Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

1. General and Basis of Preparation

The Company is a public limited company incorporated in the Cayman Islands on 16 November 2000 under the Companies Law (Revised) Chapter 22 of the Cayman Islands as an exempted company with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In the opinion of the directors of the Company ("Directors"), the Group's parent holding company and the ultimate controlling shareholder is The Hong Kong and China Gas Company Limited ("HKCG"), a company incorporated in Hong Kong with its shares listed on the Stock Exchange. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information of the Annual Report.

The functional currency of the Company is Renminbi ("RMB"). The consolidated financial statements are presented in Hong Kong dollars ("HK$" or "HKD"). The reason for selecting HKD as its presentation currency is because the Company is a public company incorporated in the Cayman Islands with its shares listed on the Stock Exchange, where most of its investors are located in Hong Kong.

The Company is an investment holding company. Its subsidiaries are principally engaged in the sales and distribution of piped gas in the People's Republic of China (the "PRC") including the provision of piped gas, construction of gas pipelines, the operation of city gas pipeline network, the operation of gas fuel automobile refilling stations, and the sale of gas household appliances.

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that its current liabilities exceeded its current assets by approximately HK$4,522 million as at 31 December 2018. The Group's liabilities as at 31 December 2018 included borrowings of approximately HK$2,784 million that are repayable within one year from the end of the reporting period.

As of the date of approval for issuance of the consolidated financial statements, the Group had unutilised facilities (the "Facilities") amounting to approximately HK$5,360 million. When considering the Group's ability to continue as a going concern, the Directors considered that the Group's borrowings of approximately HK$2,784 million that are repayable within one year from the end of the reporting period will be rolled over or refinanced as the Group has a good relationship with the banks/creditors and has good credibility.

Taking into account of the internally generated funds and the available Facilities, the Directors are confident that the Group will be able to meet its financial obligations when they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts

Except as described below, the application of the new and 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.

HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard, if any, recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained earnings (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and HKAS 11 and the related interpretations.

The Group recognises revenue from the following major sources which arise from contracts with customers:

- Sales of piped gas (mainly natural gas) and gas related household appliances
- Construction of gas pipeline networks under gas connection contracts

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

HKFRS 15 "Revenue from Contracts with Customers" *(Continued)*

Information about the Group's accounting policies resulting from application of HKFRS 15 and the performance obligations are disclosed in notes 3 and 7 respectively.

Summary of effects arising from initial application of HKFRS 15

The application of HKFRS 15 has no significant impact on the timing and amounts of revenue in the current year and retained earnings at 1 January 2018.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 December 2017	Reclassification	Carrying amounts under HKFRS15 at 1 January 2018*
		HK$'000	HK$'000	HK$'000
Current liabilities				
Trade and other payables and accrued charges	(a)	5,173,019	(3,092,720)	2,080,299
Contract liabilities	(a)	–	3,092,720	3,092,720

* The amounts in this column are before the adjustments from the application of HKFRS 9.

Note:

(a) As at 1 January 2018, receipt in advance of HK$3,092,720,000 previously included in trade and other payables and accrued charges were reclassified to contract liabilities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

HKFRS 15 "Revenue from Contracts with Customers" *(Continued)*

Summary of effects arising from initial application of HKFRS 15 ***(Continued)***

The following table summarises the impacts of applying HKFRS 15 on the Group's consolidated statement of financial position as at 31 December 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the consolidated statement of financial position

	As reported	Adjustments	Amounts without application of HKFRS 15
	HK$'000	HK$'000	HK$'000
Current liabilities			
Trade and other payables and accrued charges	2,079,926	3,043,956	5,123,882
Contract liabilities	3,043,956	(3,043,956)	–

HKFRS 9 "Financial Instruments"

In the current year, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained earnings and other components of equity, without restating comparative information.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

HKFRS 9 "Financial Instruments" *(Continued)*

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

In addition, the Group has applied the hedge accounting requirements of HKFRS 9 prospectively. Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Notes	Available-for-sale investments HK$'000	Equity instruments at fair value through other comprehensive income ("FVTOCI") HK$'000	Trade and other receivables, deposits and prepayments HK$'000	Interests in associates HK$'000	Interests in joint ventures HK$'000	Deferred taxation HK$'000	Investment revaluation reserve HK$'000	Retained earnings HK$'000	Non-controlling interests HK$'000
Closing balance at 31 December 2017 – HKAS 39		**225,415**	**–**	**1,393,144**	**3,935,115**	**2,407,197**	**454,100**	**(75)**	**8,033,450**	**1,352,783**
Effect arising from initial application of HKFRS 9:										
Reclassification										
From available-for-sale investments	(a)	(225,415)	225,415	–	–	–	–	–	–	–
Remeasurement										
Impairment under ECL model	(b & c)	–	–	(5,641)	(4,110)	(7,910)	(1,410)	–	(15,799)	(452)
From cost less impairment to fair value	(a & c)	–	97,444	–	26,216	–	24,361	99,299	–	–
Opening balance at 1 January 2018		**–**	**322,859**	**1,387,503**	**3,957,221**	**2,399,287**	**477,051**	**99,224**	**8,017,651**	**1,352,331**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

HKFRS 9 "Financial Instruments" *(Continued)*

Summary of effects arising from initial application of HKFRS 9 *(Continued)*

Notes:

(a) Available-for-sale investments

The Group elected to present in other comprehensive income for the fair value changes of all its equity investments previously classified as available-for-sale, of which HK$160,485,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39. These investments are not held for trading and not expected to be sold in the foreseeable future.

At the date of initial application of HKFRS 9, HK$225,415,000 were reclassified from available-for-sale investments to equity instruments at FVTOCI, of which HK$160,485,000 related to unquoted equity investments previously measured at cost less impairment under HKAS 39. The fair value gains of HK$97,444,000 relating to those unquoted equity investments previously carried at cost less impairment were adjusted to equity instruments at FVTOCI and investment revaluation reserve as at 1 January 2018, and the corresponding deferred tax impact of HK$24,361,000 was adjusted to deferred taxation and investment revaluation reserve as at 1 January 2018. The fair value losses of HK$75,000 relating to the Group's investment previously carried at fair value continued to accumulate in investment revaluation reserve.

