THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Chinese People Holdings Company Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

CHINESE PEOPLE HOLDINGS COMPANY LIMITED
中民控股有限公司
(incorporated in Bermuda with limited liability) (stock code: 681)

(I) CONNECTED TRANSACTION RELATING TO THE SUBSCRIPTION OF NEW SHARES BY A SUBSTANTIAL SHAREHOLDER; (II) APPLICATION FOR WHITEWASH WAIVER; AND (III) NOTICE OF SPECIAL GENERAL MEETING

Financial Adviser to the Company

ASTRUM

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

SUCCESS
SUCCESS NEW SPRING CAPITAL LIMITED
實德新源資本有限公司

Terms used in this cover shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 6 to 20 of this circular. A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 21 to 22 of this circular. A letter from Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on page 23 to 52 of this circular.

A notice dated 2 February 2018 convening the SGM to be held at the head office of the Company, Conference Room, 1st Floor, No. 36 BDA International Business Park, No. 2 Jingyuan North Street, Economic Technological Development Area, Beijing, China on Friday, 9 March 2018 at 1:30 p.m. is set out on pages SGM-1 to SGM-3 of this circular. Whether or not you are able to attend the SGM in person, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the SGM or any adjourned meeting thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or at any adjourned meeting thereof if you so wish and, in such event, the relevant form of proxy shall be deemed to be revoked.

2 February 2018

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In this circular, unless the context otherwise requires, the following terms or expressions shall have the meanings set out below:

"Acquisition"	the acquisition of the entire issued share capital of True Vanguard and the debt, loan or liability due from True Vanguard to Dr. Mo under the S&P Agreement
"Announcement"	the announcement of the Company dated 29 December 2017 in relation to, among other things, the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver
"associate(s)"	has the same meaning as ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	any day (other than a Saturday, Sunday and public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
"Company"	Chinese People Holdings Company Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Stock Exchange
"Completion"	completion of the Subscription in accordance with the terms and subject to the conditions of the Subscription Agreement
"Completion Date"	the date of Completion, being the third Business Day after the day on which all the Conditions have been fulfilled, or such other date as may be agreed between the Company and Dr. Mo
"Conditions"	the conditions precedent to Completion, as more particularly set out under the paragraph headed "Conditions of the Subscription" under the section headed "THE SUBSCRIPTION AGREEMENT" in this circular
"connected person"	has the meaning as ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company

"Dr. Mo"	Dr. Mo Shikang, an executive Director, the chairman of the Board and a substantial Shareholder holding, directly and indirectly, 1,743,917,695 Shares, representing approximately 24.38% of the issued share capital of the Company
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of his delegate(s)
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	an independent board committee of the Company, comprising all independent non-executive Directors, namely Dr. Liu Junmin, Prof. Zhao Yanyun and Mr. Sin Ka Man, which has been established by the Board for the purpose of advising the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver and as to voting at the SGM
"Independent Financial Adviser"	Success New Spring Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver and as to voting at the SGM
"Independent Shareholders"	Shareholders other than (i) Dr. Mo and his associates; (ii) any parties acting or presumed to be acting in concert with Dr. Mo; and (iii) parties involved or interested in the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and/or the Whitewash Waiver
"Last Trading Day"	29 December 2017, being the last trading day of the Shares on the Stock Exchange prior to the entering into of the Subscription Agreement

"Latest Practicable Date"	30 January 2018, being the latest practicable date prior to printing of this circular for the purpose of ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	31 March 2018, or such other date as may be agreed by the Company
"LPG"	liquefied petroleum gas
"Ping Da Development"	Ping Da Development Limited, a company incorporated in the British Virgin Islands with limited liability, which is wholly owned by Dr. Mo
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan
"Relevant Period"	the period commencing from 29 June 2017, being the date falling 6 months before the date of the Announcement, up to and including the Latest Practicable Date
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	the special general meeting of the Company to be held at the head office of the Company, Conference Room, 1st Floor, No. 36 BDA International Business Park, No. 2 Jingyuan North Street, Economic Technological Development Area, Beijing, China on Friday, 9 March 2018 at 1:30 p.m. for the purpose of considering and, if thought fit, approving the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver
"Share(s)"	ordinary share(s) of HK$0.07 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Share(s)

"Specific Mandate"	the specific mandate proposed to be obtained from the Independent Shareholders at the SGM for the allotment and issue of the Subscription Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription"	the proposed subscription of 1,888,865,067 Subscription Shares by Dr. Mo pursuant to the Subscription Agreement
"Subscription Agreement"	the conditional subscription agreement dated 29 December 2017 entered into between the Company and Dr. Mo in relation to the Subscription
"Subscription Price"	HK$0.104 per Subscription Share
"Subscription Shares"	1,888,865,067 new Shares to be allotted and issued to Dr. Mo pursuant to the terms and subject to the conditions of the Subscription Agreement
"S&P Agreement"	the sale and purchase agreement dated 5 September 2014 entered into between the Company and Dr. Mo in relation to the Acquisition, as supplemented by the supplemental agreement dated 13 November 2014
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"True Vanguard"	True Vanguard Holdings Limited, a company incorporated in British Virgin Islands with limited liability, which is a wholly-owned subsidiary of the Company
"Whitewash Waiver"	a waiver from the Executive pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code of the obligation on the part of Dr. Mo to make a general offer for all securities of the Company (other than those already owned or agreed to be acquired by Dr. Mo and parties acting or presumed to be acting in concert with him) as a result of the allotment and issue of the Subscription Shares under the Subscription Agreement
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC

"%"	per cent

For illustration purposes, unless otherwise specified, amounts in RMB in this circular have been converted into HK$ at an exchange rate of RMB1.0000 = HK$1.2015.

** In this circular, the English transliteration of the Chinese names, where indicated, are included for identification purpose only, and should not be regarded as the official English names of such Chinese names. In the event of any inconsistency, the Chinese names shall prevail.*

CHINESE PEOPLE HOLDINGS COMPANY LIMITED
中 民 控 股 有 限 公 司
(incorporated in Bermuda with limited liability) (stock code: 681)

Executive Directors:
Dr. Mo Shikang *(Chairman)*
Mr. Zhang Hesheng *(Deputy Chairman)*
Mr. Chu Kin Wang Peleus *(Deputy Chairman)*
Mr. Fan Fangyi *(Managing Director)*
Miss Mo Yunbi

Independent non-executive Directors:
Dr. Liu Junmin
Prof. Zhao Yanyun
Mr. Sin Ka Man

Registered office:
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Head office:
No. 36 BDA International Business Park
No. 2 Jingyuan North Street
Economic Technological Development Area
Beijing, China

Principal place of business in Hong Kong:
Unit 1101, 11th Floor
Tung Ning Building
2 Hillier Street, Central
Hong Kong

2 February 2018

To the Shareholders

Dear Sir or Madam,

(I) CONNECTED TRANSACTION RELATING TO THE SUBSCRIPTION OF NEW SHARES BY A SUBSTANTIAL SHAREHOLDER; AND (II) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

Reference is made to (i) the circular of the Company dated 25 November 2014 in respect of the Acquisition; and (ii) the announcements of the Company dated 29 December 2017 and 8 January 2018 in relation to, among other things, the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver.

On 29 December 2017 (after trading hours of the Stock Exchange), the Company and Dr. Mo entered into the Subscription Agreement whereby Dr. Mo agreed to subscribe for, and the Company agreed to allot and issue an aggregate of 1,888,865,067 Subscription Shares at the Subscription Price of HK$0.104 per Subscription Share to set off the Balance (as defined below) on a dollar-to-dollar basis. Dr. Mo also agreed to waive all the interests incurred and to be incurred from the Cash Consideration (as defined below).

The purpose of this circular is to provide you with, among others, (i) further details of the Subscription, the Subscription Agreement, the Specific Mandate and the Whitewash Waiver; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver; (iv) a notice of the SGM; and (v) other information as required under the Listing Rules and the Takeovers Code.

BACKGROUND

On 5 September 2014, the Company and Dr. Mo entered into the S&P Agreement in relation to the Acquisition. Pursuant to the S&P Agreement, Dr. Mo conditionally agreed to sell and the Company conditionally agreed to purchase the entire issued share capital of True Vanguard (which was then wholly owned by Dr. Mo), together with the debt, loan or liability due from True Vanguard to Dr. Mo, at an aggregate consideration (the "**Consideration**") of RMB370,000,000 (equivalent to HK$466,612,550 and subject to adjustment). The Consideration shall be settled by the Company in the following manners:

(a) at completion of the Acquisition, as to HK$232,675,000 (equivalent to RMB184,499,431), by offsetting the subscription proceeds to be paid by Ping Da Development upon the exercise of the subscription rights attaching to the 1,135,000,000 unlisted warrants that were issued by the Company to Ping Da Development on 31 July 2013 at the subscription price of HK$0.205 per subscription share; and

(b) on the sixth Business Day (or such other time as may be agreed between the Company and Dr. Mo) after the issue of the written certificate (the "**Profit Certificate**") by the Company's auditor or the reporting accountant for the Acquisition within seven Business Days after the issue of the audited financial statements of True Vanguard and its other enterprises (the "**True Vanguard Group**") for the year ending 31 March 2017 showing the actual audited consolidated profit or loss before interest, taxes, depreciation and amortisation of the True Vanguard Group ("**2017 EBITDA**"), as to the balance of HK$233,937,550 (equivalent to RMB185,500,569) (the "**Cash Consideration**"), to be paid by the Company to Dr. Mo by a banker's cashier order in the amount of HK$233,937,550 issued by any licensed bank in Hong Kong or the PRC.

Furthermore, pursuant to the S&P Agreement, Dr. Mo has irrevocably warranted and guaranteed to the Company that the 2017 EBITDA will not be less than RMB30,000,000 (the "**Profit Guarantee**"). In the event that the actual 2017 EBITDA showing on the Profit Certificate equals to or more than RMB30,000,000, the Company shall pay Dr. Mo the Cash Consideration. The S&P Agreement and the transactions contemplated thereunder were duly approved by the then independent Shareholders at the special general meeting of the Company on 12 December 2014. Subsequently, completion of the Acquisition took place on 15 December 2014. Upon completion of the Acquisition, True Vanguard became a wholly-owned subsidiary of the Company.

On 30 June 2017, the Company confirmed that the Profit Guarantee has been met. As at 29 December 2017 (being the date of the Subscription Agreement), the outstanding amount of Cash Consideration to be paid by the Company to Dr. Mo under the S&P Agreement is RMB155,768,480 (equivalent to approximately HK$196,441,967 based on the exchange rate of RMB1.000 to HK$1.261115 pursuant to the S&P Agreement) (the "**Balance**"), together with the overdue interest of RMB3,072,693 (equivalent to approximately HK$3,875,019 based on the exchange rate of RMB1.000 to HK$1.261115 pursuant to the S&P Agreement) accrued up to 30 November 2017. As at 31 December 2017, the overdue interest amounted to RMB3,734,176 (equivalent to approximately HK$4,709,225).

THE SUBSCRIPTION AGREEMENT

On 29 December 2017 (after trading hours of the Stock Exchange), the Company and Dr. Mo entered into the Subscription Agreement whereby Dr. Mo agreed to subscribe for, and the Company agreed to allot and issue an aggregate of 1,888,865,067 Subscription Shares at the Subscription Price of HK$0.104 per Subscription Share to set off the Balance on a dollar-to-dollar basis. Dr. Mo also agreed to waive all the interests incurred and to be incurred from the Cash Consideration.

The principal terms and conditions of the Subscription Agreement are set out below:

Date

29 December 2017 (after trading hours of the Stock Exchange)

Parties

Issuer:	the Company; and
Subscriber:	Dr. Mo Shikang, an executive Director, the chairman of the Board and a substantial Shareholder

As at the Latest Practicable Date, Dr. Mo held, directly and indirectly, 1,743,917,695 Shares, representing approximately 24.38% of the issued share capital of the Company.

Subscription Shares

As at the Latest Practicable Date, there were 7,152,954,136 Shares in issue. The Subscription Shares represent (i) approximately 26.41% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 20.89% of the issued share capital of the Company as enlarged by the Subscription Shares, assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Subscription Shares since the Latest Practicable Date and up to the Completion Date.

Subscription Price

The Subscription Price is HK$0.104 per Subscription Share. The net Subscription Price per Subscription Share (after deducting the relevant expenses) is approximately HK$0.103. The Subscription Price:

(i) is equivalent to the closing price of HK$0.104 per Share as quoted on the Stock Exchange as at the Last Trading Day;

(ii) represents a premium of approximately 1.76% over the average closing price of HK$0.1022 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

(iii) represents a premium of approximately 2.36% over the average closing price of HK$0.1016 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;

(iv) represents a discount of approximately 5.45% to the closing price of HK$0.110 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(v) represents a discount of approximately 64.86% to the unaudited equity attributable to owners of the Company per Share of approximately HK$0.296 as at 30 September 2017 (based on a total of 7,152,954,136 Shares as at the Latest Practicable Date and the unaudited equity attributable to owners of the Company of approximately RMB1,761.1 million (equivalent to approximately HK$2,116.0 million) as at 30 September 2017).

The Subscription Price was determined after arm's length negotiations between the Company and Dr. Mo with reference to the financial conditions of the Group, the prevailing market prices of the Shares and the recent market conditions.

It is the intention of the Board and Dr. Mo to set the Subscription Price at a price equivalent to the closing price of the Share as at the date of the Subscription Agreement. In order to assess the fairness and reasonableness of the Subscription Price, the Board has reviewed all subscriptions of new shares by connected person under specific mandate announced by companies listed on the Stock Exchange during the period commencing from 30 June 2017 (being the first trading day of the 6-month period prior to the Last Trading Day) up to and including the Last Trading Day (the "**Review Period**") and identified an exhaustive list of 14 subscriptions (the "**Comparables**") announced during such period. The relevant details of the Comparables are set forth in Table 1 below:

Table 1: Details of the Comparables

Date of announcement	Company name	Stock code	Premium/(discount) of the subscription price over/(to) closing price per share on the last trading day prior to/on the date of announcement %
24 Jul 2017	IRICO Group New Energy Company Limited	438	N/A *(note)*
1 Aug 2017	China Resources and Transportation Group Limited	269	(19.30)
17 Aug 2017	Yida China Holdings Limited	3639	1.77
22 Aug 2017	China Unicom (Hong Kong) Limited	762	7.12
30 Aug 2017	C&D International Investment Group Limited	1908	(13.10)
12 Sep 2017	Ourgame International Holdings Limited	6899	0.00
12 Sep 2017	Truly International Holdings Limited	732	(12.90)
29 Sep 2017	Lenovo Group Limited	992	0.00
11 Oct 2017	Eagle Legend Asia Limited	936	7.80
11 Oct 2017	Pak Tak International Limited	2668	(21.40)
13 Oct 2017	Rosan Resources Holdings Limited	578	34.23
17 Nov 2017	Alibaba Health Information Technology Limited	241	(4.31)
29 Nov 2017	AKM Industrial Company Limited	1639	(6.83)
6 Dec 2017	Brockman Mining Limited	159	(13.79)
		Maximum	34.23
		Minimum	(21.40)
		Average	(3.13)
		Median	(4.31)

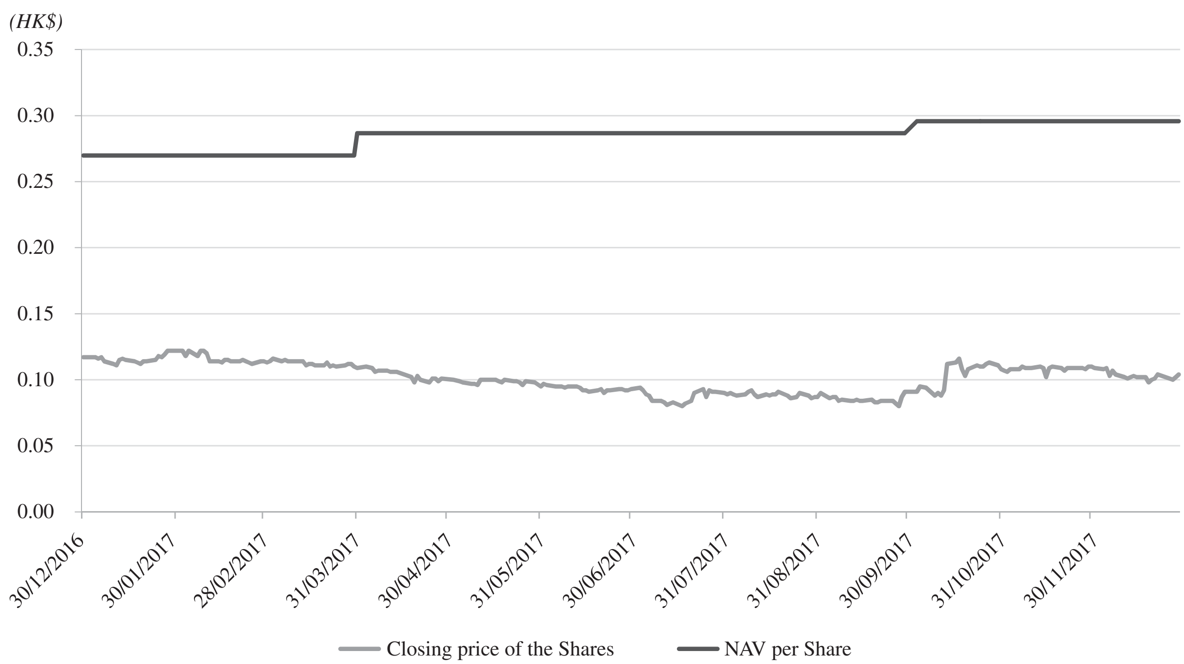
Source: the website of the Stock Exchange

*Note: According to the announcement of IRICO Group New Energy Company Limited ("**IRICO**") dated 24 July 2017, the subscription price shall not be lower than 90% of the average closing price of H-shares of IRICO as quoted on the Stock Exchange for the five consecutive trading days immediately preceding the date of signing of the subscription agreement.*

The subscription prices of the Comparables ranged from a discount of approximately 21.40% to a premium of approximately 34.23% to the respective closing prices of their shares on the last trading day prior to the release of the respective announcements. In addition, out of 14 Comparables, 7 of them set the subscription price at a discount to the respective closing prices of shares.

The Directors noted that the Subscription Price represents a discount of approximately 64.86% to the unaudited equity attributable to owners of the Company (the "**NAV**") per Share. The following chart depicts the closing price of the Shares and the NAV per Share for the period commencing from 30 December 2016 to 29 December 2017:

Chart 1: Closing price of the Share versus NAV per Share



Source: *the website of the Stock Exchange*

Note: *The NAV per Share is calculated by dividing the equity attributable to owners of the Company as extracted from the then latest published financial reports of the Company by the total number of issued Shares at the relevant date.*

Having considered that the Shares were traded at a deep discount to the NAV per Share throughout the review period, the Directors consider that it is reasonable to make reference to the market price of the Share, rather than the NAV per Share, in determining the Subscription Price and that the discount of the Subscription Price to the NAV per Share is justifiable.

In view of the above, in particular (i) it is common for listed companies in Hong Kong to set the subscription price at a discount to the market price, whereas the Subscription Price is equivalent to the closing price per Share as at the Last Trading Day; (ii) the Subscription Price represents (a) a premium of approximately 1.76% over the average closing price per Share for the last five consecutive trading days up to and including the Last Trading Day; and (b) a premium of approximately 2.36% over the average closing price per Share for the last ten consecutive trading days up to and including the Last Trading Day; (iii) there was relatively low trading liquidity of the Shares in the market during the Review Period; and (iv) the reasons for and benefits of the Subscription as discussed in the section headed "REASONS FOR AND BENEFITS OF THE SUBSCRIPTION" below, the Directors consider that the Subscription Price is fair and reasonable and in the interests of the Company and Shareholders as a whole.

Ranking of the Subscription Shares

The Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with all the Shares in issue on the date of allotment and issue of the Subscription Shares, including the right to any dividends or distributions made or declared on or after the date of allotment and issue of the Subscription Shares.

Conditions of the Subscription

Completion is conditional upon fulfillment of the following Conditions:

(i) the passing by the Independent Shareholders of relevant resolutions at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder, including the allotment and issue of the Subscription Shares, the Specific Mandate and the Whitewash Waiver;

(ii) the Executive granting the Whitewash Waiver to Dr. Mo and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted;

(iii) the Listing Committee of the Stock Exchange granting or agreeing to grant and not having withdrawn or revoked the listing of and permission to deal in all the Subscription Shares; and

(iv) the Bermuda Monetary Authority granting consent to (if required) the issue of the Subscription Shares.

None of the Conditions can be waived by any parties to the Subscription Agreement. In the event that not all the Conditions have been fulfilled on or before the Long Stop Date, the Subscription Agreement shall cease and determine, and neither party shall have any claim against the other, save for any antecedent breaches of the terms of the Subscription Agreement.

As at the Latest Practicable Date, none of the Conditions had been fulfilled.

Completion

Subject to fulfillment of all the Conditions, Completion shall take place on the Completion Date.

No Lock-up arrangement for the Subscription Shares

There is no lock-up arrangement for the Subscription Shares upon allotment and issue under the Subscription Agreement.

Specific Mandate

The Subscription Shares will be allotted and issued under the Specific Mandate to be obtained from the Independent Shareholders at the SGM.

Application for listing

An application has been made by the Company to the Listing Committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the Subscription Shares.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Group is principally engaged in the sales and distribution of natural gas and LPG in the PRC, including the provision of piped gas, transportation, distribution and retail of LPG and production and sale of barreled drinking water.

As mentioned in the section headed "BACKGROUND" above, on 5 September 2014, the Company and Dr. Mo entered into the S&P Agreement in relation to the Acquisition. The S&P Agreement and the transactions contemplated thereunder were duly approved by the then independent Shareholders at the special general meeting of the Company on 12 December 2014. Subsequently, completion of the Acquisition took place on 15 December 2014. Please refer to the circular of the Company dated 25 November 2014 for further information of the Acquisition. As at the date of the Subscription Agreement, the outstanding Balance payable by the Company to Dr. Mo under the S&P Agreement amounted to RMB155,768,480, plus the overdue interest of RMB3,072,693 accrued up to 30 November 2017. As at 31 December 2017, the overdue interest amounted to RMB3,734,176 (equivalent to approximately HK$4,709,225).

As at 30 September 2017, the Group's net current assets as well as bank balances and cash amounted to approximately RMB66.4 million and approximately RMB402.7 million, respectively. Taking into account the existing Group's cash level, coupled with the short-term bank borrowings of RMB61.0 million as at 30 September 2017, the Board considers that the Group is capable to settle the Balance by way of internal resources. However, in view of the capital intensive nature of the Group's sale and distribution of natural gas and LPG business, the Board considers it requisite for the Group to maintain a relatively high level of cash of not less than RMB100 million and credit lines so as to meet its operation requirements (particularly, for the on-and-off prepayment for the purchase of natural gas and LPG and gas connection constructions). Furthermore, the Group is actively expanding its existing businesses and looking for development opportunities in other new businesses (including but not limited to expanding the scale of investment in the existing subsidiaries, acquiring other businesses and expanding its gas stations). In particular, the Group is currently contemplating to develop a mixed project specialising in the distribution in LPG, kitchen and cold-chain products (the "**Project**") with an independent third party. The Project includes the establishment of (i) a warehousing and logistics base in Guizhou, the PRC to provide a wide range of warehousing and logistics services, including but not limited to unloading, storage, tally and delivery services; (ii) an online electronic trading platform; and (iii) a dedicated transportation team. The business scope of the Project comprises (a) conducting online trading business of food and fuel with catering enterprises, canteens and supermarkets through its "B2B" online trading platform and providing offline bulk distribution services; and (b) conducting retail business of food and fuel with community restaurants and supermarkets through its "B2C" online trading platform. The estimated investment cost of the Project is approximately RMB650 million. Under the current business plan, the Project will be held as to 60% by the Group and as to 40% by an independent third party. As at the Latest Practicable Date, the Group had not yet entered into any formal agreements with any parties in relation to the Project.

In view of the Group's development plan as detailed above, the Board considers that it is crucial for the Group to maintain sufficient working capital to expand the Group's existing businesses and/or develop new businesses (including but not limited to the Project) as and when necessary. Based on the bank balances and cash of the Group of approximately RMB402.7 million as at 30 September 2017, and taking into consideration (i) the Group's short-term bank borrowings of approximately RMB61.0 million as at 30 September 2017; and (ii) the Group's management policy of maintaining the cash level of at least RMB100 million for the Group's daily operations, the Board envisaged that the Group might not have significant working capital to finance the investment in the Project after the settlement of the Balance of approximately RMB155.8 million (together with the overdue interests) by way of internal resources.

Accordingly, on 4 December 2017, the Company commenced to discuss with Dr. Mo on the possibility of off-setting against the Balance by way of the Subscription. Pursuant to the Subscription Agreement, the aggregate Subscription Price of HK$196,441,967 payable by Dr. Mo to the Company will set off the Balance. Furthermore, Dr. Mo agreed to waive all the interests incurred and to be incurred from the Cash Consideration. The Board is of the view that the Subscription can alleviate the repayment pressure of the Company without cash outflows from the Group, improve the Group's financial position and allow the Group to re-allocate its financial resources to finance the expansion of the Group's existing businesses and/or the development of new businesses (including but not limited to the Projects) as and when necessary.

Save for the Subscription, the Board has considered alternative means of repaying the Balance (such as by way of bank borrowings and equity financing). In respect of long-term bank borrowings, the Company has enquired with several commercial banks and financial institutions regarding the possibility and feasibility of granting new credit lines to the Group. As advised by the banks and financial institutions, after taking into account the Group's operating condition and financial position (in particular, the gearing ratio and condition of collaterals in certain operating subsidiaries), they would not grant additional credit lines to the Group, save for only one of those banks which agreed to grant a new credit line of RMB22.0 million to the Group. As to equity fund raising exercise (such as placement of new Shares to independent third parties, rights issue and/or open offer), the Group has approached several brokers about the possibility and feasibility of acting as placing agent or underwriter of the Company. Upon enquiry, the brokers requested a placing/underwriting commission ranging from 3% to 5% on the total fund raising size. For rights issue, the brokers also requested to set the subscription price at a deep discount of at least 30% to the market price of the Shares so as to increase the attractiveness of the equity fund raising exercise. Furthermore, the placing would be conducted on best effort basis and therefore, the amount to be raised from the placing would be uncertain and subject to market condition.

Having considered the above, the Directors (including the members of the Independent Board Committee who have expressed their views in the letter from the Independent Board Committee after taking into account the advice of the Independent Financial Adviser) consider that the Subscription is beneficial to the Group and that the terms of the Subscription Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INTENTION OF DR. MO REGARDING THE COMPANY AND ITS EMPLOYEES

Dr. Mo is optimistic about the future businesses of the Group. Following Completion, it is the intention of Dr. Mo to continue the existing business and the continued employment of the employees of the Group. Dr. Mo has no intention to make any major changes to the business of the Group (including any redeployment of the fixed assets) immediately after Completion.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company had not conducted any fund raising activities in the past twelve months immediately before the Latest Practicable Date.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

The following table depicts the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the allotment and issue of the Subscription Shares, assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Subscription Shares since the Latest Practicable Date and up to the Completion Date, for illustrative purposes only:

Shareholders	As at the Latest Practicable Date		Immediately after the allotment and issue of the Subscription Shares	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*
Dr. Mo *(Notes 1 and 3)*	608,917,695	8.51	2,497,782,762	27.62
Ping Da Development *(Note 2)*	1,135,000,000	15.87	1,135,000,000	12.55
Mr. Zhang Hesheng ("**Mr. Zhang**") *(Notes 1, 5 and 6)*	338,271,282	4.73	338,271,282	3.74
Sub-total for Dr. Mo and parties acting in concert with him *(Note 7)*	***2,082,188,977***	***29.11***	***3,971,054,044***	***43.92***
Other Directors				
Mr. Chu Kin Wang Peleus ("**Mr. Chu**") *(Notes 1, 4 and 5)*	83,004,605	1.16	83,004,605	0.92
Mr. Fan Fangyi ("**Mr. Fan**") *(Notes 1 and 5)*	22,000,000	0.31	22,000,000	0.24
Dr. Liu Junmin ("**Dr. Liu**") *(Notes 1 and 5)*	5,000,000	0.07	5,000,000	0.06
Prof. Zhao Yanyun ("**Prof. Zhao**") *(Notes 1 and 5)*	5,000,000	0.07	5,000,000	0.06
Mr. Sin Ka Man ("**Mr. Sin**") *(Notes 1 and 5)*	5,000,000	0.07	5,000,000	0.06
Public Shareholders	4,950,760,554	69.21	4,950,760,554	54.75
Total	**7,152,954,136**	**100.00**	**9,041,819,203**	**100.00**

Notes:

1. Dr. Mo, Mr. Zhang, Mr. Chu, Mr. Fan, Dr. Liu, Prof. Zhao and Mr. Sin are Directors.

2. Ping Da Development is a company wholly owned by Dr. Mo. The sole director of Ping Da Development is Dr. Mo.

3. Miss Mo Yunbi ("**Miss Mo**"), an executive Director, is the daughter of Dr. Mo. As at the Latest Practicable Date, Miss Mo did not hold any Shares.

4. Out of these 83,004,605 Shares, 69,000,000 Shares are directly held by Mr. Chu while the remaining 14,004,605 Shares are held by Ms. Woo Sau Kuen ("**Ms. Woo**"), the spouse of Mr. Chu. For the purpose of the SFO, Mr. Chu is deemed, or taken to be, interested in all the Shares in which Ms. Woo is interested.

5. Save for being fellow Directors and the relationship between Dr. Mo and Mr. Zhang as disclosed in note 6 below, Dr. Mo does not have any other relationship with each of Mr. Zhang, Mr. Chu, Mr. Fan, Dr. Liu, Prof. Zhao and Mr. Sin. Each of Mr. Zhang, Mr. Chu, Mr. Fan, Dr. Liu, Prof. Zhao and Mr. Sin is presumed to be acting in concert with Dr. Mo under class (6) presumption under the definition of "acting in concert" under the Takeovers Code until Completion. This class (6) presumption will cease to apply after Completion.

6. In December 2005, Dr. Mo transferred 2,239 shares in Asian Allied Limited ("**Asian Allied**"), the then controlling shareholder of the Company, to Mr. Zhang at nil consideration. Upon completion of the transfer, Dr. Mo and Mr. Zhang held 42.75% and 22.39% of the issued share capital of Asian Allied, respectively. On 29 August 2011, Asian Allied distributed the Shares held by it by way of distribution in specie and 427,841,375 Shares and 224,078,793 Shares were transferred to Dr. Mo and Mr. Zhang, respectively. Hence, Dr. Mo and Mr. Zhang were regarded as owning or controlling 20% or more of the voting rights of Asian Allied. Accordingly, Mr. Zhang is presumed to be a party acting in concert with Dr. Mo under class (1) presumption under the definition of "acting in concert" under the Takeovers Code.

7. These sub-total figures exclude the shareholding of parties presumed to be acting in concert with Dr. Mo under class (6) presumption under the definition of "acting in concert" under the Takeovers Code only (i.e. Mr. Chu, Mr. Fan, Dr. Liu, Prof. Zhao and Mr. Sin). As at the Latest Practicable Date, Dr. Mo and parties acting or presumed to be acting in concert with him (including Mr. Zhang, Mr. Chu, Mr. Fan, Dr. Liu, Prof. Zhao and Mr. Sin) were, in aggregate, interested in 2,202,193,582 Shares, representing approximately 30.79% of the issued share capital of the Company. Upon Completion, Mr. Chu, Mr. Fan, Dr. Liu, Prof. Zhao and Mr. Sin will no longer be presumed to be acting in concert with Dr. Mo under class (6) presumption under the definition of "acting in concert" under the Takeovers Code. Accordingly, Dr. Mo and parties acting or presumed to be acting in concert with him (including Mr. Zhang) will, in aggregate, be interested in 3,971,054,044 Shares, representing approximately 43.92% of the issued share capital of the Company as enlarged by the Subscription Shares, assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Subscription Shares since the Latest Practicable Date and up to the Completion Date.

8. As at the Latest Practicable Date, the Company did not have any outstanding derivatives, options, warrants, convertible rights or other similar rights which are convertible or exchangeable into Shares.

9. Any discrepancies in the table above between totals and sums of amounts set out in it are due to rounding.

GENERAL

Implications under the Listing Rules

As at the Latest Practicable Date, Dr. Mo was an executive Director, the chairman of the Board and a substantial Shareholder holding, directly and indirectly, 1,743,917,695 Shares, representing approximately 24.38% of the issued share capital of the Company. Accordingly, Dr. Mo is a connected person of the Company under Rule 14A.07 of the Listing Rules. Therefore, the Subscription constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Implications under the Takeovers Code

As at the Latest Practicable Date, Dr. Mo and parties acting or presumed to be acting in concert with him were, in aggregate, interested in 2,202,193,582 Shares, representing approximately 30.79% of the issued share capital of the Company. Upon Completion, assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Subscription Shares since the Latest Practicable Date and up to the Completion Date, Dr. Mo and parties acting in concert with him (excluding parties presumed to be acting in concert with Dr. Mo under class (6) presumption under the definition of "acting in concert" under the Takeovers Code only (i.e. Mr. Chu, Mr. Fan, Dr. Liu, Prof. Zhao and Mr. Sin)) will, in aggregate, be interested in 3,971,054,044 Shares, representing approximately 43.92% of the issued share capital of the Company as enlarged by the Subscription Shares. Upon Completion, Mr. Chu, Mr. Fan, Dr. Liu, Prof. Zhao and Mr. Sin will no longer be presumed to be acting in concert with Dr. Mo under class (6) presumption under the definition of "acting in concert" under the Takeovers Code. Pursuant to Rule 26.1 of the Takeovers Code, Dr. Mo and parties acting or presumed to be acting in concert with him will be required to make a mandatory general offer for all the issued securities of the Company (other than those already owned or agreed to be acquired by Dr. Mo and parties acting or presumed to be acting in concert with him) in the absence of the Whitewash Waiver.

