Holdings (Hong Kong) Limited. Huatai Financial Holdings (Hong Kong) Limited is a wholly-owned subsidiary of Huatai Securities Company Limited, and therefore, these corporations are deemed to be interested in the shares and convertible shares held by Huatai Capital Investment Limited.

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

Save as disclosed above, as at 31 December 2015, no person, other than the directors and chief executive of the Company, whose interests are set out in the section "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or a short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

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

Continuing connected transactions

On 3 May 2013, Guangdong Zi Yu Tai Finance Leasing Company Limited ("Ziyutai"), a wholly-owned subsidiary of the Company, entered into a financing agreement with Shanghai Lanpei New Material Technology Holdings Limited ("Shanghai Lanpei"), an indirect 45% owned by Shanghai Han Zhong Hang Yue Enterprise Management Consultancy Limited ("Shanghai HZHY"). Shanghai HZHY is wholly-owned by AVIC Int'l. Pursuant to the financing agreement, Ziyutai agreed to provide a revolving facility up to RMB15,700,000 for the aggregate drawdown of financing principal and leasing amount to Shanghai Lanpei for a term of up to three years. An interest income of RMB499,000 was received by Ziyutai for the year ended 31 December 2015 pursuant to subsequent contracts signed on 20 January 2014, 7 May 2014 and 20 December 2015 under the financing agreement. Details of the financing agreement was disclosed in the Company's announcement dated 3 May 2013.

On 2 December 2013, Suzhou Target Lighting Company Limited ("Suzhou Target"), an associate of the Company (ceased to be a wholly-owned subsidiary of the Company from December 2015), entered into a service agreement with Changzhou Changfei Real Estates Development Co., Ltd. ("Changzhou Changfei"), an indirect wholly-owned subsidiary of Aviation Industry Corporation of China. Pursuant to the service agreement, Changzhou Changfei has agreed to engage Suzhou Target for the provision of light-emitting diode lighting energy-saving solution services (the "Service") for a hotel owned and managed by Changzhou Changfei located in Changzhou City of the PRC. Suzhou Target shared a total monetary energy-saving benefits of RMB934,000 from the Service for the year ended 31 December 2015. Details of the Service was disclosed in the Company's announcement dated 2 December 2013.

On 20 January 2015, the Company, entered into a deed of amendment, as the issuer, with Billirich Investment Limited ("Billirich") as the noteholder, pursuant to which the Company and Billirich conditionally agreed to extend the maturity date of the 2% coupon convertible note in principal amount of HK$51,775,872 issued by the Company on 3 March 2012 to Billirich for three years, from 6 March 2015 to 6 March 2018 (the "Extension"). The Extension has been approved by the Independent Shareholders (as defined in the Company's circular dated 9 February 2015) at the extraordinary general meeting of the Company on 3 March 2015. A new convertible note certificate was issued to Billirich on 3 March 2015. Details of the Extension were disclosed in the Company's announcement dated 20 January 2015 and the Company's circular dated 9 February 2015.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS (continued)

Continuing connected transactions (continued)

The independent non-executive directors of the Company have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

For the purpose of rule 14A.56 of the Listing Rules, the auditor of the Company has provided a letter to the Board confirming that nothing has come to their attention that causes them to believe that the abovementioned continuing connected transactions:

(i) have not been approved by the Board;

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

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

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

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 number of issued shares were held by the public as at the date of this report.

AUDITORS

Ernst & Young retire and a resolution for their re-appointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Wang Xiaowei
Chief Executive Officer and Executive Director

Hong Kong
24 March 2016

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

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

The Company has complied with the applicable code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules during the year ended 31 December 2015, save and except as disclosed hereunder:

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

(ii) code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings. Due to other important business engagements at the relevant times, not all independent non-executive Directors ("INEDs") and the non-executive Director were able to attend the extraordinary general meetings of the Company held on 3 March 2015, 13 March 2015 and 30 March 2015, and the annual general meeting of the Company held on 25 June 2015 (the "AGM");

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

CORPORATE GOVERNANCE REPORT

(iv) code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. However, due to other important business engagements at the relevant time, Mr. Ji Guirong, the former chairman of the Board, did not attend the AGM. Nevertheless, Mr. Xiao Wei, an executive Director, took the chair of the AGM and Mr. Wu Meng, an INED, being a member of, the audit committee, the remuneration committee, and the nomination committee was present thereat and was available to answer questions to ensure effective communication with the Shareholders.

DIRECTORS' SECURITIES TRANSACTIONS

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. Following specific enquiry by the Company, all Directors confirmed that they had complied with the required standards as set out in the Model Code during the year under review.

BOARD OF DIRECTORS

Board Composition

The Board currently comprises seven Directors in total, with four executive Directors (the "Executive Directors") and three INEDs. The composition of the Board during the year and up to the date of this report is set out as follows:

Executive Directors:	Zhu Dong *(Chairman)* (Appointed with effect from 7 December 2015) Wang Xiaowei *(Chief Executive Officer)* (Appointed as Chief Executive Officer with effect from 1 August 2015) Zang Zheng Xiao Wei Ji Hui (*former Chief Executive Officer)* (Resigned with effect from 1 August 2015) Zhang Chuanjun (Resigned with effect from 1 August 2015)
Non-Executive Director:	Ji Guirong *(former Chairman)* (Resigned with effect from 7 December 2015)
INEDs:	Hu Xiaowen Gong Changhui Wu Meng

Currently, the Board comprises four Executive Directors and three INEDs. Mr. Wang Xiaowei was appointed as the chief executive officer of the Company with effect from 1 August 2015 and Mr. Zhu Dong was appointed as an executive Director and the chairman of the Board ("Chairman") with effect from 7 December 2015. Whereas Mr. Ji Guirong resigned as a non-Executive Director and the chairman of the Board with effect from 7 December 2015; Mr. Ji Hui resigned as an executive Director and the chief executive officer of the Company, and Mr. Zhang Chuanjun resigned as an executive Director, both with effect from 1 August 2015. Save as disclosed above, all other existing Directors served for the whole year of 2015.

The biographical details of the Directors are set out in the section headed "Biographical Details of Directors" on pages 12 to 14 of this annual report. The Directors have no other financial, business, family or other material/relevant relationships with one another.

Function and Duties of the Board

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

Board Meetings

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

During the year ended 31 December 2015, nine Board meetings were held and the attendance records of each Director at the Board, Board committees and general meetings are set out below:

	Number of meetings attended/held				
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General Meeting**
Executive Directors					
Mr. Zhu Dong (appointed with effect from 7 December 2015)	1/1				
Mr. Wang Xiaowei	9/9				0/4
Mr. Zang Zheng	9/9				0/4
Mr. Xiao Wei	9/9				2/4
Mr. Ji Hui (resigned with effect from 1 August 2015)	1/4				0/4
Mr. Zhang Chuanjun (resigned with effect from 1 August 2015)	4/4				0/4
Non-Executive Director					
Mr. Ji Guirong (resigned with effect from 7 December 2015)	6/7				0/4
INEDs					
Mr. Hu Xiaowen	9/9	2/2	1/1	1/1	0/4
Mr. Gong Changhui	9/9	2/2	1/1	1/1	0/4
Mr. Wu Meng	8/9	2/2	1/1	1/1	4/4

CORPORATE GOVERNANCE REPORT

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

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

INEDS

During the year, the number of Directors reduced to seven from nine, of which three Directors are INEDs (representing one-third of the Board). One of the INEDs has the appropriate professional qualifications or accounting or related financial management expertise as required under Rule 3.10 of the Listing Rules.

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

Continuous Professional Development

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

The individual training record of each Director received for the year ended 31 December 2015 is summarized as follows:

Name of Directors	Participation in Continuous Professional Development Activities: Attending trainings/ briefing/ seminars/ conference	Reading Regulatory and updates
Executive Directors		
Mr. Zhu Dong (Chairman) (appointed with effect from 7 December 2015)	✓	✓
Mr. Wang Xiaowei (Chief Executive Officer) (appointed as Chief Executive Officer with effect from 1 August 2015)	–	✓
Mr. Zang Zheng	–	✓
Mr. Xiao Wei	–	✓
Mr. Ji Hui (former Chief Executive Officer) (resigned with effect from 1 August 2015)	–	✓
Mr. Zhang Chuanjun (resigned with effect from 1 August 2015)	–	✓
Non-Executive Director		
Mr. Ji Guirong (former Chairman) (resigned with effect from 7 December 2015)	–	✓
INEDs		
Mr. Hu Xiaowen	✓	✓
Mr. Gong Changhui	–	✓
Mr. Wu Meng	–	✓

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code Provision A.2.1 of the CG Code stipulates that the roles of the chairman of the Board and the chief executive officer of the Company are served by different individuals to achieve a balance of authority and power. Mr. Ji Guirong (from 1 January 2015 to 6 December 2015) and Mr. Zhu Dong (from 7 December 2015 onwards), the former and the current chairman of the Board, respectively, is primarily responsible for the leadership of the Board ensuring that all significant policy issues are discussed by the Board in a timely and constructive manner by drawing up and approving the agenda and taking into account any matters proposed by other Directors for inclusion in the agenda, and that all Directors are properly briefed on issues arising at Board meetings, and that the Directors receive accurate, timely and clear information. Mr. Ji Hui (from 1 January 2015 to 31 July 2015) and Mr. Wang Xiaowei (from 1 August 2015 onwards), the former and current chief executive officer of the Company, respectively, is responsible for day-to-day management of the Group's business. Their responsibilities are clearly segregated and have been set out in writing.

Appointment and Re-election of Directors

During the year, the non-executive Directors (a majority of whom are independent) provide the Group with a wide range of expertise and experience as well as checks and balance to safeguard the interests of the Shareholders by their participation in the Board and committee meetings with independent judgment on issues relating to the Group's strategy, performance and management process.

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

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

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

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

Board Committees

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

Audit Committee

The Audit Committee comprises three INEDs, namely, Mr. Hu Xiaowen (chairman of the Audit Committee), Mr. Wu Meng and Mr. Gong Changhui. The Audit Committee is chaired by an INED with appropriate professional qualifications, or accounting or related financial management expertise.

CORPORATE GOVERNANCE REPORT

During the year, the number of members of the Audit Committee is three, the Company has complied with the Rule 3.21.

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

The primary duties of the Audit Committee are to make recommendation to the Board on the appointment, re-appointment and removal of the external auditor, to review and monitor the effectiveness of the audit process, to discuss the risk management and internal control systems with management and to consider other topics as defined by the Board.

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

(i) reviewed and recommended for the Board's approval the interim and annual results, the interim report and annual report and other financial statements, the internal control and risk management matters of the Group and made recommendations to the Board;

(ii) considered and discussed the reports and presentations of senior management and the external auditor, with a view to ensure that the Group's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Hong Kong;

(iii) discussed with the external auditor of its independent review of the interim financial report and its annual audit of the consolidated financial statement;

(iv) reviewed the risk management and internal control systems of the Group; and

(v) reviewed the qualification and experience of staff of the Group's accounting and financial reporting function, and their training programs and budget.

Remuneration Committee

The Remuneration Committee comprises four members, including Mr. Hu Xiaowen (chairman of the Remuneration Committee), Mr. Gong Changhui and Mr. Wu Meng, all are INEDs, and Mr. Zhu Dong, an executive Director and the chairman of the Board.

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

Details of the Directors' emoluments and remuneration payable to members of senior management by band are set out in notes 9 and 10 to the financial statements. The terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company. The Remuneration Committee adopted the model "to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management".

The primary duties of the Remuneration Committee are to deterimine the Company's policy and structure for all Directors' and senior management remuneration, to determine, the remuneration packages of individual executive directors and senior management, to make recommendations to the Board on the remuneration of non-executive Directors.

During the year, the Remuneration Committee reviewed and recommended the existing policies and structure of the remuneration of the Directors and senior management of the Group to the Board; and reviewed and approved the remuneration packages of the Directors and senior management of the Group with reference to the Board's corporate goals and objectives as well as individual performances.

Nomination Committee

The Nomination Committee comprises four members, including Mr. Zhu Dong (chairman of the Nomination Committee), an executive Director and the chairman of the Board, Mr. Hu Xiaowen, Mr. Wu Meng and Mr. Gong Changhui, all are INEDs and is chaired by the chairman of the Board.

The terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

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

CORPORATE GOVERNANCE REPORT

The primary duties of the Nomination Committee are to review the structure, size, composition and diversity of the Board, to identify, screen and recommend to the Board appropriate individuals to serve as Directors, to assess the independence of INEDs, to make recommendations to the Board on the appointment or re-appointment of Directors, and to review the Board diversity policy and to monitor its implementation at least once a year.

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

The Board reviewed and amended the terms of reference of the Nomination Committee in December 2015.

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

ACCOUNTABILITY AND AUDIT

Financial Reporting

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

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

CORPORATE GOVERNANCE REPORT

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

Internal Controls

The Board is responsible for maintaining the Group's internal control system and reviewing its effectiveness through the Audit Committee. A system is designed, for complying with applicable laws, rules and regulations, to manage the Group's risks within an acceptable risk profile, rather than to eliminate the risk of failure, to achieve the business objectives of the Group. Accordingly, it can only provide reasonable, but not absolute, assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Board conducted an annual review of the effectiveness of the internal control system of the Group. The review covered all material controls, including financial, operational and compliance controls and risk management functions. The Board is of the view that the internal control system in place for the year ended 31 December 2015 is sufficient to safeguard the interests of the Group's assets.

The Board through the Audit Committee had reviewed the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting functions, and their training programs and budget.