(b) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables.

Loss allowances for other financial assets at amortised cost mainly comprise of time deposits over three months, bank balances, loans to joint ventures, an associate and a non-controlling shareholder and other receivables and deposits, are measured on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the additional credit loss allowance of HK$5,641,000 has been recognised against retained earnings and the trade receivables. As at 31 December 2017, the loss allowance for trade receivables amounted to HK$118,933,000 under HKAS 39. With the aforesaid additional credit loss allowance of HK$5,641,000, the loss allowance for trade receivables as at 1 January 2018 amounted to HK$124,574,000 under HKFRS 9.

(c) Interests in associates/joint ventures

The initial application of HKFRS 9 resulted in a net increase in interests in associates of HK$22,106,000 (which is arising from the impacts relating to additional loss allowance for trade receivables under ECL model amounting to HK$4,110,000 and fair value gains net of deferred taxation of HK$26,216,000 relating to associates' unquoted equity investments previously measured at cost less impairment under HKAS 39) with corresponding adjustments to retained earnings and investment revaluation reserve by debit of HK$4,110,000 and credit of HK$26,216,000 respectively.

The initial application of HKFRS 9 resulted in a decrease in the interests in joint ventures of HK$7,910,000 (which is arising from the impact relating to additional loss allowance for trade receivables under ECL model amounting to HK$7,910,000) with corresponding adjustment to retained earnings by debit of HK$7,910,000.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017 (Audited)	HKFRS 15	HKFRS 9	1 January 2018 (Restated)
	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets				
Interests in associates	3,935,115	–	22,106	3,957,221
Interests in joint ventures	2,407,197	–	(7,910)	2,399,287
Available-for-sale investments	225,415	–	(225,415)	–
Equity instruments at fair value through other comprehensive income	–	–	322,859	322,859
Current asset				
Trade and other receivables, deposits and prepayments	1,393,144	–	(5,641)	1,387,503
Current liabilities				
Trade and other payables and accrued charges	5,173,019	(3,092,720)	–	2,080,299
Contract liabilities	–	3,092,720	–	3,092,720
Non-current liability				
Deferred taxation	454,100	–	22,951	477,051
Equity attributable to shareholders of the Company	15,845,033	–	83,500	15,928,533
Non-controlling interests	1,352,783	–	(452)	1,352,331

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2018 as disclosed above.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after a date to be determined.

Except for the new and amendments to HKFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

HKFRS 16 "Leases" *(Continued)*

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

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

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.

Other than certain requirements which are also applicable to lessor, 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 December 2018, the Group has non-cancellable operating lease commitments of HK$103,313,000 as disclosed in note 41. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid and refundable rental deposits received as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments. However, the Group anticipates such adjustments may not be significant to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

2. Application of New and Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

HKFRS 16 "Leases" *(Continued)*

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application, if any, to opening retained earnings without restating comparative information.

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgements. The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Amendments to HKFRS 3 "Definition of a Business"

The amendments clarify the definition of a business and provide additional guidance with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or an asset acquisition. Furthermore, an optional concentration test is introduced to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments will be mandatorily effective to the Group prospectively for acquisition transactions completed on or after 1 January 2020.

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 and by the Hong Kong Companies Ordinance.

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

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

3. Significant Accounting Policies *(Continued)*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17, 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 when the Company:

- has power over the investee;

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant Accounting Policies *(Continued)*

Basis of consolidation *(Continued)*

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.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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 income statement 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 financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. Significant Accounting Policies *(Continued)*

Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9/HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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;

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant Accounting Policies *(Continued)*

Business combinations *(Continued)*

- 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 at the acquisition date (see the accounting policy below); and

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

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

When the consideration transferred by the Group in a business combination includes 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. 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 the contingent consideration that does not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

3. Significant Accounting Policies *(Continued)*

Business combinations *(Continued)*

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9/HKAS 39 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

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

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see accounting policy above) less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

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

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

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant Accounting Policies *(Continued)*

Goodwill *(Continued)*

The Group's policy for goodwill arising on the acquisition of an associate and a 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, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with HKFRS 5. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale shall be accounted for using the equity method. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

3. Significant Accounting Policies *(Continued)*

Investments in associates and joint ventures *(Continued)*

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of HKFRS 9/HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant Accounting Policies *(Continued)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transition in note 2)

Under HKFRS 15, the Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

3. Significant Accounting Policies *(Continued)*

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transition in note 2) *(Continued)*

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output Method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services.

Performance obligations for contracts with customers

Sales and distribution of piped gas and related products

Revenue from sales and distribution of piped gas is recognised when control of the piped gas has transferred to the customers, being at the point the gas is delivered to the customers.

Revenue from sales of goods is recognised when control of the goods has transferred to the customers, being at the point the goods are delivered to the customers.

Gas connection

Revenue from gas connection, which relates to contracts for construction of gas connection facilities, is recognised when control of the services underlying the performance obligations in the contracts are transferred to the customers.

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from gas connection, which relates to contracts for construction of gas connection facilities, is recognised based on the percentage of completion method, measured by reference to the value of work carried out during the year, when the outcome of a gas connection contract can be estimated reliably and the stage of completion at the end of the reporting period can be measured reliably. When the outcome of a gas connection contract cannot be estimated reliably, revenue is recognised only to the extent of contract cost incurred that is probable to be recoverable.

Revenue from sales and distribution of piped gas is recognised when gas is used by the customers.

Revenue from sales of goods is recognised when goods are delivered and title has been passed.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant Accounting Policies *(Continued)*

Revenue recognition (prior to 1 January 2018) *(Continued)*

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.

Dividend income from investments 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 revenue can be measured reliably).

Construction contracts

When the outcome of a construction contract can be estimated reliably and the stage of contract completion at the end of the reporting period can be measured reliably, contract costs are charged to the consolidated income statement by reference to the stage of completion of the contract activity at the end of the reporting period on the same basis as contract revenue is recognised.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that is probably recoverable. Contract costs are recognised as an expense in the period in which they are incurred. When it is probable that total contract costs will exceed contract revenues, the expected loss is recognised as an expense immediately.