Dr. Mo has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the issue of the Subscription Shares pursuant to the Subscription Agreement. The Executive has indicated that it will grant the Whitewash Waiver subject to, among other things, the approval of the Independent Shareholders by way of poll at the SGM.

As at the Latest Practicable Date, the Company did not believe that the Subscription (including the allotment and issue of the Subscription Shares) would give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the Latest Practicable Date, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible. The Company notes that the Executive may not grant the Whitewash Waiver if the Subscription (including the allotment and issue of the Subscription Shares) does not comply with other applicable rules and regulations.

The Executive may or may not grant the Whitewash Waiver. If the Whitewash Waiver is not granted by the Executive or if granted, is not approved by the Independent Shareholders, the Subscription Agreement will not become unconditional and the Subscription will not proceed.

SGM

The SGM will be held for the purpose of considering and, if thought fit, approving the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver.

In accordance with the Listing Rules and the Takeovers Code, (i) Dr. Mo and his associates; (ii) any parties acting or presumed to be acting in concert with Dr. Mo; and (iii) Shareholders involved or interested in the Subscription, the Specific Mandate and/or the Whitewash Waiver will be required to abstain from voting on the resolutions to approve the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver at the SGM. Save as Dr. Mo and parties acting or presumed to be acting in concert with him (including Ping Da Development, Miss Mo, Mr. Zhang, Mr. Chu, Mr. Fan, Dr. Liu, Prof. Zhao, Mr. Sin and Ms. Woo), no other Shareholder has a material interest in or is involved in or interested in the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate or the Whitewash Waiver, and will be required to abstain from voting on the resolutions at the SGM.

Furthermore, as Dr. Mo and Miss Mo, the daughter of Dr. Mo, were considered to have a material interest in the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver, they had abstained from voting on the Board resolution(s) approving the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver.

The Subscription Agreement and the transactions contemplated thereunder are subject to the fulfilment of the Conditions which are set out in the paragraph headed "Conditions of the Subscription" under the section headed "THE SUBSCRIPTION AGREEMENT" in this circular. Therefore, the Subscription Agreement and the transactions contemplated thereunder may or may not proceed.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

RECOMMENDATION

The Directors (including the members of the Independent Board Committee who have expressed their views in the letter from the Independent Board Committee after taking into account the advice of the Independent Financial Adviser) are of the view that the Subscription Agreement is on normal commercial terms and is fair and reasonable and the Subscription is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the members of the Independent Board Committee who have expressed their views in the letter from the Independent Board Committee after taking into account the advice of the Independent Financial Adviser) recommend the Shareholders to vote in favour of the resolutions to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver. You are advised to read the letter from the Independent Board Committee and the letter from the Independent Financial Adviser mentioned above before deciding how to vote on the resolutions to be proposed at the SGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board of
Chinese People Holdings Company Limited
Mr. Fan Fangyi
Managing Director and Executive Director

CHINESE PEOPLE HOLDINGS COMPANY LIMITED
中民控股有限公司
(incorporated in Bermuda with limited liability) (stock code: 681)

2 February 2018

To the Independent Shareholders

Dear Sir or Madam,

(I) CONNECTED TRANSACTION RELATING TO THE SUBSCRIPTION OF NEW SHARES BY A SUBSTANTIAL SHAREHOLDER; AND (II) APPLICATION FOR WHITEWASH WAIVER

We have been appointed to form an independent board committee to consider and advise you on the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver, details of which are set out in the circular issued by the Company to the Shareholders dated 2 February 2018 (the "**Circular**"), of which this letter forms part. Terms defined in the Circular will have the same meanings when used herein unless the context otherwise requires.

We wish to draw your attention to the letter from the Board and the letter of advice from the Independent Financial Adviser set out on pages 6 to 20 and pages 23 to 52 of the Circular, respectively, and the additional information set out in the appendices to the Circular.

Having taken into account the terms of the Subscription, and the principal factors and reasons considered by the Independent Financial Adviser, we concur with the view of the Independent Financial Adviser and consider that the Subscription Agreement is on normal commercial terms and the Subscription and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole. Accordingly, we recommend you to vote in favour of the resolutions to be proposed at the SGM to approve the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver.

Yours faithfully,
For and on behalf of the Independent Board Committee

Dr. Liu Junmin	**Prof. Zhao Yanyun**	**Mr. Sin Ka Man**
Independent non-executive Director	*Independent non-executive Director*	*Independent non-executive Director*

The following is the text of the letter of advice from Success New Spring Capital Limited, the Independent Financial Adviser appointed by the Company, to the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the Whitewash Waiver, which has been prepared for the purpose of inclusion in this circular.

SUCCESS
SUCCESS NEW SPRING CAPITAL LIMITED
實德新源資本有限公司

Unit 2108, China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

2 February 2018

To: the Independent Board Committee and the Independent Shareholders of Chinese People Holdings Company Limited

Dear Sir or Madam,

(I) CONNECTED TRANSACTION RELATING TO THE SUBSCRIPTION OF NEW SHARES BY A SUBSTANTIAL SHAREHOLDER; AND (II) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company dated 2 February 2018 (the "**Circular**") to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

Reference is made to the announcements of the Company dated 29 December 2017 and 8 January 2018 in relation to, among other things, the Subscription Agreement and the Whitewash Waiver.

On 29 December 2017 (after trading hours of the Stock Exchange), the Company and Dr. Mo entered into the Subscription Agreement whereby Dr. Mo agreed to subscribe for, and the Company agreed to allot and issue an aggregate of 1,888,865,067 Subscription Shares at the Subscription Price of HK$0.104 per Subscription Share to set off the Balance on a dollar-on-dollar basis. Dr. Mo also agreed to waive all the interest incurred and to be incurred from the Cash Consideration.

The Subscription Shares represent (i) approximately 26.41% of the issued share capital of the Company as at the date of the Subscription Agreement; and (ii) approximately 20.89% of the issued share capital of the Company as enlarged by the Subscription Shares, assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Subscription Shares since the date of the Subscription Agreement and up to the Completion Date.

As at the Latest Practicable Date, Dr. Mo is an executive Director, the chairman of the Board and a substantial Shareholder holding, directly and indirectly, 1,743,917,695 Shares, representing approximately 24.38% of the existing issued share capital of the Company. Accordingly, Dr. Mo is a connected person of the Company under Rule 14A.07 of the Listing Rules. Therefore, the Subscription constitutes a connected transaction of the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, Dr. Mo and parties acting or presumed to be acting in concert with him are, in aggregate, interested in 2,202,193,582 Shares, representing approximately 30.79% of the issued share capital of the Company. Upon Completion, and assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Subscription Shares since the date of the Subscription Agreement and up to the Completion Date, Dr. Mo and parties acting in concert with him (excluding parties presumed to be acting in concert with Dr. Mo under class (6) presumption under the definition of "acting in concert" under the Takeovers Code only (i.e. Mr. Chu, Mr. Fan, Dr. Liu, Prof. Zhao and Mr. Sin)) will, in aggregate, be interested in 3,971,054,044 Shares, representing approximately 43.92% of the issued share capital of the Company as enlarged by the Subscription Shares. Upon Completion, Mr. Chu, Mr. Fan, Dr. Liu, Prof. Zhao and Mr. Sin will no longer be presumed to be acting in concert with Dr. Mo under class (6) presumption under the definition of "acting in concert" under the Takeovers Code. Pursuant to Rule 26.1 of the Takeovers Code, Dr. Mo and parties acting or presumed to be acting in concert with him will be required to make a mandatory general offer for all the issued securities of the Company (other than those already owned or agreed to be acquired by Dr. Mo and parties acting or presumed to be acting in concert with him) in the absence of the Whitewash Waiver. Dr. Mo has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the Subscription Shares. The Executive has indicated that it will grant the Whitewash Waiver, subject to, among other things, approval of the Independent Shareholders by way of poll at the SGM.

The Independent Board Committee, comprising Dr. Liu Junmin, Prof. Zhao Yanyun and Mr. Sin Ka Man, being all the independent non-executive Directors, has been constituted to give recommendation to the Independent Shareholders in respect of (i) the terms of the Subscription Agreement, the transactions contemplated thereunder and the Whitewash Waiver are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Subscription, the Whitewash Waiver and the Specific Mandate in relation to the Subscription Shares are in the interests of the Company and the Shareholders as a whole; and (iii) the relevant voting action that should be taken by the Independent Shareholders at the SGM, after taking into account the factors and reasons considered by the Independent Financial Adviser and its conclusion and advice.

In this connection, we, Success New Spring Capital Limited, have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard. We do not, by this letter, warrant the merits of the Subscription Agreement, the Whitewash Waiver and the Specific Mandate in relation to the Subscription, other than to form an opinion, for the purpose of the Listing Rules and the Takeovers Code. We are regarded as appropriate to give independent advice in connection with the Subscription and the Whitewash Waiver since (i) we are not in the same group as the financial or other professional advisers to the Company or Dr. Mo; and (ii) we have, or had or will have, no connection, financial or otherwise, with the Company, Dr. Mo and parties acting in concert with him and any of their respective associates (as defined under the Takeovers Code) within the two years prior to the Subscription Agreement and up to the date of the SGM, which is reasonably likely to create, or to create the perception of, a conflict of interest or reasonably likely to affect the objectivity of our advice. Apart from normal professional fees payable to us for this appointment, no arrangement exists whereby we will receive any fees or benefits from any party abovementioned.

BASIS OF OUR OPINION

In formulating our opinions and recommendations to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the information, opinions and representations contained or referred to in the Circular (or otherwise provided to us by the Directors and the management of the Company (the "**Management**")), and have assumed that all information, opinions and representations contained or referred to in the Circular (or otherwise provided to us by the Directors and the Management) were true, accurate and complete in all respects at the time when they were made and up to the date of this letter. We have also assumed that all statements of belief, opinions and intention made by the Directors in the Circular (or otherwise provided to us by the Directors and the Management) are reasonably made after due enquiry. We have no reason to doubt that any relevant information has been withheld or omitted, nor we aware of any fact or circumstance which would render the information provided and representations and opinions made to us untrue, inaccurate or misleading. The Company will notify the Shareholders (including the Independent Shareholders) of any material changes to information provided in the Circular and our opinion during the period after the Latest Practicable Date and until the date of the SGM as soon as possible in accordance with Rule 9.1 of the Takeovers Code.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular (or otherwise provided to us by the Directors and the Management) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular (or otherwise provided to us by the Directors and the Management) have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We consider that we have received sufficient information to enable us to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular to provide a reasonable basis for our opinions and recommendations. We consider that we have performed all the necessary steps as required under Rule 13.80 of the Listing Rules to enable us to reach an informed view and to justify our reliance on the information provided and representations made to us so as to form a reasonable basis for our opinions.

We have not, however, for the purpose of this exercise, conducted any independent detailed verification or audit into the businesses or affairs or future prospects of the Company, Dr. Mo and their respective associates nor we have carried out independent verification on the information supplied. Our opinion was necessarily based on financial, economic, market and other conditions in effect, and the information made available to us as at the Latest Practicable Date. The Independent Shareholders will be notified of any material changes to such information provided and our opinion as soon as possible during the period after the Latest Practicable Date and up to and including the date of the SGM. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinions and recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Subscription and the Whitewash Waiver, we have considered the following principal factors and reasons:

I. Background and financial information of the Group

The Group is principally engaged in the sales and distribution of natural gas and LPG in the PRC, including the provision of piped gas, transportation, distribution and retail of LPG and production and sale of barrelled drinking water.

The following table summarises the results of operation and financial positions of the Group for the two years ended 31 March 2017 extracted from the annual report of the Company for the year ended 31 March 2017 ("**2017 Annual Report**") and the interim report of the Company for the six months ended 30 September 2017 ("**2017 Interim Report**"):

	For the year ended 31 March		**For the six months ended 30 September**	
	2016	**2017**	**2016**	**2017**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue from continuing operations	951,504	969,524	346,799	484,555
Gross profit	269,238	271,616	97,546	121,049
Profit/(loss) for the year/period from continuing operations	(124,003)	175,068	76,005	103,628

	As at 31 March		**As at 30 September**
	2016	**2017**	**2017**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	(audited)	(unaudited)
Bank balances and cash	305,147	392,287	402,653
Total assets	2,065,786	2,357,158	2,487,020
Total liabilities	(461,376)	(531,045)	(546,305)
Net assets/total equity	1,604,410	1,826,113	1,940,715

Source: 2017 Annual Report and 2017 Interim Report published by the Company in the website of the Stock Exchange

As referred to 2017 Interim Report, revenue of the Group increased from approximately RMB346.8 million for the six months ended 30 September 2016 to approximately RMB484.6 million for the six months ended 30 September 2017, which represented an increase of approximately 39.7% and was mainly contributed to its increased sales of LPG and piped gas by approximately 69.0% and 16.0% respectively. It is noted that the LPG and piped gas business are major sources of income of the Group, revenue of which were approximately RMB216.2 million and RMB268.1 million and accounted for approximately 55.3% and 44.6% of the Group's revenue from continuing operations for the six months ended 30 September 2017 respectively. As referred to 2017 Interim Report, the increased revenue derived from the LPG business was mainly due to the sales of LPG was amounted to 52,821 tons in total for the six months ended 30 September 2017, representing an increase of 54.9% over the previous corresponding period as the Group continued to develop new markets and new businesses which commenced the business of gas tank wholesale and two-way transportation business in certain regions in 2017. For the six months ended 30 September 2016 and 2017, gross profits of the Group were approximately RMB97.5 million and RMB121.0 million, with stable gross profit margins of approximately 28.1% and 25.0%, respectively. The decrease in gross profit margin was mainly due to a higher cost incurred for the LPG business. For the six months ended 30 September 2016 and 2017, the Group recorded a profit of the period from continuing operations of approximately RMB76.0 million and RMB103.6 million respectively was mainly attributable to the increase in revenue from sales of piped gas and LPG.

As referred to 2017 Annual Report, revenue of the Group increased from approximately RMB951.5 million for the year ended 31 March 2016 to approximately RMB969.5 million for the year ended 31 March 2017, which represented an increase of approximately 1.6% and was mainly contributed to its increased sales of LPG and barrelled water by approximately 13.9% and 1,297.5% respectively. It is noted that the LPG business is one of the major sources of income of the Group, revenue of which was approximately RMB424.1 million and accounted for approximately 43.7% of the Group's revenue for the year ended 31 March 2017. As advised by the Directors, the increase in the revenue derived from the LPG business was mainly due to a greater growth in the volume in Beijing and Tianjin region. Hence, the sales volume of LPG for the year ended 31 March 2017 had reached to approximately 82,969 tons, representing an increase of approximately 19.3% as compared to the year ended 31 March 2016. For the years ended 31 March 2016 and 2017, gross profits of the Group were approximately RMB269.2 million and RMB271.6 million, with stable gross profit margins of approximately 28.3% and 28.0%, respectively.

For the year ended 31 March 2017, the Group recorded a profit for the year from continuing operations of approximately RMB175.1 million, compared to the net loss of approximately RMB124.0 million for the year ended 31 March 2016. According to 2017 Annual Report, the increase was mainly due to the impairment losses recognised in respect of intangible assets and property, plant and equipment in the aggregate amount of approximately RMB315.7 million for the year ended 31 March 2016, while there are no such non-recurring items for the year ended 31 March 2017.

As at 30 September 2017, the Group had total assets of approximately RMB2,487.0 million and total liabilities of approximately RMB546.3 million. Based on 2017 Interim Report, (i) the total equity of the Group was approximately RMB1,940.7 million; and (ii) the gearing ratio of the Group (calculated as a ratio of total liabilities to total assets) was approximately 22.0% as at 30 September 2017.

As at 31 March 2017, the Group had total assets of approximately RMB2,357.2 million, bank balances and cash of approximately RMB392.3 million. Based on 2017 Annual Report, the total equity and total liabilities of the Group were approximately RMB1,826.1 million and RMB531.0 million respectively; and the gearing ratio of the Group was approximately 22.5% as at 31 March 2017.

II. Information of the Dr. Mo

As at the Latest Practicable Date, Dr. Mo is an executive Director, the chairman of the Board and a substantial Shareholder holding, directly and indirectly, 1,743,917,695 Shares, representing approximately 24.38% of the existing issued share capital of the Company. As illustrated in the Letter from the Board, Dr. Mo and parties acting or presumed to be acting in concert with him are, in aggregate, interested in 2,202,193,582 Shares, representing approximately 30.79% of the issued share capital of the Company. Upon Completion, assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Subscription Shares since the date of the Subscription Agreement and up to the Completion Date, Dr. Mo and parties acting in concert with him (excluding parties presumed to be acting in concert with Dr. Mo under class (6) presumption under the definition of "acting in concert" under the Takeovers Code only (i.e. Mr. Chu, Mr. Fan, Dr. Liu, Prof. Zhao and Mr. Sin)) will, in aggregate, be interested in 3,971,054,044 Shares, representing approximately 43.92% of the issued share capital of the Company as enlarged by the Subscription Shares. Upon Completion, Mr. Chu, Mr. Fan, Dr. Liu, Prof. Zhao and Mr. Sin will no longer be presumed to be acting in concert with Dr. Mo under class (6) presumption under the definition of "acting in concert" under the Takeovers Code.

III. Reasons for and benefits of the Subscription

Reference is made to the circular of the Company dated 25 November 2014 in respect of the Acquisition.

The Company and Dr. Mo entered into the S&P Agreement dated 5 September 2014 in relation to the Acquisition. Pursuant to the S&P Agreement, Dr. Mo conditionally agreed to sell and the Company conditionally agreed to purchase the entire issued share capital of True Vanguard (which was then wholly owned by Dr. Mo), together with the debt, loan or liability due from True Vanguard to Dr. Mo, at an aggregate consideration (the "**Consideration**") of RMB370,000,000 (equivalent to HK$466,612,550 and subject to adjustment). The Consideration shall be settled by the Company in the following manners:

(a) at completion of the Acquisition, as to HK$232,675,000 (equivalent to RMB184,499,431), by offsetting the subscription proceeds to be paid by Ping Da Development upon the exercise of the subscription rights attaching to the 1,135,000,000 unlisted warrants that were issued by the Company to Ping Da Development on 31 July 2013 at the subscription price of HK$0.205 per subscription share; and

(b) on the sixth Business Day (or such other time as may be agreed between the Company and Dr. Mo) after the issue of the written certificate (the "**Profit Certificate**") by the Company's auditor or the reporting accountant for the Acquisition within seven business days after the issue of the audited financial statements of True Vanguard and its other enterprises (the "**True Vanguard Group**") for the year ending 31 March 2017 showing the actual audited consolidated profit or loss before interest, taxes, depreciation and amortisation of the True Vanguard Group ("**2017 EBITDA**"), as to the balance of HK$233,937,550 (equivalent to RMB185,500,569) (the "**Cash Consideration**"), to be paid by the Company to Dr. Mo by a banker's cashier order in the amount of HK$233,937,550 issued by any licensed bank in Hong Kong or the PRC.

Furthermore, pursuant to the S&P Agreement, Dr. Mo has irrevocably warranted and guaranteed to the Company that the 2017 EBITDA will not be less than RMB30,000,000 (the "**Profit Guarantee**"). In the event that the actual 2017 EBITDA showing on the Profit Certificate equals to or more than RMB30,000,000, the Company shall pay Dr. Mo the Cash Consideration. The S&P Agreement and the transactions contemplated thereunder were duly approved by the then independent Shareholders at the special general meeting of the Company on 12 December 2014. Subsequently, completion of the Acquisition took place on 15 December 2014. Upon completion of the Acquisition, True Vanguard became a wholly-owned subsidiary of the Company.

On 30 June 2017, the Company confirmed that the Profit Guarantee has been met. As at the date of the Subscription Agreement, the outstanding amount of Cash Consideration to be paid by the Company to Dr. Mo under the S&P Agreement is RMB155,768,480 (equivalent to approximately HK$196,441,967 based on the exchange rate of RMB1.000 to HK$1.261115 pursuant to the S&P Agreement) (the "**Balance**"), together with the overdue interest of RMB3,072,693 (equivalent to approximately HK$3,875,019 based on the exchange rate of RMB1.000 to HK$1.261115 pursuant to the S&P Agreement) accrued up to 30 November 2017. As at 31 December 2017, the overdue interest amounted to RMB3,734,176 (equivalent to approximately HK$4,709,225).

As stated in the Letter from the Board, the Company commenced to discuss with Dr. Mo on the possibility of off-setting against the Balance by way of the Subscription. Pursuant to the Subscription Agreement, an aggregate proceed from the Subscription of HK$196,441,967 payable by Dr. Mo to the Company will set off the Balance. Furthermore, Dr. Mo agreed to waive all the interests incurred and to be incurred from the Cash Consideration. We noted that the Group has an outstanding bank balances and cash in the amount of approximately RMB402.7 million as at 30 September 2017 and we have discussed with the Company for the reasons of not paying the Balance from the outstanding bank balances and cash of the Group. We are advised by the Directors that the Board is of the view that the Subscription can alleviate the repayment pressure of the Company without cash outflows from the Group, and thus improve the Group's financial position and allow the Group to re-allocate its financial resources to finance the expansion of the Group's existing businesses and/or development of new businesses (including but not limited to the Project as defined below) as and when necessary.

As disclosed in 2017 Interim Report, the Group's net current assets as well as bank balances and cash amounted to approximately RMB66.4 million and approximately RMB402.7 million, respectively, as at 30 September 2017. Based on the Group's cash level, coupled with the short-term bank borrowings of RMB61.0 million as at 30 September 2017, the Board considers that the Group is capable to settle the Balance by way of internal resources. However, in view of the capital intensive nature of the Group's sale and distribution of natural gas and LPG business, the Board considers that the Balance represents approximately 38.7% of the outstanding bank balance and cash of the Group as at 30 September 2017. The settlement of the Balance from the outstanding bank balances and cash of the Group will affect the Group's working capital level which has material impact to liquidity of the Group. Also, the Directors advised that the Group needs to maintain a relatively high level of cash of not less than RMB100 million and credit lines so as to meet its operation requirements (particularly, for the on-and-off prepayment for the purchase of natural gas and LPG and gas connection constructions). Furthermore, the Group is actively expanding its existing businesses and looking for opportunities for development in other new businesses (including but not limited to expanding the scale of investment in the existing subsidiaries, acquiring other businesses and expanding its gas stations). In particular, the Group is currently contemplating to develop a mixed project specialising in the distribution in LPG, kitchen and cold-chain products (the "**Project**") with an independent third party. The target customers of the Project include catering enterprises, supermarkets and household consumers. The Project includes the establishment of (i) a warehousing and logistics base in Guizhou, the PRC to provide a wide range of warehousing and logistics services, including but not limited to unloading, storage, tally and delivery services; (ii) an online electronic trading platform; and (iii) a dedicated transportation team. The business scope of the Project comprises (a) conducting online trading business of food and fuel with catering enterprises, canteens and supermarkets through its "B2B" online trading platform and providing offline bulk distribution services; and (b) conducting retail business of food and fuel with community restaurants and supermarkets through its "B2C" online trading platform. The estimated investment cost of the Project is approximately RMB650 million. Under the current business plan, the Project will be held as to 60% by the Group and as to 40% by an independent third party. As at the Latest Practicable Date, the Group had not yet entered into any formal agreements with any parties in relation to the Project.

Taking into account of (i) requisite for the Group to maintain a relatively high level of cash and credit lines so as to meet its operation requirements; and (ii) the expansion plan of the Group's existing businesses and/or develop new businesses (including but not limited to the Project), the Group's existing cash level may not be sufficient for the acquisition and expansion of all appropriate investments that may be identified by the Company in the future if the Balance will be entirely settled by the outstanding bank balances and cash of the Group. In the event that the Group identifies suitable business or investment opportunities (though not yet finalised as at the Latest Practicable Date), and does not have sufficient cash and cash equivalents on hand, the Group may lose its opportunity in an otherwise favourable development/investment. In view of the above, the Board considers that it is crucial for the Group to maintain sufficient working capital to expand the Group's existing businesses and/or develop new businesses (including but not limited to the Project) as and when necessary. As at the Latest Practicable Date, the Group had not yet entered into any formal agreements with any parties in relation to the Project.

Save for the Subscription, the Board has considered alternative means of repaying the Balance (such as by way of bank borrowings and equity financing). In respect of long-term bank borrowings, the Company has enquired with several commercial banks and financial institutions regarding the possibility and feasibility of granting new credit lines to the Group. As advised by the Directors that the banks and financial institutions, after taking into account of the Group's operating condition and financial position (in particular, the gearing ratio and condition of collaterals in certain operating subsidiaries), they would not grant additional credit lines to the Group, save for only one of those banks which agreed to grant a new credit line of RMB22.0 million to the Group. As discussed with the Directors, increasing in bank borrowings will inevitably increase interest burden and deteriorate the profit and gearing level of the Group.

In assessing potential impact derived from interest rate if the Company adopted debt financing, we have conducted a research on the lending interest rate with reference to the information from the People's Bank of China in the PRC where the principal business activities of the Group are conducted as at the Latest Practicable Date as tabulated below:

	Interest rate for bank borrowing with less than 1 year term as at the Latest Practicable Date	Interest rate for bank borrowing for a term over 1 year but less than 5 years as at the Latest Practicable Date
The People's Bank of China	4.35%	4.75%

Source: Website of the People's Bank of China (www.pbc.gov.cn)

Based on the interest rate at 4.35%, the interest expense to the Group will be approximately RMB7.1 million, if the Group borrows HK$196.4 million (equivalent to approximately to RMB163.7 million) from the financial institutions in the PRC, it represents approximately 48.0% of the Group's finance costs for the year ended 31 March 2017 of approximately RMB14.8 million and would have adverse impact to the profitability of the Company where profit for the year ended 31 March 2017 would decrease by approximately 4% if additional interests incurred.

As to equity fund raising exercise (such as placement of new Shares to independent third parties, rights issue and/or open offer), the Group has approached several brokers about the possibility and feasibility of acting as placing agent or underwriter of the Company. According to the enquiry by the Company, the brokers requested a placing/underwriting commission ranging from 3% to 5% on the total fund raising size. For rights issue, the brokers also requested to set the subscription price a deep discount of at least 30% to the market price of the Shares so as to increase the attractiveness of the equity fund raising exercise. Furthermore, the placing would be conducted on best effort basis and therefore, the amount to be raised from the placing would be uncertain and subject to market condition. Given the low trading volume of the Shares during the Review Period as further discussed under the section under "Analysis of historical Share price and liquidity of the Shares" below, the subscriber may find the Shares less attractive due to the difficulties in realising any potential future capital gain from the open market. Furthermore, the Management are of the view that (i) the success of equity financing is highly dependent on the then market condition and sentiment; (ii) time taken for completion of open offer or rights issue is considerably long; and (iii) cost for documentation works, administrative and professional fees for equity financing is relatively high as compared to the Subscription. On the contrary, the Subscription will (i) alleviate the repayment pressure without cash outlay; (ii) enlarge the capital base of the Company; and (iii) moderate the Group's gearing level.

Having considered the above, the Company was not able to proceed with other debt financing and equity financing alternatives at a reasonable term and/or cost, we are of the view that the Subscription is in the interests of the Company and the Shareholders as a whole.

IV. Principal terms of the Subscription Agreement

Pursuant to the Subscription Agreement, Dr. Mo agreed to subscribe for, and the Company agreed to allot and issue an aggregate of 1,888,865,067 Subscription Shares at the Subscription Price of HK$0.104 per Subscription Share to set off the Balance on a dollar-to-dollar basis. Dr. Mo also agreed to waive all the interests incurred and to be incurred from the Cash Consideration.

As at the Latest Practicable Date, there are 7,152,954,136 Shares in issue. The Subscription Shares represent (i) approximately 26.41% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 20.89% of the issued share capital of the Company as enlarged by the Subscription Shares, assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Subscription Shares since the date of the Subscription Agreement and up to the Completion Date.

The Subscription Price

The Subscription Price of HK$0.104 per Subscription Share represents:

(i) is equivalent to the closing price of HK$0.104 per Share as quoted on the Stock Exchange as at the Last Trading Day;

(ii) a premium of approximately 1.76% to the average closing price of approximately HK$0.1022 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

(iii) a premium of approximately 2.36% to the average closing price of approximately HK$0.1016 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;

(iv) a discount of approximately 5.45% to the average closing price of approximately HK$0.110 per Share as quoted on the Stock Exchange as at the Latest Practicable Date; and

(v) represents a discount of approximately 64.86% to the unaudited equity attributable to the owners of the Company per Share of approximately HK$0.296 as at 30 September 2017 (based on a total of 7,152,954,136 Shares in issue as at the Latest Practicable Date and the unaudited equity attributable to owners of the Company of approximately RMB1,761.1 million (equivalent to approximately HK$2,116.0 million) as at 30 September 2017).

The net Subscription Price per Subscription Share (after deducting the relevant expenses) is approximately HK$0.103.

As stated in the Letter from the Board, the Subscription Price was determined after arm's length negotiations between the Company and Dr. Mo with reference to the financial conditions of the Group, the prevailing market prices of the Shares and the recent market conditions.

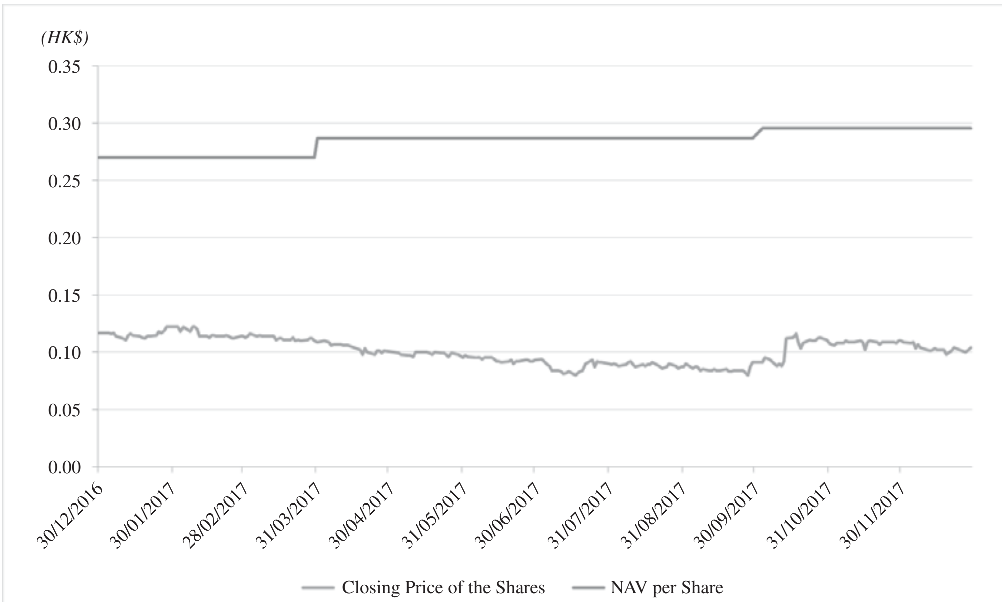
(i) Analysis of historical Share price and liquidity of the Shares

In order to assess the fairness and reasonableness of the Subscription Price, we have reviewed the daily closing price of the Shares as quoted on the Stock Exchange from 1 December 2016 up to and including 29 December 2017, being approximately one year up to the date of Subscription Agreement (the "**Review Period**"), which is commonly used for analysis purpose. The comparison of daily closing prices of the Shares during the Review Period and up to the Latest Practicable Date and the Subscription Price is illustrated as follows:

Source: the website of the Stock Exchange

During the Review Period, the closing prices of the Shares showed a general downward trend. However, the closing prices of the Shares showed a steady trend since the publication of the Company's interim result announcement for the six months ended 30 September 2017 on 24 November 2017. As shown in the chart above, the closing prices fluctuated between the highest and lowest closing prices of the Shares as quoted on the Stock Exchange were HK$0.130 recorded on 1 December 2016 and HK$0.080 recorded on 17 July 2017 respectively during the Review Period. The Subscription Price is above the daily closing prices of the Shares on 127 trading days out of the total 266 trading days throughout the Review Period. The Subscription Price is within the range of the lowest and highest closing prices of the Shares as quoted on the Stock Exchange and above the average daily closing prices of HK$0.103 during the Review Period. In addition, the Subscription Price represented (i) a premium of approximately 30.00% over the lowest daily closing price during the Review Period; (ii) a discount of approximately 20.00% to the highest daily closing price during the Review Period; and (iii) a premium of approximately 0.97% over the average daily closing price during the Review Period. Based on our review of the trading prices of the Shares during the Review Period, we note that the Shares traded within a relatively stable price range during the Review Period. Share prices are affected by the financial condition and macro environment of a listed company. They are determined by the supply and demand for the shares by the investors' attitude and expectation of the company's prospects. Given that the Shares were traded at a relative stable price range price and there is no observable unusual fluctuation in the trading price of the Shares throughout the Review Period. It represents that the trading value of the Shares reached a market consensus on the value of the Shares in an open market. Based on the above, we consider that it is reasonable to determine the Subscription Price with reference to the closing price of the Shares prevailing of the date of Subscription Agreement.

As extracted from the Letter from the Board, the Directors noted that the Subscription Price represents a discount of approximately 64.86% to the unaudited equity attributable to owners of the Company (the "**NAV**") per Share. The following chart depicts the closing price of the Shares and the NAV per Share for the period commencing from 30 December 2016 to 29 December 2017:



Source: *the website of the Stock Exchange*

Note: *The NAV per Share is calculated by dividing the equity attributable to owners of the Company as extracted from the then latest published financial reports of the Company by the total number of issued Shares at the relevant date.*

The average daily closing prices of HK$0.103 per Share during the Review Period also having a discount of approximately 65.2% to the NAV per Share of approximately HK$0.296 as at 30 September 2017. We noted that, having considered that the Shares were traded at a deep discount to the NAV per Share throughout the Review Period, the Directors consider that it is reasonable to make reference to the market price of the Share, rather than the NAV per Share, in determining the Subscription Price and that the discount of the Subscription Price to the NAV is justifiable.