Auditors' Remuneration

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

Service rendered for the Group	**HK$'000**
Audit services	3,450
Non-audited services	
(including review of interim results and transactions)	1,524
Total	4,974

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

The Company has engaged Mr. Li Chi Chung ("Mr. Li") as the Company Secretary since September 2009 to his resignation with effect from 1 June 2015 and appointed Ms. Ngan Wai Kam Sharon ("Ms. Ngan") as the Company Secretary following Mr. Li's resignation with effect from 1 June 2015, each of Mr. Li and Ms. Ngan is a lawyer and an external service provider. Ms. Ngan fulfills the requirement under Rules 3.28 and 3.29 of the Listing Rules and has attained not less than 15 hours of relevant professional training for the year ended 31 December 2015. The Company Secretary provided advices to the Board to ensure that the Board procedures and all applicable laws are followed and direct reported to Mr. Ji Hui (from 1 January 2015 to 31 July 2015) and Mr Wang Xiaowei (from 1 August 2015 onwards), the former and current chief executive officers of the Company, respectively.

COMMUNICATION WITH SHAREHOLDERS

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

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

During the year, due to other important business engagements at the relevant time, the former chairman of the Board did not attend the AGM. Nevertheless, Mr. Xiao Wei, an executive Director, took the chair of the AGM and Mr. Wu Meng, an INED, being a member of the audit committee, the remuneration committee and the nomination committee of the Company was present thereat and was available to answer questions to ensure effective communication with the Shareholders.

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

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

SHAREHOLDERS' RIGHTS

Shareholders' Right to Convene Extraordinary General Meeting

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

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

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

Shareholders' Right to Put Enquiries to the Board

The Board has established a shareholders' communication policy. Shareholders should direct any questions about their shareholdings to the Company's share registrar.

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

CORPORATE GOVERNANCE REPORT

If a Shareholder wishes to make an enquiry of the Board ("Enquiry"), the Enquiry must be served at the Registered Office for the attention of the Board and set out in written form, stating the nature of the Enquiry, and the reason for making the Enquiry. In addition, Shareholders can contact Tricor Tengis Limited, the share registrar of the Company, for any questions about their shareholdings.

Shareholders' Right to Put Forward Proposals at General Meetings

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

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

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2015, there had been no changes in the Company's constitutional documents.

INDEPENDENT AUDITORS' REPORT

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

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香港中環添美道1號
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To the members of AVIC Joy Holdings (HK) Limited
(Incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of AVIC Joy Holdings (HK) Limited (the "Company") and its subsidiaries set out on pages 51 to 190, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

AUDITORS' RESPONSIBILITY (continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
24 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000 (Restated)
REVENUE	6	**1,236,123**	1,619,742
Cost of sales		**(1,034,050)**	(1,392,976)
Gross profit		**202,073**	226,766
Other income and gains	6	**82,547**	38,073
Selling and distribution expenses		**(85,612)**	(104,892)
Administrative expenses		**(199,285)**	(165,643)
Other operating expenses, net		**(45,136)**	(21,232)
Fair value losses on investment properties	14	**(32,675)**	(4,684)
Finance costs	8	**(115,986)**	(47,945)
Impairment of goodwill	16	**(83,241)**	–
Gains on disposals of subsidiaries	41	**32,271**	9,934
Loss on deregistration of joint ventures		**–**	(2,893)
Share of profits and losses of joint ventures		**4,357**	17,275
Share of profits and losses of associates		**(26,243)**	(1,187)
LOSS BEFORE TAX	7	**(266,930)**	(56,428)
Income tax expense	11	**(11,161)**	(15,727)
LOSS FOR THE YEAR		**(278,091)**	(72,155)
Attributable to:			
Owners of the parent		**(294,968)**	(79,799)
Non-controlling interests		**16,877**	7,644
		(278,091)	(72,155)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	12	**(HK5.45 cents)**	(HK1.82 cents)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000 (Restated)
LOSS FOR THE YEAR		**(278,091)**	(72,155)
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Change in fair value of an available-for-sale investment	20	**22,163**	24,934
Exchange differences on translation of foreign operations		**(84,506)**	(23,054)
Realisation of exchange fluctuation reserve upon disposal/deregistration of subsidiaries	41(a),(b)	**(4,954)**	8,103
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**(67,297)**	9,983
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(345,388)**	(62,172)
Attributable to:			
Owners of the parent		**(357,754)**	(70,464)
Non-controlling interests		**12,366**	8,292
		(345,388)	(62,172)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	**31 December 2015 HK$'000**	31 December 2014 HK$'000 (Restated)	1 January 2014 HK$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	13	**128,653**	342,259	446,460
Investment properties	14	**2,010,548**	114,641	49,606
Prepaid land lease payments	15	**9,670**	24,739	52,184
Goodwill	16	**87,242**	188,869	150,518
Intangible assets	17	**964,764**	977,949	15,000
Investments in joint ventures	18	**53,658**	133,417	65,869
Investments in associates	19	**53,653**	9,485	–
Available-for-sale investment	20	**207,780**	185,617	160,683
Other asset	21	**2,680**	–	–
Concession finance receivables	22	**–**	137,441	43,199
Trade receivables	23	**–**	232,270	22,613
Prepayments and deposits	24	**19,576**	134,737	165,992
Finance lease receivables	25	**–**	13,971	12,478
Promissory notes receivable	26(a)	**256,514**	–	–
Loans receivable from related companies	27	**–**	33,339	–
Total non-current assets		**3,794,738**	2,528,734	1,184,602
CURRENT ASSETS				
Inventories	28	**2,871**	1,634	3,030
Contract for services	29	**96,429**	36,560	–
Other asset		**–**	–	23,600
Trade and bills receivables	23	**60,846**	227,042	129,440
Prepayments, deposits and other receivables	24	**215,846**	191,221	41,422
Concession finance receivables	22	**–**	84,783	2,015
Finance lease receivables	25	**1,208**	6,549	14,335
Promissory notes receivable	26(a)	**85,314**	–	–
Held-to-maturity debt securities	30	**–**	4,410	–
Due from joint ventures	18	**240,234**	97,138	37,042
Due from associates	19	**16,546**	899	–
Due from non-controlling shareholders	27	**14,972**	35,121	29,357
Loan receivable from a related company	27	**3,581**	–	6,350
Pledged deposits	31	**–**	1,904	985,470
Cash and bank balances	31	**446,546**	648,557	382,273
Total current assets		**1,184,393**	1,335,818	1,654,334

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	**31 December 2015 HK$'000**	31 December 2014 HK$'000 (Restated)	1 January 2014 HK$'000 (Restated)
CURRENT LIABILITIES				
Trade and bills payables	32	**18,057**	103,243	191,496
Deferred income, other payables and accruals	33	**163,340**	198,799	79,892
Finance lease payable	34	**763**	725	–
Promissory notes payable	26(b)	**–**	100,000	–
Convertible bonds	35	**321,445**	51,407	–
Interest-bearing bank and other borrowings	36	**245,149**	179,747	1,078,126
Loans from a related company	27	**251,620**	38,798	–
Due to non-controlling shareholders	27	**–**	3,087	15,399
Due to joint ventures	18	**11,072**	5,040	449
Due to associates	19	**2,720**	161	–
Tax payable		**1,804**	15,487	16,243
Total current liabilities		**1,015,970**	696,494	1,381,605
NET CURRENT ASSETS		**168,423**	639,324	272,729
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,963,161**	3,168,058	1,457,331
NON-CURRENT LIABILITIES				
Convertible bonds	35	**42,218**	375,072	47,618
Finance lease payable	34	**1,929**	2,693	–
Interest-bearing bank and other borrowings	36	**1,736,491**	545,500	51,096
Loans from a related company	27	**223,820**	108,374	147,179
Loans from non-controlling shareholders	27	**38,640**	38,640	–
Deferred tax liabilities	37	**245,054**	248,351	5,163
Deferred income and other payables	33	**–**	382,424	10,938
Total non-current liabilities		**2,288,152**	1,701,054	261,994
Net assets		**1,675,009**	1,467,004	1,195,337

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	**31 December 2015 HK$'000**	31 December 2014 HK$'000 (Restated)	1 January 2014 HK$'000 (Restated)
EQUITY				
Equity attributable to owners of the parent				
Share capital	38	**2,232,696**	1,729,752	876,757
Equity component of convertible bonds	35	**90,139**	83,312	21,686
Other reserves		**(1,035,269)**	(706,180)	197,027
		1,287,566	1,106,884	1,095,470
Non-controlling interests		**387,443**	360,120	99,867
Total equity		**1,675,009**	1,467,004	1,195,337

Zhu Dong
Director

Wang Xiaowei
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

		Attributable to owners of the parent													
	Notes	Share capital HK$'000	Share premium account HK$'000	Share option reserve HK$'000	Equity component of convertible bonds HK$'000	Available-for-sale investment revaluation reserve HK$'000	Capital reserve HK$'000	Special capital reserve HK$'000	Exchange fluctuation reserve HK$'000	Reserve funds HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2014															
As previously reported		876,757	825,596	43,643	21,686	15,661	-	828,646	111,695	4,936	3,865	(1,646,523)	1,085,962	95,828	1,181,790
Prior year adjustments	2.2	-	-	-	-	-	-	-	385	-	-	9,123	9,508	4,039	13,547
As restated		876,757	825,596	43,643	21,686	15,661	-	828,646	112,080	4,936	3,865	(1,637,400)	1,095,470	99,867	1,195,337
Loss for the year (restated)		-	-	-	-	-	-	-	-	-	-	(79,799)	(79,799)	7,644	(72,155)
Other comprehensive income/(loss) for the year:															
Change in fair value of an available-for-sale investment	20	-	-	-	-	24,934	-	-	-	-	-	-	24,934	-	24,934
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	(23,702)	-	-	-	(23,702)	648	(23,054)
Reserve released on deregistration of subsidiaries		-	-	-	-	-	-	-	8,103	-	-	-	8,103	-	8,103
Total comprehensive loss for the year		-	-	-	-	24,934		-	(15,599)	-	-	(79,799)	(70,464)	8,292	(62,172)
Transition to no-par value regime	38(a)	829,461	(825,596)	-	-	-	-	-	-	-	(3,865)	-	-	-	-
Issue of convertible bonds	35	-	-	-	64,963	-	-	-	-	-	-	-	64,963	-	64,963
Issue of shares upon exercise of convertible bonds	35, 38(b)	20,247	-	-	(3,337)	-	-	-	-	-	-	-	16,910	-	16,910
Equity-settled share option arrangements	39	-	-	993	-	-	-	-	-	-	-	-	993	-	993
Transfer of share option reserve upon forfeiture of share options	38	3,287	-	(3,287)	-	-	-	-	-	-	-	-	-	-	-
Acquisition of additional interests in subsidiaries		-	-	-	-	-	-	-	(149)	-	-	(560)	(709)	709	-
Deregistration of subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	(576)	(576)
Acquisition of subsidiaries	42	-	-	-	-	-	-	-	-	-	-	-	-	282,927	282,927
Disposal of subsidiaries	41(d)	-	-	-	-	-	-	-	-	(279)	-	-	(279)	(31,099)	(31,378)
At 31 December 2014		1,729,752	-	41,349*	83,312	40,595*	-	828,646*	96,332*	4,657*	-*	(1,717,759)*	1,106,884	360,120	1,467,004
At 1 January 2015															
As previously reported		1,729,752	-	41,349	83,312	40,595	-	828,646	96,020	4,657	-	(1,729,219)	1,095,112	356,074	1,451,186
Prior year adjustments	2.2	-	-	-	-	-	-	-	312	-	-	11,460	11,772	4,046	15,818
As restated		1,729,752	-	41,349*	83,312	40,595*	-	828,646*	96,332*	4,657*	-*	(1,717,759)*	1,106,884	360,120	1,467,004
Loss for the year		-	-	-	-	-	-	-	-	-	-	(294,968)	(294,968)	16,877	(278,091)
Other comprehensive income/(loss) for the year:															
Change in fair value of an available-for-sale investment	20	-	-	-	-	22,163	-	-	-	-	-	-	22,163	-	22,163
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	(79,995)	-	-	-	(79,995)	(4,511)	(84,506)
Reversal released on disposal of subsidiaries	41(a),(b)	-	-	-	-	-	-	-	(4,954)	-	-	-	(4,954)	-	(4,954)
Total comprehensive loss for the year		-	-	-	-	22,163	-	-	(84,949)	-	-	(294,968)	(357,754)	12,366	(345,388)
Issue of shares upon exercise of convertible bonds	35, 38(c)	94,011	-	-	(11,510)	-	-	-	-	-	-	-	82,501	-	82,501
Issue of shares upon exercise of share options	38(d)	43,268	-	(11,852)	-	-	-	-	-	-	-	-	31,416	-	31,416
Transfer of share option reserve upon forfeiture of share options	38	12,280	-	(12,280)	-	-	-	-	-	-	-	-	-	-	-
Extension of convertible bonds	35(a)	-	-	-	18,337	-	-	(5,289)	-	-	-	-	13,048	-	13,048
Disposal of subsidiaries	41(a),(c)	-	-	-	-	-	-	-	-	-	-	-	-	(82,488)	(82,488)
Disposal of interests in subsidiaries	1	-	-	-	-	-	58,086	-	-	-	-	-	58,086	97,445	155,531
Share placement and top-up subscription	38(e)	353,385	-	-	-	-	-	-	-	-	-	-	353,385	-	353,385
At 31 December 2015		2,232,696	-	17,217*	90,139	62,758*	58,086*	823,357*	11,383*	4,657*	-*	(2,012,727)*	1,287,566	387,443	1,675,009