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated in the consolidated statement of financial position at cost less accumulated depreciation, and any impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, as follows:

Buildings	15 – 30 years
Gas and other pipelines	25 – 40 years
Plant and equipment and others	5 – 15 years

3. Significant Accounting Policies *(Continued)*

Property, plant and equipment *(Continued)*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Leasehold land and building

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

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

Construction in progress

Construction in progress, which includes all development expenditure and other direct costs attributable to such projects, is stated at cost less any accumulated impairment losses. It is not depreciated until completion of construction. The costs of completed construction works are transferred to appropriate categories of property, plant and equipment.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant Accounting Policies *(Continued)*

Intangible assets *(Continued)*

Exclusive operating rights for city pipeline network

Exclusive operating rights for city pipeline network are stated at cost less accumulated amortisation and any identified impairment loss. The cost incurred for the acquisition of exclusive operating rights is capitalised and amortised on a straight-line basis over the estimated useful life.

Distribution network

Distribution networks are stated at cost less accumulated amortisation and any identified impairment loss.

The estimated useful life and amortisation method of intangible assets are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a 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.

Impairment (other than goodwill)

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

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where 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 to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

3. Significant Accounting Policies *(Continued)*

Impairment (other than goodwill) *(Continued)*

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 as expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transition in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except derivatives designated in cash flow hedging relationships and except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is classified as held for trading if:

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

In addition, the Group may irrevocably designate a financial asset that is required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transition in note 2) (Continued)

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset (which comprises the gross carrying amount less any impairment allowance) from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the investment revaluation reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other (losses) gains, net" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL except for derivatives designated as cash flow hedges.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other (losses) gains, net" line item.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application HKFRS 9 with transition in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including loan to an associate, loans to joint ventures, loan to a non-controlling shareholder, trade and other receivables, amounts due from non-controlling shareholders, time deposits over three months and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group applies simplified approach to always recognise lifetime ECL for trade receivables from initial recognition until derecognition. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings based on debtors' aging when necessary.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application HKFRS 9 with transition in accordance with note 2) (Continued)

Significant increase in credit risk *(Continued)*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (upon application HKFRS 9 with transition in accordance with note 2) (Continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets ***(Continued)***

Impairment of financial assets (upon application HKFRS 9 with transition in accordance with note 2) (Continued)

Measurement and recognition of ECL *(Continued)*

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset (which is the gross carrying amount less any impairment allowance).

Except for investments in debt instruments/receivables that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the investment revaluation reserve without reducing the carrying amount of these debt instruments/receivables.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

The Group's financial assets are mainly classified into one of the following categories, financial assets at FVTPL, loans and receivables and available-for-sale financial assets. 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.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) held for trading or (ii) it is designated as at FVTPL or (iii) contingent consideration that may be received by an acquirer as part of a business combination to which HKFRS 3 applies.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading or contingent consideration that may be received by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018) (Continued)

Financial assets at FVTPL *(Continued)*

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "other (losses) gains, net" line item. Fair value is determined in the manner described in note 6.

Loans and receivables

Loans and receivables (including loan to an associate, loans to joint ventures, loan to a non-controlling shareholder, trade and other receivables, amounts due from non-controlling shareholders, time deposits over three months and bank balances and cash) 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 are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of 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 financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Equity securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period except for unquoted investments whose fair value cannot be reliably measured (see below). Dividends on available-for-sale equity investments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of available-for-sale financial assets 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).

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 accounting policy on impairment of financial assets below).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018)

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

For available-for-sale equity investments, a significant or prolonged decline in the fair value of the security 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 default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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

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

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

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

On derecognition of an investment in a debt instrument classified as at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

On derecognition of an available-for-sale debt/equity investments, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9/HKAS 39 permits the entire combined contract to be designated as at FVTPL.

Upon application of HKFRS 9, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Financial liabilities at FVTPL (Continued)

Prior to application of HKFRS 9 on 1 January 2018, financial liabilities designated at FVTPL are stated at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interest paid on the financial liability and is included in the "other (losses) gains, net" line item.

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.

Borrowings

Interest-bearing bank loans and other loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

Other financial liabilities

Other financial liabilities including trade and other payables, amounts due to non-controlling shareholders and loans from joint ventures are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments and hedging

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Hedge accounting

The Group designates certain derivatives as hedging instruments for fair value hedges or cash flow hedges.

At the inception of the hedging relationship, the Group documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Assessment of hedging relationship and effectiveness (under HKFRS 9 since 1 January 2018)

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;

- the effect of credit risk does not dominate the value changes that result from that economic relationship; and

- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Cash flow hedges

The effective portion of changes in the fair value of derivatives that is designated and qualifies as cash flow hedges is recognised in other comprehensive income and accumulated in the hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Discontinuation of hedge accounting (under HKFRS 9 since 1 January 2018)

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For cash flow hedge, any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transactions is ultimately recognised in profit or loss or the hedged item otherwise affects profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity *(Continued)*

Derecognition/substantial modification of financial liabilities

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.

The Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

Non-substantial modifications of financial liabilities (under HKFRS 9 since 1 January 2018)

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Non-substantial modifications of financial liabilities (before application of HKFRS 9 on 1 January 2018)

For non-substantial modifications of financial liabilities that do not result in derecognition, at the point of modification, the carrying amount of the relevant financial liabilities is revised for directly attributable transaction costs and any consideration paid to or received from the counterparty. The effective interest rate is then adjusted to amortise the difference between the revised carrying amount and the expected cash flows over the life of the modified instrument.

3. Significant Accounting Policies *(Continued)*

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before tax 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 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 difference arises from the initial recognition of goodwill.

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant Accounting Policies *(Continued)*

Taxation *(Continued)*

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

Leases

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 lessee

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

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 recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of each reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the exchange reserve (attributed to non-controlling interests as appropriate).

3. Significant Accounting Policies *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Retirement benefits costs

Payments to defined contribution retirement benefit schemes including, state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as expenses when employees have rendered service entitling them to the contributions.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

The estimates and underlying assumptions are reviewed on an on-going 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.