The table below further illustrates the number of trading days, the average daily number of the Shares traded per month, and the respective percentages of the Shares' monthly trading volume during the Review Period:

Month/year	**Total trading volume** *(approximately)*	**Number of trading days in each month**	**Average daily trading volume (the "Average Volume")** *(Note 1)* *Number of Shares*	**Percentage of the average daily trading volume to total number of issued Shares as at the end of the month/period** *(Note 2)* *(approximately)* %
2016				
December (beginning from 1 December 2016)	26,606,334	20	1,330,317	0.02
2017				
January	61,226,179	19	3,222,430	0.05
February	75,711,790	20	3,785,590	0.05
March	57,075,805	23	2,481,557	0.04
April	36,287,584	17	2,134,564	0.03
May	18,453,342	20	922,667	0.01
June	47,804,569	22	2,172,935	0.03
July	112,882,547	21	5,375,359	0.08
August	54,588,496	22	2,481,295	0.04
September	93,532,983	21	4,453,952	0.06
October	291,352,196	20	14,567,610	0.20
November	145,268,715	22	6,603,123	0.09
December (up to and including the date of the Subscription Agreement)	71,303,461	19	3,752,813	0.05

Source: the website of the Stock Exchange

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period which exclude any trading day on which trading of the Shares on the Stock Exchange was suspended for the whole trading day.
2. Based on 6,944,954,136 Shares in issue as at the end of the relevant month from December 2016 to August 2017 and based on 7,152,954,136 Shares in issue as at the end of relevant month/period from September 2017 up to and including the date of the Subscription Agreement.

As illustrated in the above table, the average daily trading volume was relatively thin during the Review Period, with a range of approximately 922,667 Shares to approximately 14,567,610 Shares, representing approximately 0.01% to 0.20% of the number of Shares in issue as at the end of relevant month/period. It means that the trading of the Shares is inactive. In case of share subscription, the higher the subscription price will cause fewer of the subscription shares to be allotted and issued to the subscriber by the issuer and the lesser extent of the dilution effect on shareholding will be brought to the existing shareholders. However, if the higher the subscription price, the subscriber may find the shares less attractive due to the difficulties in realising any potential future capital gain from the open market. Given that trading of the Shares is low in the open market, the share price will be relatively vulnerable and easily distorted by minimal number of transactions and the subscription price representing the current closing price would normally be needed to incentivise the subscriber to subscribe for the Subscription Shares. Therefore, the Directors consider that it is commercially reasonable for the Subscription Price to be issued at closing price as at the Last Trading Day in order to incentivise the Subscription by Dr. Mo, and to balance the low liquidity of the Shares during the Review Period.

(ii) Comparables analysis involving subscriptions

As part of our analysis, we have identified transaction regarding the connected transaction in relation to the subscription of new shares involving an application of whitewash waiver announced during the period from 1 December 2016 up to 29 December 2017, being the date of the Subscription Agreement, as announced by companies listed on the Stock Exchange. However, to our best endeavour and as far as we are aware of, we have identified only two transactions which met the said criteria. For this reason, we have further extended the search and alternatively identified transactions regarding for the subscription of shares involving an application of whitewash waiver. To the best of our knowledge and as far as we are aware of, we found an exhaustive list of seven transactions (excluding transactions involving (i) H-share companies whose share capital structure is different from that of the Company as not all the issued shares of H-share company can be traded on the Stock Exchange such as its A-share or domestic shares; and (ii) companies under prolonged suspension) which met the said criteria from 1 December 2016 up to the date of the Subscription Agreement as announced by companies listed on the Stock Exchange (the "**Subscription Comparables**"), for comparison purpose.

It should be noted that all the subject companies involved in the Subscription Comparables may have different principal activities, market capitalisation, profitability and financial position as compared with those of the Company. The circumstances leading to the subject companies to proceed with the subscription may also be different from that of the Company. It should also be noted that the Subscription Comparables may not constitute a connected transaction. However, we consider that a sampling period of approximately twelve months is adequate and appropriate given that (i) such period is sufficiently recent to demonstrate the prevailing market practices prior to and including the date of the Subscription Agreement Date; and (ii) we were able to identify sufficient samples for comparison with such period. As such, we consider that (i) the Subscription Comparables may provide general reference of the recent common market practice of Hong Kong listed companies in the transactions involving issue of shares under specific mandate in the market for their further information to make decision with respect to the Subscription; and (ii) the comparison between the Subscription and the Subscription Comparables is an appropriate basis to assess the fairness of the Subscription Price. In addition, Independent Shareholders should note that the businesses, operations, financial positions and prospects of the Company are not the same as the listed companies which make the Subscription Comparables. We have not conducted any independent investigation with regards to the businesses, operations, financial positions and prospects of the companies but it shall not affect our analysis as we are comparing the general trend of subscription of new shares under specific mandate in the market. Details regarding the Subscription Comparables are set out below:

Company name	Stock code	Date of Announcement/ agreement	Connected transaction/ Involved subscription by connected person	Premium/(discount) of the issue price over/(to) the average closing price of last trading day prior to/ on the date of the relevant announcement/ agreement	last 5 consecutive trading days prior to/on the date of the relevant announcement/ agreement	last 10 consecutive trading days prior to/on the date of the relevant announcement/ agreement	Premium/ (discount) of the issue price over/ (to) the unaudited net asset value	Size of each subscription (HK$ million)	Percentage of the subscription over total enlarged share capital
A8 New Media Group Limited	800	21-Dec-2016	Yes	(12.77)%	(13.14)%	N/A	(55.10)%	9.3	33.68%
Addchance Holdings Limited *(Note 1)*	3344	6-Jan-2017	No	(91.70)%	(92.10)%	N/A	(29.80)%	364.0	70.40%
Jutal Offshore Oil Services Limited	3303	15-Mar-2017	No	(40.00)%	(39.39)%	(35.14)%	(26.38)%	964.3	50.10%
China Resources And Transportation Group Limited	269	11-Jul-2017	No	(19.30)	(9.59)	(9.41)	N/A *(Note 2)*	3,281.8	32.12%
Lenovo Group Limited	992	29-Sep-2017	Yes	0%	1.17%	2.13%	57.31%	3,814.8	7.54%
Trinity Limited *(Note 1)*	891	9-Nov-2017	No	60.00%	80.72%	81.82%	(15.00)%	2,215.2	51.38%
TSC Group Holdings Limited	206	14-Dec-2017	No	(30.21)%	(21.18)%	(19.28)%	(34.95)%	574.9	58.27%
Maximum				60.00%	80.72%	81.82%	57.31%		70.40%
Minimum				(91.70)%	(92.10)%	(35.14)%	(55.10)%		7.54%
Average				(19.14)%	(13.36)%	4.02%	(17.32)%		43.36%
Median				(19.30)%	(13.14)%	(9.41)%	(26.38)%		50.10%
The Company			Yes	N/A	1.76%	2.36%	(64.86)%	196.7	20.89%

Source: the Stock Exchange's website

Notes:

1. These comparables are classified as extreme cases (the "**Extreme Cases**") given their extraordinary discounts and/or premium of issue price to their respective closing share price and therefore have been excluded in the comparison

2. Premium/(discount) of the issue price over/to the unaudited NAV was not applicable for comparison as the company recorded a net liabilities according to its interim/annual report.

As shown by the above table, the subscription prices of the Subscription Comparables, two out of seven of the Subscription Comparables involved in subscription of new shares at premiums over the closing prices on the last trading days and other five of these companies involved in the subscription of new shares at discount to their respective historical trading prices. The subscription prices of the Subscription Comparables ranged from a discount of approximately 91.70% to a premium of approximately 60.00% with an average discount of approximately 19.14% to the respective closing prices of their shares on the last trading days prior to or on the date of the announcements/agreement in relation to the relevant transactions (the "**Market Range**"). The Subscription Price is within the range of the Subscription Comparable (excluding the Extreme Cases) from a discount of 40.00% to 0% and above an average and median discount of approximately 20.46%. We also noted that the percentage of number of subscription shares of the Subscription Comparables to their respective enlarged issued share capital upon completion (the "**Market Implied Dilution**") ranged from approximately 7.54% to 70.40%, with an average of approximately 45.64%.

As advised by the Directors, it is the intention of the Board and Dr. Mo to set the Subscription Price at a price equivalent to the closing price of the Share as at the date of the Subscription Agreement. According to the Letter from the Board, we noted that the Board had identified a list of 14 companies listed on the Stock Exchange which involved in the subscriptions of new shares by connected person under specific mandate during the period commencing from 30 June 2017 (being the first trading day of the 6-month period prior to the Last Trading Day) up to and including the Last Trading Day to assess the fairness and reasonableness of the Subscription Price. We have compared the 14 companies which were identified by the Board and noted that two of them had been covered in the Subscription Comparables. The remaining 12 companies are not covered by the Subscription Comparables mainly due to the different in scope of the Subscription Comparables as those remaining 12 companies did not involve in an application of whitewash waiver. The Directors considered that the Subscription Price set equivalent to the closing price of the Share which is more favourable compared to the discount to the average closing price of the Subscription Comparables as well as the list of 14 companies that identified by the Board. Table below set forth the companies identified by the Board:

Company name	Stock code	Date of announcement/ agreement	Application for whitewash waiver	Premium/(discount) of the issue price over/(to) the closing price of last trading day prior to/on the date of the relevant announcement/agreement
IRICO Group New Energy Company Limited	438	24-Jul-2017	No	N/A *(note)*
China Resources and Transportation Group Limited	269	1-Aug-2017	Yes	(19.30)%
Yida China Holdings Limited	3639	17-Aug-2017	No	1.77%
China Unicom (Hong Kong) Limited	762	22-Aug-2017	No	7.12%
C&D International Investment Group Limited	1908	30-Aug-2017	No	(13.10)%
Ourgame International Holdings Limited	6899	12-Sep-2017	No	0.00%
Truly International Holdings Limited	732	12-Sep-2017	No	(12.90)%
Lenovo Group Limited	992	29-Sep-2017	Yes	0.00%
Eagle Legend Asia Limited	936	11-Oct-2017	No	7.80%
Pak Tak International Limited	2668	11-Oct-2017	No	(21.40)%
Rosan Resources Holdings Limited	578	13-Oct-2017	No	34.23%
Alibaba Health Information Technology Limited	241	17-Nov-2017	No	(4.31)%
AKM Industrial Company Limited	1639	29-Nov-2017	No	(6.83)%
Brockman Mining Limited	159	6-Dec2017	No	(13.79)%
Maximum				34.23%
Minimum				(21.40)%
Average				(3.13)%
Median				(4.31)%

Source: the Stock Exchange's website

Note: According to the announcement of IRICO Group New Energy Company Limited ("**IRICO**") dated 24 July 2017, the subscription price shall not be lower than 90% of the average closing price of H-shares of IRICO as quoted on the Stock Exchange for the five consecutive trading days immediately preceding the price determination date (i.e., the date of signing of the relevant placing agreement).

According to the Letter from the Board, notwithstanding that the Subscription Price represents a discount of approximately 64.86% to the unaudited NAV the Company per Share, having considered that it is common for listed companies in Hong Kong to set the subscription price at a discount to the market price, whereas the Subscription Price is equivalent to the closing price per Share as at the Last Trading Day. In this regard, we have attempted to conduct the premium/discount of its unaudited NAV comparison between the Company and the Subscription Comparables to illustrate the recent market trend as general reference. As illustrated in the table above, the premium/discount of its unaudited NAV of the Subscription Comparables ranged from a premium of approximately 57.31% to a discount of approximately 55.10%. The Subscription Price was at the discount of approximately 64.86% to the unaudited NAV of the Company, the unaudited NAV discount per Share is higher than the average of the unaudited NAV discount per share of the Subscription Comparables. However, the business nature of the Company's is different to the Subscription Comparables which we consider the comparison on the premium/discount of its unaudited NAV between the Company and other listed issuers may not be meaningful and indicative to the Subscription Price.

(iii) P/E and P/B multiples of comparable companies

As discussed above, the principal business of the listed companies in the Subscription Comparables are different from that of the Group, in further assessing the fairness and reasonableness of the Subscription Price, we have attempted to make reference to the price-to-earnings ratio ("**P/E Ratio**'') and price-to-book ratio ("**P/B Ratio**'') of companies engaging in business(es) similar to the Group, which is principally engaged in sales and distribution of natural gas and LPG business in the PRC. We use P/B Ratio and P/E Ratio in our comparison analysis and have particularly reviewed companies listed in the Stock Exchange which (i) are principally engaged in the sales and distribution of natural gas and LPG and not less than 50% of revenue of which was derived from such business activities in the latest published annual/interim results; and (ii) with market capitalisations ranging between HK$248 million and HK$2,232 million on the Last Trading Day (being a range of approximately two times lower and higher than the market capitalisation of the Company on the Last Trading Day). We have identified four comparable companies (the "**Comparable Companies**") which we consider to be exhaustive based on the above selection criteria, and set them out in the table below.

Company name	Stock code	Market capitalisation as the Last Trading Day (HK$ million)	Equity attributable to owners of the Company (HK$ million)	P/B Ratio *(Note 1)*	P/E Ratio *(Note 2)*
Shanghai Dazhong Public Utilities (Group) Company Limited – H Shares	1635	1,809	8,503	1.18	15.23
Binhai Investment Company Limited	2886	2,032	13,338	1.52	11.80
Tianjin Jinran Public Utilities Company Limited – H Shares	1265	360	2,090	0.63	29.45
China Primary Energy Holdings Limited	8117	801	290	2.77	N/A
			Maximum	2.77	29.45
			Minimum	0.63	11.80
			Average	1.52	18.82
			Median	1.35	15.23
The Company		744	2,113	0.35	4.07

Source: *the Stock Exchange's website*

Notes:

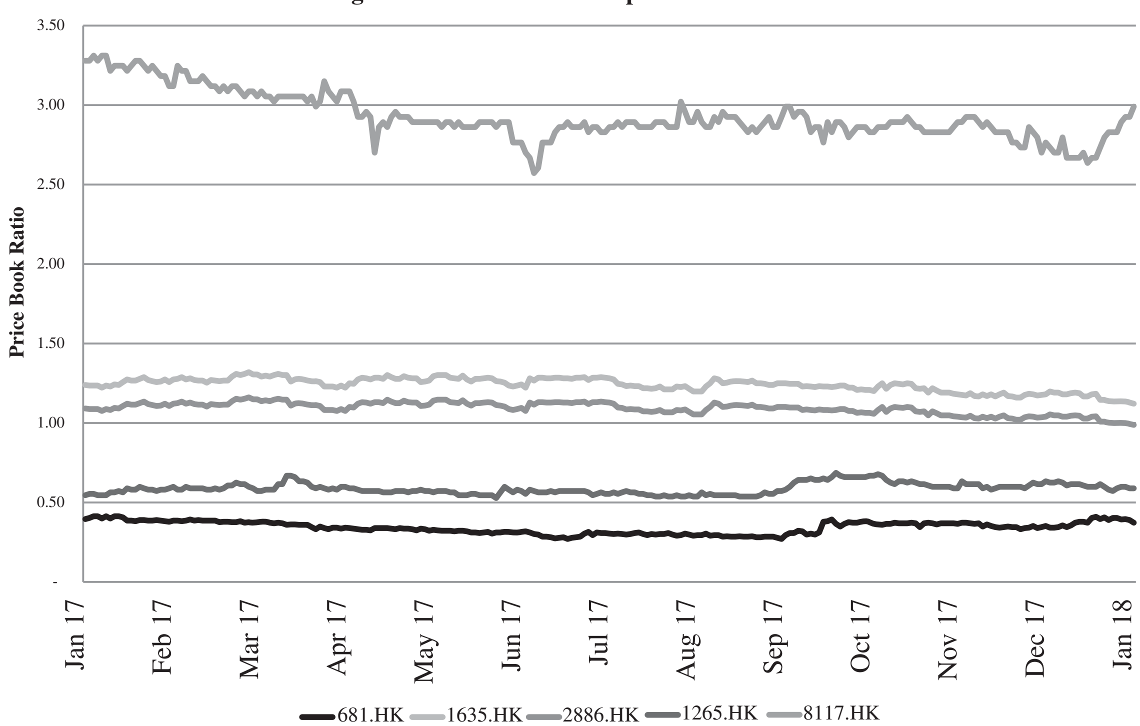
1. The net asset value of the Comparable Companies is based on the latest published interim/ annual results of the Comparable Companies. The P/B Ratio is based on the share prices as at the Last Trading Day and the latest published net asset value per share of the Comparable Company. For the companies which issued in H-shares, domestic shares were taken into account for the calculation of the P/B Ratio.

2. The net profit from continuing operations attributable to owners of the Comparable Companies is based on the latest published annual results of the Comparable Companies. The P/E Ratio is based on the share prices as at the Last Trading Day published and net profit attributable to owners per share of the Comparable Company. "N/A" represents Comparable Companies with net losses recorded in their latest published annual results. For the companies which issued in H-shares, domestic shares were taken into account for the calculation of the P/E Ratio.

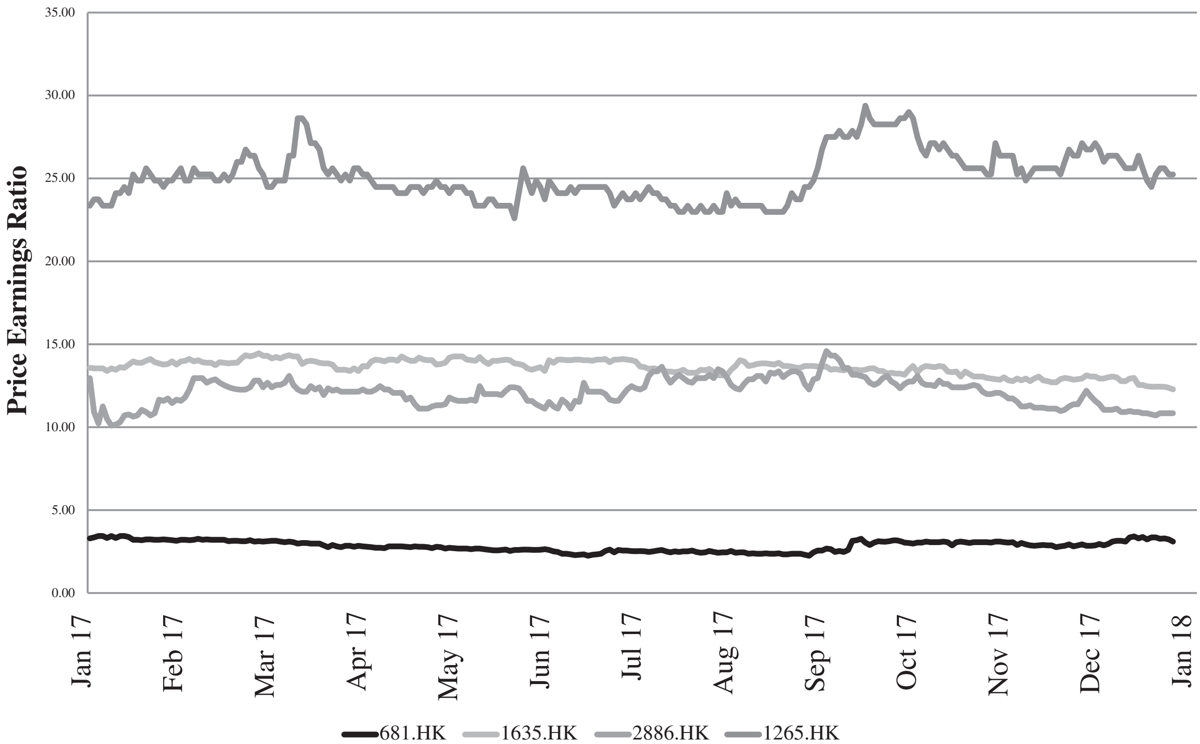
As set out in the table above, (i) the P/B Ratios of the Comparable Companies ranged from approximately 0.63 time to approximately 2.77 times, with an average of approximately 1.52 time; and (ii) the P/E Ratios of the Comparable Companies ranged from approximately 11.80 times to approximately 29.45 times, with an average of approximately 18.82 times. Based on the Subscription Price, the P/B Ratio of the Company of approximately 0.35 times and the P/E Ratio of the Company of approximately 4.07 times are both out of the market range of the P/B Ratios and P/E Ratios of the Comparable Companies respectively.

We noted that daily P/B Ratio and P/E Ratio of the Company were both traded below the Comparable Companies and remained relatively stable with no major fluctuations during the last twelve months and up to the Latest Practicable Date. The low P/E and P/B Ratio of the Company could be a sign of undervalued or other factors, such as low trading volume, lack of new earnings growth or risk discounted by the investors. However, the past relative stable of trading price of the Shares in the past twelve months and up to the Latest Practicable Date which represented a market consensus on the value of the Share where the Company is traded with a P/B Ratio and P/E Ratio constantly outside the market range. The following charts depict the comparison of the daily P/B Ratio and P/E Ratio between the Company and the Comparable Companies during the last twelve months and up to the Latest Practicable Date:

Price to Book Ratio with Comparable Companies during the last twelve months up to the Latest Practicable Date



Price to Earnings Ratio with Comparable Companies during the last twelve months up to the Latest Practicable Date



Source: the Stock Exchange's website

Even though the Subscription Price represents a discount of approximately 64.86% to the NAV per Share as at 30 September 2017, having taken into account the following factors:

(i) the Subscription Price was determined after arm's length negotiations between the Company and Dr. Mo with reference to the financial conditions of the Group, the prevailing market prices of the Shares and the recent market conditions;

(ii) during the Review Period, the Subscription Price of HK$0.104 is within the range of the lowest and highest closing prices of the Shares as quoted on the Stock Exchange during the Review Period; the Subscription Price was above the daily closing prices of the Shares on 127 trading days out of the total 266 trading days; the Subscription Price is within the Market Range; and there was relatively low trading liquidity of the Shares in the market during the Review Period;

(iii) the percentage of number of Subscription Shares to the enlarged issued share capital of the Company upon Completion of approximately 20.89% falls within the range of and better than the average of the Market Implied Dilution hence the Subscription has a relatively less dilution effect to the Shareholders as compared to the average of the Market Implied Dilution;

(iv) the reasons for and the possible benefits of the Subscription (including retaining the liquidity of the Group as mentioned in the paragraph "III. Reasons for and benefits of the Subscription" above; and the improvement of the financial position of the Group as demonstrated under the section headed "Possible financial effects of the Subscription" below),

We consider that (i) it is justifiable for setting the Subscription Price as equivalent the closing price per Share prior to the date of the Subscription Agreement; and (ii) the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

V. Potential dilution effect on shareholding structure of the Company

As depicted by the shareholding table under the section headed "Changes in the shareholding structure of the Company" of the Letter from the Board, upon Completion, the shareholding interests of the existing public Shareholders would be diluted by approximately 15.15 per cent point. Nonetheless, in view of (i) the reasons for and the possible benefits of the Subscription (including retaining the liquidity of the Group as mentioned in the paragraph "III. Reasons for and benefits of the Subscription" above; (ii) the improvement of the financial position of the Group as demonstrated under the section headed "Possible financial effects of the Subscription" below); and (iii) the Subscription Price is to be issued in a closing price to as at the Last Trading Day in order to incentivise the Subscription by Dr. Mo, as well as to balance the low liquidity of the Shares during the Review Period, it is reasonable for Dr. Mo to obtain a controlling stake in the Company upon Completion; the aforementioned levels of dilution to the shareholding interests of the existing public Shareholders are acceptable.

We are advised by the Directors that the Subscription Price is equivalent to the closing price per Share as at the Last Trading Day which has not taken into account of control premium for the shareholding of Dr. Mo to be increased from approximately 24.38% to approximately 43.92% in the Company. A control premium is an amount of a buyer willing to pay for a higher price over the current trading price of a listed company to acquire the controlling stake. The amount of such premium will be varied from the buyers who believe the amount of value that they will enhance the current market value. We also understand that the negotiation of the Subscription Price has not taken into account of the control premium as Dr. Mo is the single largest shareholder of the Company before the Subscription and remains exercising significant influence to the Company in the determination of the management and business direction of the Company. In order to assess the reasonableness of this matter, we have reviewed the 14 companies that have been identified by the Board and selected those companies with an application for whitewash waiver which represented the same as the Company for issue of shares to their existing shareholders and resulted at the increase of shareholding of such shareholders. We note that there are two companies out of the 14 companies with an application for whitewash waiver which issue prices have discounts to the closing prices of last trading prior to the relevant announcement at nil and 19.30% respectively. It represented that the subscription prices of such transactions were in the absence of the control premium.

Apart from above, we have also identified transaction regarding the issue of shares to an existing shareholder in which they gain control of the company announced during the period from 1 December 2016 up to 29 December 2017, being the date of the Subscription Agreement, as announced by companies listed on the Stock Exchange ("**Whitewash Comparables**"). We have identified an exhaustive list of six transactions which met the said criteria. Details regarding the Whitewash Comparables are set out below:

Company name	Stock code	Date of announcement	Premium/ (discount) of the issue price over/ (to) the average closing price of Last trading day prior to/ on the date of the relevant announcement
Symphony Holdings Limited	1223	13-Dec-16	12.68%
A8 New Media Group Limited	800	21-Dec-16	(12.77)%
Winfull Group Holdings Limited	183	14-Mar-17	1.63%
NagaCorp Ltd	3918	28-Mar-17	(65.00)%
Trigiant Group Limited	1300	5-Apr-17	(0.51)%
Lenovo Group Limited	992	29-Sep-17	0.00%
	Maximum		12.68%
	Minimum		(65.00)%
	Average		(10.66)%
	Median		(0.26)%
The Company			0.00%

Source: the Stock Exchange's website

As set out in the table above, (i) the average discount of the issue price over/(to) the average closing price Whitewash Comparables ranged from a discount of approximately 65.00% to a premium of approximately 12.68%, with an average discount of approximately 10.66%. The discount of the Subscription Price of the Company was nil which was within the range of the Whitewash Comparables and lower than the average discount of 10.66%. Having considered the Whitewash Companies with similar nature of transaction of the Company, we concur with the Directors that the subscription prices of such transactions were in the absence of the control premium. Therefore, the Subscription Price was determined without taking into account of the factor of the control premium and that is in line with the Whitewash Comparables and the 14 companies identified by the Company.

VI. Financial effects of the Subscription to the Group

Based on 2017 Interim Report, (i) the unaudited NAV was approximately RMB1,761.1 million; and (ii) the gearing ratio of the Group (calculated as a ratio of total liabilities to total assets) was approximately 22.0% as at 30 September 2017.

As confirmed by the Directors, given that there will not be any cash proceed generated from the Subscription, the Group's total assets will not be materially affected and the Group's total liabilities will be decreased as a result of the Subscription. Hence, the NAV will be increased by the amount of the Balance as a result of the issue of the Subscription Shares which would enlarge the capital base of the Company and the gearing ratio of the Group will improved as a result of the Subscription. Accordingly, the Subscription will have a positive impact on the NAV as the NAV will be improved and the Subscription would increase the share capital of the Company upon Completion. On the per Share basis, the Group's net asset attributable to the Shareholders as at 30 September 2017 was approximately RMB0.246 per Share (equivalent to approximately HK$0.296 per Share), the NAV per Share may decrease as a result of the Subscription. Given that the NAV per Share may decrease upon Completion, we have taken into account of an overall positive impact on the financial of the Group therefore we are of the view that the Subscription is in the interests of the Company and the Independent Shareholders as a whole.

It should be noted that the aforementioned analyses are for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon Completion.

VII. WHITEWASH WAIVER

As at the Latest Practicable Date, Dr. Mo and parties acting or presumed to be acting in concert with him are, in aggregate, interested in 2,202,193,582 Shares, representing approximately 30.79% of the issued share capital of the Company. Upon Completion, assuming that there is no change in the issued share capital of the Company other than the allotment and issue of the Subscription Shares since the date of the Subscription Agreement and up to the Completion Date, Dr. Mo and parties acting in concert with him (excluding parties presumed to be acting in concert with Dr. Mo under class (6) presumption under the definition of "acting in concert" under the Takeovers Code only (i.e. Mr. Chu, Mr. Fan, Dr. Liu, Prof. Zhao and Mr. Sin)) will, in aggregate, be interested in 3,971,054,044 Shares, representing approximately 43.92% of the issued share capital of the Company as enlarged by the Subscription Shares. According to the Letter from the Board, Mr. Chu, Mr. Fan, Dr. Liu, Prof. Zhao and Mr. Sin will no longer be presumed to be acting in concert with Dr. Mo under class (6) presumption under the definition of "acting in concert" under the Takeovers Code upon Completion.

Pursuant to Rule 26.1 of the Takeovers Code, Dr. Mo and parties acting or presumed to be acting in concert with him will be required to make a mandatory general offer for all the issued securities of the Company (other than those already owned or agreed to be acquired by Dr. Mo and parties acting or presumed to be acting in concert with him) in the absence of the Whitewash Waiver. Dr. Mo has made an application to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code in respect of the Subscription Shares. The Executive has indicated that it will grant the Whitewash Waiver, subject to among other things, the approval of the Independent Shareholders by way of poll at the SGM.

As stated in the Letter from the Board, the condition precedent relating to the granting of the Whitewash Waiver and the approval of the Whitewash Waiver by the Independent Shareholders are not waivable by any party to the Subscription Agreement. If the Whitewash Waiver is not granted by the Executive or not approved by the Independent Shareholders at the SGM, the Subscription will not proceed.

Notwithstanding the dilution effect on the shareholdings of the existing Shareholders in the Company as a result of the Subscription, and the Subscription Price of HK$0.104 is within the range of the lowest and highest closing prices of the Shares as quoted on the Stock Exchange during the Review Period, having considered that:

(a) (i) requisite for the Group to maintain a relatively high level of cash and credit lines so as to meet its operation requirements; (ii) the expansion plan of the Group's existing businesses and/or develop new businesses (including but not limited to the Project); and (iii) the alternative means of repaying the Balance as discussed under the section headed "Reasons for and benefits of the Subscription" above;

(b) the fairness and reasonableness of the Subscription Price as stated in the section headed "Principal terms of the Subscription Agreement" above; and

(c) the dilution effect on the shareholding stated in the section headed "Potential dilution effect on shareholding structure of the Company" and the positive financial effects on the Group's gearing ratio and the impact on the net asset value per Share after Completion as stated in the section headed "Financial effects of the Subscription to the Group" above,

we consider that the grant of the Whitewash Waiver (the granting of which being one of the conditions precedent to the Completion) is fair and reasonable, and in the interests of the Company and the Shareholders as a whole as far as the Independent Shareholders are concerned.

OPINION AND RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we are of the view that (i) the terms of the Subscription Agreement and the Whitewash Waiver are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Subscription Agreement and the transactions contemplated thereunder, the grant of Specific Mandate and the Whitewash Waiver in respect of the Subscription are in the interests of the Company and the Shareholders as a whole. We therefore advise that the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be to approve the Subscription Agreement and the transactions contemplated thereunder, the grant of Specific Mandate and the Whitewash Waiver at the SGM.

Yours faithfully,
For and on behalf of
SUCCESS NEW SPRING CAPITAL LIMTIED
Paul Lui
Managing Director

Note: Mr. Paul Lui is a licensed person registered with the SFC to carry out Type 6 (advising on corporate finance) regulated activity under the SFO and have over 20 years of experience in corporate finance industry.

1. FINANCIAL SUMMARY

The following is a summary of (i) the audited financial results of the Group for the three years ended 31 March 2015, 2016 and 2017 as extracted from the annual reports of the Company for each of the years ended 31 March 2015, 2016 and 2017; and (ii) the unaudited financial results of the Group for the six months ended 30 September 2017 as extracted from the interim report of the Company for the six months ended 30 September 2017.