* These reserve accounts comprise the consolidated debit reserves of HK$1,035,269,000 (2014 (Restated): consolidated debit reserves of HK$706,180,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(266,930)**	(56,428)
Adjustments for:			
Finance costs	8	**115,986**	47,945
Depreciation of property, plant and equipment	7	**39,699**	51,650
Amortisation of intangible assets	7	**1,044**	1,045
Amortisation of prepaid land lease payments	7	**4,563**	2,768
Impairment of items of property, plant and equipment	7	**22,445**	7,259
Fair value losses on investment properties	7	**32,675**	4,684
Impairment of an investment in an associate	7	**8,525**	–
Impairment of goodwill	7	**83,241**	–
Loss on disposal of items of property, plant and equipment	7	**2,936**	4,546
Interest income	6	**(10,091)**	(2,970)
Finance income on concession finance and trade receivables	6	**(37,233)**	(20,317)
Impairment/(reversal of impairment) of trade receivables	7	**917**	(1,829)
Impairment of deposits and other receivables	7	**5,313**	11,256
Impairment of an available-for-sales investment	7	**5,000**	–
Equity-settled share option expense		**–**	993
Gain on deemed disposal of subsidiaries	7	**(2,848)**	–
Loss on deregistration of joint ventures	7	**–**	2,893
Gain on disposal of subsidiaries	7	**(29,423)**	(9,934)
Share of profits and losses of joint ventures		**(4,357)**	(17,275)
Share of profits and losses of associates		**26,243**	1,187
Loss on disposal of land use rights		**–**	814
		(2,295)	28,287
(Increase)/decrease in inventories		**(5,129)**	24,668
Increase in contract for services		**(59,869)**	(36,560)
(Increase)/decrease in trade and bills receivables		**159,033**	(314,396)
Increase in prepayments, deposits and other receivables		**(113,742)**	(66,929)
Increase in concession finance receivables		**(319,528)**	(179,178)
Decrease in finance lease receivables		**19,312**	4,894
(Increase)/decrease in amounts due from joint ventures		**(340,471)**	4,575
(Increase)/decrease in an amount due from an associate		**7,827**	(899)
Decrease in pledged deposits		**–**	983,522
(Increase)/decrease in amounts due to joint ventures		**225,508**	(62,029)
Increase in an amount due to an associate		**2,559**	161
Increase/(decrease) in trade and bills payables		**40,974**	(94,752)
Increase in other payables and accruals		**488,993**	74,885
Increase/(decrease) in deferred income		**(29,916)**	433,460

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000 (Restated)
Cash generated from operations		**73,256**	799,709
Overseas taxes paid		**(20,139)**	(16,306)
Net cash flows from operating activities		**53,117**	783,403
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	6	**9,365**	2,970
Purchases of items of property, plant and equipment	13	**(21,984)**	(58,683)
Proceeds from disposal of items of property, plant and equipment		**18,725**	20,718
Increase in prepaid land lease payments	15	**(795)**	(419)
Addition of available-for-sale investment		**(5,000)**	–
Acquisition of investment properties	14	**(1,945,390)**	(46,695)
Acquisition of subsidiaries		**–**	246,351
Acquisition of associates		**(10,000)**	(592)
Disposals of interests in subsidiaries		**(83,482)**	71,873
Capital injection to joint ventures		**(9,418)**	(57,330)
Capital injection to associates		**–**	(10,080)
Redemption of held-to-maturity debt securities		**4,410**	–
Additions of other asset		**(2,680)**	–
Deposits paid for acquisition of subsidiaries		**–**	(51,880)
Return on a joint venture		**–**	3,652
Loans receivable from related companies		**–**	(26,989)
Net cash flows from/(used in) investing activities		**(2,046,249)**	92,896

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Notes	**2015** **HK$'000**	2014 HK$'000 (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**359,160**	–
Proceeds from exercise of share options	38(d)	**31,416**	–
Share issue expenses	38(e)	**(5,775)**	–
Interest paid on bank and other loans	8	**(57,829)**	(24,312)
Interest paid on convertible bonds	35	**(4,582)**	(1,036)
Interest paid on loans from shareholders	8	**(18,842)**	(8,864)
Interest paid on promissory notes payable	8	**(2,000)**	–
Repayment of bank loans		**(387,566)**	(989,908)
Repayment of other loans		**–**	(6,048)
New bank and other loans		**1,644,768**	244,477
Repayment of a loan from a shareholder		**–**	(108,382)
Loan from related companies		**358,025**	–
Loan from a shareholder		**–**	108,374
Repayment to non-controlling shareholders, net		**(11,758)**	(17,771)
Issue of convertible bonds for cash		**–**	175,000
New finance leases		**–**	3,880
Repayment of promissory notes		**(100,000)**	–
Repayment of finance leases		**(726)**	(462)
Net cash flows from/(used in) financing activities		**1,804,291**	(625,052)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(188,841)**	251,247
Cash and cash equivalents at beginning of year		**650,461**	409,349
Effect of foreign exchange rate changes, net		**(15,074)**	(10,135)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**446,546**	650,461
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances as stated in the consolidated statement of financial position		**446,546**	648,557
Pledged time deposits with original maturity of less than three months when acquired		**–**	1,904
Cash and cash equivalents as stated in the consolidated statement of cash flows		**446,546**	650,461

NOTES TO FINANCIAL STATEMENTS

31 December 2015

1. CORPORATE AND GROUP INFORMATION

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

During the year, the Group was principally involved in the operation of compressed natural gas ("CNG"), liquefied petroleum gas ("LPG") and liquefied natural gas ("LNG") refueling stations; management and operation of light-emitting diode ("LED") energy management contracts ("EMC") and trading of LED products; provision of finance lease and loan services and properties investment; and provision of land development services and sale of construction materials in the People's Republic of China (the "PRC"). On 14 December 2015, as a result of a restructuring further explained in note 41(b) to the financial statements, the subsidiary operating the LED EMC and trading of LED products business has become a joint venture of the Group. The principal activity of the Company is investment holding.

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share/registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Jetco Innovations Limited	British Virgin Islands/Hong Kong	US$1	100	–	Investment holding
Anhui Sinogas Company Limited#	PRC/ Mainland China	HK$30,000,000	–	100	Operation of gas stations
Beijing Sinogas Company Limited#	PRC/ Mainland China	RMB100,000,000	–	69.4	Investment holding
Chengdu Sheng Yuan Natural Gas Company Limited*^	PRC/ Mainland China	RMB5,000,000	–	38.5	Operation of gas stations
Chengdu Sinogas Company Limited^	PRC/ Mainland China	HK$20,000,000	–	70	Operation of gas stations
Chuang Jie Ran Qi (Chengdu) Company Limited^	PRC/ Mainland China	HK$30,000,000	–	91	Operation of gas stations

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary share/registered capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Global King Investments Limited	British Virgin Islands/Hong Kong	US$32,000	–	69.4	Investment holding
Guangdong Zi Yu Tai Finance Leasing Company Limited#	PRC/ Mainland China	US$28,000,000	–	100	Provision of finance lease and loan services
Ontex Enterprises Limited*	British Virgin Islands/Hong Kong	US$100	–	60	Provision of land development and sales of construction materials
Shandong Sinogas Company Limited^	PRC/ Mainland China	RMB40,000,000	–	100	Operation of gas stations
Shenzhen Sinogas Environmental Protection Technology Limited#	PRC/ Mainland China	RMB20,000,000	–	100	Investment holding
Sinogas (Xuzhou) Cleanly Fuel Co., Limited#	PRC/ Mainland China	HK$10,000,000	–	100	Operation of gas stations
Spotwin Investment Limited*	Birtish Virgin Islands/Hong Kong	US$100	–	49.5 (2014: 60)	Provision of land development and sales of construction materials
Xuzhou Sinogas Bus Fuel Company Limited^	PRC/ Mainland China	US$1,975,000	–	70	Operation of gas stations

NOTES TO FINANCIAL STATEMENTS

31 December 2015

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

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

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

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

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

On 4 December, 2015, the Group entered into a share transfer agreement with Kingfun Investment Limited, a third party purchaser, (i) to sell 17.5% of the issued share capital of Spotwin Investment Limited ("Spotwin"), an indirect non-wholly-owned subsidiary of the Group and; (ii) 17.5% of Spotwin's shareholders' loan as at 4 December 2015. The excess of the net consideration of HK$155,531,000, over the non-controlling interests of 17.5% of the net assets of Spotwin disposed of HK$97,445,000, amounting to HK$58,086,000, is credited to capital reserve. The gross consideration was satisfied by (i) cash of HK$12,188,000 settled during the year and (ii) promissory notes by Kingfun Investment Limited of HK$85,314,000 and HK$73,126,000 with maturity dates on 29 January 2016 and 15 June 2017, respectively.

2.1 BASIS OF PREPARATION

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

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*
Annual Improvements to HKFRSs 2010-2012 Cycle	*Amendments to a number of HKFRSs*
Annual Improvements to HKFRSs 2011-2013 Cycle	*Amendments to a number of HKFRSs*

The nature and the impact of each amendment in described below:

(a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(b) The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

- HKAS 16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets*: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

- HKAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) The *Annual Improvements to HKFRSs 2011-2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 3 *Business Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

- HKFRS 13 *Fair Value Measurement*: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.

- HKAS 40 *Investment Property*: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as the acquisition of investment properties during the year was not a business combination and so this amendment is not applicable.

In addition, the requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) came into effect for the first time during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

During the year, the Group changed voluntarily its accounting policy regarding the measurements of investment properties. In prior years, the Group adopted the cost model for the measurements of the investment properties, which were stated at cost less accumulated depreciation and any impairment losses. Under the revised accounting policy, investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period. Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

In the opinion of the directors, the financial statements prepared under the revised policy could provide more relevant information to the users of the financial statements and bring the Group in line with the treatment adopted by other entities in the industry. This change in policy has been applied retrospectively by restating the opening balances at 1 January 2014, with consequential adjustments to comparatives for the year ended 31 December 2014.

The effect on the consolidated statement of profit or loss and other comprehensive income is summarised as follows:

	2015	2014
	HK$'000	HK$'000
Increase in net loss from a fair value adjustment	**32,675**	4,684
Decrease in depreciation	**(3,443)**	(1,411)
Decrease in impairment loss	**–**	(5,649)
Increase in profit attributable to non-controlling interests	**106**	39
Increase/(decrease) in exchange differences on translation of foreign operations	**(321)**	105
Increase in other comprehensive loss attributable to non-controlling interests	**(225)**	(32)

NOTES TO FINANCIAL STATEMENTS
31 December 2015

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The effect on the consolidated statement of financial position is summarised as follows:

	31 December 2015	31 December 2014	1 January 2014
	HK$'000	HK$'000	HK$'000
Increase/(decrease) in investment properties	**(13,093)**	15,818	13,547
Increase/(decrease) in accumulated losses	**17,878**	(11,460)	(9,123)
Increase in non-controlling interests	**(3,927)**	(4,046)	(4,039)
Increase in exchange fluctuation reserve	**(858)**	(312)	(385)

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARD

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

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

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

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
4 No mandatory effective date yet determined but available for adoption

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

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. During 2015, the Group performed a high-level assessment of the impact of the adoption of HKFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of HKFRS 9 are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

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

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of HKFRS 9.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

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

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

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

(i) the materiality requirements in HKAS 1;

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

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

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

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

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

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

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

Adjustments are made to bring into line any dissimilar accounting policy that may cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

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

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

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

Business combinations and goodwill

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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

Fair value measurement

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

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

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

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

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for the revalued asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

or

NOTES TO FINANCIAL STATEMENTS

31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Assets held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

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

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

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

Intangible assets (other than goodwill)

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

Land development contract

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

Service contract

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

Franchise

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

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

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

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

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

Investments and other financial assets

Initial recognition and measurement

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

NOTES TO FINANCIAL STATEMENTS

31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

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

Subsequent measurement

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate.

Held-to-maturity debt securities

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity debt securities are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in other operating expenses.

Available-for-sale financial investments

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Available-for-sale financial investments (continued)

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

Derecognition of financial assets

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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

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

Available-for-sale financial investments

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments (continued)

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

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the statement of profit or loss.

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Loans and borrowings

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

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

Convertible bonds

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

Derecognition of financial liabilities

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Offsetting of financial instruments

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

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government grants

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

Revenue recognition

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Land development contracts

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

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

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

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

Contracts for services of land development services

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contracts for services of land development services (continued)

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

Concession financial assets

The Group constructs or upgrades infrastructure (construction services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time. These arrangements may include infrastructure used in a public-to-private service concession arrangement for its entire useful life. These arrangements are accounted for based on the nature of the consideration. The financial asset model is used when the Group has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. When the unconditional right to receive cash covers only part of the service, the two models are combined to account separately for each component. If the Group performs more than one service (i.e., construction or upgrade services and operation services) under a single contract or arrangement, consideration received or receivable is allocated by reference to the relative fair values of the services delivered, when the amounts are separately identifiable.

In the financial asset model, the amount due from the grantor meets the definition of a receivable which is measured at fair value. It is subsequently measured at amortised cost. The amount initially recognised plus the cumulative interest on that amount is calculated using the effective interest method. Any asset carried under concession arrangements is derecognised on disposal or when no future economic benefits are expected from its future use or disposal or when the contractual rights to the financial asset expire.

Concession arrangements

The Group manages concession arrangements which include the construction of LED streetlight infrastructure followed by a period during which the Group maintains and services the infrastructure. This may also include, in the secondary period, asset replacement or refurbishment. These concession arrangements set out rights and obligations relative to the infrastructure and the service to be provided.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concession arrangements (continued)

For fulfilling those obligations, the Group is entitled to receive either cash from the grantor or a contractual right to charge the users of the service. The consideration received or receivable is allocated by reference to the relative fair values of the construction, operating and maintaining services provided, which are typically being:

- A construction component
- A service element for operating and maintenance services performed

As set out above, the right to consideration gives rise to a financial asset:

- Revenue from the concession arrangements earned under the financial asset model consists of (i) the fair value of the amount due from the grantor; and (ii) the interest income related to the capital investment in the project.