Critical judgements in applying accounting policies

Control over an entity

As at 31 December 2018, 唐山港能投智慧能源有限公司 ("Tangshan Energy") was accounted for as a subsidiary by the Group. The Group has only held 49% equity interest in Tangshan Energy. The directors of the Company assessed whether or not the Group has control over Tangshan Energy based on whether the Group has practical ability to direct the relevant activities of the entity unilaterally. In making the judgement, management considered the Group's voting power in making decisions over the relevant activities of Tangshan Energy at different times throughout its life, such as the approval of the operation plan and budget, appointing, remunerating and terminating the key management personnel. After assessment, management concluded that the Group has sufficiently dominant voting interest to direct the relevant activities of Tangshan Energy and therefore the Group has control over it.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty *(Continued)*

Key sources of estimation uncertainty

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

Recognition of gas connection income

The Group recognises the amounts of gas connection income when control of the services underlying the particular performance obligations in the contracts are transferred to the customers. The progress towards complete satisfaction of the relevant performance obligation being satisfied over time is measured based on output method, which requires management's best estimates in determining the value of the services transferred to the customers to date. Any change in the estimates of value of services transferred to the customers to date will affect the related gas connection income recognised in the profit or loss prospectively in each reporting period.

Impairment assessment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units with significant inputs including growth rates and expected changes to selling prices and direct costs, and a suitable discount rate in order to calculate the present value. Where the actual cash flows are less than expected, a material impairment loss may arise. As at 31 December 2018, the carrying amount of goodwill is HK$5,522,253,000 (2017: HK$5,824,172,000). Details of the recoverable amount calculation are disclosed in note 20.

Income taxes

As at 31 December 2018, no deferred tax asset is recognised in the consolidated statement of financial position in relation to the estimated unused tax losses of the Group of HK$748,306,000 (2017: HK$708,374,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future assessable profits or taxable temporary differences will be available in the future. In cases where the actual future assessable profits or taxable temporary differences generated are more than expected, a material recognition of deferred tax asset may arise, which would be recognised in the consolidated income statement for the period in which such recognition takes place.

Impairment assessment of financial assets and measurement of unquoted equity investments under HKFRS 9

Upon application of HKFRS 9 on 1 January 2018, measurement of unquoted equity investments is subject to fair value measurement under HKFRS 9 rather than measurement of cost less impairment under HKAS 39 and impairment assessment of financial assets is subject to the ECL model rather than incurred loss model under HKAS 39. These assessments and measurements are sensitive to changes in estimates. Details are disclosed in note 6.

5. Capital Risk Management

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

The capital structure of the Group consists of debts, which includes borrowings and loans from joint ventures disclosed in notes 32 and 33 respectively, equity attributable to shareholders of the Company, comprising issued share capital and reserves.

The Group's management reviews the capital structure on a semi-annual basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of 40% determined as the proportion of net debt to equity plus net debt (the "Gearing Ratio").

The Gearing Ratio at the reporting date was as follows:

	2018 **HK$'000**	2017 HK$'000
Debt[i]	**9,528,974**	8,828,837
Time deposits over three months	**(56,225)**	(120,790)
Bank balances and cash	**(1,611,487)**	(1,605,300)
Net debt	**7,861,262**	7,102,747
Equity[ii]	**16,229,197**	15,845,033
Net debt to equity ratio	**48.4%**	44.8%
Gearing Ratio[iii]	**32.6%**	31.0%

(i) Debt is defined as long-term and short-term borrowings and loans from joint ventures, as detailed in notes 32 and 33 respectively.

(ii) Equity includes all capital and reserves of the Group excluding non-controlling interests.

(iii) Being the proportion of net debt of HK$7,861,262,000 (2017: HK$7,102,747,000) to equity attributable to shareholders of the Company plus net debt of HK$24,090,459,000 (2017: HK$22,947,780,000).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

6. Financial Instruments

Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets		
Financial assets at amortised cost	**2,935,824**	–
Equity instruments at fair value through other comprehensive income	**381,449**	–
Derivative financial instruments	**37,180**	–
Loans and receivables (including cash and cash equivalents)	**–**	2,839,797
Available-for-sale investments	**–**	225,415
Financial liabilities		
Amortised cost	**11,407,251**	10,607,558
Derivative financial instruments	**137,165**	205,049

Financial risk management objectives and policies

The Group's major financial instruments include equity instruments at fair value through other comprehensive income (2017: available-for-sale investments), loan to an associate, loans to joint ventures, loan to a non-controlling shareholder, trade and other receivables, amounts due from non-controlling shareholders, time deposits over three months, bank balances and cash, other financial assets, trade and other payables, amounts due to non-controlling shareholders, loans from joint ventures, borrowings and other financial liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. 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.

Currency risk

Certain bank balances and cash, time deposits over three months and bank and other borrowings are denominated in foreign currencies which expose the Group to foreign currency risk.

Details of the Group's bank balances and cash, time deposits over three months and bank and other borrowings, denominated in United States Dollar (''USD'') and HKD at the end of the reporting period are set out in notes 27 and 32.

6. Financial Instruments *(Continued)*

Financial risk management objectives and policies *(Continued)*

Currency risk ***(Continued)***

The Group entered into cross currency interest rate swap contracts, cross currency swap contracts and foreign currency forward contracts with certain financial institutions to reduce or hedge its exposure to currency fluctuation risk. Other than the cross currency interest rate swap contract which is designated as effective hedging instrument for a variable-rate bank borrowing denominated in USD with hedge accounting used (see note 29 for details), these derivative financial instruments are not accounted under hedge accounting. The Group reviewed the continuing effectiveness of the designated hedging instruments at least at the end of each reporting period. The Group mainly uses regression analysis and comparison of change in fair value of the hedging instrument and the hedged item for assessing the hedge effectiveness. As the Group's foreign currency risk is hedged, no sensitivity analysis for the hedging instrument and the hedged item has been prepared accordingly.

The management continues to monitor foreign exchange exposure and will consider hedging other significant foreign currency exposure should the need arise.

Sensitivity analysis

The following table details the Group's sensitivity to a reasonably possible change of 3% (2017: 3%) in exchange rate of USD and HKD against RMB while all other variables are held constant. The sensitivity analysis includes only outstanding foreign currency denominated monetary items (excluding derivative financial instruments) and adjusts their translation at the end of each reporting period for a 3% (2017: 3%) change in foreign currency rates.