	Six months ended 30 September 2017	**Year ended 31 March 2017**	**Year ended 31 March 2016**	**Year ended 31 March 2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Audited)	(Audited and restated)	(Audited)
		(Note)	*(Note)*	*(Note)*
Continuing operations				
Revenue	484,555	969,524	951,504	968,325
Profit/(loss) before tax	115,108	207,352	(93,794)	251,238
Income tax expense	(11,480)	(32,284)	(30,209)	(27,418)
Profit/(loss) for the period/year from continuing operations	103,628	175,068	(124,003)	223,820
Discontinued operation				
Profit/(loss) for the period/year from discontinued operation	–	53,433	(3,928)	–
Profit/(loss) for the period/year	103,628	228,501	(127,931)	223,820

	Six months ended 30 September 2017	Year ended 31 March 2017	Year ended 31 March 2016	Year ended 31 March 2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Audited)	(Audited and restated)	(Audited)
		(Note)	*(Note)*	*(Note)*
Other comprehensive income/(expenses) for the period/year				
Items that may be reclassified subsequently to profit or loss:				
Change in fair value of available-for-sale investments	21	–	–	(3)
Reclassification adjustment of cumulative gain upon disposal of available-for-sale investments	–	–	(11)	–
Total comprehensive income/(expenses) for the period/year	103,649	228,501	(127,942)	223,817
Profit/(loss) for the period/year attributable to:				
Owners of the Company				
– Profit/(loss) from continuing operations	90,674	152,462	(143,353)	204,050
– Profit/(loss) from discontinued operation	–	53,433	(3,928)	–
	90,674	205,895	(147,281)	204,050
Non-controlling interests				
– Profit from continuing operations	12,954	22,606	19,350	19,770
	103,628	228,501	(127,931)	223,820

	Six months ended 30 September 2017 *RMB'000* (Unaudited)	Year ended 31 March 2017 *RMB'000* (Audited) *(Note)*	Year ended 31 March 2016 *RMB'000* (Audited and restated) *(Note)*	Year ended 31 March 2015 *RMB'000* (Audited) *(Note)*
Total comprehensive income/ (expense) attributable to:				
Owners of the Company				
– Profit/(loss) from continuing operations	90,695	152,462	(143,364)	204,047
– Profit/(loss) from discontinued operation	–	53,433	(3,928)	–
	90,695	205,895	(147,292)	204,047
Non-controlling interests				
– Profit from continuing operations	12,954	22,606	19,350	19,770
	103,649	228,501	(127,942)	223,817
Earnings/(loss) per share				
From continuing and discontinued operations				
– Basic *(RMB cents)*	1.31	2.96	(2.12)	3.32
– Diluted *(RMB cents)*	1.31	2.96	N/A	3.32
From continuing operations				
– Basic *(RMB cents)*	1.31	2.20	(2.06)	3.32
– Diluted *(RMB cents)*	1.31	2.20	N/A	3.32

	As at 30 September 2017 RMB'000 (Unaudited)	As at 31 March 2017 RMB'000 (Audited)	As at 31 March 2016 RMB'000 (Audited)	As at 31 March 2015 RMB'000 (Audited)
Non-current assets	1,923,108	1,805,364	1,629,290	1,816,533
Current assets	563,912	551,794	436,496	373,553
Current (liabilities)	(497,491)	(480,157)	(265,918)	(269,703)
Net current assets	66,421	71,637	170,578	103,850
Non-current (liabilities)	(48,814)	(50,888)	(195,458)	(187,623)
Net assets	1,940,715	1,826,113	1,640,410	1,732,760
Equity attributable to owners of the Company	1,761,094	1,657,176	1,439,422	1,586,714
Non-controlling interests	179,621	168,937	164,988	146,046
Total Equity	1,940,715	1,826,113	1,604,410	1,732,760

Note: Since the lottery agency business of the Group was ceased during the year ended 31 March 2017, the financial results of the lottery agency business for the year ended 31 March 2016 had been classified and restated as discontinued operation of the Group.

The auditors of the Company, Deloitte Touche Tohmatsu, did not issue any qualified opinion on the consolidated financial statements of the Group for the three years ended 31 March 2015, 2016 and 2017, and the Company had no items which are exceptional or extraordinary because of size, nature or incidence for the same financial years.

No dividend was paid or proposed by the Company during the three years ended 31 March 2015, 2016 and 2017 and during the six months ended 30 September 2017.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

(a) Audited consolidated financial statements of the Group for the year ended 31 March 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For The Year Ended 31 March 2017

	NOTES	**2017** *RMB'000*	**2016** *RMB'000* (restated)
Continuing operations			
Revenue	*5*	969,524	951,504
Cost of sales and services		(697,908)	(682,266)
Gross profit		271,616	269,238
Other gains and losses	*7*	(16,642)	(347,852)
Other income	*8*	11,604	9,768
Finance costs	*11*	(14,779)	(12,419)
Selling and distribution expenses		(84,800)	(74,239)
Administrative expenses		(108,679)	(114,468)
Share of results of associates		19,259	44,224
Share of results of joint ventures		129,773	131,954
Profit (loss) before tax		207,352	(93,794)
Income tax expense	*12*	(32,284)	(30,209)
Profit (loss) for the year from continuing operations	*9*	175,068	(124,003)
Discontinued operation			
Profit (loss) for the year from discontinued operation	*13*	53,433	(3,928)
Profit (loss) for the year		228,501	(127,931)
Other comprehensive expense for the year			
Item that may be reclassified subsequently to profit or loss:			
Reclassification adjustment of cumulative gain upon disposal of available-for-sale investments		–	(11)
Other comprehensive expense for the year		–	(11)
Total comprehensive income (expense) for the year		228,501	(127,942)

	Notes	2017	2016
		RMB'000	*RMB'000*
			(restated)
Profit (loss) for the year attributable to:			
Owners of the Company			
Profit (loss) from continuing operations		152,462	(143,353)
Profit (loss) from discontinued operation		53,433	(3,928)
		205,895	(147,281)
Non-controlling interests			
Profit from continuing operations		22,606	19,350
		228,501	(127,931)
Total comprehensive income (expense) attributable to:			
Owners of the Company			
Profit (loss) from continuing operations		152,462	(143,364)
Profit (loss) from discontinued operation		53,433	(3,928)
		205,895	(147,292)
Non-controlling interests			
Profit from continuing operations		22,606	19,350
		228,501	(127,942)
Earnings (loss) per share	*15*		
From continuing and discontinued operations			
– basic		2.96 cents	(2.12) cents
– diluted		2.96 cents	N/A
From continuing operations			
– basic		2.20 cents	(2.06) cents
– diluted		2.20 cents	N/A

Consolidated Statement of Financial Position

At 31 March 2017

	NOTES	2017 RMB'000	2016 RMB'000
Non-current assets			
Property, plant and equipment	16	619,984	542,574
Investment properties	17	13,200	13,200
Prepaid lease payments	18	59,306	58,040
Goodwill	19	14,051	14,051
Intangible assets	20	26,825	18,481
Interests in associates	21	107,566	130,039
Interests in joint ventures	22	917,556	787,783
Available-for-sale investments	23	15,032	12,810
Long-term deposits and other receivables	24	31,844	52,312
		1,805,364	1,629,290
Current assets			
Inventories	25	21,401	25,598
Trade, bills and other receivables and prepayments	26	112,056	85,757
Amount due from a joint venture	27	24,556	18,125
Prepaid lease payments	18	1,494	1,869
Bank balances and cash	28	392,287	305,147
		551,794	436,496
Current liabilities			
Trade and other payables	29	216,352	189,309
Tax liabilities		41,635	42,261
Amount due to a non-controlling interest of a subsidiary	27	–	656
Amount due to an associate	27	299	76
Amount due to a joint venture	27	4,103	5,389
Amount due to a former director	30	–	14,028
Consideration payable	31	155,768	–
Bank and other borrowings	32	62,000	14,199
		480,157	265,918
Net current assets		71,637	170,578
Total assets less current liabilities		1,877,001	1,799,868

	NOTES	2017 RMB'000	2016 RMB'000
Capital and reserves			
Share capital	34	453,328	453,328
Reserves		1,203,848	986,094
Equity attributable to owners of the Company		1,657,176	1,439,422
Non-controlling interests	47	168,937	164,988
Total equity		1,826,113	1,604,410
Non-current liabilities			
Amount due to a former director	30	–	17,500
Bank borrowings	32	42,500	–
Consideration payable	31	–	173,386
Deferred tax liabilities	33	8,388	4,572
		50,888	195,458
		1,877,001	1,799,868

Consolidated Statement Of Changes In Equity

For The Year Ended 31 March 2017

	Attributable to owners of the Company													
	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000* *(Note a)*	Contributed surplus *RMB'000* *(Note b)*	Surplus reserve fund *RMB'000* *(Note c)*	Deemed contribution *RMB'000*	Capital contribution *RMB'000*	Investment revaluation reserve *RMB'000*	Share-based compensation reserve *RMB'000*	Other reserve *RMB'000* *(Note d)*	(Accumulated losses)/ Retained earnings *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 31 March 2015	453,328	944,616	2,086	92,665	63,665	26,628	7,721	4	–	7,175	(11,174)	1,586,714	146,046	1,732,760
(Loss) profit for the year	–	–	–	–	–	–	–	–	–	–	(147,281)	(147,281)	19,350	(127,931)
Reclassification adjustment of cumulative gain upon disposal of available-for-sale investments	–	–	–	–	–	–	–	(11)	–	–	–	(11)	–	(11)
Total comprehensive (expense) income for the year	–	–	–	–	–	–	–	(11)	–	–	(147,281)	(147,292)	19,350	(127,942)
Appropriations	–	–	–	–	13,605	–	–	–	–	–	(13,605)	–	–	–
Dividends paid to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(4,647)	(4,647)
Acquisition of subsidiaries *(note 37)*	–	–	–	–	–	–	–	–	–	–	–	–	4,239	4,239
At 31 March 2016	453,328	944,616	2,086	92,665	77,270	26,628	7,721	(7)	–	7,175	(172,060)	1,439,422	164,988	1,604,410
Profit and total comprehensive income for the year	–	–	–	–	–	–	–	–	–	–	205,895	205,895	22,606	228,501
Appropriations	–	–	–	–	17,898	–	–	–	–	–	(17,898)	–	–	–
Recognition of share-based payments	–	–	–	–	–	–	–	–	12,212	–	–	12,212	–	12,212
Dividends paid to a non-controlling interest of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	(23,310)	(23,310)
Acquisition of partial interests in a subsidiary *(note e)*	–	–	–	–	–	–	–	–	–	(353)	–	(353)	253	(100)
Capital injection from non-controlling interests of subsidiaries newly incorporated during the year	–	–	–	–	–	–	–	–	–	–	–	–	4,400	4,400
At 31 March 2017	453,328	944,616	2,086	92,665	95,168	26,628	7,721	(7)	12,212	6,822	15,937	1,657,176	168,937	1,826,113

Notes:

(a) Capital reserve was recognised as a result of acquisition of additional interest in an associate which became a subsidiary.

(b) Contributed surplus represents the difference between the nominal value of the Company's share capital issued as consideration in exchange for the nominal value of the issued share capital of the subsidiaries acquired at the time of the Company's listing in 1997.

(c) The articles of association of the Company's subsidiaries incorporated in the People's Republic of China (the "PRC") state that they should make an appropriation of 10% of their profit for the year (prepared under generally accepted accounting principles in the PRC) each year to the surplus reserve fund until the balance reaches 50% of the paid-in capital. The surplus reserve fund shall only be used for making good losses, capitalisation into paid-in capital and expansion of their production and operation.

(d) The other reserve of the Group represents the effect arising from the change in the Group's equity interest on existing subsidiary without losing control.

(e) On 23 December 2016, the Group entered into an equity transfer agreement with a non-controlling interests to acquire 10% equity interest of Chengdu Zhonglian Hua'an Investment Co., Ltd. ("Chengdu Zhonglian", a 90% owned subsidiary of the Group) which is engaged in transportation, distribution and retail of liquefied petroleum gas ("LPG") at a consideration of RMB100,000. Accordingly, the Group increase its shareholding in Chengdu Zhonglian from 90% to 100%. The difference between the consideration paid and the carrying amount of the non-controlling interests in Chengdu Zhonglian of RMB253,000 was debited to equity as other reserve during the year ended 31 March 2017.

Consolidated Statement of Cash Flows

For The Year Ended 31 March 2017

	2017	2016
	RMB'000	*RMB'000*
OPERATING ACTIVITIES		
Profit (loss) for the year	228,501	(127,931)
Adjustments for:		
Share of results of joint ventures	(129,773)	(131,954)
Share of results of associates	(19,259)	(44,224)
Bank interest income	(2,587)	(2,203)
Interest income from loan to a joint venture	(1,241)	–
Interest income from loans to non-controlling interests of subsidiaries	(241)	(694)
Dividend income from available-for-sale investments	(63)	(2,188)
Fair value changes of investment properties	–	600
Gain on disposal of subsidiaries	(54,174)	–
Income tax expense	32,284	30,209
Loss on disposal of property, plant and equipment	2,741	9,679
Loss (gain) on disposal of available-for-sale investments	62	(11)
Amortisation of intangible assets	1,217	28,353
Amortisation of prepaid lease payments	1,478	1,562
Depreciation of property, plant and equipment	34,054	31,846
Share-based payments	12,212	–
Impairment loss recognised in respect of property, plant and equipment	–	4,679
Impairment loss recognised in respect of intangible assets	–	315,652
Impairment loss recognised in respect of goodwill	11,620	–
Net allowances charged in respect of trade and other receivables	2,927	18,595
Finance costs	14,983	13,184
Operating cash flows before movements in working capital	134,741	145,154
Increase in inventories	4,582	(8,351)
(Increase) decrease in trade, bills and other receivables and prepayments	(31,659)	32,277
(Decrease) increase in amount due to a joint venture	(1,286)	5,389
Increase (decrease) in trade and other payables	24,474	(4,278)
Decrease in amount due to a non-controlling interest of a subsidiary	(656)	(1,081)
Decrease (increase) in amount due to a joint venture	810	(2,825)
Cash generated from operations	131,006	166,285
PRC Enterprise Income Tax paid	(33,050)	(25,906)
Net cash from operating activities	97,956	140,379

		2017	2016
	NOTES	*RMB'000*	*RMB'000*
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(96,307)	(55,167)
Deposits paid for acquisition of property, plant and equipment and prepaid lease payments		(2,130)	(6,297)
Deposit paid for acquisition of an available-for-sale investment		–	(3,002)
Deposit paid for acquisition of a subsidiary	*24*	–	(9,510)
Addition of available-for-sale investments		–	(5,092)
Proceeds from disposal of available-for-sale investments		718	19
Acquisition of a subsidiary	*37*	(17,284)	(22,876)
Disposal of subsidiaries	*13*	16,824	–
Acquisition of non-controlling interests in a subsidiary		(100)	–
Addition of prepaid lease payments		(1,040)	(7,030)
Withdrawal (placement) of bank deposit		–	3,000
Advance to a joint venture		(6,000)	(15,300)
Repayment from a joint venture		–	23
Dividend received		63	2,188
Dividend received from associates		41,732	39,237
Proceeds from disposal of property, plant and equipment		457	7,473
Repayment from non-controlling interests of subsidiaries		6,800	1,912
Interest received from a non-controlling interest of a subsidiary		241	694
Interest received		2,587	2,203
Settlement of consideration payable		(29,755)	–
Net cash used in investing activities		(83,194)	(67,525)

	NOTE	2017 RMB'000	2016 RMB'000
FINANCING ACTIVITIES			
New bank borrowings raised		104,500	11,000
Repayment of bank borrowings		(11,000)	(18,000)
Other borrowing raised		488	1,971
Repayment of other borrowing		(77)	(1,022)
Dividends paid to non-controlling interests of subsidiaries		(23,310)	(4,647)
Capital contribution from non-controlling interests of subsidiaries		4,400	–
Advance from (repayment to) an associate		223	(74)
Repayment to a joint venture		–	(6,698)
Interest paid		(2,846)	(1,076)
Net cash from (used in) financing activities		72,378	(18,546)
Net increase in cash and cash equivalents		87,140	54,308
Cash and cash equivalents at beginning of the year		305,147	250,839
Cash and cash equivalents at end of the year, represented by bank balances and cash	28	392,287	305,147

Notes to the Consolidated Financial Statements
For The Year Ended 31 March 2017

1. GENERAL INFORMATION

Chinese People Holdings Company Limited (the "Company") is an exempted company with limited liability incorporated in Bermuda on 13 November 1996. On 24 April 1997, the Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" of the Company's annual report.

The Company acts as an investment holding company. Details of its principal subsidiaries are set out in note 46.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company and its subsidiaries (collectively referred to as the "Group").

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

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle

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

Amendment to HKAS 1 Disclosure Initiative

The Group has applied the amendments to HKAS 1 Disclosure Initiative in the current year. The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by an HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial performance.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes. The Group has applied these amendments retrospectively. The grouping and ordering of certain notes have been revised to give prominence to the areas of the Group's activities that management considers to be most relevant to an understanding of the Group's financial performance and financial position. Specifically, information to capital risk management was reordered to note 35, while information in relation to financial instruments, was reordered to note 36. Other than the above presentation and disclosure changes, the application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group in these consolidated financial statements.

New and revised HKFRSs issued but not yet effective

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

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

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

The Company anticipates that the application of the new and amendments to HKFRSs and the new interpretation, other than set out below, will have no material impact on the consolidated financial statements.

HKFRS 9 Financial Instruments

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

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

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

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

Based on the Group's financial instruments and risk management policies as at 31 March 2017, the Company anticipates that the adoption of HKFRS 9 in the future may have impact on the classification and measurement of the Group's financial assets and financial liabilities set out below:

- The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfillment of the designation criteria).

- The expected credit loss model may result in early provision of credit losses which are not yet incurred to the Group's financial assets measured at amortised cost.

However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

HKFRS 15 Revenue from Contracts with Customers

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

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

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

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

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligation, principal versus agent consideration, as well as licensing application guidance.

The Directors are in the process of assessing the potential impacts of HKFRS 15 in respect of the Group's contracts with customers, in particular, the identification of performance obligations under HKFRS 15 and the allocation of total consideration to the respective performance obligations that will be based on relative fair values in respect of the Group's gas connection contracts, if any. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

HKFRS 16 Leases

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

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

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2017, the Group has non-cancellable operating lease commitments of RMB8,274,000 as disclosed in note 41. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurements, presentation and disclosure as indicated above and prepaid lease payments in the consolidated statement of financial position will be reclassified as right-of-use assets. However, it is not practicable to provide a reasonable of the financial effect until the Group performs a detailed review.

Amendments to HKAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specifically, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair value; and (v) other changes. The amendments apply prospectively for the Group's annual period beginning on 1 April 2017. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment properties that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange of goods and services.

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

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.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

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

- has the power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power affect its returns.

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

Business combinations

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

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

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

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

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that standard.

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

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

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

Investments in associates and joint ventures

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

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

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

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

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated discounts and sales related taxes.

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

Revenue from the sales and distribution of natural gas, LPG and gas appliances and barreled drinking water are recognised when the goods are delivered and titles have passed.

Service income is recognised when the services are provided.

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

Commission income from welfare lottery sales is recognised on an accrual basis when earned in accordance with the substance of the relevant agreement.

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

Rental income is recognised on a straight-line basis over the period of the relevant lease terms.

Dividend income from a financial asset is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purpose (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost or fair value as deemed cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

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

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

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amount of prepaid lease payments released during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

If an investment property becomes an item of property, plant and equipment because its use has changed as evidenced by commencement of owner-occupation, the property's deemed cost for subsequent accounting is its fair value at the date of change in use.

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

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Intangible assets acquired in a business combination

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

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

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

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

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

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

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

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

Discontinued operation

A discontinued operation is a component of the group's business, the operations and cash flows of which can be clearly distinguished from the rest of the group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss and other comprehensive income, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

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

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

Leasing

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

The Group as lessor

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

The Group as lessee

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

Leasehold land and building

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Taxation

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

Current tax

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

Deferred tax

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

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

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

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

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

For the purposes of measuring deferred taxation arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment properties portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in measuring the Group's deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted. Accordingly, deferred taxation in relation to the Group's investment properties has been measured based on the tax consequences of recovering the carrying amounts entirely through use.

Current and deferred tax for the year

Current and deferred tax for the year are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Foreign currencies

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

Government grants

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

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

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") and the retirement funds scheme managed by local social security bureau in accordance with the government regulations of the PRC, and are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

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

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

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

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

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

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

Available-for-sale investments

Available-for-sale investments are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit and loss.

Equity securities held by the Group that are classified as available-for-sale investments and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale investments are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

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

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

Impairment losses on financial assets

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

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

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

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

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

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

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

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

When an available-for-sale investment is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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

In respect of available-for-sale equity investment, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated under the heading of investment revaluation reserve.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Effective Interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

Other financial liabilities (including trade and other payables, amounts due to a non-controlling interest of a subsidiary, an associate, a joint venture and a former director, bank and other borrowings and consideration payable) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the assets to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

Equity settled share-based payment transactions

Share options granted to employees and directors

Equity-settled share-based payments to employees and directors are measured at the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share-based compensation reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based compensation reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share-based compensation reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based compensation reserve will be transferred to retained earnings.

Award shares granted to employees and directors

The fair value of services received determined by reference to the fair value of awarded shares granted at the grant date, in exchange for the grant of awarded shares is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share-based compensation reserve). When the awarded shares are vested and issued, the amount previously recognised in share-based compensation reserve will be transferred to share capital with the corresponding adjustment made to share premium. When the awarded shares are not vested or are forfeited during the vesting period, the amount previously recognised in share-based compensation reserve will be transferred to retained earnings.

4. KEY SOURCES OF ESTIMATION UNCERTAINTIES

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

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

Key sources of estimation uncertainties

The following are the key assumptions concerning the future, and other key sources of estimation uncertainties 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.

In the application of the Group's estimated impairment loss recognised in respect of goodwill and intangible assets

Determining whether goodwill and other intangible assets are impaired requires estimation of the recoverable amount. The recoverable amount is the higher of fair value less cost of disposal and value in use. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash generating unit ("CGU") and a suitable discount rate in order to calculate the present value. The discount rate represents the rate that reflects the current market assessment of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2017, the carrying amount of goodwill and intangible assets are RMB14,051,000 (2016: RMB14,051,000) and RMB26,825,000 (2016: RMB18,481,000) respectively. Impairment loss of RMB11,620,000 was recognised for goodwill during the year ended 31 March 2017 and impairment loss of RMB315,652,000 was recognised for intangible assets during the year ended 31 March 2016 with details set out in note 19 and note 20 respectively.

5. REVENUE

An analysis of the Group's revenue from continuing operations for the year is as follows:

	2017	2016
	RMB'000	*RMB'000*
		(restated)
Continuing operations		
Provision of piped gas	397,914	430,894
Gas connection construction contracts	138,641	147,662
Transportation, distribution and retail of LPG	424,081	372,312
Production and sales of barreled drinking water	8,888	636
	969,524	951,504

6. SEGMENT INFORMATION

Information reported to the Group's chief operating decision maker ("CODM"), being the managing director of the Company, for the purposes of resource allocation and assessment of segment performance focuses on types of goods sold or services rendered which is also consistent with the basis of organisation of the Group.

The Group ceased the lottery agency business ("Discontinued Operation") upon the completion of disposal of a group of subsidiaries as described in note 13. Accordingly, the results of lottery agency business for the year ended 31 March 2017 have been separately presented as discontinued operation in the consolidated statement of profit or loss and other comprehensive income. The presentation of comparative financial information for the year ended 31 March 2016 has been represented to conform the current year's presentation.

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

(1) Provision of piped gas – provision of piped gas and construction of gas pipeline networks;

(2) Transportation, distribution and retail of LPG – the sale of LPG in bulk to wholesale customers and the retail of LPG to end user households, industrial and commercial customers; and

(3) Production and sale of barreled drinking water.

No operating segments have been aggregated to derive the reportable segments for segment information presentation.

Segment revenues and results

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

For the year ended 31 March 2017

Continuing operations	**Provision of piped gas**	**Transportation, distribution and retail of LPG**	**Production and sale of barreled drinking water**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue from external customers	536,555	424,081	8,888	969,524
Segment profit	53,452	39,714	6,274	99,440
Unallocated income				4,068
Central administration costs				(30,409)
Share of results of associates				19,259
Share of results of joint ventures				129,773
Finance costs				(14,779)
Profit before tax from continuing operations				207,352

For the year ended 31 March 2016

Continuing operations	Provision of piped gas	Transportation, distribution and retail of LPG	Production and sale of barreled drinking water	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (restated)
Segment revenue from external customers	578,556	372,312	636	951,504
Segment profit (loss)	110,564	(198,447)	(158,357)	(246,240)
Unallocated income				6,064
Central administration costs				(17,377)
Share of results of associates				44,224
Share of results of joint ventures				131,954
Finance costs				(12,419)
Loss before tax from continuing operations				(93,794)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in both years.

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in note 3. Segment result represents the profit (loss) earned by (incurred by) each segment without allocation of share of results of associates, share of results of joint ventures, central administration costs, finance costs and certain other income. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

Segment assets and liabilities

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

	2017 *RMB'000*	2016 *RMB'000*
Segment assets		
Provision of piped gas	601,048	534,877
Transportation, distribution and retail of LPG	282,527	252,038
Production and sale of barreled drinking water	4,641	795
Assets relating to lottery agency (discontinued operation)	–	8,673
Total segment assets	888,216	796,383
Investment properties	13,200	13,200
Interests in associates	107,566	130,039
Interests in joint ventures	917,556	787,783
Available-for-sale investments	15,032	12,810
Bank balances and cash	392,287	305,147
Unallocated assets	23,301	20,424
Consolidated assets	2,357,158	2,065,786
Segment liabilities		
Provision of piped gas	156,330	136,328
Transportation, distribution and retail of LPG	136,562	151,169
Production and sale of barreled drinking water	80,115	72,543
Liabilities relating to lottery agency (discontinued operation)	–	37,149
Total segment liabilities	373,007	397,189
Bank and other borrowings	104,500	14,199
Tax liabilities	41,635	42,261
Deferred tax liabilities	8,388	4,572
Unallocated liabilities	3,515	3,155
Consolidated liabilities	531,045	461,376

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

- all assets are allocated to operating segments other than investment properties, interests in associates, interests in joint ventures, available-for-sale investments, bank balances and cash, certain property, plant and equipment and other receivables; and

- all liabilities are allocated to operating segments other than bank and other borrowings, tax liabilities, deferred tax liabilities and certain other payables.

Other segment information

Continuing operations	Provision of piped gas		Transportation, distribution and retail of LPG		Production and sale of barreled drinking water		Unallocated		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended 31 March										
Amounts included in measure of segment profit or loss or segment assets:										
Depreciation of property, plant and equipment	22,327	20,231	9,818	9,449	50	50	1,782	1,782	33,977	31,512
Impairment loss on property, plant and equipment recognised in profit or loss	–	–	–	4,679	–	–	–	–	–	4,679
Impairment loss on intangible assets recognised in profit or loss	–	–	–	175,607	–	140,045	–	–	–	315,652
Impairment loss on goodwill recognised in profit or loss	11,620	–	–	–	–	–	–	–	11,620	–
Loss (gain) on disposal of property, plant and equipment	218	(1,260)	2,523	10,938	–	–	–	–	2,741	9,678
Amortisation of prepaid lease payments	698	600	723	790	–	–	–	–	1,421	1,390
Amortisation of intangible assets	1,217	917	–	9,366	–	18,070	–	–	1,217	28,353
Net reversal of allowances (allowance made) in respect of trade and other receivables	(11)	11	2,788	17,762	–	–	150	822	2,927	18,595
Capital expenditure in respect of prepaid lease payments	5,867	1,068	4,433	5,962	–	–	–	–	10,300	7,030
Capital expenditure in respect of property, plant and equipment	96,811	63,252	17,782	37,599	–	–	368	127	114,961	100,978
Capital expenditure in respect of intangible assets	9,561	–	–	–	–	–	–	–	9,561	–
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:										
Interests in associates	–	–	–	–	–	–	107,566	130,039	107,566	130,039
Interests in joint ventures	–	–	–	–	–	–	917,556	787,783	917,556	787,783
Share of results of associates	–	–	–	–	–	–	(19,259)	(44,224)	(19,259)	(44,224)
Share of results of joint ventures	–	–	–	–	–	–	(129,773)	(131,954)	(129,773)	(131,954)

Geographical information

The Group's business is principally carried out in the PRC. All the revenue of the Group for both years are derived from the PRC based on the location of goods delivered and services provided and the Group's non-current assets are physically located in the PRC. Accordingly, no geographical information is presented.

Information about major customers

None of the customers contributed over 10% of the total revenue of the Group during the years ended 31 March 2017 and 2016.

7. OTHER GAINS AND LOSSES

	2017	2016
	RMB'000	*RMB'000*
		(restated)
Loss on disposal of property, plant and equipment	(2,741)	(9,678)
Impairment loss recognised in respect of property, plant and equipment *(note 16)*	–	(4,679)
Impairment loss recognised in respect of intangible assets *(note 20)*	–	(315,652)
Impairment loss recognised in respect of goodwill *(note 19)*	(11,620)	–
Fair value changes of investment properties	–	(600)
(Loss) gain on disposal of available-for-sale investments	(62)	11
Net foreign exchange gain	708	1,341
Net reversal of allowances (allowance made) in respect of:		
– trade receivables *(note 26)*	11	(17)
– other receivables *(note 26)*	(2,938)	(18,578)
	(16,642)	(347,852)

8. OTHER INCOME

	2017	2016
	RMB'000	*RMB'000*
		(restated)
Bank interest income	2,587	2,203
Dividend income from available-for-sale investments	63	2,188
Interest income from loans to non-controlling interests of subsidiaries	241	694
Interest income from loan to a joint venture	1,241	–
Rental income	880	706
Repair and maintenance services income	2,825	2,322
Sales of gas appliance, net	2,162	44
Government grant	450	98
Others	1,155	1,513
	11,604	9,768

9. PROFIT (LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS

Profit (loss) for the year from continuing operations has been arrived at after charging:

	2017 RMB'000	2016 RMB'000 (restated)
Staff costs		
Directors' emoluments *(note 10)*	13,812	6,267
Other staff costs		
Salaries, allowances and benefits in kind	95,567	86,006
Share-based payments	5,106	–
Retirement benefits scheme contributions	12,658	11,380
	127,143	103,653
Cost of inventories recognised as expenses	584,538	576,562
Auditor's remuneration	2,255	1,775
Depreciation of property, plant and equipment	33,977	31,512
Amortisation of prepaid lease payments	1,421	1,390
Amortisation of intangible assets (included in administrative expenses)	1,217	28,353
Operating lease payments in respect of rented premises	8,233	4,380
Contract cost recognised as expense in respect of gas connection construction contracts	62,478	56,792

10. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

(a) Directors' and chief executives' emoluments

The emoluments paid or payable to each of 9 (2016: 9) directors and the chief executives were as follows:

	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related incentive payments RMB'000 (Note iii)	Share-based payments RMB'000 (Note iii)	Retirement benefits RMB'000	Total emoluments RMB'000
For the year ended 31 March 2017						
Executive directors:						
Dr. Mo Shikang ("Dr. Mo")	–	1,491	257	–	58	1,806
Mr. Zhang Hesheng	–	1,247	156	881	–	2,284
Mr. Fan Fangyi	–	689	12	1,292	46	2,039
Ms. Mo Yunbi	–	564	52	–	16	632
Mr. Chu Kin Wang Peleus	–	1,015	693	4,051	16	5,775
Non-executive director:						
Mr. Jin Song *(Note i)*	148	–	–	–	20	168
Independent non-executive directors:						
Mr. Liu Junmin	113	–	–	294	–	407
Mr. Zhao Yanyun	–	–	–	294	–	294
Mr. Sin Ka Man	113	–	–	294	–	407
	374	5,006	1,170	7,106	156	13,812

	Directors' fees	Salaries, allowances and benefits in kind	Performance related incentive payments	Retirement benefits	Total emoluments
	RMB'000	*RMB'000*	*RMB'000* *(Note iii)*	*RMB'000*	*RMB'000*
For the year ended 31 March 2016					
Executive directors:					
Dr. Mo	–	1,407	220	57	1,684
Mr. Zhang Hesheng	–	1,178	155	–	1,333
Mr. Fan Fangyi *(Note ii)*	–	371	–	27	398
Mr. Jin Song *(Note i)*	–	296	33	18	347
Ms. Mo Yunbi	–	345	–	12	357
Mr. Chu Kin Wang Peleus	–	952	652	15	1,619
Non-executive director:					
Mr. Jin Song *(Note i)*	225	–	–	27	252
Independent non-executive directors:					
Mr. Liu Junmin	106	–	–	–	106
Mr. Zhao Yanyun	65	–	–	–	65
Mr. Sin Ka Man	106	–	–	–	106
	502	4,549	1,060	156	6,267

Notes:

(i) Mr. Jin Song has been re-designated from the managing director and executive director to non-executive director on 1 September 2015. He was then retired as a non-executive director of the Company and did not offer himself for re-election at the conclusion of the 2016 annual general meeting held on 9 September 2016. After his retirement, Mr. Jin became the chief strategy officer and the Award Shares granted to him were treated as employee benefit. Details are set out in note 38.

(ii) Mr. Fan Fangyi was appointed on 1 September 2015.

(iii) The performance related incentive payments and share-based payments are determined by reference to the individual performance of the directors and approved by the remuneration committee.

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

The non-executive director's emoluments shown above was for his services as a director of the Company or its subsidiaries.

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

During the year ended 31 March 2016, Mr. Fan Fangyi was appointed as executive director and chief executive of the Company on 1 September 2015 upon Mr. Jin Song re-designated from the managing director and an executive director to non-executive director on the same date and their emoluments disclosed above included those for services rendered by them as the chief executive.

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

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, four (2016: four) are directors of the Company whose emoluments are included in the above disclosures. The emolument of the remaining one (2016: one) individual is disclosed as follows:

	2017	**2016**
	RMB'000	*RMB'000*
Salaries, allowances, and benefits in kind	586	547
Discretionary bonuses	260	244
Share-based payments	998	–
Retirement benefits	16	15
	1,860	806

11. FINANCE COSTS

	2017	**2016**
	RMB'000	*RMB'000*
Imputed interest on consideration payable *(note 31)*	12,137	11,343
Interest on bank borrowings	2,642	1,076
	14,779	12,419

No borrowing costs capitalised during both years arose on the general borrowing pool.

12. INCOME TAX EXPENSE

	2017	2016
	RMB'000	*RMB'000*
PRC Enterprise Income Tax:		
– Current tax	31,924	30,737
– Under (over) provision in prior years	500	(520)
Deferred taxation *(note 33)*	(140)	(8)
	32,284	30,209

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profit derived in Hong Kong for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years, except certain PRC group entities are entitled to the preferential tax rate pursuant to the relevant regulations applicable to enterprises situated in the western regions of the PRC. The applicable tax rate of those PRC group entities was 15% for both years.