  The fair value of the amount due from the grantor comprises (i) construction component and (ii) service element. Construction component is recognised at the completion of the construction of the infrastructure by the Group and the survey by the grantor. Service element represents the residual portion of the fair value of the amount due from the grantor and is recognised on a straight-line basis throughout the contract period.

Share-based payments

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

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 39 to the financial statements.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other employee benefits

Pension schemes and other retirement benefits

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

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

Borrowing costs

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

Foreign currencies

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2015

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Classification between investment properties and owner-occupied properties

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

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

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

Operating lease commitments – Group as lessor

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Impairment of assets

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

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2015 was HK$87,242,000 (2014: HK$188,869,000). Further details of the impairment testing of goodwill on acquisition of subsidiaries are given in note 16 to the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Estimation of fair value of investment properties

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

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

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

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2015 was HK$2,010,548,000 (2014 (Restated): HK$114,641,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 14 to the financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of property, plant and equipment at 31 December 2015 was HK$128,653,000 (2014: HK$342,259,000). More details are given in note 13 to the financial statements.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The estimated amounts of unrecognised tax losses arising in Hong Kong and in Mainland China at 31 December 2015 were approximately HK$146,235,000 (2014: HK$146,235,000) and HK$219,490,000 (2014: HK$117,841,000), respectively. Further details are given in note 37 to the financial statements.

Finance lease receivables

To apply finance lease accounting, a number of assumptions in the lease models have been made, such as the determination of minimum lease payments, implicit interest rates and residual values of certain items of equipment at the end of the lease period. When the estimates of these factors are different from the original estimates, such differences will affect the carrying amounts of finance lease receivables. The carrying amount of finance lease receivables as at 31 December 2015 was HK$1,208,000 (2014: HK$20,520,000). Further details are given in note 25 to the financial statements.

Impairment of deposits and other receivables

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of deposits and other receivables (continued)

As at 31 December 2015, the directors had conducted impairment testing on the Group's deposits and other receivables, and considered the status of recoverability of certain of these balances based on the financial position of the respective counterparties or the collection of some of the receivables which were provided in prior years. Accordingly, a provision for impairment of deposits and other receivables of HK$5,313,000 (2014: HK$11,256,000) was charged to the consolidated statement of profit or loss during the year. The carrying amount of deposits and other receivables at 31 December 2015 was HK$80,269,000 (2014: HK$203,806,000). Further details are given in note 24 to the financial statements.

Useful lives and residual values of items of property, plant and equipment, and investment properties

In determining the useful lives and residual values of items of property, plant and equipment, and investment properties, the Group has to consider various factors, such as expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is required if the estimated useful lives and/or the residual values of items of property, plant and equipment, and investment properties are different from previous estimates. Useful lives and residual values are reviewed at each financial year end based on changes in circumstances.

Impairment of contract for services

The Group determines whether the outcome of the contract for services can be estimated reliably. This requires a continuous estimation of the total contract revenue and costs and stage of completion with reference to work completed/certified and the assessment of the probability of the future economic flows to the Group. The carrying amount of contract for services as at 31 December 2015 was HK$96,429,000 (2014: HK$36,560,000). Further details are set out in note 29 to the financial statements.

5. SEGMENT INFORMATION

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

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

(b) Management and operation of LED EMC and trading of LED products;

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

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's loss before tax except that interest income, finance costs, impairment of goodwill, gains on disposals of subsidiaries, loss on deregistration of joint ventures, share of profits and losses of joint ventures and associates, as well as head office and corporate expenses are excluded from such measurement.

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

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

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

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

On 14 December 2015, as a result of a restructuring further explained in note 41(b) to the financial statements, the Group's subsidiary operating the business management and operation of LED EMC and trading of LED products has become a joint venture of the Group.

5. SEGMENT INFORMATION (continued)

Year ended 31 December 2015

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

5. SEGMENT INFORMATION (continued)

Year ended 31 December 2015 (continued)

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

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

5. SEGMENT INFORMATION (continued)

Year ended 31 December 2014

	Sales of CNG, LPG, LNG and petroleum products HK$'000	Management and operation of LED EMC and trading of LED products HK$'000	Provision of finance lease and loan services and property investment HK$'000	Provision of land development services and sales of construction materials HK$'000	Total HK$'000 (Restated)
Segment revenue:					
Revenue from external customers	1,440,010	177,222	–	–	1,617,232
Interest revenue	–	–	2,510	–	2,510
Finance income on concession finance and trade receivables	–	20,317	–	–	20,317
Intersegment revenue	–	–	10,079	–	10,079
	1,440,010	197,539	12,589	–	1,650,138
Reconciliation:					
Elimination of intersegment revenue					(10,079)
Reclassification of finance income to other income					(20,317)
Revenue					1,619,742
Segment results	9,090	(14,214)	(1,401)	(2,517)	(9,042)
Reconciliation:					
Interest income					2,970
Gains on disposals of subsidiaries	9,934	–	–	–	9,934
Loss on disposals of joint ventures	(2,893)	–	–	–	(2,893)
Share of profits and losses of joint ventures	17,275	–	–	–	17,275
Share of profits and losses of associates	(1,187)	–	–	–	(1,187)
Impairment of items of property, plant and equipment	(7,259)	–	–	–	(7,259)
Fair value gains/(losses) on investment properties	(6,120)	–	1,436	–	(4,684)
Finance costs					(47,945)
Corporate and other unallocated expenses					(13,597)
Loss before tax					(56,428)
Income tax expense					(15,727)
Loss for the year					(72,155)

5. SEGMENT INFORMATION (continued)

Year ended 31 December 2014 (continued)

	Sales of CNG, LPG, LNG and petroleum products HK$'000	Management and operation of LED EMC and trading of LED products HK$'000	Provision of finance lease and loan services and property investment HK$'000	Provision of land development services and sales of construction materials HK$'000	Total HK$'000 (Restated)
Segment assets	970,865	833,738	415,400	1,188,207	3,408,210
Reconciliation:					
Elimination of intersegment receivables					(428,973)
Held-to-maturity debt securities					4,410
Corporate and other unallocated assets					880,905
Total assets					3,864,552
Segment liabilities	189,387	774,838	74,053	320,918	1,359,196
Reconciliation:					
Elimination of intersegment payables					(428,973)
Corporate and other unallocated liabilities					1,467,325
Total liabilities					2,397,548
Other segment information:					
Share of profits and losses of:					
Joint ventures	17,275	–	–	–	17,275
Associates	(1,187)	–	–	–	(1,187)
Gains on disposals of subsidiaries	(9,934)	–	–	–	(9,934)
Loss on disposals of joint ventures	2,893	–	–	–	2,893
Impairment losses/provision recognised in the statement of profit or loss (restated)	18,515	–	–	–	18,515
Impairment losses reversed in the statement of profit or loss	(1,829)	–	–	–	(1,829)
Depreciation and amortisation (restated)	50,453	4,385	139	–	54,977
Fair value losses/(gains) on Investment properties	6,120	–	(1,436)	–	4,684
Investments in joint ventures	133,417	–	–	–	133,417
Investments in associates	9,485	–	–	–	9,485
Capital expenditure*	51,335	2,130	3,082	1,010,696	1,067,243

* Capital expenditure consists of additions to property, plant and equipment, investment properties and intangible assets including assets from the acquisition of subsidiaries.

6. REVENUE, OTHER INCOME AND GAIN

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

	2015 HK$'000	2014 HK$'000
Revenue		
Sales of CNG, LPG, LNG and petroleum products	**1,041,587**	1,440,010
Operation revenue of LED EMC and trading of LED products	**95,337**	177,222
Sales of construction materials	**97,540**	–
Interest income on finance leases and loans	**1,659**	2,510
	1,236,123	1,619,742
Other income and gain		
Interest income	**8,905**	2,970
Loan interest income	**460**	–
Promissory note interest income	**726**	–
Trading of petroleum and gas related products	**–**	384
Finance income on concession finance and trade receivables	**37,233**	20,317
Government grants received*	**7,086**	4,707
Gross rental income	**2,802**	2,873
Forfeited deposit	**–**	1,260
Exchange gain, net	**16,272**	–
Others	**9,063**	5,562
	82,547	38,073

* Various government grants have been received to subsidise the operation of the Group's gas stations in various provinces in Mainland China. There are no unfulfilled conditions or contingencies relating to these grants.

7. LOSS BEFORE TAX

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

	Notes	2015 HK$'000	2014 HK$'000 (Restated)
Cost of inventories sold and operation costs of gas stations*		**868,338**	1,210,871
Construction and operation costs of LED EMC*		**70,338**	182,033
Cost of finance lease and loan services provided*		**–**	72
Cost of construction materials sold*		**95,374**	–
Auditors' remuneration		**3,450**	2,760
Depreciation of property, plant and equipment**	13	**39,699**	51,650
Amortisation of prepaid land lease payments	15	**4,563**	2,768
Amortisation of intangible assets	17	**1,044**	1,045
Gain on deemed disposal of subsidiaries	41(b)	**(2,848)**	–
Gains on disposals of subsidiaries	41(a),(c)	**(29,423)**	(9,934)
Loss on deregistration of joint ventures		**–**	2,893
Loss on disposal of items of property, plant and equipment***		**2,936**	4,546
Impairment of goodwill	16	**83,241**	–
Impairment of items of property, plant and equipment***	13	**22,445**	7,259
Impairment/(reversal of impairment) of trade receivables***	23	**917**	(1,829)
Impairment of deposits and other receivables***	24	**5,313**	11,256
Impairment of an investment in an associate***		**8,525**	–
Impairment of an available-for-sale investment***		**5,000**	–
Fair value losses on investment properties	14	**32,675**	4,684
Minimum lease payments under operating leases in respect of land and buildings		**14,519**	26,802
Employee benefit expense (excluding directors' and chief executive's remuneration (note 9)):			
Wages, salaries, allowances and benefits in kind**		**96,621**	114,346
Equity-settled share option expense		**–**	503
Pension scheme contributions		**326**	148
		96,947	114,997
Foreign exchange differences, net		**(16,272)**	608

NOTES TO FINANCIAL STATEMENTS

31 December 2015

7. LOSS BEFORE TAX (continued)

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

** Certain depreciation charges of HK$8,214,000 (2014: HK$10,742,000) and wages, salaries, allowances and benefits in kind of HK$6,001,000 (2014: HK$8,241,000) are included in cost of inventories sold and operating costs of gas stations.

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

8. FINANCE COSTS

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

	2015	2014
	HK$'000	HK$'000
Interest on bank loans and other loans (including convertible bonds)		
Bank loans	**57,829**	24,312
Other loans	**18,842**	8,864
Convertible bonds (note 35)	**37,315**	14,769
Promissory notes payable (note 26(b))	**2,000**	–
	115,986	47,945

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2015	2014
	HK$'000	HK$'000
Fees:		
Executive directors	**152**	180
Non-executive director	**34**	1,692
Independent non-executive directors	**180**	266
	366	2,138
Other emoluments (executive directors):		
Salaries, allowances and benefits in kind	**3,741**	3,397
Equity-settled share option expense	**–**	490
Pension scheme contributions	**107**	42
	3,848	3,929
	4,214	6,067

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

Two directors were granted share options on 13 June 2012, in respective of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 39 to the financial statements. The fair value of such options, which has been recognised in the consolidated statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

(a) Independent non-executive directors

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

	2015	2014
	HK$'000	HK$'000
Wang Zhonghua	**–**	80
Zhong Qiang	**–**	80
Hu Xiaowen	**60**	60
Gong Changhui	**60**	24
Wu Meng	**60**	22
	180	266

There were no other emoluments payable to the independent non-executive directors during the year (2014: Nil).

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

(b) Executive directors and a non-executive director

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

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

* appointed with effect from 7 December 2015
** resigned with effect from 1 August 2015
*** resigned with effect from 7 December 2015

NOTES TO FINANCIAL STATEMENTS

31 December 2015

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

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

2014	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Equity-settled share option expense HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
Non-executive director:					
Ji Guirong	1,692	–	–	–	1,692
Executive directors:					
Ji Hui	36	1,194	–	17	1,247
Zang Zheng	36	227	–	–	263
Zhang Chuanjun	36	600	–	17	653
Zhang Ning	18	420	377	8	823
Xiao Wei	36	423	–	–	459
Wang Xiaowei	18	533	113	–	664
	180	3,397	490	42	4,109
	1,872	3,397	490	42	5,801

There was no arrangement under which a director or chief executive waived or agreed to waive any remuneration during the year.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three directors (2014: three directors), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining two (2014: two) highest paid employees who are not directors of the Company are as follows:

	2015	2014
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**2,127**	1,906
Pension scheme contributions	**104**	–
	2,231	1,906

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

	Number of employees	
	2015	2014
Nil to HK$1,000,000	**1**	2
HK$1,000,001 to HK$2,000,000	**1**	–
	2	2

NOTES TO FINANCIAL STATEMENTS

31 December 2015

11. INCOME TAX

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (2014: Nil). Taxation on Mainland China profit was calculated on the estimated assessable profits for the year at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2015	2014
	HK$'000	HK$'000
Current – Mainland China		
Charge for the year	**14,458**	13,539
Deferred (note 37)	**(3,297)**	2,188
	11,161	15,727

11. INCOME TAX (continued)

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2015

11. INCOME TAX (continued)

	2014					
	Hong Kong		Mainland China		Total	
	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(101,740)		45,312		(56,428)	
Tax at the statutory tax rates	(16,787)	16.5	11,328	25.0	(5,459)	9.7
Effect of withholding tax at 5% or 10% on the distributable profits of the Group's PRC subsidiaries	–	–	2,188	4.8	2,188	(3.9)
Profits and losses attributable to joint ventures and associates	–	–	(4,022)	(8.9)	(4,022)	7.1
Income not subject to tax	(402)	0.4	(8,929)	(19.7)	(9,331)	16.5
Expenses not deductible for tax	17,189	(16.9)	10,182	22.5	27,371	(48.5)
Utilisation of tax losses previously not recognised	–	–	(2,168)	(4.8)	(2,168)	3.8
Tax losses not recognised	–	–	7,494	16.5	7,494	(13.3)
Others	–	–	(346)	(0.7)	(346)	0.6
Tax charge at the Group's effective rate	–	–	15,727	34.7	15,727	(27.9)

The share of tax attributable to joint ventures and associates amounting to HK$8,000 (2014: HK$8,298,000) and HK$1,077,000 (2014: Nil) are included in "Share of profits and losses of joint ventures" in the consolidated statement of profit or loss.