The sensitivity analysis includes bank balances and cash and borrowings where the denomination of the balances is in a currency other than the functional currency of the respective group entities. A positive number below indicates an increase in profit before taxation for the year where RMB strengthens by 3% (2017: 3%) against USD and HKD. For a 3% (2017: 3%) weakening of RMB against USD and HKD, there would be an equal but opposite impact on the profit before taxation for the year, and the balances below would be negative. This is mainly attributable to the Group's exposure to foreign exchange on its foreign currency borrowings.

	2018 **HK$'000**	2017 HK$'000
Profit before taxation for the year	**108,505**	95,600

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

6. Financial Instruments *(Continued)*

Financial risk management objectives and policies *(Continued)*

Currency risk *(Continued)*

Sensitivity analysis (Continued)

The following details the Group's sensitivity based on the exposure to the Group's cross currency swap contracts, cross currency interest rate swap contracts and foreign currency forward contracts outstanding at the end of the reporting period. The sensitivity to foreign currency risk has been determined based on management's assessment of the reasonably possible change in exchange rate of USD and HKD against RMB. If the exchange rate of USD and HKD against RMB is 3% (2017: 3%) higher/lower while all other input variables of the valuation models are held constant, the Group's profit before taxation for the year ended 31 December 2018 would increase/decrease by HK$117,899,000 (2017: HK$90,366,000) and the Group's hedge reserve would increase/decrease by HK$1,458,000 (2017: nil) as a result of the change in fair value of these financial derivatives.

The aggregate sensitivity to foreign currency risk on the outstanding foreign currency denominated monetary items and the derivative financial instruments as disclosed above is as follows:

If the exchange rate of RMB against USD and HKD is 3% (2017: 3%) higher/lower, the Group's profit before taxation for the year would decrease/increase by HK$9,394,000 (2017: increase/decrease by HK$5,234,000) and the Group's hedge reserve would decrease/increase by HK$1,458,000 (2017: nil).

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank and other borrowings, fixed-rate short-term bank fixed deposits, loans to joint ventures, loan to an associate, loan to a non-controlling shareholder and loans from joint ventures. The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. The fair value interest rate risk on bank deposits is insignificant as the fixed deposits are short-term.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") arising from the Group's HKD bank loans and the fluctuation of basic borrowing rate announced by the People's Bank of China arising from the Group's RMB bank loans.

The Group entered into cross currency interest rate swaps to reduce or hedge against its exposures to the interest rate on the variable-rate bank borrowings. Other than the cross currency interest rate swap contract which is designated as effective hedging instrument for a variable-rate bank borrowing as detailed above, these derivative financial instruments are not accounted under hedge accounting. As the Group's interest rate risk is hedged, no sensitivity analysis for the hedging instrument and hedged item has been prepared accordingly.

6. Financial Instruments *(Continued)*

Financial risk management objectives and policies *(Continued)*

Interest rate risk *(Continued)*

The management continues to monitor interest rate exposure and will consider hedging other significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments (excluding derivative financial instruments) at the end of the reporting period. For variable-rate bank loans, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis points (2017: 25 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points (2017: 25 basis points) higher/lower and all other variables were held constant, the Group's profit before taxation for the year ended 31 December 2018 would decrease/increase by HK$12,743,000 (2017: HK$11,941,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in variable-rate debt instruments.

The following details the Group's sensitivity based on the exposure to the Group's cross currency interest rate swap contracts outstanding at the end of the reporting period. A 25 basis points (2017: 25 basis points) increase or decrease represents management's assessment of the reasonably possible change in forward interest rates.

If forward interest rates had been 25 basis points (2017: 25 basis points) higher/lower and all other variables were held constant, the Group's profit before taxation for the year ended 31 December 2018 would increase/decrease by HK$3,151,000 (2017: nil) and the Group's hedge reserve would increase/decrease by HK$3,751,000 (2017: nil) as a result of the change in fair value of these financial derivatives.

The aggregate sensitivity to interest rate risk for financial instruments (including the derivative financial instruments) as disclosed above is as follows:

If interest rates (as detailed above) had been 25 basis points (2017: 25 basis points) higher/lower, the Group's profit before taxation for the year would decrease/increase by HK$9,592,000 (2017: HK$11,941,000) and the Group's hedge reserve would increase/decrease by HK$3,751,000 (2017: nil).

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For the year ended 31 December 2018

6. Financial Instruments *(Continued)*

Financial risk management objectives and policies *(Continued)*

Other price risk

The Group is exposed to equity price risk through its investments in a listed equity security measured at FVTOCI (2017: available-for-sale investment). In addition, the Group also invested in certain unquoted equity securities for long term strategic purposes which had been designated as FVTOCI (2017: available-for-sale investments measured at cost less impairment). The Group currently does not have a hedging policy in relation to the price risk. However, the management will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting date, excluding available-for-sale investments measured at cost less impairment for the year ended 31 December 2017. Sensitivity analysis for the unquoted equity securities with fair value measurement categorised within Level 3 were disclosed in the fair value measurement section of this note.

If the prices of the respective listed equity security with fair value measurement categorised within Level 1 had been 3% higher/lower, the Group's investment revaluation reserve would increase/decrease by HK$1,312,000 (2017: HK$1,948,000) as a result of the changes in fair value of the investments.

Credit risk and impairment assessment

As at 31 December 2018, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties, is arising from the carrying amounts of the Group's financial assets (excluding equity instruments at fair value through other comprehensive income) as stated in the consolidated statement of financial position.