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

	2017	2016
	RMB'000	*RMB'000*
		(restated)
Profit (loss) before tax from continuing operations	207,352	(93,794)
Tax at the domestic income tax rate of 25%	51,838	(23,449)
Tax effect of share of results of joint ventures	(32,443)	(32,989)
Tax effect of share of results of associates	(4,815)	(11,056)
Tax effect of income not taxable for tax purpose	(278)	(696)
Tax effect of expenses not deductible for tax purpose	14,363	84,739
Tax effect of profit which are under tax concessions	(8,222)	(11,116)
Tax effect of tax losses not recognised	11,341	25,296
Under (over) provision in prior years	500	(520)
Income tax expense for the year	32,284	30,209

13. DISCONTINUED OPERATION

On 28 June 2016, Beijing Zhongmin Yongheng Investment Consultant Co., Ltd. ("Zhongmin Yongheng"), a wholly-owned subsidiary of the Company, and the Company (collectively as the "Vendors") and Yongheng Development Corporation Limited and Yongheng Development Group (Shenzhen) Co., Ltd (collectively as the "Purchasers"), which were held by a director of Shenzhen Le Cai (as defined below) who regard as connected persons at the subsidiary level of the Company, entered into equity transfer agreements, pursuant to which the Vendors agreed to sell and the Purchasers agreed to purchase the entire equity interest in Shenzhen Yongheng Le Cai Technology Development Limited ("Shenzhen Le Cai"); Shenzhen Yongheng Jin Cai Technology Development Limited ("Shenzhen Jin Cai") and Shenzhen Cai Cai Le Electronic Entertainment Technology Development Limited ("Cai Cai Le"), wholly-owned subsidiaries of the Company (collectively as "Lottery Companies") for the total consideration of RMB73,000,000, which be satisfied by the Purchasers as to (i) RMB20,000,000 in cash and in instalment to the Vendors and (ii) RMB53,000,000 settled through assumption of all the shareholder's loan and other debts owing by Zhongmin Yongheng to Shenzhen Le Cai (''Debt''). The disposal of the Lottery Companies was effected in order to minimise the Company's exposure on the short term difficulties to the PRC lottery market which resulted from the current regulatory development of the PRC lottery industry. Upon the disposal of Lottery Companies completed on 30 June 2016, the Group discontinued its lottery agency business. The profit (loss) for the period/year from the Discontinued Operation is presented below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated as a discontinued operation.

	Period from 1 April 2016 to 30 June 2016 (date of disposal)	**2016 Year ended 31 March 2016**
	RMB'000	*RMB'000*
Loss for the period/year from the discontinued operation	(741)	(3,928)
Gain on disposal of Lottery Companies	54,174	–
	53,433	(3,928)

The results of the discontinued operation for the period from 1 April 2016 to 30 June 2016, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follows:

	Period from 1 April 2016 to 30 June 2016 (date of disposal)	Year ended 31 March 2016
	RMB'000	*RMB'000*
Revenue	1,648	2,831
Cost of sales and services	(1,427)	(3,150)
Gross profit (loss)	221	(319)
Other gains and losses	–	(1)
Other income	20	204
Finance costs	(204)	(765)
Administrative expenses	(778)	(3,047)
Loss before tax	(741)	(3,928)
Income tax expense	–	–
Loss for the period/year from discontinued operation	(741)	(3,928)

Loss for the period/year from the discontinued operation including the following:

	Period from 1 April 2016 to 30 June 2016 (date of disposal)	Year ended 31 March 2016
	RMB'000	*RMB'000*
Staff costs		
Salaries, allowances and benefits in kind	424	1,509
Etirement benefits scheme contributions	24	92
	448	1,601
Depreciation of property, plant and equipment	77	334
Loss on disposal of property, plant and equipment	–	1
Amortisation of prepaid lease payments	57	172

No charge or credit arose on gain on discontinuance of the operation.

The net cash flows incurred by the discontinued operation are as follows:

	2017 *RMB'000*	2016 *RMB'000*
Operating activities	(394)	(957)
Financing activities	410	949
Net cash inflow (outflow)	16	(8)

	RMB'000
Consideration received:	
Cash received	17,000
Deferred cash consideration	3,000
Assignment of Debt to Purchasers	53,000
Total consideration	73,000
Gain on disposal of the disposed group:	
Consideration received and receivable	73,000
Net asset disposed of	(18,826)
Gain on disposal	54,174

Details of the net assets of the disposal group disposed of during the year are as follows:

	30 June 2016 *RMB'000*
Property, plant and equipment	299
Prepaid lease payments	4,538
Long-term deposit	1,500
Bank balances and cash	176
Trade and other receivables and prepayments	790
Amount due from Zhongmin Yongheng	53,000
Trade and other payables	(6,339)
Amount due to a former director	(31,528)
Other borrowings	(3,610)
Net assets disposed of	18,826
Net cash inflow arising on disposal:	
Cash consideration	17,000
Cash and cash equivalents disposed of	(176)
	16,824

14. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2017 (2016: nil), nor has any dividend has been proposed since the end of the reporting period.

15. EARNINGS (LOSS) PER SHARE

From continuing operations

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

	2017	2016
	RMB'000	*RMB'000*
Earnings (loss)		
Profit (loss) for the year attributable to the owners of the Company	205,895	(147,281)
Less: Profit (loss) for the year from the discontinued operation	53,433	(3,928)
Earnings (loss) for the purposes of basis and diluted earnings per share (2016: basic loss per share) from continuing operations	152,462	(143,353)

	2017	2016
Number of shares		
Number of ordinary shares for the purpose of basic earnings (loss) per share	6,944,954,136	6,944,954,136
Effect of dilutive potential ordinary shares Award Shares (as defined in note 38)	314,391	
Weighted average number of ordinary shares for the purpose of diluted earnings per share calculation	6,945,268,527	

From continuing and discontinued operations

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

	2017	2016
	RMB'000	*RMB'000*
Earnings (loss)		
Profit (loss) for the year attributable to the owners of the Company for the purposes of basic and diluted earnings per share (2016: basic loss per share)	205,895	(147,281)

There are no dilutive potential shares for the year ended 31 March 2016.

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

From discontinued operation

Basic earnings per share from discontinued operation is RMB0.76 cents per share (2016: loss per share from discontinued operation was RMB0.06 cents per share) and diluted earnings per share from the discontinued operation is RMB0.76 cents per share (2016: N/A), based on the profit for the year from discontinued operation of RMB53,433,000 (2016: loss from discontinued operation of RMB3,928,000) and the denominators detailed above for both basic and diluted earnings (loss) per share.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Furniture, fixtures and office equipment	Plant, machinery and pipeline	Transportation vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST							
At 1 April 2015	86,128	3,167	12,290	421,477	78,532	87,622	689,216
Acquisition of subsidiaries *(note 37)*	2,310	–	114	1,083	2,406	–	5,913
Additions	5,411	702	2,072	10,236	10,545	66,099	95,065
Transfer	39,705	–	554	72,832	–	(113,091)	–
Disposals/written off	(1,903)	–	(334)	(1,795)	(23,692)	–	(27,724)
At 31 March 2016	131,651	3,869	14,696	503,833	67,791	40,630	762,470
Acquisition of a subsidiary *(note 37)*	–	–	63	10,066	148	1,819	12,096
Disposal of subsidiaries *(note 13)*	–	–	(2,017)	–	(3,276)	–	(5,293)
Additions	8,289	–	3,306	9,639	1,665	79,966	102,865
Transfer	28,698	–	–	31,098	–	(59,796)	–
Disposals/written off	(2,237)	–	(522)	(580)	(1,916)	–	(5,255)
At 31 March 2017	166,401	3,869	15,526	554,056	64,412	62,619	866,883
DEPRECIATION AND IMPAIRMENT							
At 1 April 2015	14,469	2,388	6,495	139,638	30,953	–	193,943
Provided for the year	5,049	683	1,800	17,322	6,992	–	31,846
Eliminated on disposals/written off	(532)	–	(307)	(982)	(8,751)	–	(10,572)
Impairment loss recognised in profit or loss	–	–	–	–	4,679	–	4,679
At 31 March 2016	18,986	3,071	7,988	155,978	33,873	–	219,896
Provided for the year	4,863	403	2,003	19,557	7,228	–	34,054
Eliminated on disposals/written off	(139)	–	(456)	(160)	(1,302)	–	(2,057)
Disposal of subsidiaries *(note 13)*	–	–	(1,866)	–	(3,128)	–	(4,994)
At 31 March 2017	23,710	3,474	7,669	175,375	36,671	–	246,899
CARRYING VALUES							
At 31 March 2017	142,691	395	7,857	378,681	27,741	62,619	619,984
At 31 March 2016	112,665	798	6,708	347,855	33,918	40,630	542,574

The Group has pledged certain property, plant and equipment with carrying value of RMB94,795,000 (2016: RMB186,000) to secure certain bank borrowings (2016: other borrowings) granted to the Group as disclosed in note 43.

During the year ended 31 March 2016, LPG railway tanks were no longer in use as a result of the business restructuring, the management considered that as an impairment indicator. Therefore, the management conducted an impairment assessment of the Group's transportation vehicles which are used in the Group's transportation, distribution and retail of LPG segment on an individual basis. The recoverable amounts of the relevant assets have been determined on the basis of fair value less costs of disposal. The fair values of the relevant assets as at 31 March 2016 were determined by reference to the market observable transactions of similar assets, which takes into account a market participant's ability to generate economic benefits by using the assets in its highest and best use or by selling it to another market participant that would use the assets in its highest and best use. An impairment loss of HK$4,679,000 was recognised and charged to the profit or loss for the year ended 31 March 2016.

The above items of property, plant and equipment other than construction in progress are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the shorter of 40 years or the remaining terms of leases
Leasehold improvements	Over the shorter of 5 years or the remaining terms of the leases
Furniture, fixtures and office equipment	20%
Plant, machinery and pipeline	3.3% – 20%
Transportation vehicles	12.5% – 20%

The buildings are situated in the PRC, and are for own use under medium-term lease.

17. INVESTMENT PROPERTIES

	RMB'000
FAIR VALUE	
At 1 April 2015	13,800
Fair value change recognised in profit or loss	(600)
At 31 March 2016 and 31 March 2017	13,200

The above investment properties are situated in the PRC, and are held under medium-term leases.

The investment properties are under Level 3 fair value measurements. At the end of each reporting period, the senior management works closely with the independent qualified professional valuer to establish and determine the appropriate valuation techniques and inputs. Discussion of valuation process and results are held between senior management and the directors of the Company at least twice a year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The fair value of the Group's investment properties at 31 March 2017 and 2016 have been arrived at on the basis of a valuation carried out on the respective dates by Asset Appraisal Limited ("Asset Appraisal"). Asset Appraisal is a member of the Hong Kong Institute of Surveyors, and has appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations.

The fair value of Group's investment properties at 31 March 2017 and 2016 were determined based on direct comparison method and making references to comparable market observable transactions of similar properties in the nearby locations as available in the relevant market. There has been no change from the valuation technique used in the prior year.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 March 2017 and 2016, are as follows:

Commercial properties in the PRC		**Fair value hierarchy**	**Valuation techniques**	**Significant unobservable inputs**	**Relationship of unobservable inputs to fair value**
2017	**2016**				
RMB 13,200,000	RMB 13,200,000	Level 3	Direct comparison method based on market observable transactions of similar properties The key inputs are: (1) Price per square meter (2) Level adjustment	Price per square metre, based on gross floor area using market comparables and taking into account of location and level adjustment in individual floor of the property RMB4,100 to RMB15,000 (2016: RMB4,200 to RMB15,000)	The higher the price per square metre, the higher the fair value

There were no transfers into or out of Level 3 during the year.

18. PREPAID LEASE PAYMENTS

	2017	2016
	RMB'000	*RMB'000*
The Group's prepaid lease payments comprise:		
Leasehold lands in the PRC under medium term leases	60,800	59,909
Analysed for reporting purposes as:		
Current portion	1,494	1,869
Non-current portion	59,306	58,040
	60,800	59,909

The leasehold lands are released to profit or loss on a straight-line basis over the term of leases.

At 31 March 2017, the Group's prepaid lease payments amounting to RMB3,346,000 (2016: RMB4,594,000) were pledged to secure the Group's certain bank borrowings (2016: other borrowings), as disclosed in note 43.

19. GOODWILL

	RMB'000
COST	
At 1 April 2015	44,938
Acquisition of subsidiaries *(note 37)*	1,698
At 31 March 2016 and 1 April 2016	46,636
Acquisition of a subsidiary *(note 37)*	11,620
Disposal of subsidiaries *(note 13)*	(32,585)
At 31 March 2017	25,671
ACCUMULATED IMPAIRMENT LOSS	
At 1 April 2015, 31 March 2016 and 1 April 2016	32,585
Impairment loss recognised in respect of goodwill	11,620
Disposal of subsidiaries *(note 13)*	(32,585)
At 31 March 2017	11,620
CARRYING VALUES	
At 31 March 2017	14,051
At 31 March 2016	14,051

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

During the year ended 31 March 2017, there is goodwill allocated to the provision of piped gas operation. In view of the operating loss in current year and annual impairment review, management has assessed that the recoverable amount of this CGU was less than the carrying amount of the CGU, and accordingly the Group recognised an impairment loss of RMB11,620,000 for the goodwill with details listed below impairment testing of goodwill allocated to the provision of piped gas operation.

For the purposes of impairment testing, the carrying value of the goodwill set out above has been allocated to the respective CGUs which operating in transportation, distribution and retail of LPG.

Impairment testing

For impairment testing purpose, management reviews each CGU's recoverable amount for comparison with the carrying amount of the respective CGU. The aggregate carrying amounts of the CGUs comprise goodwill of RMB14,051,000 (2016: RMB14,051,000) and property, plant and equipment of RMB40,594,000 (2016: RMB44,844,000). The recoverable amount of each CGU has been determined based on the value in use calculation of each CGU using the following assumptions for 2017 and 2016:

Period of cash flow projections	5 years (2016: 5 years)
Growth rate beyond 5-year period extrapolated in the financial budgets approved by the management	0% (2016: 0%)
Discount rate	14.21% (2016: 14.21%)

This growth rate is based on the relevant industry growth forecast and does not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the respective CGU's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of the respective CGU to exceed the aggregate recoverable amount of the respective CGU. At the end of the reporting period, the recoverable amount of each CGU exceeds its carrying amount and no impairment is considered necessary.

Impairment testing of goodwill allocated to the provision of piped gas operation

The recoverable amount of this unit has been determined based on a value in use calculation. That calculation was determined based on the financial budgets approved by the management of the Group covering a 5-year period and a pre-tax discount rate of 13.42%. The cash flows for the financial budgets were using a steady growth rate of 2% for a 5-year period. The cash flows beyond this 5-year period are extrapolated using a zero percent growth rate. At the end of the reporting period, the carrying amounts of the CGU exceed its recoverable amount and accordingly impairment loss of RMB11,620,000 was recognised during the year ended 31 March 2017.

20. INTANGIBLE ASSETS

	Construction permission	Water drawing permit	Exclusive rights of purchase	Exclusive rights of operation of piped gas	Exclusive rights of operation of lottery sales	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST						
At 1 April 2015 and 31 March 2016	187,314	162,633	10,000	27,500	639,226	1,026,673
Acquisition of a subsidiary *(note 37)*	–	–	–	7,533	–	7,533
Additions	–	–	–	2,028	–	2,028
Disposal of subsidiaries *(note 13)*	–	–	–	–	(639,226)	(639,226)
At 31 March 2017	187,314	162,633	10,000	37,061	–	397,008
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS						
At 1 April 2015	2,341	4,518	10,000	8,102	639,226	664,187
Charge for the year	9,366	18,070	–	917	–	28,353
Impairment loss recognised in the year	175,607	140,045	–	–	–	315,652
At 31 March 2016	187,314	162,633	10,000	9,019	639,226	1,008,192
Charge for the year	–	–	–	1,217	–	1,217
Disposal of subsidiaries *(note 13)*	–	–	–	–	(639,226)	(639,226)
At 31 March 2017	187,314	162,633	10,000	10,236	–	370,183
CARRYING VALUES						
At 31 March 2017	–	–	–	26,825	–	26,825
At 31 March 2016	–	–	–	18,481	–	18,481

The exclusive rights of purchase was acquired separately, while the construction permission, water drawing permit, exclusive rights of operation of piped gas, and exclusive rights of operation of lottery sales were acquired from third parties in business combinations. The above intangible assets have definite useful live. Such intangible assets are amortised on a straight-line basis over the following periods:

Construction permission	20 years
Water drawing permit	9 years
Exclusive rights of purchase	20 to 25 years
Exclusive rights of operation of piped gas	30 years
Exclusive rights of operation of lottery sales	20 years

Exclusive rights of operation of piped gas represent the rights to operate in gas pipeline infrastructure and provision of piped gas granted by local government in various cities in the PRC. The directors of the Company conducted an impairment review on the CGUs for purposes of impairment testing. The recoverable amounts of the CGUs were determined based on value in use calculation. That calculation was determined based on the financial budgets approved by the management of the Group covering a 5-year (2016: 5-year) period and a pre-tax discount rate of 13.42% (2016: 13.42%). The cash flows for the financial budgets were using a steady growth rate of 2% (2016: 2%) for a 5-year period. The cash flows beyond this 5-year period are extrapolated using a zero percent (2016: zero percent) growth rate. At the end of the reporting period, the recoverable amounts of the CGUs exceed its carrying amount and no impairment loss is considered necessary.

Construction permission represents the non-exclusive right to construct the LPG filling station granted by local government bureau in Tianjin, the PRC. The directors of the Company conducted an impairment review on the CGU for purposes of impairment testing. Affected by Tianjin explosion incident in August 2015, the administrations of Tianjin suspended subsequent approval process for new LPG storage and distributions and the open of LPG retail stores, accordingly the construction progress of the Tianjin Heng'an Civigas Co., Ltd. ("Tianjin Heng'an")'s LPG filling station and related business plan has been postponed and delayed. As at 30 June 2016, the construction of Tianjin LPG filing station was in stagnant and accordingly, the construction permission is not incorporated as assumptions in preparing the cash flow forecasts for impairment testing purpose as they are not clearly supported and therefore not included in the value in use calculations. Since the carrying amount of the CGU was significantly above its recoverable amount, the Group fully impaired the amount of construction permission of RMB175,607,000 in the year ended 31 March 2016.

Water drawing permit represents the non-exclusive right to extract the underground water for the production and sale of barreled drinking water granted by local government bureau in Tianjin. The directors of the Company conducted an impairment review on the CGU for purposes of impairment testing. The recoverable amount of the CGU was determined based on value in use calculation. The previous budget was prepared and estimated based on the support of transportation network established by Tianjin Heng'an's LPG business and its customer resources. Owing to the Tianjin explosion incident in August 2015, the original business plan of Tianjin Heng'an's LPG business has been postponed and delayed and accordingly, the barreled drinking water business was directly affected and the financial performance and actual net cash flows generating from the CGU was significantly worse than previous budgeted. In view of this, management adjusted downward the estimated cash flows of the CGU, taking into account the actual performance of the CGU during the year ended 31 March 2016. That calculation was determined based on the financial budget approved by the management of the Group covering a 5-year period and a pre-tax discount rate of 15.88%. The cash flows for the financial budget have applied a steady growth rate of 2.3% for a 5-year period. The cash flows beyond this 5-year period are extrapolated using a zero percent growth rate. The re-estimation of the recoverable amount of the CGU is estimated to be minimal and accordingly impairment loss of RMB140,045,000 was recognised in profit or loss during the year ended 31 March 2016.

21. INTERESTS IN ASSOCIATES

	2017 *RMB'000*	2016 *RMB'000*
Cost of unlisted investments	68,799	68,799
Bargain purchase gain	22,330	22,330
Share of post-acquisition profits and other comprehensive income, net of dividends received	16,437	38,910
	107,566	130,039
Amount due to an associate	(299)	(76)

As at 31 March 2017 and 2016, the Group had interests in the following associates:

Name of company	Form of business structure	Place of establishment and operation	Proportion of nominal value of registered capital held by the Group 2017	2016	Principal activities
Southwest Panva Gas Co. Ltd. ("Southwest Panva")	Limited liability company	PRC	49.90%	49.90%	Transportation, distribution and retail of LPG
Yunnan Panva Gas Co. Ltd.* ("Yunnan Panva")	Limited liability company	PRC	20.12%	20.12%	Transportation, distribution and retail of LP

Summarised financial information of associates

Summarised financial information in respect of the Group's associates is set out below. The summarised financial information below represents amounts prepared in accordance with HKFRSs. All of these associates are accounted for using the equity method in the Group's consolidated financial statements.

* Yunnan Panva being subsidiary of Southwest Panva with 56.94% registered capital was held by Southwest Panva.

Southwest Panva Group (including Yunnan Panva as its subsidiary)

	2017	**2016**
	RMB'000	*RMB'000*
Current assets	168,640	201,918
Non-current assets	129,833	123,305
Current liabilities	(79,640)	(60,356)
Net assets	218,833	264,867
Equity attributable to owners of Southwest Panva	167,559	197,968
Non-controlling interests	51,274	66,899
	218,833	264,867
Revenue	970,570	743,184
Profit and total comprehensive income for the year attributable to:		
Owners of Southwest Panva	33,062	70,733
Non-controlling interests	5,905	19,111
	38,967	89,844
Dividend received from the associate during the year	31,672	29,177

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

	2017	**2016**
	RMB'000	*RMB'000*
Equity attributable to owners of Southwest Panva	167,559	197,968
Proportion of the Group's ownership interest in Southwest Panva at 49.9% (including 28.41% Group's indirect effective interest in Yunnan Panva)	83,612	98,786
Carrying amount of the Group's interest in Southwest Panva Group	83,612	98,786

Yunnan Panva

	2017	2016
	RMB'000	*RMB'000*
Current assets	73,945	120,044
Non-current assets	69,206	64,756
Current liabilities	(24,094)	(29,465)
Net assets	119,057	155,335
Revenue	419,923	367,276
Profit and total comprehensive income for the year	13,722	44,374
Dividend received from the associate during the year	10,060	10,060

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

	31.3.2017	31.3.2016
	RMB'000	*RMB'000*
Equity attributable to owners of Yunnan Panva	119,057	155,335
Proportion of the Group's direct ownership interest in Yunnan Panva at 20.12%	23,954	31,253
Carrying amount of the Group's interest in Yunnan Panva	23,954	31,253

22. INTERESTS IN JOINT VENTURES

	2017	2016
	RMB'000	*RMB'000*
Cost of unlisted investments *(Note)*	303,929	303,929
Share of post-acquisition results and other comprehensive income	613,627	483,854
	917,556	787,783

Note: The cost of investments includes goodwill amount of RMB76,846,000 (2016: RMB76,846,000).

Details of the Group's joint ventures as at 31 March 2017 and 2016 are as follows:

Name of company	Form of business structure	Place of establishment and operation	Proportion of nominal value of registered capital held by the Group 2017	2016	Principal activities
(Fujian Province An Ran Gas Investment Co., Ltd.) ("Fujian An Ran")	Limited liability company	PRC	51%	51%	Investment holding in subsidiaries which are engaged in distribution and supply of gas and installation of gas distribution facilities
(Yunnan Jiehua Civigas Clean Energy Co., Ltd.) ("Yunnan Jiehua")	Limited liability company	PRC	51%	51%	Engaged in the distribution and supply of dimethoxymethane and wholesale of LPG

The relevant activities that significantly affect the return of Fujian An Ran and Yunnan Jiehua require unanimous consent from the other joint venture partners holding the remaining 49% equity interest in each of Fujian An Ran and Yunnan Jiehua. In addition, the joint arrangements do not result in either parties having rights to assets and obligations to liabilities of Fujian An Ran and Yunnan Jiehua, hence the Group has accounted for Fujian An Ran and Yunnan Jiehua as joint ventures.

Summarised financial information of joint ventures

Summarised financial information in respect of the Group's joint ventures is set out below. The summarised financial information below represents amounts prepared in accordance with HKFRSs. The joint ventures are accounted for using the equity method in the Group's consolidated financial statements.

Fujian An Ran and its subsidiaries (collectively "Fujian An Ran Group")

	2017	**2016**
	RMB'000	*RMB'000*
Current assets	826,089	688,022
Non-current assets	2,132,904	1,945,892
Current liabilities	(787,348)	(666,105)
Non-current liabilities	(428,922)	(483,675)
Net assets	1,742,723	1,484,134
Equity attributable to owners of Fujian An Ran Group	1,603,159	1,370,732
Non-controlling interests	139,564	113,402
	1,742,723	1,484,134

The above amounts of assets and liabilities include the following:

	2017	**2016**
	RMB'000	*RMB'000*
Cash and cash equivalents	140,299	71,109
Property, plant and equipment	1,865,225	1,669,384
Prepaid lease payments	98,161	96,605
Trade receivables	459,210	403,987
Current financial liabilities (excluding trade and other payables)	(305,029)	(218,500)
Non-current financial liabilities (excluding other payables)	(407,822)	(458,331)

	Year ended 31.3.2017 *RMB'000*	Year ended 31.3.2016 *RMB'000*
Revenue	1,295,292	1,281,517
Depreciation and amortisation	71,163	58,241
Interest income	873	1,550
Interest expense	31,928	33,204
Income tax expense	87,856	89,117
Profit and total comprehensive income for the year attributable to:		
Owners of Fujian An Ran Group	232,427	256,530
Non-controlling interests	29,104	15,749
	261,531	272,279
Group's share of results of the joint venture	118,538	130,830

Reconciliation of the above summarised financial information to the carrying amount of the interest in Fujian An Ran Group recognised in the consolidated financial statements:

	2017 *RMB'000*	2016 *RMB'000*
Equity attributable to owners of Fujian An Ran Group	1,603,159	1,370,732
Proportion of the Group's ownership interest in Fujian An Ran Group at 51%	817,611	699,073
Goodwill	76,846	76,846
Others	10,740	10,740
Carrying amount of the Group's interest in Fujian An Ran Group	905,197	786,659

Yunnan Jiehua and its subsidiaries (collectively "Yunnan Jiehua Group")

	2017	**2016**
	RMB'000	*RMB'000*
Current assets	42,607	22,660
Non-current assets	45,302	28,218
Current liabilities	(45,662)	(42,600)
Net assets	42,247	8,278
Equity attributable to owners of Yunnan Jiehua Group	24,234	2,205
Non-controlling interests	18,013	6,073
	42,247	8,278

The above amounts of assets and liabilities include the following:

	2017	**2016**
	RMB'000	*RMB'000*
Cash and cash equivalents	10,074	5,530
Property, plant and equipment	23,258	7,735
Trade receivables	17,688	842
Current financial liabilities (excluding trade and other payables)	(39,639)	(18,243)

	2017	2016
	RMB'000	*RMB'000*
Revenue	73,171	43,395
Depreciation and amortisation	1,914	540
Interest income	40	93
Interest expense	1,251	–
Income tax expense	2,708	163
Profit and total comprehensive income for the year		
Owners of Yunnan Jiehua Group	22,029	3,168
Non-controlling interests	2,478	(84)
	24,507	3,084
Group's share of results of the joint venture	11,235	1,124

Reconciliation of the above summarised financial information to the carrying amount of the interest in Yunnan Jiehua Group recognised in the consolidated financial statements:

	31.3.2017	31.3.2016
	RMB'000	*RMB'000*
Equity attributable to owners of Yunnan Jiehua Group	24,234	2,205
Proportion of the Group's ownership interest in Yunnan Jiehua Group at 51%	12,359	1,124
Carrying amount of the Group's interest in Yunnan Jiehua Group	12,359	1,124

23. AVAILABLE-FOR-SALE INVESTMENTS

	2017	2016
	RMB'000	*RMB'000*
Available-for-sale investments comprise:		
Listed securities		
Securities listed in Hong Kong, at fair value	14	14
Unlisted securities		
Equity securities *(Note)*	15,018	12,796
Total	15,032	12,810

Note: The unlisted investments represent investments in unlisted equity interests in private entities incorporated in the PRC. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

24. LONG-TERM DEPOSITS AND OTHER RECEIVABLES

	2017	2016
	RMB'000	*RMB'000*
Deposit paid for acquisition of a subsidiary *(Note)*	–	9,510
Deposits paid for acquisition of property, plant and equipment and prepaid lease payments	31,844	39,800
Deposit paid for acquisition of an available-for-sale investment	–	3,002
	31,844	52,312

Note:

On 17 March 2016, Sichuan Civigas Investments Co., Ltd. ("Sichuan Investments"), a wholly-owned subsidiary of the Company, entered an equity transfer agreement with the transferors of which one of the transferors is a director of two wholly owned subsidiaries of the Company which regard as connected person at the subsidiary level of the Company, pursuant to which, Sichuan Investments acquired the entire equity interests of Guizhou Province Zhenfeng Ping'an Gas Co., Ltd. ("Zhenfeng Ping'an") at a total consideration of RMB31,700,000. Zhenfeng Ping'an is principally engaged in the construction and operation of gas pipeline infrastructure, sale of gas and gas appliances and repair in Zhenfeng County, Guizhou Province, the PRC. A deposit of RMB9,510,000 had been paid during the year ended 31 March 2016. The transaction is completed on 1 April 2016 and regarded as an acquisition of business. Details are set out in note 37.

25. INVENTORIES

	2017	2016
	RMB'000	*RMB'000*
Barreled water	–	7
Construction materials, spare parts and consumables	9,619	16,944
Gas appliances	1,298	1,145
LPG	10,484	7,502
	21,401	25,598

26. TRADE, BILLS AND OTHER RECEIVABLES AND PREPAYMENTS

	2017	2016
	RMB'000	*RMB'000*
Trade receivables	45,473	21,473
Less: Allowance for doubtful debts	(1,440)	(1,451)
	44,033	20,022
Bills receivables	1,075	690
Other receivables and prepayments	66,948	65,045
Total trade, bills and other receivables and prepayments	112,056	85,757

The Group allows its trade customers with credit periods normally ranging from 30 days to 90 days and extending to 180 days for major customers. The bills receivables are matured within the range of 30 days to 180 days as at the end of the reporting period. The Group does not hold any collateral over the balances. The following is an aged analysis of the trade receivables (net of impairment loss recognised) presented based on the invoice date as at the end of the reporting period, which approximated the respective revenue recognition dates for sales of piped gas and the billing dates for work performed for construction contracts. The aged analysis of bills receivables at the end of the reporting period is presented based on the date of the Group's receipt of the bills.

	2017	2016
	RMB'000	*RMB'000*
0 to 90 days	39,608	18,562
91 to 180 days	2,671	374
Over 180 days	1,754	1,086
Trade receivables	44,033	20,022
0 to 90 days	1,075	690
Bills receivables	1,075	690
Trade and bills receivables	45,108	20,712

The trade receivables with carrying amount of RMB42,279,000 (2016: RMB18,936,000) are neither past due nor impaired at the end of the reporting period for which the Group believes that the amounts are considered recoverable.

The Group has policies for allowance of bad and doubtful debts which are based on the evaluation of collectability and age analysis of accounts and on the management's judgment including the past collection history of each customer. Before accepting any new customer, the Group uses a system to assess the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed on a regular basis.

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB1,754,000 (2016: RMB1,086,000) which are past due as at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 210 days (2016: 210 days).

Movement in the allowance for doubtful debts

	2017	2016
	RMB'000	*RMB'000*
Trade receivables		
At beginning of the year	1,451	1,434
Impairment recognised on receivables	–	27
Amounts recovered during the year	(11)	(10)
At end of the year	1,440	1,451
Other receivables		
At beginning of the year	32,294	17,148
Impairment recognised on receivables	3,938	15,152
Disposal of subsidiaries	(37)	–
Amounts recovered during the year	(1,000)	(6)
At end of the year	35,195	32,294

Included in the allowance for doubtful debts are individually impaired trade receivables, which were either in severe financial difficulties or overdue for a long period of time. The Group has made full allowance on these receivables and considered that they are generally not recoverable.

As at 31 March 2017, included in other receivables, there are deposits and advance payment to suppliers of RMB13,822,000 (2016: RMB16,779,000) in relation to the purchase of natural gas and LPG products, which will be delivered within one year from the end of the reporting period.

As at 31 March 2016, there was an unsecured loan receivable of RMB6,800,000 included in other receivables relating to loan to a non-controlling interest of a subsidiary, which is an investment holding company and its subsidiaries are engaged in the operation of LPG industry in the PRC, carried interest at 10% per annum and is repayable within one year. The loan receivable is fully repaid during the current year ended 31 March 2017. Interest income of RMB241,000 (2016: RMB694,000) is recognised as other income in profit or loss in current year.

27. AMOUNT DUE FROM A JOINT VENTURE, AMOUNT DUE TO A JOINT VENTURE, AN ASSOCIATE AND A NON-CONTROLLING INTEREST OF A SUBSIDIARY

Out of the amount due from a joint venture, balance of RMB21,300,000 (2016: RMB15,300,000) is unsecured, interest bearing at the rate of 4.35% per annum and repayable on demand.

Other than that, the amount due from a joint venture, and amounts due to a non-controlling interest of a subsidiary, an associate and a joint venture are unsecured, non-interest bearing and repayable on demand.

28. BANK BALANCES AND CASH

	Interest rate	2017 *RMB'000*	2016 *RMB'000*
Cash at bank and on hand	0.02% to 3.50% (2016: 0.02% to 3.50%) per annum	392,287	305,147

As at 31 March 2017, the bank balances and cash of the Group denominated in RMB amounted to RMB381,692,000 (2016: RMB298,306,000).

Included in bank balances and cash, the following amounts are denominated in currencies other than RMB:

	2017 *RMB'000*	2016 *RMB'000*
Hong Kong dollars ("HKD")	7,252	3,707
United States dollars ("USD")	3,343	3,134

29. TRADE AND OTHER PAYABLES

Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs with the average credit period on purchases of goods is 90 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2017	**2016**
	RMB'000	*RMB'000*
0 to 90 days	26,886	21,924
91 to 180 days	3,473	4,117
Over 180 days	5,683	5,953
Trade payables	36,042	31,994
Advances received from customers for gas connection contracts	14,175	23,505
Piped gas customers deposits and other deposits received	44,408	43,232
Piped gas income received in advance	71,206	54,209
Accrued charges and other payables	50,521	36,369
Total trade and other payables	216,352	189,309

30. AMOUNT DUE TO A FORMER DIRECTOR

On 15 May 2011, Shenzhen Le Cai entered into equity transfer agreements with Mr. Yang Songsheng ("Mr. Yang"), a director of Shenzhen Le Cai (subsequently appointed as an executive director of the Company on 19 December 2011 and resigned on 1 August 2013), in which Shenzhen Le Cai acquired 100% equity interest in Shenzhen Jin Cai at an aggregate consideration of RMB51,006,000. Part of the consideration in the amount of RMB35,000,000 payable to Mr. Yang will be settled in ten equal yearly annual installments at amount of RMB3,500,000. The effective interest rate to discount future cash payment was 7.05% per annum.