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

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent of HK$294,968,000 (2014: HK$79,799,000), and the weighted average number of ordinary shares of 5,410,328,440 (2014: 4,386,248,292) in issue during the year.

No adjustment has been made to the basic loss per share amounts presented for the years ended 31 December 2015 and 2014 in respect of a dilution as the impact of the share options and convertible bonds outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

13. PROPERTY, PLANT AND EQUIPMENT

	Notes	Land and buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2015								
At 31 December 2014 and 1 January 2015:								
Cost		177,434	1,209	208,876	16,761	122,256	17,361	543,897
Accumulated depreciation and impairment		(39,000)	(945)	(88,992)	(8,360)	(64,341)	–	(201,638)
Net carrying amount		138,434	264	119,884	8,401	57,915	17,361	342,259
At 1 January 2015, net of accumulated depreciation and impairment		138,434	264	119,884	8,401	57,915	17,361	342,259
Additions		43	152	4,536	1,134	5,942	10,177	21,984
Disposals		(1,622)	(94)	(19,688)	(199)	(58)	–	(21,661)
Disposal of subsidiaries	41(a),(b)	(61,879)	–	(52,679)	169	(18,092)	(14,404)	(146,885)
Transfers		–	–	4,235	–	–	(4,235)	–
Impairment	7	(2,869)	–	(16,964)	(196)	(1,332)	(1,084)	(22,445)
Depreciation provided during the year	7	(8,255)	(14)	(17,501)	(6,018)	(7,911)	–	(39,699)
Exchange realignment		(3,199)	(11)	(124)	(110)	(1,509)	53	(4,900)
At 31 December 2015, net of accumulated depreciation and impairment		60,653	297	21,699	3,181	34,955	7,868	128,653
At 31 December 2015:								
Cost		89,334	1,003	104,690	8,649	68,489	8,952	281,117
Accumulated depreciation and impairment		(28,681)	(706)	(82,991)	(5,468)	(33,534)	(1,084)	(152,464)
Net carrying amount		60,653	297	21,699	3,181	34,955	7,868	128,653

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Notes	Land and buildings HK$'000	Leasehold improve-ments HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2014								
At 1 January 2014:								
Cost		201,425	1,395	240,148	45,059	132,629	25,204	645,860
Accumulated depreciation and impairment		(38,822)	(854)	(87,669)	(13,041)	(59,014)	–	(199,400)
Net carrying amount		162,603	541	152,479	32,018	73,615	25,204	446,460
At 1 January 2014, net of accumulated depreciation and impairment		162,603	541	152,479	32,018	73,615	25,204	446,460
Additions		18,616	–	4,544	1,346	17,804	39,651	81,961
Disposals		(24,346)	(141)	(10,880)	(509)	(1,106)	(11,557)	(48,539)
Acquisition of subsidiaries	42	–	–	–	1,744	–	–	1,744
Disposal of subsidiaries	41(d)	(9,240)	–	(2,074)	(23,032)	(12,307)	(29,604)	(76,257)
Transfers		992	–	2,800	–	–	(3,792)	–
Impairment	7	(1,384)	–	(3,614)	–	–	(2,261)	(7,259)
Depreciation provided during the year	7	(7,527)	(132)	(22,221)	(2,263)	(19,507)	–	(51,650)
Exchange realignment		(1,280)	(4)	(1,150)	(903)	(584)	(280)	(4,201)
At 31 December 2014, net of accumulated depreciation and impairment		138,434	264	119,884	8,401	57,915	17,361	342,259
At 31 December 2014:								
Cost		177,434	1,209	208,876	16,761	122,256	17,361	543,897
Accumulated depreciation and impairment		(39,000)	(945)	(88,992)	(8,360)	(64,341)	–	(201,638)
Net carrying amount		138,434	264	119,884	8,401	57,915	17,361	342,259

13. PROPERTY, PLANT AND EQUIPMENT (continued)

The net carrying amount of the Group's property, plant and equipment held under finance leases included in motor vehicles at 31 December 2015 was HK$2,975,000 (2014: HK$3,751,000).

The directors had conducted impairment testing on the Group's property, plant and equipment, and they considered that the carrying amounts of certain plant and equipment are in excess of their recoverable amounts as a result of the continuing operating losses of certain subsidiaries. Accordingly, a provision for impairment of HK$22,445,000 (2014: HK$7,259,000) was charged to the consolidated statement of profit or loss as at 31 December 2015 (note 7).

14. INVESTMENT PROPERTIES

	HK$'000
Carrying amount at 1 January 2014 (Restated)	49,606
Addition	46,695
Transfer from assets held for sale	23,600
Net loss from a fair value adjustment	(4,684)
Exchange realignment	(576)
Carrying amount at 31 December 2014 (Restated)	114,641
Carrying amount at 1 January 2015 (Restated)	114,641
Addition	1,945,390
Net loss from a fair value adjustment	(32,675)
Exchange realignment	(16,808)
Carrying amount at 31 December 2015	2,010,548

14. INVESTMENT PROPERTIES (continued)

The Group's investment properties consist of five commercial properties and several carparks in the PRC. The directors of the Company have determined that the investment properties consist of only one class of asset, i.e., commercial, based on the nature, characteristics and risks of each property. The Group's investment properties were revalued on 31 December 2015 based on valuations performed by RHL Appraisal Limited and Asset Appraisal Limited, independent professionally qualified valuers, at HK$2,010,548,000 (2014: HK$114,641,000). Each year, the Group's management decides, after approval from the audit committee, to appoint which external valuers to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's management have discussions with the valuers on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 43 to the financial statements.

At 31 December 2015, the Group's investment property with a carrying value of HK$1,909,920,000 (2014: Nil) was pledged as security for the Group's certain bank loans, as further detailed in note 36 to the consolidated financial statements.

Further particulars of the Group's investment properties are included on page 192.

NOTES TO FINANCIAL STATEMENTS

31 December 2015

14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy

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

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

	Fair value measurement as at 31 December 2014 using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Commercial properties	–	–	114,641	114,641

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

The fair value of the investment properties were determined using the comparison approach based on market comparables of similar properties and with adjustments made on factors such as location, size, age, condition and aspects of the properties. The weighted average range of the adjusted price per square feet is HK$7,653 to HK$100,300 (2014: HK$9,413 to HK$38,928).

14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

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

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

15. PREPAID LAND LEASE PAYMENTS

	Notes	2015 HK$'000	2014 HK$'000
Carrying amount at 1 January		**27,027**	56,006
Recognised during the year	7	**(4,563)**	(2,768)
Additions for the year		**795**	–
Disposal of subsidiaries	41(a),(d)	**(12,376)**	(24,832)
Exchange realignment		**(716)**	(1,379)
Carrying amount at 31 December		**10,167**	27,027
Current portion included in prepayments, deposits and other receivables		**(497)**	(2,288)
Non-current portion		**9,670**	24,739

NOTES TO FINANCIAL STATEMENTS

31 December 2015

16. GOODWILL

	Notes	HK$'000
Cost at 1 January 2014		150,518
Acquisition of subsidiaries	42	39,649
Disposal of subsidiaries	41(d)	(1,298)
Cost and carrying amount, net of accumulated impairment at 31 December 2014		188,869
At 31 December 2014:		
Cost		260,609
Accumulated impairment		(71,740)
Net carrying amount		188,869
Cost at 1 January 2015		188,869
Disposal of subsidiaries	41(a)	(18,386)
Impairment of goodwill	7	(83,241)
Cost and carrying amount, net of accumulated impairment at 31 December 2015		87,242
At 31 December 2015:		
Cost		242,224
Accumulated impairment		(154,982)
Net carrying amount		87,242

16. GOODWILL (continued)

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to (i) the gas station operation; (ii) the provision of finance lease and loan services; and (iii) the provision of land development services cash-generating units for impairment testing.

The recoverable amount of the gas station operation cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a 18-year period. The discount rate applied to cash flow projections is 12.58% (2014: 13.02%). Based on management's assessment, the carrying amount of the gas station operation cash-generating unit exceeded its recoverable amount at 31 December 2015. Therefore, an impairment loss of HK$83,241,000 on goodwill was recognised in the consolidated statement of profit or loss for the year ended 31 December 2015.

The recoverable amount of the provision of finance lease and loan services cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a 9-year period. The discount rate applied to cash flow projections is 16.05% (2014: 16.05%).

The recoverable amount of the provision of land development services cash-generating unit has been determined based on the present value of contract income attributable to the subject land development contract that is necessary to the realisation of the cash flows by applying a discount rate representing the weighted average cost of capital required under Multi-Period Excess Earnings Method for the land development project. According to the profit forecast prepared by management, the profit generated from the land development contract with a discount rate of 24.47% was HK$986,000,000.

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

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the past performance of the unit and management's expectations of market development.

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

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

17. INTANGIBLE ASSETS

	Land development contract HK$'000	Service contract HK$'000	Franchise HK$'000	Total HK$'000
31 December 2015				
Cost at 1 January 2015, net of accumulated amortisation	964,000	13,092	857	977,949
Disposal of subsidiaries (note 41(b))	–	(12,098)	–	(12,098)
Amortisation provided during the year (note 7)	–	(994)	(50)	(1,044)
Exchange realignment	–	–	(43)	(43)
At 31 December 2015	964,000	–	764	964,764
At 31 December 2015:				
Cost	964,000	–	955	964,955
Accumulated amortisation	–	–	(191)	(191)
Net carrying amount	964,000	–	764	964,764
31 December 2014				
Cost at 1 January 2014, net of accumulated amortisation	–	14,086	914	15,000
Acquisition of subsidiaries (note 42)	964,000	–	–	964,000
Amortisation provided during the year (note 7)	–	(994)	(51)	(1,045)
Exchange realignment	–	–	(6)	(6)
At 31 December 2014	964,000	13,092	857	977,949
At 31 December 2014:				
Cost	964,000	15,909	1,009	980,918
Accumulated amortisation	–	(2,817)	(152)	(2,969)
Net carrying amount	964,000	13,092	857	977,949

18. INVESTMENTS IN JOINT VENTURES

	2015	2014
	HK$'000	HK$'000
Share of net assets	**53,658**	133,417

The amounts due from joint ventures of HK$240,234,000 (2014: HK$97,138,000) and amounts due to joint ventures of HK$11,072,000 (2014: HK$5,040,000) included in current assets and current liabilities, respectively, are unsecured, interest-free and have no fixed terms of repayment.

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2015

18. INVESTMENTS IN JOINT VENTURES (continued)

Jia Lian, which is considered a material joint venture of the Group, engaged in management and operation of LED EMC and trading of LED products and is accounted for using the equity method.

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

	2015 HK$'000
Cash and bank balance	19,444
Other current assets	128,837
Current assets	148,281
Non-current assets	583,310
Financial liabilities, excluding trade and other payables	(59,617)
Other current liabilities	(299,653)
Current liabilities	(359,270)
Non-current liabilities	(352,669)
Net assets	19,652
Reconciliation to the Group's interest in the joint venture:	
Proportion of the Group's ownership	45%
Fair value of the retained interest in Jia Lian upon the deemed disposal (note 41(b))	22,500
Share of loss during the year	(1,017)
Carrying amount of the investment	21,483
Revenue	132,570
Interest income	126
Depreciation and amortisation	(428)
Interest expenses	(16,496)
Tax	(2,745)
Profit and total comprehensive income for the year	16,107

18. INVESTMENTS IN JOINT VENTURES (continued)

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

	2015 HK$'000	2014 HK$'000
Share of the joint ventures' profit for the year	**5,374**	17,275
Aggregate carrying amount of the Group's investments in joint ventures	**32,175**	133,417

19. INVESTMENTS IN ASSOCIATES

	2015 HK$'000	2014 HK$'000
Share of net assets	**53,653**	9,485

The amounts due from associates of HK$16,546,000 (2014: HK$899,000) and amounts due to associates of HK$2,720,000 (2014: HK$161,000) included in current assets and current liabilities, respectively, are unsecured, interest-free and have no fixed terms of repayment.

NOTES TO FINANCIAL STATEMENTS
31 December 2015

19. INVESTMENTS IN ASSOCIATES (continued)

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

Name	Particulars of registered capital held by the Group	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group 2015	2014	Principal activities
Jinan Dongyuan Transportation Company Limited	RMB150,000	PRC/ Mainland China	**30**	30	Transportation of gas
Shan Dong Languang Sinogas Company Limited	RMB8,000,000	PRC/ Mainland China	**40**	40	Operation of of gas stations
Sino Gas Holdings Group Limited	USD100	British Virgin Islands	**40**	–	Investment holding
Shanghai Internet Scenes Technologies Co., Ltd.	RMB62,099,944	PRC/ Mainland China	**24.02**	–	E-tourism

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

Sino Gas Holdings Group Limited, which is considered a material associate of the Group, is a strategic partner of the Group engaged in the investment holdings and is accounted for using the equity method.