Trade receivables

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2017: incurred loss model) on trade balances based on provision matrix. In this regard, the Directors consider that the Group's credit risk is effectively managed.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

6. Financial Instruments *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Trade receivables (Continued)

Provision matrix – debtors' aging

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its operation because these customers consist of a large number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. Based on the Group's assessment of historical credit loss experience of the existing debtors and all available forward-looking information, including but not limited to the expected economic conditions in the PRC and expected subsequent settlements, the Group does not consider that default occurs for those contractual payments that are more than 90 days past due. The Group used estimated loss rates ranging from 0% to 30% for trade receivables not credit impaired based on aging for classes with different credit risk characteristics and exposures, and the estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 December 2018, the Group provided HK$14,220,000 impairment allowance for trade receivables based on the provision matrix.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000	**Lifetime ECL (credit-impaired)*** HK$'000	**Total** HK$'000
As at 31 December 2017 under HKAS 39	–	118,933	118,933
Adjustment upon application of HKFRS 9	5,641	–	5,641
As at 1 January 2018 – as restated	5,641	118,933	124,574
Exchange realignment	(319)	(6,717)	(7,036)
Impairment losses recognised	14,220	–	14,220
As at 31 December 2018	19,542	112,216	131,758

* Full provision was made for respective credit-impaired trade receivables.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

6. Financial Instruments *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment *(Continued)*

Time deposits over three months and bank balances

The credit risks on time deposits over three months and bank balances are limited because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

Loans to joint ventures, loan to an associate, loan to a non-controlling shareholder and amounts due from non-controlling shareholders

The credit risk of loans to joint ventures, loan to an associate, loan to a non-controlling shareholder and amounts due from non-controlling shareholders are concentrated in four (2017: three) joint ventures, one (2017: one) associate, nil (2017: one) non-controlling shareholder and five (2017: three) non-controlling shareholders respectively. However, the management, having considered the financial background and good creditability of the joint ventures, associate and non-controlling shareholders, believes the credit risk is minimal. Management will closely monitor the financial position of each counterparty to ensure overdue debts are recovered in a timely manner.

Other receivables

Based on ECL assessment, the credit exposures for other receivables are considered as low risk because the counterparties have a low risk of default and do not have material past-due amounts.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank and other borrowings and ensures compliance with loan covenants.

The Group relies on bank and other borrowings as a significant source of liquidity. As at date of approval for issuance of the consolidated financial statements, the Group had available unutilised bank loan facilities of HK$5,360 million (2017: HK$2,916 million). As stated in note 1, the Directors have considered the Group's liquidity and going concern in light of the fact that the Group's current liabilities exceed its current assets by approximately HK$4,522 million (at 31 December 2017: HK$5,760 million).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. 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 at the end of the reporting period.

6. Financial Instruments *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis, and the undiscounted gross (inflows) and outflows on those derivatives that require gross settlement. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	Weighted average effective interest rate	Repayable on demand or less than 1 month HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	1 – 5 years HK$'000	5+ years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2018 HK$'000
2018								
Trade payables	–	337,726	290,647	411,321	160,561	48,138	1,248,393	1,248,393
Other payables	–	533,255	–	–	–	–	533,255	533,255
Amounts due to non-controlling shareholders	–	96,629	–	–	–	–	96,629	96,629
Loans from joint ventures	2.78%	24,699	–	–	–	–	24,699	24,642
Bank loans	3.30%	1,320,310	843,587	864,857	7,580,729	12,151	10,621,634	9,466,400
Other loans	1.35%	1,644	84	22,374	6,757	9,336	40,195	37,932
		2,314,263	1,134,318	1,298,552	7,748,047	69,625	12,564,805	11,407,251
Derivatives – gross settlement								
Cross currency interest rate swap								
– inflow		–	(6,530)	(19,214)	(837,518)	–	(863,262)	N/A
– outflow		–	8,662	26,467	852,561	–	887,690	N/A
		–	2,132	7,253	15,043	–	24,428	22,300
Derivatives – gross settlement								
Cross currency swaps								
– inflow		(1,061,639)	(210,452)	(1,725,508)	–	–	(2,997,599)	N/A
– outflow		1,024,384	233,268	1,752,394	–	–	3,010,046	N/A
		(37,255)	22,816	26,886	–	–	12,447	13,428
Foreign currency forward contracts								
– inflow		–	(907,193)	(200,000)	–	–	(1,107,193)	N/A
– outflow		–	958,213	214,414	–	–	1,172,627	N/A
		–	51,020	14,414	–	–	65,434	64,257

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For the year ended 31 December 2018

6. Financial Instruments *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

	Weighted average effective interest rate	Repayable on demand or less than 1 month HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	1 – 5 years HK$'000	5+ years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2017 HK$'000
2017								
Trade payables	–	195,111	372,516	378,207	195,594	56,565	1,197,993	1,197,993
Other payables	–	465,182	–	–	–	–	465,182	465,182
Amounts due to non-controlling shareholders	–	115,546	–	–	–	–	115,546	115,546
Loans from joint ventures	2.57%	49,277	–	–	–	–	49,277	49,172
Bank loans	3.03%	1,221,409	1,364,673	1,307,086	5,655,390	13,190	9,561,748	8,739,164
Other loans	2.00%	1,647	132	23,843	6,831	10,922	43,375	40,501
		2,048,172	1,737,321	1,709,136	5,857,815	80,677	11,433,121	10,607,558
Derivatives – gross settlement								
Cross currency swaps								
– inflow		–	–	–	(400,000)	–	(400,000)	N/A
– outflow		–	–	–	438,876	–	438,876	N/A
		–	–	–	38,876	–	38,876	38,733
Foreign currency forward contracts								
– inflow		–	(600,000)	(505,214)	(1,107,193)	–	(2,212,407)	N/A
– outflow		–	641,539	534,176	1,196,874	–	2,372,589	N/A
		–	41,539	28,962	89,681	–	160,182	166,316

6. Financial Instruments *(Continued)*

Fair value measurements

Fair values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities 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 assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

Financial assets/ financial liabilities	Fair value as at 31.12.2018	31.12.2017	Fair value hierarchy	Valuation techniques and key inputs
1) Listed equity investment classified as available-for-sale investment in the consolidated statement of financial position	**Asset** **Nil**	Asset HK$64,930,000	Level 1	Quoted market price
2) Listed equity investment classified as FVTOCI in the consolidated statement of financial position	**Asset** **HK$43,741,000**	Asset Nil	Level 1	Quoted market price
3) Cross currency swaps and cross currency interest rate swaps classified as other financial assets/liabilities in the consolidated statement of financial position	**Assets** **HK$37,180,000** **Liabilities** **HK$72,908,000**	Assets Nil Liabilities HK$38,733,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable yield curves at the end of the reporting period) and yield curve of relevant interest rates and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.
4) Foreign currency forward contracts classified as other financial assets/liabilities in the consolidated statement of financial position	**Liabilities** **HK$64,257,000**	Liabilities HK$166,316,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of the various counterparties.