The amount was derecognised from the Group upon the completion of disposal of Lottery Companies as set out in note 13.

31. CONSIDERATION PAYABLE

On 5 September 2014, the Company entered into a sale and purchase agreement with Dr. Mo, the chairman of the Board, to acquire the entire interest in True Vanguard Holdings Limited ("True Vanguard") at the aggregate consideration of RMB370,000,000. The consideration consists of exercise of warrants and consideration payable. RMB184,499,000 was settled by offsetting the subscription proceeds upon the exercise of warrants while the remaining amount of payable to Dr. Mo will be settled on the sixth business day after the issue of the profit certificate for the year ended 31 March 2017, showing the actual year 2017 True Vanguard and its subsidiaries' ("True Vanguard Group") consolidated profit or loss before interest, taxes, depreciation and amortisation ("EBITDA") not less than RMB30,000,000 ("Profit Guarantee Amount"). The recorded actual EBITDA of True Vanguard Group for the year ended 31 March 2017 was approximately RMB31,767,000, and thus, the Profit Guarantee Amount as set out in the sale and purchase agreement was fulfilled. The effective interest rate to discount future cash payment is 7% per annum. The fair value adjustment for imputed interest of RMB26,628,000 was recognised as deemed contribution from a shareholder during the year ended 31 March 2015. During the year ended 31 March 2017, RMB12,137,000 (2016: RMB11,343,000) imputed interest is recognised as finance costs in profit or loss.

32. BANK AND OTHER BORROWINGS

	2017	**2016**
	RMB'000	*RMB'000*
Secured bank borrowings	91,500	–
Secured other borrowings	–	3,199
Unsecured bank borrowings	13,000	11,000
	104,500	14,199
Carrying amount repayable:		
Within one year or on demand	62,000	14,199
Between one and two years	42,500	–
	104,500	14,199

All secured and unsecured bank borrowings are floating rate borrowings of which interest rates are in the range of People's Bank of China plus 0.44% to 3.05% (2016: 0.44% to 0.71%) per annum.

As at 31 March 2016, the other borrowings were floating rate borrowings of which interest were carried at 4 times the interest rate at People's Bank of China per annum, which were ranging from 18.40% to 24.00% per annum, and repayable on demand. The amount was derecognised through disposal of subsidiaries which is set out in note 13.

Certain assets of the Group are pledged for the secured bank and other borrowings, details of which are set out in note 43.

33. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation *RMB'000*	Others *RMB'000* *(Note)*	Total *RMB'000*
At 1 April 2015	138	4,442	4,580
Credited to profit or loss *(note 12)*	(8)	–	(8)
At 31 March 2016	130	4,442	4,572
Acquisition of a subsidiary *(note 37)*	3,956	–	3,956
Credited to profit or loss *(note 12)*	(140)	–	(140)
At 31 March 2017	3,946	4,442	8,388

Note: The deferred tax was recognised in prior years in respect of the Group's gain on disposal of certain property, plant and equipment and prepaid lease payments. According to the respective EIT Law, the Group can defer the EIT on such gain after considering deductible reconstruction cost, if any.

At the end of the reporting period, the Group has estimated unused tax losses of RMB143,998,000 (2016: RMB141,858,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the losses due to the unpredictability of future profit streams. These unrecognised tax losses will expire in various dates up to 2021 (2016: 2020).

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB1,001,015,000 (2016: RMB877,966,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

34. SHARE CAPITAL

	Number of shares			
	2017	**2016**	**2017**	**2016**
			HKD'000	*HKD'000*
Authorised:				
Ordinary shares of HKD0.07 each	38,000,000,000	7,999,999,999	2,660,000	560,000
Issued and fully paid:				
At the beginning and the end of the year	6,944,954,136	6,944,954,136	486,147	486,147

	2017	**2016**
	RMB'000	*RMB'000*
Presented in consolidated financial statements as:		
At the end of the year	453,328	453,328

The authorised share capital of the Company be increased from HKD560,000,000, divided into 7,999,999,999 shares, to HKD2,660,000,000 divided into 38,000,000,000 shares by creating an additional 30,000,000,001 shares. Details of which is set out in the Company's circular dated 23 September 2016. The increase in authorised share capital was approved by the members in special general meeting dated 14 October 2016.

35. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, including bank and other borrowings as disclosed in note 32, cash and cash equivalents and equity attributable to the owners of the Company, comprising issued share capital and reserves as disclosed in note 34 and the consolidated statement of changes in equity respectively.

The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are set out as follows:

	2017	**2016**
	RMB'000	*RMB'000*
Financial assets		
Available-for-sale investments	15,032	12,810
Loans and receivables (including cash and cash equivalents)	491,937	371,966
	506,969	384,776
Financial liabilities		
At amortised cost	337,454	292,580

The Group's major financial instruments include available-for-sale investments, trade, bills and other receivables, amount due from and to a joint venture, bank balances and cash, trade and other payables, amounts due to an associate, a non-controlling interest of a subsidiary and a former director, bank and other borrowings and consideration payable. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(b) Financial risk management objectives and policies

Interest rate risk

The Group's cash flow interest rate risk relates primarily to variable-rate bank deposits (note 28), and bank and other borrowings (note 32). It is the Group's policy to keep its bank deposits, and bank and other borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

As at 31 March 2016, the Group had exposure to fair value interest rate risk in relation to the loan receivable from a non-controlling interest of a subsidiary included in other receivables (as disclosed in note 26) which was at fixed interest rate and consideration payable (as disclosed in note 31).

The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank and other borrowings at the end of the reporting period. Floating-rate bank balances have not been included in the sensitivity analysis as the management considers that the interest rate would not fluctuate significantly in the near future and therefore the financial impact to the Group is not significant. For variable-rate bank and other borrowings, the analysis is prepared assuming the amounts outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2016: 50 basis points) increase or decrease in interest rate is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points (2016: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 March 2017 would decrease/increase by RMB392,000 (2016: post-tax loss increase/decrease RMB53,000).

Currency risk

Currency risk refers to the risk associated with movements in foreign currency rates which will affect the Group's financial results and its cash flow. As at 31 March 2017 and 2016, certain bank balances of the Group are denominated in foreign currencies other than the functional currency of the group entities. The Group does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging the potential foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated bank balances at the end of the reporting period are as follows:

	Assets	
	2017	**2016**
	RMB'000	*RMB'000*
HKD	7,252	3,707
USD	3,343	3,134

Sensitivity analysis

The Group is mainly exposed to HKD and USD currency risk.

The following table details the Group's sensitivity to a 5% (2016: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2016: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currencies denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2016: 5%) change in foreign currency rates.

A negative number below indicates decrease in post-tax profit or increase in post-tax loss for the year where the functional currency strengthens 5% (2016: 5%) against the relevant foreign currencies. For a 5% (2016: 5%) weakening of functional currency against the relevant foreign currencies, there would be an equal and opposite impact on profit or loss for the year and the balances below would be positive.

	2017	**2016**
	RMB'000	*RMB'000*
HKD	(272)	(139)
USD	(125)	(118)

Credit risk

The Group's trading terms with its industrial customers in piped gas are mainly on credit, while commercial customers are normally required to pay in advance. The normal credit period is generally for a period of 30 days to 90 days and 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. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Further quantitative data in respect of the Group's exposure to credit risk arising from trade, bills and other receivables are disclosed in note 26.

The credit risk on liquid fund is limited because the counterparties are reputable banks in the PRC or banks with high credit-ratings assigned by international credit-rating agencies.

The Group has concentration of credit risk in respect of amount due from a joint venture of RMB24,556,000 (2016: amount due from a joint venture of RMB18,125,000 and loan receivable from a non-controlling interest of a subsidiary of RMB6,800,000). During the year ended 31 March 2017, the Group received interest income of RMB1,482,000 (2016: RMB694,000) and recognised as other income in profit or loss. In view of the timely interest repayment from the non-controlling interest of a subsidiary, in the opinion of the directors of the Company, the credit risk in respect to the loan receivable is not significant. Having considered the financial status of the joint venture, the directors of the Company considered the credit risk in relation to the amount due from a joint venture is not significant.

The Group's concentration of credit risk by geographical location is in the PRC, which accounted for 100% (2016: 100%) of the total trade and bills receivables as at 31 March 2017.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains the level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flow. The management manages liquidity risk by monitoring adequate reserves, banking facilities by continuously monitoring forecast and actual cash flows.

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements. The Group finances its working capital requirements through a combination of funds generated from operations and bank and other borrowings.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	Weighted average effective interest rate	Within one year or on demand	Within the second year	Within the third year	Within the fourth year	Within the fifth year	Over five years	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 March 2017									
Trade and other payables	–	72,784	–	–	–	–	–	72,784	72,784
Amount to an associate	–	299	–	–	–	–	–	299	299
Amount due to a joint venture	–	4,103	–	–	–	–	–	4,103	4,103
Bank borrowings	5.54	64,086	46,899	–	–	–	–	110,985	104,500
Consideration payable	7.00	155,768	–	–	–	–	–	155,768	155,768
Financing guarantee contracts issued –Maximum amount guarantee	–	100,000	–	–	–	–	–	100,000	–
		397,040	46,899	–	–	–	–	443,939	337,454

	Weighted average effective interest rate	Within one year or on demand	Within the second year	Within the third year	Within the fourth year	Within the fifth year	Over five years	Total undiscounted cash flow	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 March 2016									
Trade and other payables	–	67,346	–	–	–	–	–	67,346	67,346
Amount due to a non-controlling interest of a subsidiary	–	656	–	–	–	–	–	656	656
Amount due to a former director	7.05	14,028	3,500	3,500	3,500	3,500	3,500	31,528	31,528
Amount to an associate	–	76	–	–	–	–	–	76	76
Amount due to a joint venture	–	5,389	–	–	–	–	–	5,389	5,389
Bank borrowings	5.21	11,231	–	–	–	–	–	11,231	11,000
Other borrowings	20.28	3,902	–	–	–	–	–	3,902	3,199
Consideration payable	7.00	–	185,523	–	–	–	–	185,523	173,386
Financing guarantee contracts issued – Maximum amount guarantee	–	100,000	–	–	–	–	–	100,000	–
		202,628	189,023	3,500	3,500	3,500	3,500	405,651	292,580

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value

The fair value of financial assets with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices.

Some of the Group's financial instruments are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial instruments are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial instruments	Fair value 2017 RMB'000	Fair value 2016 RMB'000	Fair value hierarchy	Valuation techniques and key inputs
Listed equity securities in Hong Kong classified as available-for-sale investments in the consolidated statement of financial position	14	14	Level 1	Quoted bid price in an active market

The fair value of financial assets and financial liabilities are determined by in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the fair values of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair value.

37. ACQUISITION OF SUBSIDIARIES

For the year ended 31 March 2017

Guizhou Province Zhenfeng County Ping'an Gas Co., Ltd. ("Zhenfeng Ping'an")

On 17 March 2016, Sichuan Civigas Investment Co., Ltd. ("Sichuan Investment"), a wholly-owned subsidiary of the Group, entered an equity transfer agreement with the transferors of which one of the transferors is a connected person at the subsidiary level of the Company, pursuant to which, Sichuan Investment acquired the entire equity interest of Zhenfeng Ping'an at a total consideration of RMB31,700,000. The acquisition has been accounted for using the acquisition method. Zhenfeng Ping'an is principally engaged in the construction and operation of gas pipeline infrastructure, sale of gas and gas appliance and repair in Zhenfeng County, Guizhou Province. The acquisition is completed on 1 April 2016, on that date the control in Zhenfeng Ping'an was passed to the Group.

Consideration transferred:

	RMB'000
Cash	26,945
Consideration payable (included in other payables)	4,755
	31,700

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	12,096
Intangible assets	7,533
Prepaid lease payments	5,867
Inventories	385
Trade receivables	93
Other receivables *(note)*	2,064
Bank balances and cash	151
Trade and other payables	(4,153)
Deferred tax liability	(3,956)
	20,080

Note: The fair value of other receivables at the date of acquisition amounted to RMB2,064,000. The gross contractual amount of those other receivables acquired amounted to RMB9,610,000 at the date of acquisition. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to RMB7,546,000.

Acquisition-related costs amounting to RMB200,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the Administrative Expenses line item in the consolidated statement of profit or loss and other comprehensive income.

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	31,700
Less: Fair value of identifiable net assets acquired	(20,080)
	11,620

Goodwill arose in the acquisition of Zhenfeng Ping'an because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Zhenfeng Ping'an. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The goodwill arising on the acquisition is not expected to be deductible for tax purpose.

Net cash outflow on acquisition of Zhenfeng Ping'an:

	RMB'000
Cash consideration paid	26,945
Less: deposit paid during the year ended 31 March 2016	(9,510)
Less: cash and cash equivalents acquired	(151)
	17,284

Included in the profit for the year ended 31 March 2017 is loss of RMB3,717,000 attributable to the additional business generated by Zhenfeng Ping'an. Revenue for the year ended 31 March 2017 includes RMB1,670,000 generated from Zhenfeng Ping'an.

For the year ended 31 March 2016

(i) Beijing Heng'an Ruitai LPG Co., Ltd. ("Heng'an Ruitai")

On 2 February 2015, Beijing Civigas Co., Ltd. ("Beijing Civigas", a wholly-owned subsidiary of the Company) entered a capital injection agreement with an independent third party, pursuant to which, Beijing Civigas will inject RMB30,600,000 into Heng'an Ruitai, and enlarge the paid-in capital of Heng'an Ruitai, and which Beijing Civigas accounted for 90% equity interest. The acquisition has been accounted for using the acquisition method. Heng'an Ruitai is principally engaged in the retail of LPG in Zhaoyang district, Beijing, the PRC. The acquisition was completed on 1 June 2015, on that date the control in Heng'an Ruitai was passed to the Group.

Consideration transferred:

	RMB'000
Cash	30,600

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	5,413
Inventories	23
Trade and other receivables	26,765
Bank balances and cash	403
Trade and other payables	(33)
	32,571

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	30,600
Plus: Non-controlling interests (10% share of net assets of Heng'an Ruitai) *(Note)*	3,257
Less: Fair value of identifiable net assets acquired	(32,571)
	1,286

Note: The non-controlling interests in Heng'an Ruitai recognised at the date of the acquisition was measured by reference to the respective proportionate shares of recognised amounts of net assets of Heng'an Ruitai and amounted to RMB3,257,000.

Goodwill arose in the acquisition of Heng'an Ruitai because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Heng'an Ruitai. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The goodwill arising on the acquisition was not expected to be deductible for tax purpose.

Net cash outflow on acquisition of Heng'an Ruitai:

	RMB'000
Cash consideration paid	30,600
Less: Deposit paid during the year ended 31 March 2015	(10,000)
Less: Cash and cash equivalents acquired	(403)
	20,197

Included in the loss for the year ended 31 March 2016 was loss of RMB13,528,000 attributable to the additional business generated by Heng'an Ruitai. Revenue for the year ended 31 March 2016 included RMB4,910,000 generated from Heng'an Ruitai.

(ii) Lufeng Civigas Co., Ltd., ("Lufeng Civigas")

On 11 May 2015, Yunnan Civigas Co., Ltd. ("Yunnan Civigas"), a wholly-owned subsidiary of the Group, entered a capital injection agreement with independent third parties, pursuant to which, Yunnan Civigas will inject RMB2,771,000 into Lufeng Lantie LPG Supply Co., Ltd., and enlarge the paid-in capital of Lufeng Lantie LPG Supply Co., Ltd., and which Yunnan Civigas accounted for 73.3% equity interests. The acquisition has been accounted for using the acquisition method. The company name was changed to Lufeng Civigas after acquisition. Lufeng Civigas is principally engaged in the retail of LPG in Chuxiong Yi Autonomous Prefecture, Yunnan Province, the PRC. The acquisition was completed on 11 May 2015, on that date the control in Lufeng Civigas was passed to the Group.

Consideration transferred:

	RMB'000
Cash	2,771

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Property, plant and equipment	500
Trade and other receivables	2,771
	3,271

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	2,771
Plus: Non-controlling interests (26.7% share of net assets of Lufeng Civigas) *(Note)*	873
Less: Fair value of identifiable net assets acquired	(3,271)
	373

Note: The non-controlling interests in Lufeng Civigas recognised at the date of the acquisition was measured by reference to the respective proportionate shares of recognised amounts of net assets of Lufeng Civigas and amounted to RMB873,000.

Goodwill arose in the acquisition of Lufeng Civigas because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Lufeng Civigas. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The goodwill arising on the acquisition was not expected to be deductible for tax purpose.

Net cash outflow on acquisition of Lufeng Civigas:

	RMB'000
Cash consideration paid	2,771
Less: Cash and cash equivalents acquired	–
	2,771

Included in the loss for the year ended 31 March 2016 was loss of RMB2,787,000 attributable to the additional business generated by Lufeng Civigas. Revenue for the year ended 31 March 2016 included RMB1,658,000 generated from Lufeng Civigas.

(iii) Chongqing Nan'an Qu Runfeng LPG Co., Ltd., ("Chongqing Runfeng")

On 21 August 2015, Chongqing Kunlun Civigas Co., Ltd. ("Chongqing Kunlun"), a wholly-owned subsidiary of the Group, entered an equity transfer agreement with independent third parties, pursuant to which, Chongqing Kunlun acquired 51% equity interests of Chongqing Runfeng at a total consideration of RMB153,000. The acquisition has been accounted for using the acquisition method. Chongqing Runfeng is principally engaged in the retail of LPG in Nan'an Qu, Chongqing, the PRC. The acquisition was completed on 12 October 2015, on that date the control in Chongqing Runfeng was passed to the Group.

Consideration transferred:

	RMB'000
Cash	153

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	RMB'000
Inventories	115
Trade and other receivables	262
Bank balances and cash	245
Trade and other payables	(399)
	223

Goodwill arising on acquisition:

	RMB'000
Consideration transferred	153
Plus: Non-controlling interests (49% share of net assets of Chongqing Runfeng) *(Note)*	109
Less: Fair value of identifiable net assets acquired	(223)
	39

Note: The non-controlling interests in Chongqing Runfeng recognised at the date of the acquisition was measured by reference to the respective proportionate shares of recognised amounts of net assets of Chongqing Runfeng and amounted to RMB109,000.

Goodwill arose in the acquisition of Chongqing Runfeng because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Chongqing Runfeng. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The goodwill arising on the acquisition was not expected to be deductible for tax purpose.

Net cash inflow on acquisition of Chongqing Runfeng:

	RMB'000
Cash consideration paid	153
Less: Cash and cash equivalents acquired	(245)
	(92)

Included in the loss for the year ended 31 March 2016 was loss of RMB121,000 attributable to the additional business generated by Chongqing Runfeng. Revenue for the year ended 31 March 2016 included RMB268,000 generated from Chongqing Runfeng.

Had the acquisitions of Heng'an Ruitai, Lufeng Civigas and Chongqing Runfeng been completed on 1 April 2015, total group revenue from continuing operations for the year ended 31 March 2016 would have been RMB951,960,000, and loss for the year ended 31 March 2016 from continuing operations would have been RMB123,951,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2015, nor is it intended to be a projection of future results.

38. SHARE-BASED PAYMENT TRANSACTIONS

The Group operates a share option scheme for remuneration of its full-time employees (including directors), consultants, agents and advisors of the Group. Also, shares awards were operated by the Group for remuneration to the Group's directors, chief executive of the Company or employees of the Group.

All services received in exchange for the grant of any share options and award shares are measured at their fair value. These are indirectly determined by reference to the fair value of share options and awarded shares granted. Their value is appraised at the grant date and excludes the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets).

(a) Share option

The Company operates a share option scheme (the "Share Option 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 Share Option Scheme include full-time employees (including directors), consultants, agents and advisors of the Group. The Share Option Scheme became effective on 3 October 2006 and valid and effective until 3 October 2016. On 29 July 2016, the Board proposed to terminate the Share Option Scheme and adopt a new share option scheme (the "New Share Option Scheme"). The termination of the Share Option Scheme and the adoption of New Share Option Scheme were approved by the members in annual general meeting dated 9 September 2016.

Terms of New Share Option Scheme

As at 31 March 2017, the total number of shares available for issue under the New Share Option Scheme was 694,495,413 (2016: 408,222,455), representing approximately 10% (2016: 5.88%) of the issued share capital of the Company as at 31 March 2017. Without prior approval from the Company's shareholders, the total number of shares in respect of which options may be granted under the New Share Option Scheme is not permitted to exceed 10% of the shares of the Company in issue at any point in time, and the aggregate number of shares in respect of which options may be granted to any individual in any year is not permitted to exceed 1% of the shares of the Company in issue at any point in time.

No amount is payable on acceptance of an offer to grant an option to subscribe for the shares of the Company granted pursuant to the New Share Option Scheme (the "Offer"). The New Share Option Scheme may be exercised at any time for a period of ten years commencing from the date of acceptance of the Offer, subject to the conditions imposed by the board of the directors. The exercise price of the option shares would be at a price equal to the higher of: (i) the closing price of the shares of the Company on the Stock Exchange's daily quotation sheet on the date of offer of the option; (ii) the average closing prices of the shares of the Company on the Stock Exchange for the five trading days immediately preceding the date of offer of the options; and (iii) the nominal value of a share.

No share option was granted or exercised during the years ended 31 March 2017 and 2016.

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

(b) Shares awards

On 27 July 2016, the Board resolved to grant share awards in respect of 208,000,000 shares (the "Award Shares"), to the entitled grantees, who are directors, chief executive of the Company and employees of the Group by way of issue of 208,000,000 new shares, approved by the shareholders of the Company at the special general meeting held on 14 October 2016. Details of the Award Shares are set out in the Company's circular dated 23 September 2016.

The Award Shares shall be vested and allotted and issued to the grantees on 30 September 2017 ("Vesting Period"). If a grantee resigns or be terminated his/her employment during the Vesting Period, no shares will be allotted and issued to the grantee. The grantee is not entitled to receive dividend during the vesting period.

In the current year, share awards expense of RMB12,212,000 has been recognised by the Group as staff costs in profit or loss and the corresponding amount has been credited to the share-based compensation reserve. No liabilities were recognised as these were all equity-settled share-based payment transactions.

		Number of Award Shares				
Grantees and chief executive	**Date of award**	**As at 1 April 2016**	**Granted during the year**	**Vested during the year**	**As at 31 March 2017**	**Vesting date**
– Directors and chief executive of the Company	14 October 2016	–	121,000,000	–	121,000,000	30 September 2017
– Employees	14 October 2016	–	87,000,000	–	87,000,000	30 September 2017

Note: The total fair value of the Award Shares at 14 October 2016 which is the grant date of the Award Shares being HKD29,328,000 (approximately amounted to RMB25,435,000) which was calculated based on the closing price of the Company's shares at 14 October 2016.

39. EMPLOYEE RETIREMENT BENEFIT SCHEMES

The employees of the Company's subsidiaries in the PRC are members of retirement benefits schemes operated by the PRC government. The relevant PRC subsidiaries are required to contribute defined percentages, ranging from 12% to 25%, of payroll costs to the retirement benefit scheme to fund the benefits in compliance with the applicable regulations of the PRC.

The Group operates a MPF Scheme for all qualifying employees in Hong Kong under the rules and regulations of the Hong Kong Mandatory Provident Fund Schemes Authority. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of the relevant payroll costs or capped at HKD1,500 (2016: HKD1,500) per month per employee to the Mandatory Provident Fund Scheme in Hong Kong, which contribution is matched by employees. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions under the respective schemes above.

The total expense recognised in profit or loss of RMB12,838,000 (2016: RMB11,628,000) represents contributions paid or payable to these schemes by the Group for the year ended 31 March 2017. No forfeited contribution is available to reduce the contribution payable in the future years at 31 March 2017 and 2016.

40. RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in the consolidated financial statements, the Group entered into the following transactions with related parties during the year:

	2017	2016
	RMB'000	*RMB'000*
Transportation expenses to Yunnan Jiehua	10,547	9,573
Interest income from Yunnan Jiehua	1,241	–
Purchase of LPG from Southwest Panva	5,748	7,475
Purchase of LPG from Yunnan Panva	573	5,045
Purchase of natural gas from Shaanxi Provincial Natural Gas Co., Ltd. *(Note)*	122,422	124,046

The above transactions were made on terms mutually agreed between both parties.

Note: Shaanxi Provincial Natural Gas Co., Ltd. is also a connected person of the Company by holding of 40% equity interests in Xi'an Civigas Co., Ltd. ("Xi'an Civigas"), a subsidiary of the Company.

Compensation of key management personnel

The directors of the Company considered they are the sole management personnel of the Group, and their remuneration during the year is disclosed in note 10. The remuneration of the directors is determined by the remuneration committee having regard to the performance of individual and market trends.

41. OPERATING LEASE COMMITMENTS

The Group as lessor

The Group leased its investment properties, as set out in note 17 under operating lease arrangements with leases negotiated for terms ranging from 2 to 3 years at fixed rental. The terms of the leases generally also require the tenants to pay security deposits.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases.

	2017	2016
	RMB'000	*RMB'000*
Within one year	403	266
In the second to fifth years, inclusive	339	246
Over five years	147	–
	889	512

Net property rental income earned during the year was RMB880,000 (2016: RMB706,000) with minimal outgoings. All of the properties held have committed tenants for the next 3 years (2016: 3 years). No contingent rent was arranged for the above operating lease arrangements.

The Group as lessee

Certain office premises of the Group were leased under operating lease arrangements. Leases for properties are negotiated for terms of 1 to 10 years (2016: 1 to 10 years). Rentals are fixed for the relevant lease term. At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2017	**2016**
	RMB'000	*RMB'000*
Within one year	3,945	2,519
In the second to fifth years, inclusive	3,927	692
Over five years	402	386
	8,274	3,597

42. CAPITAL AND OTHER COMMITMENTS

	2017	**2016**
	RMB'000	*RMB'000*
Capital commitment		
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
Property, plant and equipment	20,143	19,167
Prepaid lease payments	2,051	2,051
	22,194	21,218

At 31 March 2016, the Group had entered into an equity transfer agreement with the transferors of which one of the transferors is a connected person at the subsidiary level of the Company for acquisition of a subsidiary, the Group's committed amount was RMB22,190,000. Details are set out in note 24.

43. PLEDGE OF ASSETS

The Group pledged certain assets to banks (2016: an independent third party) to secure certain bank borrowings (2016: other borrowings) of the Group. Carrying amounts of the assets pledged were as follows:

	2017	2016
	RMB'000	*RMB'000*
Property, plant and equipment	94,795	186
Intangible assets – exclusive rights of operation of piped gas	1,990	–
Prepaid lease payments	3,346	4,594
Trade receivables	2,943	–
	103,074	4,780

44. CONTINGENT LIABILITIES

As at 31 August 2015, Beijing Civigas together with the joint venture partner entered into a guarantee agreement with a bank, whereby Beijing Civigas and the joint venture partner have agreed to provide a joint and several corporate guarantee in favor of the bank for the loan of RMB100,000,000 granted to Fujian An Ran (as borrower), a joint venture of the Group. Details of this transaction are set out in the Company's announcement dated 31 August 2015. Up to 31 March 2017, Fujian An Ran has drawn the whole facility line. In the opinion of the directors of the Company, the fair value of the financial guarantee contracts of the Group are insignificant at initial recognition after taking into consideration the possibility of the default of Fujian An Ran. Accordingly, no value has been recognised in the consolidated financial statements.

45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Statement of financial position of the Company at the end of the reporting period includes:

	2017	2016
	RMB'000	*RMB'000*
Non-current assets		
Property, plant and equipment	75	120
Available-for-sale investments	14	14
Investments in subsidiaries	772,866	781,119
Amount due from subsidiaries	77,576	81,371
	850,531	862,624
Current assets		
Amounts due from subsidiaries	1,452	1,411
Other receivables and prepayments	609	689
Bank balances and cash	9,831	6,004
	11,892	8,104
Current liabilities		
Other payables	2,291	1,976
Amounts due to subsidiaries	20,812	54
Consideration payable	155,768	–
	178,871	2,030
Net current (liabilities) assets	(166,979)	6,074
Total assets less current liabilities	683,552	868,698
Capital and reserves		
Share capital *(note 34)*	453,328	453,328
Reserves *(Note)*	230,224	250,980
Total equity	683,552	704,308
Non-current liability		
Consideration payable	–	164,390
	683,552	868,698

Note:

The following table sets out the components of the reserves of the Company and the movements thereof during the current and prior years.

	Share premium	Contributed surplus	Deemed contribution reserve	Capital reserve	Share-based compensation reserve	Investment revaluation reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 April 2015	944,616	104,932	26,628	7,721	–	4	(813,905)	269,996
Loss for the year	–	–	–	–	–	–	(19,005)	(19,005)
Reclassification adjustment of cumulative gain upon disposal of available-for-sale investments	–	–	–	–	–	(11)	–	(11)
Total comprehensive expense for the year	–	–	–	–	–	(11)	(19,005)	(19,016)
At 31 March 2016	944,616	104,932	26,628	7,721	–	(7)	(832,910)	250,980
Loss for the year	–	–	–	–	–	–	(32,968)	(32,968)
Equity-settled share-based payments in relation to Award Shares	–	–	–	–	12,212	–	–	12,212
Total comprehensive expense for the year	–	–	–	–	12,212	–	(32,968)	(20,756)
At 31 March 2017	944,616	104,932	26,628	7,721	12,212	(7)	(865,878)	230,224

The contributed surplus represents the difference between the nominal value of the Company's shares issued and the value of net assets of the underlying subsidiaries acquired. Under the Companies Act 1981 of Bermuda (as amended), a company may not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (i) the company is, or would after the payment be, unable to pay its liabilities as they become due; (ii) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

46. PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 2017 and 2016 are as follows:

Name of company####	Place of incorporation/ establishment	Capital contributed by the Group	Group effective interest 2017	Group effective interest 2016	Held by the Company directly 2017	Held by the Company directly 2016	Held by the Company indirectly 2017	Held by the Company indirectly 2016	Principal activities
北京中民 (Beijing Civigas)	PRC#	US$60,000,000	100%	100%	100%	100%	–	–	Investment holding
綿竹市漢旺天然氣有限公司 (Mian Zhu City Han Wang Natural Gas Co., Ltd.)	PRC#	RMB10,000,000	100%	100%	–	–	100%	100%	Distribution and supply of gas fuel
綿竹中民燃氣有限公司 (Mian Zhu Civigas Co., Ltd.)	PRC#	RMB30,000,000	100%	100%	–	–	100%	100%	Distribution and supply of gas fuel
綿竹市龍騰燃氣安裝有限責任公司 (Mian Zhu City Long Teng Gas Installation Co., Ltd.)	PRC#	RMB15,000,000	100%	100%	–	–	100%	100%	Installation of gas fuel distribution facilities
鹽亭中民燃氣有限公司 (Yan Ting Civigas Co., Ltd.)	PRC#	RMB20,000,000	100%	100%	–	–	100%	100%	Distribution and supply of gas fuel and installation of gas fuel distribution facilities
北川縣中民燃氣有限公司 (Bei Chuan County Civigas Co., Ltd.)	PRC#	RMB16,762,000 (2016: RMB6,000,000)	100%	100%	–	–	100%	100%	Distribution and supply of gas fuel
重慶中民燃氣有限公司 (Chongqing Civigas Co., Ltd.)	PRC#	RMB20,080,000	100%	100%	–	–	100%	100%	Distribution and supply of gas fuel and installation of gas fuel distribution facilities
重慶中民富強工業燃氣有限公司 (Chongqing Civigas Fuqiang Industrial Gas Co., Ltd.)	PRC	RMB2,000,000	51%	51%	–	–	51%	51%	Distribution and supply of gas fuel and installation of gas fuel distribution facilities
重慶中民向陽壓縮燃氣有限公司 (Chongqing Civigas Xiangyang Compressed Gas Co., Ltd.)	PRC	RMB10,000,000	51%	51%	–	–	51%	51%	Distribution and supply of gas fuel and installation of gas fuel distribution facilities
富平縣中民燃氣有限公司 (Fu Ping Civigas Co., Ltd.)	PRC##	RMB10,000,000	60%	60%	–	–	60%	60%	Distribution and supply of gas fuel
西安中民 ("Xi'an Civigas")	PRC	RMB62,080,000	51%	51%	–	–	51%	51%	Sales and distribution of gas fuel, design of gas fuel pipeline and related maintenance
貞豐平安 (Zhenfeng Ping'an)	PRC	RMB20,000,000	100%	–	–	–	100%	–	Distribution and supply of gas fuel
延邊中民燃氣有限公司 (Yan Bian Civigas Co., Ltd.)	PRC	RMB10,000,000	100%	100%	–	–	100%	100%	Distribution and supply of gas fuel
湖南中民燃氣有限公司 ("湖南中民") (Hunan Civigas Co., Ltd.) ("Hunan Civigas")	PRC	RMB18,180,000	55%	55%	–	–	55%	55%	Transportation, distribution and retail of LPG

Name of company####	Place of incorporation/ establishment	Capital contributed by the Group	Group effective interest 2017	Group effective interest 2016	Held by the Company directly 2017	Held by the Company directly 2016	Held by the Company indirectly 2017	Held by the Company indirectly 2016	Principal activities
貴州中民燃氣有限公司 (Guizhou Civigas Co., Ltd.)	PRC	RMB76,000,000	100%	100%	–	–	100%	100%	Transportation, distribution and retail of LPG
雲南中民 ("Yunnan Civigas")	PRC	RMB26,260,000	100%	100%	–	–	100%	100%	Transportation, distribution and retail of LPG
懷化中民石油氣運銷有限公司 (Huaihua Civigas Petroleum Gas Supply Co., Ltd.)	PRC	RMB26,000,000	100%	100%	–	–	100%	100%	Transportation, distribution and retail of LPG
漵浦中民燃氣有限公司### ("漵浦中民") (Xupu Civigas Co., Ltd.) ("Xupu Civigas")	PRC	RMB1,000,000	28.05%	28.05%	–	–	28.05%	28.05%	Wholesale and retail of LPG
重慶中民聯華燃氣有限公司 (前稱重慶昆侖中民燃氣有限公司) Chongqing Civigas Lianhua Gas Co., Ltd. (formerly known as Chongqing Kunlun Civigas Co., Ltd.)	PRC	RMB14,700,000 (2016: RMB10,000,000)	100%	100%	–	–	100%	100%	Wholesale and retail of LPG
雲南昆侖中民燃氣有限公司 (Yunnan Kunlun Civigas Co., Ltd.)	PRC	RMB10,000,000	–	100%	–	–	–	100%	Wholesale and retail of LPG
長順縣中民燃氣有限公司 (Changshun County Civigas Co., Ltd.)	PRC	RMB5,000,000	100%	100%	–	–	100%	100%	Wholesale and retail of LPG
四川中民燃氣有限公司 (Sichuan Civigas Co., Ltd.)	PRC	RMB5,000,000	100%	100%	–	–	100%	100%	Wholesale and retail of LPG
西安中民液化氣有限公司 (Xi'an Civigas LPG Co., Ltd.)	PRC	RMB8,000,000 (2016: RMB4,000,000)	100%	100%	–	–	100%	100%	Wholesale and retail of LPG
百色中民燃氣有限公司 (Baise Civigas Co., Ltd.)	PRC	RMB10,000,000	100%	100%	–	–	100%	100%	Wholesale and retail of LPG
貞豐中民平安液化氣有限公司 (Zhenfeng Civigas Ping'an LPG Co., Ltd.)	PRC	RMB10,000,000	100%	–	–	–	100%	–	Wholesale and retail of LPG
天津中民燃氣科技有限公司 (Tianjin Civigas Technology Co., Ltd.)	PRC	RMB80,000,000 (2016: RMB20,000,000)	100%	100%	–	–	100%	100%	Investment holding
天津恒安 (Tianjin Heng'an)	PRC	RMB32,500,000 (2016: RMB21,500,000)	100%	100%	–	–	100%	100%	Filling and sales of LPG
德陽中民燃氣有限公司 #### (Deyang Civigas Co., Ltd.)	PRC	RMB9,700,000	100%	90%	–	–	100%	90%	Wholesale and retail of LPG
天津薊縣中民燃氣銷售有限公司 (Ji County Civigas Co., Ltd.)	PRC	RMB6,640,000	100%	100%	–	–	100%	100%	Wholesale and retail of LPG
天津濱海新區中民聯運燃氣有限公司 (Tianjin Binhai New District Civigas Co., Ltd.)	PRC	RMB16,000,000	100%	100%	–	–	100%	100%	Wholesale and retail of LPG

Name of company####	Place of incorporation/ establishment	Capital contributed by the Group	Group effective interest		Held by the Company directly		Held by the Company indirectly		Principal activities
			2017	2016	2017	2016	2017	2016	
重慶中民仙丹爐燃氣有限公司 (Chongqing Xianlu Gas Co., Ltd.)	PRC	RMB300,000	51%	51%	–	–	51%	51%	Wholesale and retail of LPG
恒安瑞泰 (Heng'an Ruitai)	PRC	RMB34,000,000	90%	90%	–	–	90%	90%	Wholesale and retail of LPG
祿豐中民 (Lufeng Civigas)	PRC	RMB1,872,700	73.30%	73.30%	–	–	73.30%	73.30%	Wholesale and retail of LPG
天津市雲澤德生物科技有限公司 (Tianjin Yun Ze De Biotechnology Ltd.)	PRC	RMB3,010,000	100%	100%	–	–	100%	100%	Production and sales of barreled drinking water
深圳樂彩 (Shenzhen Le Cai)	PRC	RMB125,000,000	–	100%	–	–	–	100%	Lottery agency
深圳進彩 (Shenzhen Jin Cai)	PRC	RMB10,800,000	–	100%	–	–	–	100%	Lottery agency
彩彩樂 (Cai Cai Le)	PRC	RMB18,000,000	–	100%	–	45%	–	55%	Lottery agency

Wholly foreign-owned enterprises registered in the PRC.