19. INVESTMENTS IN ASSOCIATES (continued)

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

	2015 **HK$'000**
Current assets	365,207
Non-current assets, excluding goodwill	283,595
Current liabilities	(288,368)
Non-current liabilities	(179,055)
Net assets	181,379
Reconciliation to the Group's interest in the associate:	
Proportion of the Group's ownership	40%
Fair value of the retained interest in Sino Gas Holdings Group Limited upon the disposal (note 41(a))	60,749
Share of loss during the year	(18,810)
Carrying amount of the investment	41,939
Revenue	432,576
Profit for the year	5,645
Total comprehensive income for the year	5,645

19. INVESTMENTS IN ASSOCIATES (continued)

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

	2015	2014
	HK$'000	HK$'000
Share of the associates' losses for the year	**(7,433)**	(1,187)
Aggregate carrying amount of the Group's investments in associates	**11,714**	9,485

20. AVAILABLE-FOR-SALE INVESTMENT

	2015	2014
	HK$'000	HK$'000
Listed equity investment, at fair value	**207,780**	185,617

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

As at 31 December 2015, the Group's shareholding in Peace Map was reduced to 6.8% (2014: 9.0%) and the directors considered that the Company continued to have no significant influence on the operating and financial policies of the investee. Gross gain of HK$22,163,000 (2014: HK$24,934,000) has been recognised in other comprehensive income during the year ended 31 December 2015. As at 24 March 2016, the date of approval of the financial statements, the market value of the listed equity investment was approximately HK$124,668,000.

21. OTHER ASSET

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

22. CONCESSION FINANCE RECEIVABLES

The Group had entered into a number of service concession arrangements with government authorities from different districts in the PRC in respect of its LED light services and constructing and operation and maintaining public streetlights, which generally involved the Group as an operator (i) to construct streetlights for those arrangements on a Build-Operate-Transfer ("BOT") basis and (ii) to operate and maintain the streetlights on behalf of the relevant government authorities for periods ranging from 4 to 16 years.

On 14 December 2015, as a result of certain restructuring set out in note 41(b), a deemed disposal by the Group of its LED business was resulted such that the subsidiary group which operated the above business had become a joint venture of the Company.

As further explained in the accounting policy for "Concession arrangements" set out in note 3 to the financial statements, the consideration paid by the Group in the prior year for the service concession arrangements was accounted for as financial assets (receivables under service concession arrangements) and is analysed as follows:

	2015	2014
	HK$'000	HK$'000
Receivables under service concession arrangements	**–**	222,224
Current portion	**–**	(84,783)
Non-current portion	**–**	137,441

Concession finance receivables comprised amounts receivable in respect of concession arrangements in the PRC. The Group's concession finance receivables are unbilled as at the end of the reporting period.

23. TRADE AND BILLS RECEIVABLES

	2015	2014
	HK$'000	HK$'000
Trade and bills receivables	**61,776**	459,325
Impairment	**(930)**	(13)
	60,846	459,312
Less: Non-current portion of trade receivables	**–**	(232,270)
Current portion of trade and bills receivables	**60,846**	227,042

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

In the prior year, the Group's trade receivables from the trading of LED EMC were billed and settled by equal monthly, bimonthly and quarterly instalments over a period of five to ten years pursuant to the contract terms. The fair value of the consideration recognised was determined using an imputed rate of interest ranging from approximately 6.55% to 15%.

23. TRADE AND BILLS RECEIVABLES (continued)

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

	2015	2014
	HK$'000	HK$'000
Billed:		
0 to 90 days	**58,788**	108,396
91 to 120 days	**388**	1
121 days to 1 year	**1,670**	5
Over 1 year	**930**	13
	61,776	108,415
Unbilled	**–**	350,910
	61,776	459,325

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

	2015	2014
	HK$'000	HK$'000
At 1 January	**13**	1,861
Impairment losses recognised/(reversed) (note 7)	**917**	(1,829)
Exchange realignment	**–**	(19)
At 31 December	**930**	13

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade and bills receivables of HK$930,000 (2014: HK$13,000) with a carrying amount before provision of HK$930,000 (2014: HK$13,000) as at 31 December 2015.

23. TRADE AND BILLS RECEIVABLES (continued)

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

	2015	2014
	HK$'000	HK$'000
Unbilled	**–**	350,910
Neither past due nor impaired	**58,788**	108,396
Less than 30 days past due	**388**	1
31 to 180 days past due	**1,670**	5
	60,846	459,312

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

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

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 HK$'000	2014 HK$'000
Prepayments	**155,153**	122,152
Deposits and other receivables	**231,787**	357,655
Impairment	**(151,518)**	(153,849)
	235,422	325,958
Non-current portion of prepayments and deposits	**(19,576)**	(134,737)
	215,846	191,221

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

Included in the above non-current portion of prepayments and deposits of the Group are the deposits paid for the acquisition of a subsidiary of HK$11,519,000 (2014: HK$8,820,000).

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

	2015 HK$'000	2014 HK$'000
At 1 January	**153,849**	143,725
Impairment losses recognised (note 7)	**5,313**	11,256
Exchange realignment	**(7,644)**	(1,132)
At 31 December	**151,518**	153,849

Included in the above provision for impairment of deposits and other receivables of the Group is a provision for individually impaired deposits and other receivables of HK$151,518,000 (2014: HK$153,849,000) with an aggregate carrying amount before provision of HK$151,518,000 (2014: HK$153,849,000). The individually impaired deposits and other receivables relate to the deposits for the purchase of plant and machinery which were considered to be irrecoverable.

NOTES TO FINANCIAL STATEMENTS
31 December 2015

25. FINANCE LEASE RECEIVABLES

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

	Minimum lease payments		Present value of minimum lease payments	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Finance lease receivables comprise:				
Within one year	**1,496**	8,135	**1,208**	6,549
In the second to fifth years, inclusive	**–**	15,855	**–**	13,971
	1,496	23,990	**1,208**	20,520
Less: unearned finance income	**(288)**	(3,470)		
Present value of minimum lease payments	**1,208**	20,520		
Analysed for reporting purposes as:				
Current assets	**1,208**	6,549		
Non-current assets	**–**	13,971		
	1,208	20,520		

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

At 31 December 2015, the Group's finance lease receivables with carrying amount of HK$252,000 (2014: HK$18,883,000) were pledged as security for the Group's certain bank loans, as further detailed in note 36 to the consolidated financial statements.

26. PROMISSORY NOTES

(a) Receivable

As at 31 December 2015, the carrying amounts of the promissory notes receivable of HK$183,105,000, HK$73,409,000 and HK$85,314,000 with principal amounts of HK$182,400,000, HK$73,126,000 and HK$85,314,000, respectively, formed part of the Group's consideration receivables in relation to the various disposals of subsidiaries in 2015. As the promissory notes are to mature on 25 September 2018, 15 June 2017 and 29 January 2016, respectively, receivables with an aggregate amount of HK$256,514,000 and an amount of HK$85,314,000 are classified as non-current assets and current assets, respectively, in the consolidated statement of financial position as at 31 December 2015. The promissory notes receivable are unsecured and bear interest at the rate of 1.5%, 2.15% and 2.15% per annum, respectively.

(b) Payable

As at 31 December 2014, the carrying amount of the promissory notes payable of HK$100,000,000 with a principal amount of HK$100,000,000 formed part of the Group's consideration payable in relation to the acquisition of subsidiaries in 2014. The promissory notes were issued in October 2014 and matured on 30 October 2015. The promissory notes were unsecured, bore interest at the rate of 2% per annum.

27. BALANCES WITH RELATED COMPANIES AND NON-CONTROLLING SHAREHOLDERS

(a) Related companies

Breakdown of balances with related companies are as follows:

	Notes	2015 HK$'000	2014 HK$'000
Loans receivable from related companies			
Shanghai Lanpei New Material Technology Holdings Limited ("Lanpei")	(i)	**3,581**	3,339
Peace Map Holding Limited	(ii)	**–**	30,000
Loans from related companies			
AVIC International (HK) Group Limited ("AVIC In'l")	(iii)	**147,172**	147,172
China Joy Airlines (HK) Holdings Limited ("China Joy")	(iv)	**328,268**	–

Notes:

(i) Lanpei is an associate of AVIC Int'l, where one of the key management personnel, is a director of the Company. The loan is unsecured, interest-bearing at 9% and is repayable in 2016.

(ii) A director of the Company was also a director of Peace Map in the prior year. The loan was unsecured, interest-bearing at 5% per annum and was repaid during the year.

(iii) A member of the key management personnel of AVIC Int'l is also a director of the Company. The loan is unsecured, interest-bearing at 5% per annum and repayable in 2016 (2014: Repayable on 30 June 2015 and 31 December 2016).

(iv) A member of the key management personnel of China Joy is also a director of the Company. The loan is unsecured, interest-bearing at RMB loan interest rate issued by the People's Bank of China and is repayable in 2017.

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

(b) Non-controlling shareholders

The loans/balances due from/to non-controlling shareholders are unsecured, non-interest bearing and have no fixed terms of repayment.

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

	At 31 December 2015 HK$'000	Maximum amount outstanding during the year HK$'000	At 31 December 2014 and 1 January 2015 HK$'000	Maximum amount outstanding during the prior year HK$'000	At 1 January 2014 HK$'000
Related companies					
Lanpei	3,581	3,581	3,339	6,350	6,350
Peace Map Holding Limited	–	30,000	30,000	30,000	–
	3,581		33,339		6,350

	At 31 December 2015 HK$'000	Maximum amount outstanding during the year HK$'000	At 31 December 2014 and 1 January 2015 HK$'000	Maximum amount outstanding during the prior year HK$'000	At 1 January 2014 HK$'000
A non-controlling shareholder					
AVIC Joy Air Holdings Limited	10,112	10,562	10,000	10,000	–

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

NOTES TO FINANCIAL STATEMENTS
31 December 2015

28. INVENTORIES

	2015	2014
	HK$'000	HK$'000
Conversion parts and gas station equipment	**2,054**	628
CNG and LPG	**48**	971
Sub-materials	**769**	35
	2,871	1,634

29. CONTRACT FOR SERVICES

	2015	2014
	HK$'000	HK$'000
Contract costs incurred to date and gross amount due from contract contractor	**96,429**	36,560

30. HELD-TO-MATURITY DEBT SECURITIES

	2015	2014
	HK$'000	HK$'000
Current portion		
Unlisted bonds, at amortised cost	**–**	4,410

In the prior year, these unlisted bonds had an aggregate nominal value of RMB3,500,000 and bore interest at rates ranging from 5.3% to 5.6% per annum which were matured in January and March 2015. The amortised cost of the held-to-maturity debt securities had been computed as the amount initially recognised less principal repayments and cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount.

31. CASH AND BANK BALANCES AND PLEDGED DEPOSITS

	2015	2014
	HK$'000	HK$'000
Cash and bank balances	446,546	648,557
Time deposits	–	1,904
	446,546	650,461
Less: Pledged time deposits for bills payable	–	(1,904)
Cash and cash equivalents	446,546	648,557

At the end of the reporting period, the cash and bank balances, and pledged deposits of the Group denominated in RMB amounted to HK$341,814,923 (2014: HK$576,350,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2015

32. TRADE AND BILLS PAYABLES

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

	2015	2014
	HK$'000	HK$'000
Within 90 days	**16,825**	48,318
91 to 120 days	**–**	52,920
Over 120 days	**1,232**	2,005
	18,057	103,243

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

The Group's bills payable amounted to HK$7,162,000 (2014: HK$11,340,000) as at the end of the reporting period and has an average maturity period of 90 days. In the prior year, bills payable were secured by pledged time deposits of HK$1,904,000 (note 31). Bills payable were denominated in RMB.

33. DEFERRED INCOME, OTHER PAYABLES AND ACCRUALS

	2015	2014
	HK$'000	HK$'000
Other payables and accruals	**163,340**	147,763
Deferred income	**–**	433,460
	163,340	581,223
Non-current portion included in deferred income, other payables and accruals	**–**	(382,424)
	163,340	198,799

33. DEFERRED INCOME, OTHER PAYABLES AND ACCRUALS (continued)

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

Deferred income represented deferred revenue from LED lights services and unamortised finance income for the service concession arrangements to be amortised throughout the service contracts.