Notes to the Consolidated Financial Statements

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6. Financial Instruments *(Continued)*

Fair value measurements *(Continued)*

Fair values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis *(Continued)*

Financial assets/liabilities	Fair value as at 31.12.2018	Fair value as at 31.12.2017	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
Unquoted equity investments	**Assets HK$337,708,000**	N/A	Level 3	Market comparable approach	Market multiples ranging from 1.0 to 1.6 and discount for lack of marketability ranging from 0% to 30% (note)

Note: The higher the market multiples, the higher the fair value, and vice versa. The higher the discount, the lower the fair value, and vice versa.

Reconciliation of Level 3 fair value measurements of financial assets

	HK$'000
Balance at 1 January 2018*	257,929
Currency realignment	(17,318)
Fair value change recognised to other comprehensive income	97,097
Balance at 31 December 2018	337,708

* The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition method chosen, comparative information is not restated.

Fair value measurements and valuation processes

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the management establishes the appropriate valuation techniques and inputs to the model. The management reports the findings to the Directors half yearly to explain the cause of fluctuations in the fair value of the assets and liabilities.

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

There were no transfers between Level 1, 2 and 3 during the year.

7. Revenue

The Group's revenue from contracts with customers was all generated in the PRC and has been disaggregated as (i) sales and distribution of piped gas and related products of HK$9,754,895,000 and (ii) gas connection of HK$2,032,107,000 for the year ended 31 December 2018, as disclosed in note 8.

As at 31 December 2018, the amounts of transaction price allocated to the remaining performance obligations of gas connection (unsatisfied or partially unsatisfied) are expected to be recognised as revenue within one year and over one year are HK$1,287,440,000 and HK$1,651,946,000 respectively, and the Group's contract liabilities of HK$756,526,000 relating to sales and distribution of piped gas and related products, in which the respective performance obligations have not been satisfied, are expected to be recognised as revenue within one year.

8. Segment Information

Operating segments

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segments and to assess their performance. The chief operating decision maker of the Group has been identified as the executive directors of the Company (the "Executive Directors").

The Group determines its operating segments based on the internal reports reviewed by the Executive Directors to facilitate strategic decision making.

The Group currently organises its operations into two operating divisions, which also represent the operating segments of the Group for financial reporting purposes, namely sales and distribution of piped gas and related products, and gas connection. They represent two major lines of business engaged by the Group. The principal activities of the operating and reportable segments are as follows:

Sales and distribution of piped gas and related products	–	Sales of piped gas (mainly natural gas) and gas related household appliances*
Gas connection	–	Construction of gas pipeline networks under gas connection contracts

* Sales from gas related household appliances contributed to less than 5% of the Group's total revenue.

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For the year ended 31 December 2018

8. Segment Information *(Continued)*

Operating segments *(Continued)*

Segments results represent the profit before taxation earned by each segment, excluding finance costs, share of results of associates, share of results of joint ventures, other (losses) gains, net and unallocated corporate expenses such as central administration costs and directors' salaries. These are reported to the Executive Directors for the purposes of resource allocation and assessment of segment performance.

Information regarding these segments is presented below:

	Sales and distribution of piped gas and related products HK$'000	Gas connection HK$'000	Consolidated HK$'000
For the year ended 31 December 2018			
REVENUE			
External	**9,754,895**	**2,032,107**	**11,787,002**
Segment results	**874,492**	**885,923**	**1,760,415**
Other losses, net			**(59,524)**
Unallocated corporate expenses			**(163,040)**
Share of results of associates			**323,076**
Share of results of joint ventures			**346,641**
Finance costs			**(315,438)**
Profit before taxation			**1,892,130**
Taxation			**(478,981)**
Profit for the year			**1,413,149**

8. Segment Information *(Continued)*

Operating segments *(Continued)*

	Sales and distribution of piped gas and related products HK$'000	Gas connection HK$'000	Consolidated HK$'000
For the year ended 31 December 2017			
REVENUE			
External	6,995,858	1,763,925	8,759,783
Segment results	632,642	806,844	1,439,486
Other gains, net			257,363
Unallocated corporate expenses			(150,186)
Share of results of associates			341,922
Share of results of joint ventures			291,394
Finance costs			(262,325)
Profit before taxation			1,917,654
Taxation			(405,373)
Profit for the year			1,512,281

Segment results included depreciation and amortisation of HK$608,289,000 (2017: HK$540,491,000), most of which are attributable to the sales and distribution of piped gas and related products segment.

Amounts of segment assets and liabilities of the Group are not reviewed by the Executive Directors or otherwise regularly provided to the Executive Directors.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

All of the Group's revenue was generated in the PRC (place of domicile of the group entities that derive revenue) and over 90% of the Group's non-current assets other than financial instruments were also located in the PRC (place of domicile of the group entities that hold such assets). No individual customer of the Group had contributed sales of over 10% of the total revenue of the Group for the years ended 31 December 2018 and 2017.

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9. Total Operating Expenses

	2018 HK$'000	2017 HK$'000
Gas fuel, stores and materials used	**8,098,571**	5,552,365
Staff costs	**969,123**	913,713
Depreciation, amortisation and release of leasehold land	**608,289**	540,491
Other expenses	**513,644**	463,914
	10,189,627	7,470,483

10. Other (Losses) Gains, Net

Other (losses) gains, net mainly comprise of:

	2018 HK$'000	2017 HK$'000
Dividend income from		
– equity instruments at fair value through other comprehensive income	**52,227**	–
– available-for-sale investments	**–**	91,156
Interest income	**17,823**	24,155
Exchange (loss) gain	**(231,484)**	231,254
Gain on disposal of associates	**–**	23,769
Gain on deemed partial disposal of interest in an associate	**–**	209,390
Change in fair value of other financial assets and liabilities	**13,304**	(364,376)
Gain on disposal of property, plant and equipment	**20,998**	5,376
Gain (loss) on disposal of leasehold land	**41,183**	(322)

11. Finance Costs

	2018 HK$'000	2017 HK$'000
Interest on:		
– bank and other borrowings wholly repayable within five years	**326,321**	275,861
– bank and other borrowings not wholly repayable within five years	**587**	514
Bank charges	**5,778**	5,289
	332,686	281,664
Less: amounts capitalised	**(17,248)**	(19,339)
	315,438	262,325

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate 2.93% (2017: 2.76%) to expenditure on qualifying assets.