Sino-foreign joint equity enterprise registered in the PRC.

The Group obtained control through investment in non-wholly-owned subsidiary, Hunan Civigas.

English translated names are for identification only.

The company was a wholly-owned subsidiary of Chengdu Zhonglian, which was further acquired from 90% to 100% by the Group during the year. For details, please refer to note (e) set out in the consolidated statement of changes in equity.

None of the subsidiaries had issued any debt securities during the years and at the end of both years.

All of the above subsidiaries operate principally in their respective place of incorporation/ establishment.

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

47. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit and total comprehensive income attributable to non-controlling interests		Accumulated non-controlling interests	
		2017	2016	2017	2016	2017	2016
				RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Hunan Civigas	PRC	45%	45%	5,264	4,230	27,707	29,193
Xi'an Civigas	PRC	49%	49%	6,423	7,486	75,489	78,376
Xupu Civigas	PRC	71.95%	71.95%	8,081	7,077	25,144	22,820
Individually immaterial subsidiaries with non-controlling interests						40,597	34,599
						168,937	164,988

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

(i) Hunan Civigas

	2017	2016
	RMB'000	*RMB'000*
Current assets	53,380	49,232
Non-current assets	39,700	40,346
Current liabilities	(31,386)	(24,575)
Non-current liabilities	(123)	(130)
Equity attributable to owners of the Company	33,864	35,680
Non-controlling interests	27,707	29,193

	Year ended 31.3.2017 RMB'000	Year ended 31.3.2016 RMB'000
Revenue	96,501	100,051
Expenses	(84,804)	(90,651)
Profit for the year	11,697	9,400
Profit and total comprehensive income attributable to owners of the Company	6,433	5,170
Profit and total comprehensive income attributable to the non-controlling interests	5,264	4,230
Profit and total comprehensive income for the year	11,697	9,400
Dividends paid to non-controlling interests	6,750	4,500
Net cash inflow from operating activities	15,540	6,574
Net cash outflow from investing activities	(9,984)	(9,155)
Net cash outflow from financing activities	(8,200)	(9,788)
Net cash outflow	(2,644)	(12,369)

(ii) Xi'an Civigas

	2017 RMB'000	2016 RMB'000
Current assets	66,484	70,806
Non-current assets	158,232	155,842
Current liabilities	(70,657)	(66,699)
Equity attributable to owners of the Company	78,570	81,573
Non-controlling interests	75,489	78,376

	Year ended 31.3.2017 *RMB'000*	Year ended 31.3.2016 *RMB'000*
Revenue	160,572	162,621
Expenses	(147,464)	(147,347)
Profit for the year	13,108	15,274
Profit and total comprehensive income attributable to owners of the Company	6,685	7,788
Profit and total comprehensive income attributable to the non-controlling interests	6,423	7,486
Profit and total comprehensive income for the year	13,108	15,274
Dividends paid to non-controlling interests	9,310	–
Net cash inflow from operating activities	26,348	17,002
Net cash outflow from investing activities	(5,373)	(8,404)
Net cash outflow from financing activities	(19,000)	–
Net cash inflow	1,975	8,598

(iii) Xupu Civigas

	2017 *RMB'000*	2016 *RMB'000*
Current assets	19,148	16,603
Non-current assets	17,862	17,264
Current liabilities	(2,064)	(2,151)
Equity attributable to owners of the Company	9,802	8,896
Non-controlling interests	25,144	22,820

	Year ended 31.3.2017 *RMB'000*	Year ended 31.3.2016 *RMB'000*
Revenue	41,890	38,821
Expenses	(30,659)	(28,985)
Profit for the year	11,231	9,836
Profit and total comprehensive income attributable to owners of the Company	3,150	2,759
Profit and total comprehensive income attributable to the non-controlling interests	8,081	7,077
Profit and total comprehensive income for the year	11,231	9,836
Dividends paid to non-controlling interests	5,757	–
Net cash inflow from operating activities	11,893	11,801
Net cash outflow from investing activities	(1,221)	(1,697)
Net cash outflow from financing activities	(8,000)	–
Net cash inflow	2,672	10,104

(b) Unaudited consolidated financial statements of the Group for the six months ended 30 September 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2017

		(Unaudited) Six months ended 30 September	
		2017	**2016**
	Notes	*RMB'000*	*RMB'000*
Continuing operations			
Revenue	*3*	484,555	346,799
Cost of sales and services		(363,506)	(249,253)
Gross profit		121,049	97,546
Other gains and losses	*4*	(11,383)	(9,605)
Other income	*5*	8,314	10,684
Finance costs	*6*	(5,097)	(6,364)
Selling and distribution expenses		(48,090)	(39,591)
Administrative expenses		(55,600)	(51,366)
Share of results of associates		18,508	8,609
Share of results of joint ventures		87,407	75,293
Profit before tax		115,108	85,206
Income tax expense	*7*	(11,480)	(9,201)
Profit for the period from continuing operations	*8*	103,628	76,005

		(Unaudited) Six months ended 30 September	
		2017	**2016**
	Notes	*RMB'000*	*RMB'000*
Discontinued operation			
Profit for the period from discontinued operation	9	–	53,435
Profit for the period		103,628	129,440
Other comprehensive income for the period			
Item that may be reclassified subsequently to profit or loss:			
– change in fair value of available-for-sale investments		21	1
Total comprehensive income for the period		103,649	129,441
Attributable to:			
Owners of the Company			
– Profit from continuing operations		90,674	67,037
– Profit from discontinued operation		–	53,435
		90,674	120,472

	Notes	(Unaudited) Six months ended 30 September 2017 RMB'000	2016 RMB'000
Non-controlling interests			
– Profit from continuing operations		12,954	8,968
		103,628	129,440
Total comprehensive income attributable to:			
Owners of the Company		90,695	120,473
Non-controlling interests		12,954	8,968
		103,649	129,441
Earnings per share	*11*	*RMB*	*RMB*
From continuing and discontinued operations			
– basic and diluted		1.31 cents	1.73 cents
From continuing operations			
– basic and diluted		1.31 cents	0.97 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2017

	Notes	**At 30 September 2017 (Unaudited)** *RMB'000*	**At 31 March 2017 (Audited)** *RMB'000*
Non-current assets			
Property, plant and equipment	*12*	646,790	619,984
Investment properties	*12*	13,200	13,200
Prepaid lease payments	*12*	58,559	59,306
Goodwill		14,051	14,051
Intangible assets	*13*	26,210	26,825
Interests in associates		126,074	107,566
Interests in joint ventures		1,004,962	917,556
Available-for-sale investments		16,721	15,032
Long-term deposits and other receivables		16,541	31,844
		1,923,108	1,805,364
Current assets			
Inventories		22,250	21,401
Trade, bills and other receivables and prepayments	*14*	117,557	112,056
Amount due from a joint venture		20,189	24,556
Prepaid lease payments		1,263	1,494
Bank balances and cash		402,653	392,287
		563,912	551,794

	Notes	At 30 September 2017 (Unaudited) RMB'000	At 31 March 2017 (Audited) RMB'000
Current liabilities			
Trade and other payables	15	241,350	216,352
Tax liabilities		37,587	41,635
Amount due to an associate		15	299
Amount due to a joint venture		–	4,103
Consideration payable		157,539	155,768
Bank borrowings	16	61,000	62,000
		497,491	480,157
Net current assets		66,421	71,637
Total assets less current liabilities		1,989,529	1,877,001
Capital and reserves			
Share capital	17	465,730	453,328
Reserves		1,295,364	1,203,848
Equity attributable to owners of the Company		1,761,094	1,657,176
Non-controlling interests		179,621	168,937
Total equity		1,940,715	1,826,113
Non-current liabilities			
Bank borrowings		40,500	42,500
Deferred tax liabilities		8,314	8,388
		48,814	50,888
		1,989,529	1,877,001

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Attributable to owners of the Company													
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000 Note (a)	Contributed surplus RMB'000 Note (b)	Surplus reserve fund RMB'000 Note (c)	Deemed contribution RMB'000	Capital contribution RMB'000	Investment revaluation reserve RMB'000	Other reserve RMB'000 Note (d)	Share-based compensation reserve RMB'000	Retained earnings (accumulated losses) RMB'000	Total RMB'000	Non – controlling interests RMB'000	Total RMB'000
At 1 April 2016 (audited)	453,328	944,616	2,086	92,665	77,270	26,628	7,721	(7)	7,175	–	(172,060)	1,439,422	164,988	1,604,410
Total comprehensive income for the period														
Profit for the period	–	–	–	–	–	–	–	–	–	–	120,472	120,472	8,968	129,440
Total other comprehensive income	–	–	–	–	–	–	–	1	–	–	–	1	–	1
Total comprehensive income for the period	–	–	–	–	–	–	–	1	–	–	120,472	120,473	8,968	129,441
Appropriations	–	–	–	–	2,963	–	–	–	–	–	(2,963)	–	–	–
Dividends paid to non-controlling interest of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(20,860)	(20,860)
At 30 September 2016 (unaudited)	453,328	944,616	2,086	92,665	80,233	26,628	7,721	(6)	7,175	–	(54,551)	1,559,895	153,096	1,712,991
At 1 April 2017 (audited)	453,328	944,616	2,086	92,665	95,168	26,628	7,721	(7)	6,822	12,212	15,937	1,657,176	168,937	1,826,113
Total comprehensive income for the period														
Profit for the period	–	–	–	–	–	–	–	–	–	–	90,674	90,674	12,954	103,628
Total other comprehensive income	–	–	–	–	–	–	–	21	–	–	–	21	–	21
Total comprehensive income for the period	–	–	–	–	–	–	–	21	–	–	90,674	90,695	12,954	103,649
Recognition of share-based payments	–	–	–	–	–	–	–	–	–	13,223	–	13,223	–	13,223
Issue of Award Shares *(note 18)*	12,402	13,033	–	–	–	–	–	–	–	(25,435)	–	–	–	–
Capital injection from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	8,450	8,450
Dividends paid to non-controlling interest of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(10,720)	(10,720)
At 30 September 2017 (unaudited)	465,730	957,649	2,086	92,665	95,168	26,628	7,721	14	6,822	–	106,611	1,761,094	179,621	1,940,715

Notes:

(a) Capital reserve was recognised as a result of acquisition of additional interest in an associate which became a subsidiary.

(b) Contributed surplus represents the difference between the nominal value of the Company's share capital issued as consideration in exchange for the nominal value of the issued share capital of the subsidiaries acquired at the time of the Company's listing in 1997.

(c) The articles of association of the Company's subsidiaries incorporated in the People's Republic of China (the "**PRC**" or "**China**") state that they should make an appropriation of 10% of their profit for the year (prepared under generally accepted accounting principles in the PRC) each year to the surplus reserve fund until the balance reaches 50% of the paid-in capital. The surplus reserve fund shall only be used for making good losses, capitalisation into paid-in capital and expansion of their production and operation.

(d) The other reserve of the Group represents the effect arising from the change in the Group's equity interest on existing subsidiary without losing control.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	(Unaudited) Six months ended 30 September	
	2017	**2016**
	RMB'000	*RMB'000*
Net cash from operating activities	66,576	31,942
Net cash used in investing activities	(47,330)	(2,106)
Net cash used in financing activities	(8,880)	(32,058)
Net increase (decrease) in cash and cash equivalents	10,366	(2,222)
Cash and cash equivalents at beginning of the period	392,287	305,147
Cash and cash equivalents at end of the period	402,653	302,925
Analysis of balances of cash and cash equivalents		
Bank balances and cash	402,653	302,925

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the six months ended 30 September 2017

1. GENERAL INFORMATION

Chinese People Holdings Company Limited (the "**Company**") is incorporated and domiciled in Bermuda as an exempted company with limited liability on 13 November 1996. On 24 April 1997, the Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The address of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" of the Company's interim report.

The Company acts as an investment holding company. The Group is principally engaged in the sales and distribution of natural gas and Liquefied Petroleum Gas ("**LPG**") in the PRC, including the provision of piped gas, transportation, distribution and retail of LPG and production and sale of barreled drinking water.

The condensed consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company and its subsidiaries (collectively referred to as the "**Group**").

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on the Stock Exchange.

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements are the same as those followed in the preparation of the Group's financial statements for the year ended 31 March 2017.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA:

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

The above amendments to HKFRSs have been applied retrospectively or prospectively as required by the respective amendments. Except as described below, the application of the above amendments to HKFRSs in the current interim period has had no material impact on the Group's financial performance and positions and/or on the disclosures set out in these condensed consolidated financial statements. Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments to HKAS 7 will be provided in the consolidated financial statements for the year ending 31 March 2018.

3. SEGMENT INFORMATION

Information reported to the Group's chief operating decision maker ("**CODM**"), being the managing Director of the Company, for the purposes of resource allocation and assessment of segment performance focuses on types of goods sold or services rendered which is also consistent with the basis of organisation of the Group.

The Group ceased the lottery agency business ("**Discontinued Operation**") upon the completion of disposal of a group of subsidiaries on 30 June 2016 as described in note 9. Accordingly, the results of lottery agency business for the six months ended 30 September 2016 have been separately presented as Discontinued Operation in the condensed consolidated statement of profit or loss and other comprehensive income.

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

(1) Provision of piped gas – construction of gas pipeline networks and provision of piped gas;

(2) Transportation, distribution and retail of LPG – the sale of LPG in bulk to wholesale customers and the retail of LPG to end user households, industrial and commercial customers; and

(3) Production and sale of barreled drinking water.

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

For the six months ended 30 September 2017

Continuing operations	**Provision of piped gas**	**Transportation, distribution and retail of LPG**	**Production and sale of barreled drinking water**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	216,233	268,069	253	484,555
Segment profit (loss)	21,088	9,538	(155)	30,471
Unallocated income				4,767
Central administration costs				(20,948)
Share of results of associates				18,508
Share of results of joint ventures				87,407
Finance costs				(5,097)
Profit before tax from continuing operations				115,108
Other segment information				
Amounts included in the measure of segment results:				
Depreciation	12,069	5,327	25	17,421
Amortisation	1,198	395	–	1,593
				19,014
Unallocated depreciation and amortisation				888
Total				19,902
(Gain) loss on disposal of property, plant and equipment	711	(3,608)	–	(2,897)
Amounts regularly provided to the CODM but not included in the measure of segment results:				
Interests in associates				126,074
Interests in joint ventures				1,004,962
Share of results of associates				18,508
Share of results of joint ventures				87,407

For the six months ended 30 September 2016

Continuing operations	**Provision of piped gas**	**Transportation, distribution and retail of LPG**	**Production and sale of barreled drinking water**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers	186,337	158,579	1,883	346,799
Segment profit (loss)	(508)	14,416	1,529	15,437
Unallocated income				1,995
Central administration costs				(9,764)
Share of results of associates				8,609
Share of results of joint ventures				75,293
Finance costs				(6,364)
Profit before tax from continuing operations				85,206
Other segment information				
Amounts included in the measure of segment results:				
Depreciation	10,778	4,749	25	15,552
Amortisation	942	351	–	1,293
				16,845
Unallocated depreciation and amortisation				980
Total				17,825
Loss on disposal of property, plant and equipment	248	159	–	407
Amounts regularly provided to the CODM but not included in the measure of segment results:				
Interests in associates				96,917
Interests in joint ventures				863,076
Share of results of associates				8,609
Share of results of joint ventures				75,293

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current period (2016: nil).

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in the annual report for the year ended 31 March 2017. Segment profit (loss) represents the profit earned (loss incurred) by each segment without allocation of share of results of associates, share of results of joint ventures, central administration costs, finance costs and certain other income and other gains and losses. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

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

Segment assets

	At 30 September 2017	**At 31 March 2017**
	RMB'000	*RMB'000*
Provision of piped gas	620,491	601,048
Transportation, distribution and retail of LPG	280,784	282,527
Production and sale of barreled drinking water	519	4,641
Total segment assets	901,794	888,216
Investment properties	13,200	13,200
Interests in associates	126,074	107,566
Interests in joint ventures	1,004,962	917,556
Available-for-sale investments	16,721	15,032
Bank balances and cash	402,653	392,287
Unallocated assets	21,616	23,301
Consolidated assets	2,487,020	2,357,158

Segment liabilities

	At 30 September 2017 *RMB'000*	At 31 March 2017 *RMB'000*
Provision of piped gas	172,416	156,330
Transportation, distribution and retail of LPG	142,988	136,562
Production and sale of barreled drinking water	80,961	80,115
Total segment liabilities	396,365	373,007
Bank borrowings	101,500	104,500
Tax liabilities	37,587	41,635
Deferred tax liabilities	8,314	8,388
Unallocated liabilities	2,539	3,515
Consolidated liabilities	546,305	531,045

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

– all assets are allocated to operating segments other than investment properties, interests in associates, interests in joint ventures, available-for-sale investments, bank balances and cash, certain property, plant and equipment and other receivables; and

– all liabilities are allocated to operating segments other than bank borrowings, tax liabilities, deferred tax liabilities and certain other payables.

Geographical information

The Group's business is principally carried out in the PRC. All the revenue of the Group for both periods are derived from the PRC based on the locations of goods delivered and services provided and the Group's non-current assets are physically located in the PRC. Accordingly, no geographical information is presented.

4. OTHER GAINS AND LOSSES

	(Unaudited) Six months ended 30 September 2017 *RMB'000*	2016 *RMB'000*
Gain (loss) on disposal of property, plant and equipment	2,897	(407)
Net allowances charged in respect of other receivables	(13,896)	(9,494)
Net foreign exchange (loss) gain	(384)	296
	(11,383)	(9,605)

5. OTHER INCOME

	(Unaudited) Six months ended 30 September 2017 *RMB'000*	2016 *RMB'000*
Bank interest income	4,131	1,026
Dividend income from available-for-sale investments	1	–
Gain on disposal of available-for sale investments	129	–
Interest income from loan to a non-controlling interests of subsidiary	–	241
Interest income from loan to a joint venture	506	735
Rental income	323	656
Repair and maintenance services income	456	1,333
Government grant	46	4
Others	2,722	6,689
	8,314	10,684

6. FINANCE COSTS

	(Unaudited) Six months ended 30 September 2017 *RMB'000*	2016 *RMB'000*
Imputed interest on consideration payable	–	5,966
Interest on consideration payable	1,771	–
Interest on bank borrowings wholly repayable within five years	3,326	398
	5,097	6,364

7. INCOME TAX EXPENSE

	(Unaudited) Six months ended 30 September 2017 *RMB'000*	2016 *RMB'000*
PRC Enterprise Income Tax		
– current tax	12,214	9,181
– (over) under provision in previous periods	(660)	24
Deferred taxation	(74)	(4)
	11,480	9,201

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group had no assessable profits derived in Hong Kong for both periods.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. Certain PRC group entities are entitled to the preferential tax rate pursuant to the relevant regulations applicable to enterprises situated in the western regions of the PRC. The applicable tax rate of those PRC group entities is 15% for the six months ended 30 September 2017 and 2016.

8. PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS

Profit for the period from continuing operations has been arrived at after charging the following:

	(Unaudited) Six months ended 30 September	
	2017	**2016**
	RMB'000	*RMB'000*
Staff costs including Directors' emoluments:		
Directors' emoluments	10,191	3,636
Salaries, allowance and benefits in kind	48,293	46,958
Share-based payments	5,529	–
Retirement benefits scheme contribution	7,004	6,547
	71,017	57,141
Cost of inventories recognised as expenses	316,530	210,854
Depreciation of property, plant and equipment	18,309	16,532
Amortisation of prepaid lease payments	978	691
Amortisation of intangible assets (included in administrative expenses)	615	602
Operating lease payments in respect of rented premises	4,093	3,072
Contract cost recognised as expense in respect of gas connection construction contracts	23,952	14,556

9. DISCONTINUED OPERATION

On 28 June 2016, Beijing Zhongmin Yongheng Investment Consultant Co., Ltd. ("**Zhongmin Yongheng**"), a wholly-owned subsidiary of the Company, and the Company (collectively as the "**Vendors**") and Yongheng Development Corporation Limited and Yongheng Development Group (Shenzhen) Co., Ltd (collectively as the "**Purchasers**"), which were held by a director of Shenzhen Le Cai (as defined below) who regard as connected persons at the subsidiary level of the Company, entered into equity transfer agreements, pursuant to which the Vendors agreed to sell and the Purchasers agreed to purchase the entire equity interest in Shenzhen Yongheng Le Cai Technology Development Limited ("**Shenzhen Le Cai**"); Shenzhen Yongheng Jin Cai Technology Development Limited and Shenzhen Cai Cai Le Electronic Entertainment Technology Development Limited, wholly-owned subsidiaries of the Company (collectively as "**Lottery Companies**") for the total consideration of RMB73,000,000, which be satisfied by the Purchasers as to (i) RMB20,000,000 in cash and in instalment to the Vendors and (ii) RMB53,000,000 settled through assumption of all the shareholder's loan and other debts owing by Zhongmin Yongheng to Shenzhen Le Cai. The disposal of the Lottery Companies was effected in order to minimise the Company's exposure on the short term difficulties to the PRC lottery market which resulted from the current regulatory development of the PRC lottery industry. Upon the disposal of Lottery Companies completed on 30 June 2016, the Group discontinued its lottery agency business. The profit for the six months ended 30 September 2016 from the Discontinued Operation was presented below.

	Six months ended 30 September 2016
	RMB'000
Revenue	1,648
Cost of services	(1,427)
Gross profit	221
Other income	20
Finance costs	(204)
Administrative expenses	(776)
Loss before tax	(739)
Income tax expense	–
Loss for the period	(739)
Gain on disposal of subsidiaries	54,174
Profit for the period from discontinued operation	53,435

10. DIVIDEND

No dividend was paid or proposed during the six months ended 30 September 2017 (2016: nil), nor has any dividend has been proposed since the end of the reporting period.

11. EARNINGS PER SHARE

From continuing operations

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

	(Unaudited) Six months ended 30 September	
	2017	**2016**
	RMB'000	*RMB'000*
Earnings		
Profit for the period attributable to the owners of the Company	90,674	120,472
Less: Profit for the period from the discontinued operation	–	53,435
Earnings for the purposes of basic earnings per share from continuing operations	90,674	67,037
Number of shares		
Weighted averages number of ordinary shares for the purpose of basic earnings per share	6,946,090,748	6,944,954,136

From continuing and discontinued operations

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

	(Unaudited) Six months ended 30 September	
	2017	**2016**
	RMB'000	*RMB'000*
Earnings		
Profit for the period attributable to the owners of the Company for the purpose of basic earnings per share	90,674	120,472

There are no dilutive potential shares for the six months ended 30 September 2017 and 2016.

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

From discontinued operation

Basic and diluted earnings per share from discontinued operation for the six months ended 30 September 2016 was RMB0.76 cents per share, based on the profit for the period from discontinued operation of RMB53,435,000 and the denominators detailed for the basic and diluted earnings per share from continuing operations.

12. PROPERTY, PLANT AND EQUIPMENT, PREPAID LEASE PAYMENTS AND INVESTMENT PROPERTIES

During the six months ended 30 September 2017, the Group acquired property, plant and equipment and prepaid land lease payments amounting to approximately RMB49,660,000 and nil (2016: RMB40,396,000 and RMB3,016,000) respectively.

In addition, through acquisition of a subsidiary, the Group's property, plant and equipment and prepaid land lease payments increased by approximately RMB12,096,000 and RMB5,867,000 respectively during the six months ended 30 September 2016.

No revaluation on investment properties was carried out during the six months ended 30 September 2017. The Directors consider that the carrying amount of the investment properties at 30 September 2017 were not significantly different from their fair values on 31 March 2017. The fair value of the Group's investment properties at 31 March 2017 were determined based on direct comparison method and making references to comparable market observable transactions of similar properties in the nearby locations as available in the relevant market.

13. INTANGIBLE ASSETS

Intangible assets included the followings:

(a) the exclusive rights to operate in gas pipeline infrastructure and provision of piped gas granted by local government in various cities in the PRC for the period of 30 years;

(b) the exclusive rights of purchase of natural gas explored in Yanji Basin, which is located in Yanji, Long Jing and Long City of Yan Bian Korean Nation Autonomous Areas in the eastern part of Jilin Province, PRC for a period of 20 to 25 years;

(c) the non-exclusive right to construct the LPG filing station granted by local government bureau in Tianjin, the PRC; and

(d) the non-exclusive right to extract the underground water for the production and sale of barreled drinking water granted by local government bureau in Tianjin, the PRC.

The above intangible assets have definite useful lives and such intangible assets are amortised on a straight-line basis over the operation periods.

14. TRADE, BILLS AND OTHER RECEIVABLES AND PREPAYMENTS

	At 30 September 2017 *RMB'000*	**At 31 March 2017** *RMB'000*
Trade receivables	53,306	45,473
Less: allowance for doubtful debts	(1,440)	(1,440)
	51,866	44,033
Bill receivables	–	1,075
Other receivables and prepayments	65,691	66,948
Total	117,557	112,056

The Group allows its trade customers with credit periods normally ranging from 30 days to 90 days and extending to 180 days for major customers. The bill receivables are matured within the range of 30 days to 180 days as at the end of the reporting period. The Group does not hold any collateral over the balances. The following is an aged analysis of the trade receivables (net of impairment loss recognised) presented based on the invoice date as at the end of the reporting period, which approximated the respective revenue recognition dates for sales of gas and the billing dates for work performed for construction contracts. The aged analysis of bill receivables at the end of the reporting period is presented based on the date of the Group's receipt of the bills:

	At 30 September 2017 *RMB'000*	**At 31 March 2017** *RMB'000*
0 to 90 days	44,408	39,608
91 to 180 days	2,027	2,671
Over 180 days	5,431	1,754
Trade receivables	51,866	44,033
0 to 90 days	–	1,075
Bill receivables	–	1,075
Total trade and bill receivables	51,866	45,108

At 30 September 2017, included in other receivables, there are deposits and advance payment to suppliers of RMB18,660,000 (31 March 2017: RMB13,822,000) in relation to the purchase of natural gas and LPG products, which will be delivered within one year from the end of the reporting period.

15. TRADE AND OTHER PAYABLES

Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs with the average credit period on purchases of goods is 90 days. The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	At 30 September 2017	**At 31 March 2017**
	RMB'000	*RMB'000*
0 to 90 days	29,294	26,886
91 to 180 days	2,264	3,473
Over 180 days	6,073	5,683
Trade payables	37,631	36,042
Advances received from customers for gas connection contracts	30,477	14,175
Piped gas customer deposits and other deposit received	40,360	44,408
Piped gas income received in advance	91,754	71,206
Accrued charges and other payables	41,128	50,521
	241,350	216,352

16. BANK BORROWINGS

	At 30 September 2017	**At 31 March 2017**
	RMB'000	*RMB'000*
Secured bank borrowings	88,500	91,500
Unsecured bank borrowings	13,000	13,000
	101,500	104,500
Carrying amount repayable:		
Within one year or on demand	61,000	62,000
Between one and two years	40,500	42,500
	101,500	104,500

All secured and unsecured bank borrowings are floating rate borrowings of which interest rates are in the range of People's Bank of China plus 0.44% to 3.05% (31 March 2017: 0.44% to 3.05%) per annum.

At 30 September 2017, certain assets of the Group with aggregate carrying value of approximately RMB101,616,000 (31 March 2017: RMB103,074,000) were pledged as security for secured bank borrowings.

17. SHARE CAPITAL

	Number of shares			
	At 30 September 2017	**At 31 March 2017**	**At 30 September 2017**	**At 31 March 2017**
			HKD'000	*HKD'000*
Authorised:				
Ordinary share of HKD0.07 each	38,000,000,000	38,000,000,000	2,660,000	2,660,000
Issued and fully paid:				
At the beginning of the reporting period	6,944,954,136	6,944,954,136	486,147	486,147
Issue of ordinary shares in relation to award of new shares	208,000,000	–	14,560	–
At the end of the reporting period	7,152,954,136	6,944,954,136	500,707	486,147

	At 30 September 2017	**At 31 March 2017**
	RMB'000	*RMB'000*
Presented in the condensed consolidated financial statements as:		
At the end of the period	465,730	453,328

18. SHARE-BASED PAYMENT TRANSACTIONS

Share option

The Company operates a share option scheme (the "**Share Option 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 Share Option Scheme include full-time employees (including Directors), consultants, agents and advisors of the Group. Summary of the principal terms of the Share Option Scheme was disclosed in the Company's circular dated 29 July 2016.

No share option was granted or exercised under the Share Option Scheme during the six months ended 30 September 2017 and 2016 respectively.

Shares awards

On 27 July 2016, the Board resolved to grant share awards in respect of 208,000,000 shares of the Company (the "**Award Shares**"), to the entitled grantees, who are Directors, chief executive of the Company and employees of the Group by way of issue of 208,000,000 new shares, approved by the shareholders of the Company at the special general meeting held on 14 October 2016. Details of the Award Shares are set out in the Company's circular dated 23 September 2016. The Award Shares were vested and allotted and issued to the grantees on 30 September 2017 ("**Vesting Period**"). If a grantee resigns or be terminated his/her employment during the Vesting Period, no shares will be allotted and issued to the grantee. The grantee is not entitled to receive dividend during the Vesting Period.

On 30 September 2017, a total of 208,000,000 shares of the Company were issued and allotted to the entitled grantees pursuant to the terms of Award Shares.