34. FINANCE LEASE PAYABLE

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

At 31 December 2015, the total future minimum lease payments under the finance lease and their present values were as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within one year	**873**	873	**763**	725
In the second year	**873**	873	**802**	763
In the third to fifth years, inclusive	**1,163**	2,037	**1,127**	1,930
Total minimum finance lease payments	**2,909**	3,783	**2,692**	3,418
Future finance charges	**(217)**	(365)		
Total net finance lease payables	**2,692**	3,418		
Portion classified as current liabilities	**(763)**	(725)		
Non-current portion	**1,929**	2,693		

NOTES TO FINANCIAL STATEMENTS

31 December 2015

35. CONVERTIBLE BONDS

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

	2015	2014
	HK$'000	HK$'000
Nominal value		
At 1 January	**478,776**	51,776
Issuance of convertible bonds	**–**	447,000
Conversion during the year (note b)	**(88,770)**	(20,000)
At 31 December	**390,006**	478,776
Liability components		
At 1 January	**426,479**	47,618
Issuance of convertible bonds	**–**	382,038
Extinguishment of the convertible bond upon modification of terms (note a)	**(51,776)**	–
Recognition of the convertible bond upon modification of terms (note a)	**38,728**	–
Conversion during the year (note b) (note 38(c))	**(82,501)**	(16,910)
Interest expense (note 8)	**37,315**	14,769
Interest paid	**(4,582)**	(1,036)
At 31 December	**363,663**	426,479
Equity components		
At 1 January	**83,312**	21,686
Issuance of convertible bonds	**–**	64,963
Extinguishment of the convertible bond upon modification of terms (note a)	**(21,686)**	–
Recognition of the convertible bond upon modification of terms (note a)	**40,023**	–
Conversion during the year (note b) (note 38(c))	**(11,510)**	(3,337)
At 31 December	**90,139**	83,312
Convertible bonds at, nominal value	**363,663**	426,479
Current portion	**(321,445)**	(51,407)
Non-current portion	**42,218**	375,072

35. CONVERTIBLE BONDS (continued)

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2015

36. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2015			2014		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Other loans – unsecured	-	On demand or 2016	2,150	–	On demand or 2015	2,150
Bank loans – unsecured	5.8 to 7.4	2016	145,712	7.11 to 7.86	2015	107,113
Bank loans – secured	5.8 to 7.4	2016	97,287	6.7 to 10	2015	70,484
			245,149			179,747
Non-current						
Bank loans – unsecured	5.8 to 7.6	2017-2020	390,355	–	–	–
Bank loans – secured	5.8 to 7.6	2017-2020	1,346,136	6.7 to 10	2016-2018	545,500
			1,736,491			545,500
			1,981,640			725,247

	2015 HK$'000	2014 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand	242,999	177,597
In the second year	519,630	545,500
In the third to fifth years, inclusive	1,216,861	–
	1,979,490	723,097
Other borrowings repayable:		
Within one year or on demand	2,150	2,150

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

Notes:

(a) Certain of the bank loans are secured by (i) pledge of certain of the Group's investment properties with aggregate carrying amount of HK$1,909,920,000 (2014: Nil) (note 14); and (ii) pledges of the Group's finance lease receivables with an aggregate carrying amount of HK$252,000 (2014: HK$18,883,000) (note 25).

(b) Except for bank loans of HK$2,150,000 (2014: HK$2,150,000) which are denominated in HKD, all other borrowings are in RMB.

(c) The Group's other loans are unsecured, non-interest bearing and are repayable on demand.

37. DEFERRED TAX

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

Deferred tax liabilities

	Intangible assets HK$'000	Withholding taxes HK$'000	Total HK$'000
Deferred tax liabilities at 1 January 2014	–	5,163	5,163
Acquisition of subsidiaries (note 42)	241,000	–	241,000
Deferred tax charged to the statement of profit or loss during the year (note 11)	–	2,188	2,188
Deferred tax liabilities at 31 December 2014 and 1 January 2015	241,000	7,351	248,351
Deferred tax credited to the statement of profit or loss during the year (note 11)	–	(3,297)	(3,297)
Deferred tax liabilities at 31 December 2015	241,000	4,054	245,054

37. DEFERRED TAX (continued)

Deferred tax liabilities (continued)

At 31 December 2015, the Group had estimated tax losses arising in Hong Kong of approximately HK$146,235,000 (2014: HK$146,235,000) and in Mainland China of approximately HK$193,045,000 (2014: HK$117,841,000), which have not yet been agreed by the relevant local tax authorities, that are available indefinitely and for five years, respectively, for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses, as in the opinion of the directors, they have arisen in subsidiaries that have been loss-making for some time.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. For the year ended 31 December 2015, deferred tax liabilities were provided based on the forecasted dividend payout because the directors believe that certain PRC subsidiaries would pay out all their earnings as dividends.

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

38. SHARE CAPITAL

Shares

	2015	2014
	HK$'000	HK$'000
Issued and fully paid:		
5,943,745,741 (2014: 4,483,782,539) ordinary shares	**2,232,696**	1,729,752

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

38. SHARE CAPITAL (continued)

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

	Number of shares in issue	Share capital HK$'000	Share premium account HK$'000	Capital redemption reserve HK$'000	Total HK$'000
At 1 January 2014	4,383,782,539	876,757	825,596	3,865	1,706,218
Transition to no-par value regime on 3 March 2014 (Note (a))	–	829,461	(825,596)	(3,865)	–
Convertible bonds exercised (Note (b))	100,000,000	20,247	–	–	20,247
Transfer of reserve upon forfeiture of options	–	3,287	–	–	3,287
At 31 December 2014 and 1 January 2015	4,483,782,539	1,729,752	–	–	1,729,752
Convertible bonds exercised (Note (c))	446,783,202	94,011	–	–	94,011
Share options exercised (Note (d))	137,180,000	43,268	–	–	43,268
Transfer of share option reserve upon forfeiture of share options	–	12,280	–	–	12,280
Share placement and top-up subscription (note (e))	876,000,000	353,385	–	–	353,385
At 31 December 2015	5,943,745,741	2,232,696	–	–	2,232,696

Notes:

(a) In accordance with the transitional provisions set out in section 37 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), on 3 March 2014, any amount standing to the credit of the share premium amount and capital redemption reserve has become part of the Company's share capital.

38. SHARE CAPITAL (continued)

Notes: (continued)

(b) The subscription rights attaching to convertible bonds in a principal amount of HK$20,000,000 were exercised at the subscription price of HK$0.2 per share, resulting in the issue of 100,000,000 shares at a total consideration, before expenses of HK$20,000,000. An amount of HK$247,000 was transferred from the equity component of convertible bonds to share capital in respect of the exercise of convertible bonds.

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

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

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

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 39 to the financial statements.

39. SHARE OPTION SCHEME

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

For the sake of the continuity of a share option scheme for the Company to provide incentives and/or reward to the Eligible Participants (as defined on page 21), the Shareholders passed an ordinary resolution at the annual general meeting of the Company held on 25 June 2015 to approve the adoption of the New Share Option Scheme (as defined on page 21) in substantially similar terms as those of the Scheme. Under the terms of the New Share Option Scheme, the Directors may, at their discretion, offer any Eligible Participants options to subscribe for Shares subject to the terms and conditions stipulated in the New Share Option Scheme.

The maximum number of unexercised share options currently permitted to be granted under the New Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period and ends on a date which is not later than ten years from the date of offer of the share options or the expiry date of the New Share Option Scheme, if earlier.

39. SHARE OPTION SCHEME (continued)

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

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

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

	2015		2014	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**0.23**	**547,280**	0.23	577,280
Exercised during the year (note 38(d))	**0.23**	**(137,180)**	–	–
Lapsed and forfeited during the year	**0.23**	**(164,870)**	0.23	(30,000)
At 31 December	**0.23**	**245,230**	0.23	547,280

39. SHARE OPTION SCHEME (continued)

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

2015

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

2014

Number of options '000	Exercise price* HK$ per share	Exercise period
12,000	0.20	1-7-06 to 31-1-15
64,600	0.233	1-10-07 to 31-1-15
64,600	0.233	1-1-08 to 31-1-15
64,600	0.233	1-7-08 to 31-1-15
292,500	0.227	31-8-10 to 30-8-20
24,490	0.236	13-6-13 to 12-6-22
24,490	0.236	13-6-14 to 12-6-22
547,280		

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

39. SHARE OPTION SCHEME (continued)

In the prior year, the fair value of the share options granted during 2012 was HK$8,652,000 (HK$0.11 each), of which the Group recognised a share option expense of HK$993,000 during the year ended 31 December 2014.

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

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

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

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

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

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

40. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 56 of the financial statements.

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2015

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

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

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

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

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

(c) During the year, the Group also disposed Zhuhai Hengqin Xinqu Sinogas Company Limited, Henan Sinogas Yonghui Natural Gas Company Limited and Henan Sinogas Company Limited. The net assets disposed of are as follows:

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

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

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

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

(d) On 3 January 2014, the Group entered into a sale and purchase agreement with the non-controlling shareholder of a subsidiary for the disposal of the 55% of the issued shares of that subsidiary for an aggregate consideration of HK$78,610,000. The net assets deemed disposed of are as follows:

	Notes	2014 HK$'000
Net assets disposed of:		
Property, plant and equipment	13	76,257
Prepaid land lease payments	15	24,832
Goodwill	16	1,298
Long term deposits		52,512
Inventories		173
Trade receivables		1,952
Prepayments, deposits and other receivables		9,602
Cash and bank balances		6,737
Trade payables		(476)
Other payables and accruals		(34,008)
Borrowings		(31,122)
Due to non-controlling interests		(417)
Tax payable		(76)
Translation reserve released		(7,210)
Capital reserve released		(279)
Non-controlling interest		(31,099)
		68,676
Gain on disposal of subsidiaries		9,934
		78,610
Satisfied by cash		78,610

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

(d) (continued)

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

	2014 HK$'000
Cash consideration	78,610
Cash and bank balances disposed of	(6,737)
Net inflow of cash and cash equivalents included in cash flows from investing activities	71,873

(e) Major non-cash transactions

(i) During the year, imputed finance income on trade receivables of HK$37,233,000 (2014: HK$20,317,000) has been recognised as concession finance receivables and trade receivables.

(ii) During the year, the Group entered into finance lease arrangements in respect of property, plant and equipment with a total capital value at the inception of the lease of HK$3,880,000 (2014: HK$3,880,000).

42. BUSINESS COMBINATIONS

In 2014, the Group entered into a sale and purchase agreement with two independent third parties for the acquisition of 60% of the issued shares of Ontex Enterprises Limited ("Ontex") and its shareholders' loans. Ontex and its subsidiaries are principally engaged in a land development project. The purchase consideration was determined based on an independent valuation by a professional valuer and was settled in the prior year as to HK$150,000,000 by cash, HK$272,000,000 by issue of convertible bonds and HK$100,000,000 by issue of promissory notes.

42. BUSINESS COMBINATIONS (continued)

The fair values of the identifiable assets and liabilities of Ontex as at the date of acquisition in 2014 were as follows:

	Notes	Fair value recognised on acquisition HK$'000
Intangible assets	17	964,000
Property, plant and equipment	13	1,744
Contract for services		22,794
Trade receivables		923
Prepayments, deposits and other receivables		46,639
Cash and bank balances		396,351
Other payables and accruals		(12,505)
Shareholders' loans		(96,599)
Bank loans		(375,000)
Deferred tax liabilities	37	(241,000)
Tax payable		(28)
Total identifiable net assets at fair value		707,319
Less: Non-controlling interest of 40%		(282,927)
Net assets acquired		424,392
Goodwill on acquisition	16	39,649
Consideration		464,041
Satisfied by:		
Cash		150,000
Convertible bonds		272,000
Promissory notes		100,000
Less: Shareholders' loans		(57,959)
		464,041

42. BUSINESS COMBINATIONS (continued)

The fair values of the trade receivables, prepayments, deposits and other receivables as at the date of acquisition amounted to HK$923,000 and HK$46,639,000 were the gross contractual amounts of which none is expected to be uncollectible.

The Group incurred transaction costs of HK$3,340,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

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

	HK$'000
Cash consideration	(150,000)
Cash and bank balances acquired	396,351
Net inflow of cash and cash equivalents included in cash flows from investing activities	246,351
Transaction costs of the acquisition included in cash flows from operating activities	(3,340)
	243,011

Since the acquisition, Ontex did not contribute any revenue and contributed a loss of HK$2,341,000 to the Group's consolidated loss for the year ended 31 December 2014.

Had the combination taken place at the beginning of the year, the revenue and loss of the Group for the year would have been HK$1,619,742,000 and HK$74,496,000, respectively.

43. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

At 31 December 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2015	2014
	HK$'000	HK$'000
Within one year	**2,025**	2,167
In the second to fifth years, inclusive	**5,286**	7,261
After five years	**–**	7,920
	7,311	17,348

(b) As lessee

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

At 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015	2014
	HK$'000	HK$'000
Within one year	**12,281**	13,357
In the second to fifth years, inclusive	**36,412**	42,026
After five years	**38,735**	63,199
	87,428	118,582

NOTES TO FINANCIAL STATEMENTS

31 December 2015

44. COMMITMENTS

In addition to the operating lease commitments detailed in note 43 above, the Group had the following capital commitments as at the end of the reporting period:

	2015	2014
	HK$'000	HK$'000
Contracted, but not provided for:		
Property, plant and equipment	**98,847**	79,535
Capital contributions payable to joint ventures	**–**	6,300
	98,847	85,835

45. RELATED PARTY TRANSACTIONS

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

		2015	2014
	Notes	**HK$'000**	HK$'000
Sales of gas to non-controlling shareholders	(i)	**115,839**	120,860
Sales of gas to a joint venture	(i)	**158**	16,481
Purchases of gas from a joint venture	(i)	**120**	12,053
Provision of transportation service to a joint venture	(ii)	**4,701**	4,505
Interest expenses to a related company	(iii)	**18,607**	8,864
Interest income from related companies	(iv)	**1,080**	1,483
Interest income from an associate	(v)	**726**	–

45. RELATED PARTY TRANSACTIONS (continued)

(a) (continued)

Notes:

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

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

(iii) The interest expenses paid to a related company, which is a wholly-owned subsidiary of a shareholder of the Company, were charged at an interest rate of 5% per annum.

(iv) The interest received from related companies, which are associates of shareholders of the Company, was charged at interest rates from 5% to 9% per annum.

(v) The interest received from an associate was charged at interest rates of 5% per annum.