		Number of Award Shares				
Grantees	Date of award	At 1 April 2017	Granted during the period	Vested during the period	At 30 September 2017	Vesting date
Directors and chief executives of the Company	14 October 2016	121,000,000	–	121,000,000	–	30 September
Employees	14 October 2016	87,000,000	–	87,000,000	–	30 September

The total fair value of the Award Shares at 14 October 2016 which is the grant date of the Award Shares being HKD29,328,000 (approximately amounted to RMB25,435,000) which was calculated based on the closing price of the Company's shares at 14 October 2016. In the current period, share awards expense of RMB13,223,000 (year ended 31 March 2017: RMB12,212,000) has been recognised by the Group as staff costs in profit or loss and the corresponding amount has been credited to the share-based compensation reserve. No liabilities were recognised as these were all equity-settled share-based payment transactions.

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The following table gives information about how the fair values of financial instruments are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

– Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

– Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

– Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial instruments	Fair value At 30 September 2017 *RMB'000*	Fair value At 31 March 2017 *RMB'000*	Fair value hierarchy	Valuation techniques and key inputs
Listed equity securities in Hong Kong classified as available-for-sale investments in the consolidated statement of financial position	35	14	Level 1	Quoted bid price in an active market

The Directors consider that the carrying amounts of the other financial assets and financial liabilities recognised in the condensed consolidated financial statements approximate their fair values.

20. RELATED PARTY TRANSACATIONS

Saved as disclosed elsewhere in the condensed consolidated financial statements, the Group entered into the following transactions with a related party during the six months ended 30 September 2017:

	(Unaudited) Six months ended 30 September	
	2017	**2016**
	RMB'000	*RMB'000*
Interest income from Yunnan Jiehua Civigas Clean Energy Co., Ltd. *(Note 1)*	506	735
Purchase of LPG from Southwest Panva Gas Co., Ltd. *(Note 2)*	4,182	1,788
Purchase of LPG from Yunnan Panva Gas Co., Ltd. *(Note 2)*	–	566
Purchase of natural gas from Shaanxi Provincial Natural Gas Co., Ltd. *(Note 3)*	41,281	39,485

The above transactions were made on terms mutually agreed between both parties.

Notes:

1. Yunnan Jiehua Civigas Clean Energy Co., Ltd. is a joint venture of the Group.

2. Southwest Panva Gas Co., Ltd. and Yunnan Panva Gas Co., Ltd. are associates of the Group.

3. Shaanxi Provincial Natural Gas Co., Ltd. is a connected person of the Company by holding 40% equity interests in Xi'an Civigas Co., Ltd., a subsidiary of the Company.

Compensation of key management personnel

The Directors considered they are the sole management personnel of the Group, and their remuneration during the six months ended 30 September 2017 is disclosed in note 8. The remuneration of the Directors is determined by the remuneration committee of the Company having regard to the performance of individual and market trends.

21. CAPITAL COMMITMENTS

	At 30 September 2017 *RMB'000*	At 31 March 2017 *RMB'000*
Capital commitment:		
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of:		
Property, plant and equipment	48,481	20,143
Prepaid lease payments	2,051	2,051
	50,532	22,194

22. CONTINGENT LIABILITIES

At 31 August 2015, Beijing Civigas Co., Ltd. ("Beijing Civigas"), a wholly-owned subsidiary of the Company, together with the joint venture partner entered into a guarantee agreement with a bank, whereby Beijing Civigas and the joint venture partner have agreed to provide a joint and several corporate guarantee in favour of the bank for the loan of RMB100,000,000 granted to Fujian Province An Ran Gas Investment Co., Ltd. ("Fujian An Ran") (as borrower), a joint venture of the Group. Details of this transaction are set out in the Company's announcement dated 31 August 2015. Up to 30 September 2017, Fujian An Ran has drawn the whole facility line. In the opinion of the Directors, the fair value of the financial guarantee contracts of the Group are insignificant at initial recognition after taking into consideration the possibility of the default of Fujian An Ran.

23. EVENT AFTER THE END OF THE REPORTING PERIOD

There was no material event subsequent to the end of the reporting period.

3. BUSINESS TREND AND FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group is principally engaged in the sales and distribution of natural gas and LPG in the PRC, including the provision of piped gas, transportation, distribution and retail of LPG and production and sale of barreled drinking water.

Piped gas business

In 2017, the PRC Government successively promulgated some important policies, such as "Opinions on Deepening the Reform of the Oil and Gas System" (關於深化石油天然氣體制改革的若干意見), "Guiding Opinions on Strengthening Gas Distribution Price Regulation" (關於加強配氣價格監管的指導意見), and "Opinions on Acceleration of the Utilisation of Natural Gas" (加快推進天然氣利用的意見) and stressed that it would (i) continue to support the development of the natural gas industry; (ii) deepen the reform of the natural gas industry; (iii) further promote the marketisation of the natural gas industry; and (iv) nurture natural gas to be one of the main energy sources in the modern, clean energy system in the PRC.

The Group will continue to actively utilise the customer resources and service brands of the gas access network to cultivate and focus on customers based on the consolidation of existing market and full development of customer potential, while also raising the number of rights of operation of piped gas. Moreover, the Group will closely monitor the market-oriented reform trends of the domestic natural gas market, and will promptly make corresponding arrangements to meet the new business development opportunities brought about by the reform.

Transportation, distribution and retail of LPG business

The PRC Government has vigorously promoted energy revolution and transformation and is establishing a green and diversified energy supply system, while LPG is one of the green clean energy sources. LPG plays an indispensable role for the management of air pollution and urbanisation, and the PRC Government actively supports the use of LPG. In June 2017, the State Administration of Taxation released the "Notice on the Policy of Streamlining and Combination of Value-Added Tax Levy Rates" (關於簡並增值稅稅率有關政策的通知), and resolved to adjust the value-added tax rate commencing on 1 July 2017. The value-added tax rates on LPG products were reduced from 13% to 11%, making their prices more competitive.

To enhance the Group's competitiveness, the Group will accelerate and optimise the establishment of retail and distribution network with the support of information technology, explore new business models and actively conduct research on the application of emerging technologies in the field of bottled LPG. The Directors also actively explore business opportunities and operation models in community public service and selectively carry out community public service.

Barreled drinking water business

With the enhancement of people's health and safety awareness, packaged drinking water, including barreled drinking water, has become the main source of drinking water for households. The newly revised "Food Safety Law" (食品安全法) is strictly implemented while consumer safety awareness of food is further enhanced. The Group will expedite the establishment of a quality and safety guarantee system to adapt the characteristics of the drinking water industry and establish a healthy brand image.

Development plan

With the stable growth of the national economy and the steady progress of the market-oriented reform of natural gas and LPG, the Group will continue to develop its existing users and vigorously cooperate with the government to commence "Coal to Gas" business. Besides, the Group will make use of its competitive edges in operation management, safety management, and brand services to conduct centralised procurement of resources in order to reduce the cost of gas source. The Group is actively expanding its existing businesses and looking for opportunities for development of other new businesses (including but not limited to expanding the scale of investment in the existing subsidiaries, acquiring other businesses and expanding its gas stations). In particular, the Group is currently contemplating to develop a mixed project specialising in the distribution in LPG, kitchen and cold-chain products (i.e. the Project) with an independent third party. The Project includes the establishment of (i) a warehousing and logistics base in Guizhou, the PRC to provide a wide range of warehousing and logistics services, including but not limited to unloading, storage, tally and delivery services; (ii) an online electronic trading platform; and (iii) a dedicated transportation team. The business scope of the Project comprises (a) conducting online trading business of food and fuel with catering enterprises, canteens and supermarkets through its "B2B" online trading platform and providing offline bulk distribution service; and (b) conducting retail business of food and fuel with community restaurants and supermarkets through its "B2C" online trading platform. The estimated investment cost of the Project is approximately RMB650 million. Under the current business plan, the Project will be held as to 60% by the Group and as to 40% by an independent third party. As at the Latest Practicable Date, the Group had not yet entered into any formal agreements with any parties in relation to the Project.

4. INDEBTEDNESS

As at the close of business on 30 November 2017, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had aggregate outstanding borrowings of approximately RMB269,841,000 comprising (i) secured and unguaranteed bank borrowings of RMB98,000,000; (ii) unsecured and guaranteed bank borrowings of RMB13,000,000; and (iii) unsecured and unguaranteed consideration payable due to Dr. Mo of RMB158,841,000 (including overdue interest of RMB3,073,000).

As at the close of business on 30 November 2017, the Group pledged its (i) certain trade receivables; property, plant and equipment; prepaid lease payments and intangible assets – exclusive rights of operation of piped gas for banking facilities in an aggregate amount of RMB101,000,000 granted to the Group. RMB98,000,000 of these facilities were utilised as at 30 November 2017.

Contingent liabilities

At 31 August 2015, Beijing Civigas Co., Ltd. ("**Beijing Civigas**") (a wholly-owned subsidiary of the Company) together with the joint venture partner entered into a guarantee agreement with a bank, whereby Beijing Civigas and the joint venture partner have agreed to provide a joint and several corporate guarantee in favour of the bank for the loan of RMB100,000,000 granted to Fujian Province An Ran Gas Investments Co., Ltd. ("**Fujian An Ran**") (as borrower), a joint venture of the Group. Details of this transaction are set out in the Company's announcement dated 31 August 2015. Up to 30 November 2017, Fujian An Ran has repaid the whole facility line while such facility line is revolving in nature and could be drawn in future.

Save as aforesaid or otherwise mentioned herein, and apart from intra-group liabilities and normal trade payables in the ordinary course of the business, the Group did not have any other borrowings, mortgages, charges, debentures, loan capital and overdraft, debt securities, issued or outstanding, or authorised or otherwise created but unissued, or other similar indebtedness, finance leases or hire purchase commitment, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities at the close of business on 30 November 2017, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this circular.

5. MATERIAL CHANGE

Save and except for the followings, the Directors confirm that there has been no material change in the financial or trading position or outlook of the Group since 31 March 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

As disclosed in the interim report of the Company for the six months ended 30 September 2017 ("**PE2017**"), there have been certain material changes in the financial or trading position or outlook of the Group since 31 March 2017 and up to 30 September 2017 and, in particular, the Directors note as follows:

(i) the consolidated revenue of the Group in PE2017 increased to approximately RMB484.6 million, representing an increase of approximately 39.7% from approximately RMB346.8 million for the six months ended 30 September 2016 ("**PE2016**"). Such increase in revenue was mainly driven by the substantial growth of sales of LPG from 34,110 tons in PE2016 to 52,821 tons, resulting in an increase in revenue from sales of LPG from approximately RMB158.6 million in PE2016 to approximately RMB268.1 million in PE2017; and

(ii) profit attributable to owners of the Company from the Group's continuing operations in PE2017 increased to approximately RMB90.7 million, representing an increase of approximately 35.3% from approximately RMB67.0 million in PE2016. Such increase in profit attributable to owners of the Company from the Group's continuing operations was mainly attributable to the increase in revenue from sales of piped gas and LPG.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practical Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable inquiries, confirm that, to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this circular misleading.

This circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than that relating to Dr. Mo and parties acting in concert with him) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular (other than opinions expressed by Dr. Mo and parties acting in concert with him) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

Dr. Mo accepts full responsibility for the accuracy of the information contained in this circular (other than information relating to the Group) and confirms, having made all reasonable inquiries, that to the best of his knowledge, opinions expressed in this circular (other than opinions expressed by the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. MARKET PRICE

The table below sets out the closing prices of the Shares on the Stock Exchange (i) on the last trading day of each of the calendar months during the Relevant Period; (ii) on 29 December 2017 (being the Last Trading Day); and (iii) on the Latest Practicable Date.

Date	**Closing price per Share** *(HK$)*
30 June 2017	0.093
31 July 2017	0.090
31 August 2017	0.087
29 September 2017	0.091
31 October 2017	0.108
30 November 2017	0.110
29 December 2017 *(being the Last Trading Day)*	0.104
30 January 2018 *(being the Latest Practicable Date)*	0.110

The lowest and highest closing market prices of the Shares recorded on the Stock Exchange during the Relevant Period were HK$0.080 per Share (recorded on 17 July 2017 and 27 September 2017) and HK$0.121 per Share (recorded on 17 January 2018), respectively.

3. SHARE CAPITAL

The authorised and issued share capital of the Company (i) as at the Latest Practicable Date; and (ii) immediately upon Completion are as follows:

(i) As at the Latest Practicable Date:

	Nominal value per Share *HK$*	**Number of Shares**	**Amount** *HK$*
Authorised:			
As at the Latest Practicable Date	0.07	38,000,000,000	2,660,000,000.00
Issued and fully paid:			
As at the Latest Practicable Date	0.07	7,152,954,136	500,706,789.52

(ii) Immediately upon Completion

	Nominal value per Share *HK$*	Number of Shares	Amount *HK$*
Authorised:			
As at the Latest Practicable Date	0.07	38,000,000,000	2,660,000,000.00
Issued and fully paid:			
As at the Latest Practicable Date	0.07	7,152,954,136	500,706,789.52
Subscription Shares to be issued pursuant to the Subscription	0.07	1,888,865,067	132,220,554.69
Shares in issue upon Completion	0.07	9,041,819,203	632,927,344.21

All issued Shares rank *pari passu* in all respects with each other, including, in particular, as to dividends, voting rights and return of capital.

The Subscription Shares, when issued and fully paid, will rank *pari passu* in all respects among themselves and with all the Shares in issue on the date of allotment and issue of the Subscription Shares, including the right to any dividends or distributions made or declared on or after the date of allotment and issue of the Subscription Shares. There is no arrangement under which future dividends are/will be waived or agreed to be waived.

The issued Shares are listed on the Stock Exchange. None of the securities of the Company is listed or dealt in, and no listing or permission to deal in the securities of the Company is being or is proposed to be sought on any other stock exchange.

Since 31 March 2017, being the date to which the latest published audited consolidated financial statements of the Group were made up, the Company has issued 208,000,000 new Shares (the "**Award Shores**") to the entitled grantees, who are Directors, chief executive of the Company and employees of the Group, details of which were set out in the circular of the Company dated 23 September 2016. Save as disclosed above, there has been no increase in the issued share capital of the Company since 31 March 2017 and up to the Latest Practicable Date.

As at the Latest Practicable Date, the Company did not have any outstanding derivatives, options, warrants, convertible rights or other similar rights which are convertible or exchangeable into Shares.

4. DISCLOSURE OF INTEREST

(a) Directors' interests and short positions in Shares, underlying shares and debentures of the Company and their associated corporations

As at the Latest Practicable Date, the interests of the Directors in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors or chief executive have taken or deemed to have under such provisions of the SFO); (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules to be notified to the Company and the Stock Exchange; or (d) were required to be disclosed under the Takeovers Code are set out below:

	Number of Shares[1]				Approximate percentage of the issued Shares
Name of Directors	**Personal interests[2]**	**Family interests**	**Corporate interests**	**Total**	
Dr. Mo	608,917,695	–	1,135,000,000[3]	1,743,917,695	24.38%
Mr. Zhang	338,271,282	–	–	338,271,282	4.73%
Mr. Chu	69,000,000	14,004,605[4]	–	83,004,605	1.16%
Mr. Fan	22,000,000	–	–	22,000,000	0.31%
Dr. Liu	5,000,000	–	–	5,000,000	0.07%
Prof. Zhao	5,000,000	–	–	5,000,000	0.07%
Mr. Sin	5,000,000	–	–	5,000,000	0.07%

Notes:

1. Interests in Shares stated above represent long positions.

2. This represents interests held by the relevant Directors as beneficial owner.

3. This represents interests legally and beneficially held by Ping Da Development, a company beneficially and wholly-owned by Dr. Mo. Dr. Mo is the sole director of Ping Da Development.

4. This represents interests legally and beneficially held by Ms. Woo, the spouse of Mr. Chu.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any interests or short positions in the shares, underlying shares or debentures of the Company or any of their associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or to be entered in the register maintained by the Company under section 352 of the SFO or to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(b) Substantial Shareholders' interest and short positions in shares and underlying shares of the Company and its associated corporations

As at the Latest Practicable Date, substantial shareholders' interests in the shares and underlying shares of the Company, other than the Directors, as recorded in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO are as follows:

Name of Shareholder	Capacity	Nature of interests	Number of ordinary Shares held[1]	Approximate percentage of the issued Shares
Ping Da Development	Beneficial owner	Corporate	1,135,000,000[2]	15.87%

Notes:

1. Interests in Shares stated above represent long positions.

2. This represents interests legally and beneficially held by Ping Da Development, a company beneficially and wholly-owned by Dr. Mo. Dr. Mo is the sole director of Ping Da Development.

Saved as disclosed above, as at the Latest Practicable Date, the Directors are not aware of any interests or short positions owned by any persons (other than the Directors or chief executives of the Company) in the Shares or underlying Shares of the Company which were required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register of the Company required to be kept under Section 336 of the SFO.

5. SHAREHOLDINGS OF AND DEALINGS IN THE SECURITIES OF THE COMPANY AND DR. MO AND PARTIES ACTING OR PRESUMED TO BE ACTING IN CONCERT WITH HIM AND OTHER ARRANGEMENT

As at the Latest Practicable Date:

(a) the Company did not hold, control or have direction over any shares and any options, warrants, derivatives or convertible securities in respect of securities ("**Relevant Securities**") in any member of Dr. Mo and parties acting or presumed to be acting in concert with him and it had not dealt for value in any such securities of any member of Dr. Mo and parties acting or presumed to be acting in concert with him during the Relevant Period;

(b) save as disclosed under the paragraph headed "Directors' interests and short positions in Shares, underlying shares and debentures of the Company and their associated corporations" in this appendix, none of the Directors or chief executive of the Company held, controlled or had direction over any Relevant Securities in any member of Dr. Mo and parties acting or presumed to be acting in concert with him or any Relevant Securities in the Company.

On 27 July 2016, the Company conditionally granted the Award Shares to certain Directors (including Mr. Zhang, Mr. Chu, Mr. Fan, Dr. Liu, Prof. Zhao and Mr. Sin, who are presumed to be acting in concert with Dr. Mo). Details of the grant of the Award Shares are as follows:

Name of Directors	**No. of Award Shares granted**
Mr. Zhang	15,000,000 Shares
Mr. Chu	69,000,000 Shares
Mr. Fan	22,000,000 Shares
Dr. Liu	5,000,000 Shares
Prof. Zhao	5,000,000 Shares
Mr. Sin	5,000,000 Shares

The grant of the Award Shares was approved by the then independent Shareholders in the special general meeting of the Company on 14 October 2016. As the Award Shares had a vesting period, the Award Shares were issued to the relevant Directors on 30 September 2017. For further details of the grant of the Award Shares, please refer to the circular of the Company dated 23 September 2016.

Save for the entering into of the Subscription Agreement and the grant of the Award Shares, none of the Directors or chief executive of the Company had dealt for value in any Relevant Securities of any member of Dr. Mo and parties acting or presumed to be acting in concert with him or any Relevant Securities of the Company during the Relevant Period;

(c) none of the advisers to the Company as specified in class (2) of the definition of "associate" under the Takeovers Code held, controlled or had direction over any Relevant Securities in the Company, and none of them had dealt for value in any such securities of the Company during the Relevant Period;

(d) save for the Subscription Agreement and the transactions contemplated thereunder, no other arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" under the Takeovers Code during the Relevant Period;

(e) none of the subsidiaries of the Company, nor any pension funds of the Company and/or its subsidiaries, nor any fund managed on a discretionary basis by any fund manager connected with the Company owned or controlled any Relevant Securities in the Company, and none of them had dealt for value in any such securities of the Company during the Relevant Period;

(f) save as disclosed under the paragraph headed "Directors' interests and short positions in Shares, underlying shares and debentures of the Company and their associated corporations" in this appendix, none of the Directors and their respective associates owned or controlled any Relevant Securities in the Company. Save for the entering into of the Subscription Agreement and the grant of the Award Shares, none of the Directors and their respective associates had dealt for value in any such securities of the Company during the Relevant Period;

(g) in accordance with the Listing Rules and the Takeovers Code, Dr. Mo and parties acting or presumed to be acting in concert with him (including Ping Da Development, Miss Mo, Mr. Zhang, Mr. Chu, Mr. Fan, Dr. Liu, Prof. Zhao, Mr. Sin and Ms. Woo) will abstain from voting on the resolutions to approve the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver at the SGM;

(h) no person had irrevocably committed themselves to vote in favour of or against the resolutions approving the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver at the SGM;

(i) neither the Company nor any of the Directors has borrowed or lent any Shares and any Relevant Securities in the Company;

(j) no benefit will be given to any Director as compensation for loss of office in any members of the Group or otherwise in connection with the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver;

(k) there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver or otherwise connected with the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver;

(l) save for the Subscription Agreement and the transactions contemplated thereunder, there was no material contract entered into by Dr. Mo in which any Director had a material personal interest; and

(m) there were no agreement, arrangement or understanding (including any compensation arrangement) between Dr. Mo or any parties acting or presumed to be acting in concert with him on one hand and any Directors, recent Directors, Shareholders or recent Shareholders on the other hand, having any connection with or was dependent upon the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and the Whitewash Waiver.

As at the Latest Practicable Date, save as disclosed under the paragraph headed “Changes in the Shareholding Structure of the Company” in the letter from the Board contained in this circular and the paragraphs headed “Share Capital” and “Disclosure of Interest” in this appendix:

(a) none of the parties acting or presumed to be acting in concert with Dr. Mo owned or controlled any Relevant Securities in the Company;

(b) none of Dr. Mo and parties acting or presumed to be acting in concert with him had borrowed or lent any Shares during the Relevant Period;

(c) no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and Dr. Mo and parties acting or presumed to be acting in concert with him during the Relevant Period;

(d) none of Dr. Mo and parties acting or presumed to be acting in concert with him has received any irrevocable commitment to vote for or against the Subscription Agreement and the transactions contemplated thereunder, the grant of the Specific Mandate and/or the Whitewash Waiver during the Relevant Period; and

(e) save for the entering into of the Subscription Agreement and the grant of the Award Shares, none of Dr. Mo and parties acting or presumed to be acting in concert with him has dealt for value in any Relevant Securities in the Company during the Relevant Period.

As at the Latest Practicable Date, no Shares to be acquired by Dr. Mo pursuant to the Subscription Agreement will be transferred, charged or pledged to any other person. As at the Latest Practicable Date, there was no agreement, arrangement or understanding and any related charges or pledges which may result in the transfer of voting rights in such Shares.

6. SERVICE AGREEMENT

The Company has entered into a letter of appointment with Mr. Sin, being independent non-executive Director, within the Relevant Period. Details of such letter of appointment is set out below:

Name of Director	Commencement date of the current letter of appointment	Expiry date of current letter of appointment	Fixed monthly remuneration	Variable remuneration
Mr. Sin	30 June 2017	29 June 2020	HK$10,000	Not applicable

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had entered into any service contracts with the Company or any of its subsidiaries or associated companies which (i) (including both continuous and fixed-term contracts) have been entered into or amended within the Relevant Period; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed-term contracts with more than 12 months to run irrespective of the notice period.

7. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration or claims which would materially and adversely affect the operations of the Company and no litigation, arbitration or claims which would materially and adversely affect the operations of the Company was known to the Directors to be pending or threatened by or against any members of the Group.

8. EXPERT AND CONSENT

The qualifications of the expert who has given opinions and advice in this circular are as follows:

Name	Qualifications
Success New Spring Capital Limited	A corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO

The above expert has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion herein of its letter, report and/or advice and the references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, the above expert did not have any direct or indirect shareholding in any member of the Group, or any right to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or any interests, directly or indirectly, in any asset which had been acquired, disposed of by or leased to any member of the Group, or was proposed to be acquired, disposed of by or leased to any member of the Group, since 31 March 2017, being the date to which the latest published audited financial statements of the Company were made up.

9. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) were entered into by the members of the Group within two years immediately preceding the date of the Announcement and up to the Latest Practicable Date which are or may be material:

(i) the equity transfer agreement dated 17 March 2016 between 四川中民燃氣投資有限公司 (Sichuan Civigas Investment Co., Ltd.*) ("**Sichuan Civigas**"), a wholly-owned subsidiary of the Company, and Mr. Ren Jun (任俊), Mr. Yang Rongzhong (楊榮中), Mr. Jiang Bin (蔣斌), Mr. He Wu (何武), Mr. Dou Tingmin (竇廷敏), Mr. Tang Pengfei (唐鵬飛), Mr. Wang Yuquan (王玉泉) and Mr. Yang Yunzan (楊雲贊) (collectively, the "**Vendors**"), pursuant to which Sichuan Civigas agreed to acquire and the Vendors agreed to sell the entire equity interests in 貴州省貞豐縣平安燃氣有限責任公司 (Guizhou Province Zhenfeng County Ping'an Gas Co., Ltd.*) at the Consideration of RMB31,700,000;

(ii) the equity transfer agreement dated 28 June 2016 between the Company and Yongheng Development Corporation Limited ("**Yongheng Hong Kong**") in relation to the disposal of 45% equity interests of 深圳彩彩樂電子娛樂科技開發有限公司 (Shenzhen Cai Cai Le Electronic Entertainment Technology Development Limited*) by the Company to Yongheng Hong Kong at the consideration of RMB8,100,000;

(iii) the equity transfer agreement dated 28 June 2016 between 北京中民永恒投資諮詢有限公司 (Beijing Zhongmin Yongheng Investment Consultant Co., Ltd.*) ("**Zhongmin Yongheng**"), a wholly-owned subsidiary of the Company, and 永恒發展集團(深圳)有限公司 (Yongheng Development Group (Shenzhen) Co., Ltd.*) ("**Yongheng Shenzhen**") in relation to the disposal of the entire equity interests of 深圳市永恒樂彩科技開發有限公司 (Shenzhen Yongheng Le Cai Technology Development Limited*) ("**Shenzhen Lei Cai**"), together with all the shareholder's loan and other debts owned by Zhongmin Yongheng to Shenzhen Le Cai in the amount of RMB53,000,000, by Zhongmin Yongheng to Yongheng Shenzhen at the consideration of RMB64,900,000; and

(iv) the Subscription Agreement.

10. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP

None of the Directors had any direct or indirect interest in any assets which have, since 31 March 2017 (being the date to which the latest audited financial statements of the Group were made up) and up to the Latest Practicable Date, been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

Save for the Subscription Agreement, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group and subsisting which was significant in relation to the business of the Group.

11. COMPETITION AND CONFLICTS

As at the Latest Practicable Date, none of the Directors or substantial Shareholders or any of their respective close associates engaged in any business that competes or may compete, either directly or indirectly, with the business of the Group or has any other conflict of interests with the Group.

12. MISCELLANEOUS

(a) The principal place of business of the Company in Hong Kong is situated at Unit 1101, 11th Floor, Tung Ning Building, 2 Hillier Street, Central, Hong Kong. The registered office of the Company in Bermuda is located at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda;

(b) The Company's branch share registrar and transfer office in Hong Kong is Tricor Tengis Limited, whose address is Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong;

(c) The company secretary of the Company is Ms. Li Fun Replen, who is an associate member of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Company Secretaries;

(d) The address of Dr. Mo and parties acting or presumed to be acting in concert with him are as below:

Name	Address
Dr. Mo	No. 36 BDA International Business Park No. 2 Jingyuan North Street Economic Technological Development Area Beijing, China
Ping Da Development	Unit 1101, 11th Floor Tung Ning Building 2 Hillier Street, Central Hong Kong
Mr. Zhang	Unit 1101, 11th Floor Tung Ning Building 2 Hillier Street, Central Hong Kong
Mr. Chu	Unit 1101, 11th Floor Tung Ning Building 2 Hillier Street, Central Hong Kong

Name	**Address**
Mr. Fan	No. 36 BDA International Business Park No. 2 Jingyuan North Street Economic Technological Development Area Beijing, China
Miss Mo	Unit 1101, 11th Floor Tung Ning Building 2 Hillier Street, Central Hong Kong
Dr. Liu	No. 36 BDA International Business Park No. 2 Jingyuan North Street Economic Technological Development Area Beijing, China
Prof. Zhao	No. 36 BDA International Business Park No. 2 Jingyuan North Street Economic Technological Development Area Beijing, China
Mr. Sin	Unit 1101, 11th Floor Tung Ning Building 2 Hillier Street, Central Hong Kong

(e) The Independent Financial Adviser is Success New Spring Capital Limited and its registered office is situated at Unit 2108, 21/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong; and

(f) The translation into Chinese language of this circular is for reference only. In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (i.e. from 9:00 a.m. to 1:00 p.m. and from 2:00 p.m. to 5:00 p.m.) at the principal place of business of the Company in Hong Kong situated at Unit 1101, 11th Floor, Tung Ning Building, 2 Hillier Street, Central, Hong Kong on any Business Days from the date of this circular up to and including the date of the SGM and will also be available for inspection on the website of the SFC at www.sfc.hk and the website of the Company at www.681hk.com from the date of this circular up to and including the date of the SGM:

(i) the memorandum of association and bye-laws of the Company;

(ii) the annual reports of the Company for the last two financial years ended 31 March 2016 and 2017;

(iii) the interim report of the Company for the six months ended 30 September 2017;

(iv) the letter from the Board, the text of which is set out on pages 6 to 20 of this circular;

(v) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 21 to 22 of this circular;

(vi) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 23 to 52 of this circular;

(vii) the written consent referred to in the paragraph headed "Expert and Consent" in this appendix;

(viii) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(ix) the letter of appointment referred to in the paragraph headed "Service Agreement" in this appendix;

(x) the Subscription Agreement; and

(xi) this circular.

CHINESE PEOPLE HOLDINGS COMPANY LIMITED
中民控股有限公司

(incorporated in Bermuda with limited liability) (stock code: 681)

NOTICE IS HEREBY GIVEN that a special general meeting (the "**SGM**") of Chinese People Holdings Company Limited (the "**Company**") will be held at the head office of the Company, Conference Room, 1st Floor, No. 36 BDA International Business Park, No. 2 Jingyuan North Street, Economic Technological Development Area, Beijing, China on Friday, 9 March 2018 at 1:30 p.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

1. "**THAT**

(a) subject to the fulfilment of the terms and conditions set out in the subscription agreement (the "**Subscription Agreement**") dated 29 December 2017 (a copy of the Subscription Agreement has been produced to the SGM marked "A" and initialled by the chairman of the SGM for the purpose of identification), and entered into between the Company and Dr. Mo Shikang ("**Dr. Mo**"), in relation to the subscription for 1,888,865,067 new ordinary shares (the "**Subscription Shares**") of HK$0.07 in the capital of the Company at the subscription price of HK$0.104 per Subscription Share by Dr. Mo, the Subscription Agreement, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) subject to the fulfilment of the conditions of the Subscription Agreement, any one director of the Company ("**Director(s)**") be and is hereby authorised to exercise all the powers of the Company and to take all steps as might in his opinion be desirable or necessary in connection with the Subscription Agreement, including but without limitation, the specific mandate to allot and issue the Subscription Shares to Dr. Mo pursuant to the Subscription Agreement; and

(c) any one Director be and is hereby authorised to do all such things and acts of administrative nature as he may in his discretion consider necessary, expedient or desirable for the purpose of or in connection with the implementation of the Subscription Agreement and the transactions contemplated thereunder, including but not limited to the execution of all such documents under seal where applicable, as he considers necessary or expedient in his opinion to implement and/or give effect to the Subscription Agreement."

2. "**THAT**, subject to the passing of the ordinary resolution no. 1 above, and subject to the granting of the waiver from the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or any his delegate(s) pursuant to Note 1 on Dispensations from Rule 26 of the Code on Takeovers and Mergers of the obligation on the part of Dr. Mo to make a mandatory general offer to shareholders of the Company for all securities of the Company (other than those already owned or agreed to be acquired by Dr. Mo and parties acting or presumed to be acting in concert with him) as a result of the allotment and issue of the Subscription Shares under the Subscription Agreement (the "**Whitewash Waiver**") and the satisfaction of all conditions (if any) attached thereon, the Whitewash Waiver be and is hereby approved, and that any one Director be and is hereby authorised to do all such acts and things and execute all such documents as he may consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and/or giving effect to any of the matters relating to, or incidental to, the Whitewash Waiver."

By order of the Board
Chinese People Holdings Company Limited
Mr. Fan Fangyi
Managing Director and Executive Director

Hong Kong, 2 February 2018

Registered office:	*Head office:*	*Principal place of business in Hong Kong:*
Canon's Court	No. 36 BDA International Business Park	Unit 1101, 11th Floor
22 Victoria Street	No. 2 Jingyuan North Street	Tung Ning Building
Hamilton HM 12	Economic Technological Development Area	2 Hillier Street, Central
Bermuda	Beijing, China	Hong Kong

Notes:

1. A member of the Company entitled to attend and vote at the SGM is entitled to appoint one or, if he is the holder of two or more shares, more proxies to attend and vote instead of him. A proxy need not be a member of the Company.

2. In the case of joint holders of shares in the Company, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the vote(s) of the other joint holder(s), seniority being determined by the order in which names stand in the register of members.

3. In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney or other person duly authorized, and must be deposited with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof) not less than 48 hours before the time fixed for holding of the SGM.

4. Completion and return of the form of proxy will not preclude members from attending and voting at the SGM and in such event, the instrument appointing a proxy shall be deemed to be revoked.

5. In compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, all resolutions to be proposed at the SGM convened by this notice will be voted on by way of poll.

6. The register of members of the Company will be closed from Tuesday, 6 March 2018 to Friday, 9 March 2018 (both days inclusive) for the purpose of determining the shareholders' eligibility to attend and vote at the SGM and during which period no transfer of shares in the Company shall be registered. In order to qualify for the entitlement to attend and vote at the SGM, all completed transfers forms accompanied by the relevant share certificates of the Company must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 5 March 2018.