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

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

(c) Compensation of key management personnel of the Group

	2015	2014
	HK$'000	HK$'000
Short term employee benefits	**4,107**	5,535
Post-employment benefits	**107**	42
Equity-settled share option expense	**–**	490
Total compensation paid to key management personnel	**4,214**	6,067

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

The related party transaction in respect of item (a)(iv) above also constitutes a connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

46. FINANCIAL INSTRUMENTS BY CATEGORY

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

2015

Financial assets

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

46. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2015

Financial liabilities

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

NOTES TO FINANCIAL STATEMENTS
31 December 2015

46. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2014

Financial assets

	Held-to-maturity investments HK$'000	Available-for-sale financial assets HK$'000	Loans and receivables HK$'000	Total HK$'000
Trade and bills receivables	–	–	459,312	459,312
Financial assets included in prepayments, deposits and other receivables	–	–	203,806	203,806
Finance lease receivables	–	–	20,520	20,520
Held-to-maturity debt securities	4,410	–	–	4,410
Concession finance receivables	–	–	222,224	222,224
Due from joint ventures	–	–	97,138	97,138
Due from an associate	–	–	899	899
Available-for-sale investment	–	185,617	–	185,617
Due from non-controlling shareholders	–	–	35,121	35,121
Loans receivable from related companies	–	–	33,339	33,339
Pledged deposits	–	–	1,904	1,904
Cash and bank balances	–	–	648,557	648,557
	4,410	185,617	1,722,820	1,912,847

46. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

2014

Financial liabilities

	Financial liabilities at amortised cost HK$'000
Trade and bills payables	103,243
Financial liabilities included in deferred income, other payables and accruals	147,763
Finance lease payable	3,418
Due to a joint venture	5,040
Due to associates	161
Loans from a related company	147,172
Due to non-controlling shareholders	3,087
Loans from non-controlling shareholders	38,640
Convertible bonds	426,479
Promissory notes	100,000
Interest-bearing bank and other borrowings	725,247
	1,700,250

47. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amounts		Fair values	
	2015	2014	**2015**	2014
	HK$'000	HK$'000	**HK$'000**	HK$'000
Financial assets				
Available-for-sale investment	**207,780**	185,617	**207,780**	185,617
Concession finance receivables – non-current portion	**-**	137,441	**-**	137,441
Trade receivables – non-current portion	**-**	232,270	**-**	232,270
Finance lease receivables – non-current portion	**-**	13,971	**-**	13,971
Promissory notes receivable – non-current portion	**256,514**	–	**256,514**	–
Loans receivable from related companies	**-**	33,339	**-**	33,339
	464,294	602,638	**464,294**	602,638
Financial liabilities				
Loans from a related company – non-current portion	**223,820**	108,374	**223,820**	108,374
Loans from non-controlling shareholders	**38,640**	38,640	**38,640**	38,640
Finance lease payable – non-current portion	**1,929**	2,693	**1,929**	2,693
Interest-bearing bank and other borrowings – non-current portion	**1,736,491**	545,500	**1,736,491**	545,500
Convertible bonds – non-current portion	**42,218**	375,072	**42,218**	375,072
Other payables – non-current portion	**-**	11,541	**-**	11,541
	2,043,098	1,081,820	**2,043,098**	1,081,820

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

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, concession finance receivables, finance lease receivables, held-to-maturity debt instruments, financial liabilities included in other payables and accruals, promissory notes, amounts due from/to non-controlling shareholders, amounts due from/to joint ventures, amounts due from/to associates and amounts due from/to subsidiaries approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the chief accountant is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

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

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

The fair values of the non-current portion of pledged deposits, concession finance receivables, trade receivables, finance lease receivables, finance lease payable, loans from/to related companies, loans from non-controlling shareholders and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for the non-current portion of other payables and interest-bearing bank and other borrowings as at 31 December 2015 was assessed to be insignificant. The fair value of the liability portion of the convertible bonds is estimated by discounting the expected future cash flows using an equivalent market interest rate for a similar convertible bond with consideration of the Group's own non-performance risk.

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

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

Fair value hierarchy

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

Asset measured at fair value:

As at 31 December 2015

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

As at 31 December 2014

		Fair value measurement using			
	Note	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Available-for-sale investment	20	185,617	–	–	185,617

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

Fair value hierarchy (continued)

Asset measured at fair value: (continued)

The Group did not have any financial liabilities measured at fair value as at 31 December 2015 and 2014.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2014: Nil).

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

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

Fair value hierarchy (continued)

Asset measured at fair value: (continued)

As at 31 December 2014

		Fair value measurement using			
	Notes	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Concession finance receivables – non-current portion	22	–	137,441	–	137,441
Trade receivables – non-current portion	23	–	232,270	–	232,270
Finance lease receivables – non-current portion	25	–	13,971	–	13,971
Loans receivable from related companies	27	–	33,339	–	33,339
		–	417,021	–	417,021

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

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

As at 31 December 2015

		Fair value measurement using			
	Notes	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Finance lease payable – non-current portion	34	–	1,929	–	1,929
Loans from non-controlling shareholders	27	–	38,640	–	38,640
Loans from a related company – non-current portion	27	–	223,820	–	223,820
Interest-bearing bank and other borrowings –non-current portion	36	–	1,736,491	–	1,736,491
Convertible bonds – non-current portion	35	–	–	42,218	42,218
		–	2,000,880	42,218	2,043,098

NOTES TO FINANCIAL STATEMENTS

31 December 2015

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

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed: (continued)

As at 31 December 2014

		Fair value measurement using			
	Notes	Quoted prices in active markets (Level 1) HK$'000	Significant observable inputs (Level 2) HK$'000	Significant unobservable inputs (Level 3) HK$'000	Total HK$'000
Finance lease payable – non-current portion	34	–	2,693	–	2,693
Loans from non-controlling shareholders	27	–	38,640	–	38,640
Loans from a related company – non-current portion	27	–	108,374	–	108,374
Interest-bearing bank and other borrowings – non-current portion	36	–	545,500	–	545,500
Convertible bonds – non-current portion	35	–	–	375,072	375,072
Other payables – non-current portion	33	–	11,541	–	11,541
		–	706,748	375,072	1,081,820

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Foreign currency risk

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

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

Credit risk

As at 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arose from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

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

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

Further quantitative data in respect of the Group's exposure to credit risk arising from trade and bills receivables and other receivables are disclosed in notes 23 and 24 to the financial statements.

Liquidity risk

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

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

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2015

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	2014					
	On demand HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade and bills payables	–	103,243	–	–	–	103,243
Convertible bonds	–	–	55,794	435,174	–	490,968
Deferred income, other payables and accruals	–	–	131,041	–	–	131,041
Due to non-controlling shareholders	3,087	–	–	38,640	–	41,727
Due to a joint venture	5,040	–	–	–	–	5,040
Due to associates	161	–	–	–	–	161
Finance lease payable	–	218	655	2,910	–	3,783
Loans from a related company	–	–	45,181	113,852	–	159,033
Interest-bearing bank and other borrowings	2,150	–	177,597	551,617	–	731,364
Promissory notes payable	–	–	100,000	–	–	100,000
	10,438	103,461	510,268	1,142,193	–	1,766,360

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 2014.

The Group monitors capital using a gearing ratio, which is net debt divided by adjusted capital plus net debt. The Group's policy is to maintain the gearing ratio below 70%. Net debt includes interest-bearing bank and other borrowings, finance lease payable, amounts due to related parties, trade, bills and other payables, accruals, amounts due to non-controlling shareholders, an amount due to an associate and an amount due to a joint venture and the liability component of convertible bonds less cash and bank balances and pledged deposits. Capital includes the equity attributable to owners of the parent.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

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

	2015	2014
	HK$'000	HK$'000 (Restated)
Trade and bills payables	**18,057**	103,243
Deferred income, other payables and accruals (note 33)	**163,340**	581,223
Finance lease payable	**2,692**	3,418
Due to associates	**2,720**	161
Due to non-controlling shareholders	**–**	3,087
Due to a joint venture	**11,072**	5,040
Loans from a related company	**475,440**	147,172
Loans from non-controlling shareholders	**38,640**	38,640
Promissory notes payable	**–**	100,000
Interest-bearing bank and other borrowings	**1,981,640**	725,247
Convertible bonds – the liability component	**363,663**	426,479
Less: Cash and bank balances	**(446,546)**	(648,557)
Less: Pledged deposits	**–**	(1,904)
Net debt	**2,610,718**	1,483,249
Equity attributable to owners of the parent	**1,287,566**	1,106,884
Adjusted capital and net debt	**3,898,284**	2,590,133
Gearing ratio	**67.0%**	57.3%

49. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2015	2014
	HK$'000	HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	3,475	4,243
Investments in subsidiaries	110,579	1,291,955
Loan to a related company	–	30,000
Other asset	2,680	–
Total non-current assets	116,734	1,326,198
CURRENT ASSETS		
Prepayments, deposits and other receivables	184,405	10,558
Due from subsidiaries	2,196,820	78,619
Due from associates	11,166	–
Due from joint ventures	20	–
Cash and bank balances	104,240	73,495
Total current assets	2,496,651	162,672
CURRENT LIABILITIES		
Other payables and accruals	91,988	7,242
Loans from a related company	251,620	38,798
Finance lease payable	763	725
Convertible bonds	321,445	51,407
Promissory notes	–	100,000
Interest-bearing bank and other borrowings	2,150	2,150
Due to a subsidiary	238,025	118,407
Total current liabilities	905,991	318,729

NOTES TO FINANCIAL STATEMENTS
31 December 2015

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

	2015	2014
	HK$'000	HK$'000
NET CURRENT ASSETS/(LIABILITIES)	**1,591,660**	(156,057)
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,707,394**	1,170,141
NON-CURRENT LIABILITIES		
Finance lease payables	**1,929**	2,693
Convertible bonds	**42,218**	375,072
Loans from a related company	**223,820**	108,374
Total non-current liabilities	**267,967**	486,139
Net assets	**1,439,427**	684,002
EQUITY		
Share capital	**2,232,696**	1,729,752
Equity component of convertible bonds	**90,139**	72,144
Other reserves	**(883,408)**	(1,117,894)
Total equity	**1,439,427**	684,002

Zhu Dong
Director

Wang Xiaowei
Director

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

Note:

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

	Notes	Share premium account HK$'000	Share option reserve HK$'000	Equity component of convertible bonds HK$'000	Special capital reserve HK$'000	Capital redemption reserve HK$'000	Accumu-lated losses HK$'000	Total HK$'000
At 1 January 2014		825,596	43,643	10,518	828,646	3,865	(1,806,117)*	(93,849)
Total comprehensive loss for the year		–	–	–	–	–	(181,772)	(181,772)
Transition to no-par value regime	38	(825,596)	–	–	–	(3,865)	–	(829,461)
Transfer of share option reserve	38	–	(3,287)	–	–	–	–	(3,287)
Equity-settled share option arrangements		–	993	–	–	–	–	993
Issue of convertible bonds	35	–	–	64,963	–	–	–	64,963
Issue of shares upon conversion of convertible bonds	35	–	–	(3,337)	–	–	–	(3,337)
At 31 December 2014 and 1 January 2015		–	41,349*	72,144	828,646*	–	(1,987,889)*	(1,045,750)
Total comprehensive income for the year		–	–	–	–	–	263,907	263,907
Issue of shares upon the exercise of convertible bonds	35	–	–	(11,510)	–	–	–	(11,510)
Issue of shares upon the exercise of share options	38(d)	–	(11,852)	–	–	–	–	(11,852)
Transfer of share option reserve upon forfeiture of share options	38	–	(12,280)	–	–	–	–	(12,280)
Extension of convertible bonds	35		–	18,337	(5,289)	–	–	13,048
Transfer from an amount due from a subsidiary		–	–	11,168	–	–	–	11,168
At 31 December 2015		–	17,217*	90,139	823,357*	–	(1,723,982)*	(793,269)

* These reserve accounts comprise a debit reserve of HK$883,408,000 (2014: HK$1,117,894,000) included in the statement of financial position of the Company.

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

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

50. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 March 2016.

FIVE-YEAR FINANCIAL SUMMARY

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

RESULTS

	Year ended 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000 (Restated)	HK$'000 (Restated)	HK$'000 (Restated)	HK$'000 (Restated)
REVENUE	**1,236,123**	1,619,742	1,282,780	1,177,611	1,024,588
PROFIT/(LOSS) BEFORE TAX	**(266,930)**	(56,428)	9,636	4,783	45,558
Income tax expense	**(11,161)**	(15,727)	(23,053)	(25,609)	(17,615)
PROFIT/(LOSS) FOR THE YEAR	**(278,091)**	(72,155)	(13,417)	(20,826)	27,943
Attributable to:					
Owners of the parent	**(294,968)**	(79,799)	(21,600)	(24,990)	20,551
Non-controlling interests	**16,877**	7,644	8,183	4,164	7,392
	(278,091)	(72,155)	(13,417)	(20,826)	27,943

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000 (Restated)	HK$'000 (Restated)	HK$'000 (Restated)	HK$'000 (Restated)
Total assets	**4,979,131**	3,864,552	2,838,936	1,523,702	1,027,095
Total liabilities	**(3,304,122)**	(2,397,548)	(1,643,599)	(488,155)	(246,655)
Non-controlling interests	**(387,443)**	(360,120)	(99,867)	(80,928)	(95,930)
	1,287,566	1,106,884	1,095,470	954,619	684,510

PARTICULAR OF INVESTMENT PROPERTIES

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

Location	Use	Tenure	Attributable interest of the Group
Rooms 808-809, Jinma Building, Xue Qing Road, Hai Dian District, Beijing	Office	Medium term lease	100% (2014: 69.4%)
Rooms 103-106, 699 Xinhua Road, Xinhua Ja Li Building, Shanghai	Office	Medium term lease	100%
Rooms 201-208, 699 Xinhua Road, Xiuhua Ja Li Building, Shanghai	Office	Medium term lease	100%
Rooms B9-07, B9-09 to B9-13 and C9-04, 180 Quan Cheng Road, Lixia Qu, Jinan, Shandong	Office	Medium term lease	100%
Block B, Tower 17, International Shipping Service Center, No. 18 Gong Ping Road, Shanghai	Office and carpark	Medium term lease	100%