12. Profit Before Taxation

	2018 HK$'000	2017 HK$'000
Profit before taxation has been arrived at after charging (crediting):		
Directors' remuneration (note 13)	**16,256**	13,751
Other staff costs	**873,954**	827,853
Retirement benefit scheme contributions (excluding directors)	**78,913**	72,109
Total staff costs	**969,123**	913,713
Impairment loss of trade receivables, net of reversal	**14,220**	19,802
Amortisation of intangible assets	**19,400**	18,822
Release of leasehold land	**19,945**	19,957
Auditor's remuneration	**12,243**	11,481
Cost of inventories sold	**8,754,478**	6,146,570
Depreciation of property, plant and equipment	**568,944**	501,712
Operating lease rentals in respect of land and buildings	**36,198**	31,541
Gain on disposal of property, plant and equipment	**(20,998)**	(5,376)
(Gain) loss on disposal of leasehold land	**(41,183)**	322

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For the year ended 31 December 2018

13. Directors' and Employees' Emoluments

The emoluments paid or payable to each of the 7 (2017: 7) directors were as follows:

	Year ended 31 December 2018							
	Alfred Chan Wing-kin HK$'000	Moses Cheng Mo-chi HK$'000	James Kwan Yuk-choi HK$'000	Martin Kee Wai-ngai HK$'000 (Note f)	John Ho Hon-ming HK$'000 (Note e)	Brian David Li Man-bun HK$'000	Peter Wong Wai-yee HK$'000 (Note d)	Total HK$'000
Directors' fees (Note a)	200	500	500	200	200	500	200	2,300
Other emoluments (Note b)								
Salaries and other benefits	–	–	–	1,128	1,167	–	1,249	3,544
Retirement benefit scheme contributions	–	–	–	113	117	–	125	355
Performance and discretionary bonus (Note c)	–	–	–	2,560	2,740	–	4,757	10,057
Total emoluments	200	500	500	4,001	4,224	500	6,331	16,256

	Year ended 31 December 2017							
	Alfred Chan Wing-kin HK$'000	Moses Cheng Mo-chi HK$'000	James Kwan Yuk-choi HK$'000	Martin Kee Wai-ngai HK$'000	John Ho Hon-ming HK$'000 (Note e)	Brian David Li Man-bun HK$'000	Peter Wong Wai-yee HK$'000 (Note d)	Total HK$'000
Directors' fees (Note a)	200	500	500	200	200	500	200	2,300
Other emoluments (Note b)								
Salaries and other benefits	–	–	–	634	1,111	–	1,190	2,935
Retirement benefit scheme contributions	–	–	–	142	111	–	119	372
Performance and discretionary bonus (Note c)	–	–	–	941	2,632	–	4,571	8,144
Total emoluments	200	500	500	1,917	4,054	500	6,080	13,751

Notes:

(a) The directors' fees were mainly for their services as directors of the Company and its subsidiaries.

(b) The other emoluments were mainly for their services in connection with the management of the affairs of the Company and the Group.

(c) The performance and discretionary bonus are determined by the Board from time to time with reference to directors' duties and responsibilities and the Group's performance and profitability.

(d) Mr. Peter Wong Wai-yee is also the Chief Executive Officer of the Company and his emoluments disclosed above include those for services rendered by him as Chief Executive Officer.

(e) Mr. John Ho Hon-ming is also the Company Secretary of the Company and his emoluments disclosed above include those for services rendered by him as Company Secretary.

(f) Mr. Martin Kee Wai-ngai is also the Chief Operating Officer of the Company and his emoluments disclosed above include those for services rendered by him as Chief Operating Officer.

(g) No other service contracts were entered into by any directors with the Company.

13. Directors' and Employees' Emoluments *(Continued)*

Employees' emoluments:

For the year ended 31 December 2018, the five highest paid individuals of the Group included three (2017: three) directors of the Company, details of their emoluments are included above. The emoluments of the remaining two (2017: two) highest paid individuals are as follows:

	2018	2017
	HK$'000	HK$'000
Salaries and other benefits	**2,853**	2,723
Performance related incentive payments	**2,243**	1,892
Contribution to retirement benefit scheme	**233**	225
	5,329	4,840

The emoluments were within the following bands:

	Number of employees	
	2018	2017
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**1**	–
HK$2,500,001 to HK$3,000,000	**–**	1
HK$3,000,001 to HK$3,500,000	**1**	–

During the year, no remuneration was paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived or agreed to waive any remunerations for the year ended 31 December 2018.

14. Taxation

	2018	2017
	HK$'000	HK$'000
The charge comprises:		
PRC Enterprise Income Tax ("EIT")		
– current year	**446,262**	373,461
Deferred taxation (note 34)		
– taxation charge for the year	**32,719**	31,912
	478,981	405,373

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14. Taxation *(Continued)*

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

The EIT rates applicable for the Group's PRC subsidiaries ranged from 15% to 25%% (2017: 15% to 25%).

Following the Catalogue of Encouraged Industries in Western Region which was promulgated by the National Development and Reform Commission of the PRC in 2014, certain subsidiaries which are operating in the Western China were granted a concessionary tax rate of 15% by the local tax bureau.

The charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2018 **HK$'000**	2017 HK$'000
Profit before taxation	**1,892,130**	1,917,654
Tax at the applicable rate of 25% (2017: 25%) (note)	**473,033**	479,414
Tax effect of expenses that are not deductible for tax purposes	**170,626**	196,123
Tax effect of income that are not taxable for tax purposes	**(26,057)**	(122,176)
Effect of different tax rates of subsidiaries operating in different regions	**(40,729)**	(46,181)
Tax effect of share of results of associates	**(80,769)**	(85,481)
Tax effect of share of results of joint ventures	**(86,660)**	(72,849)
Tax effect of utilisation of tax losses not previously recognised	**(13,421)**	(17,155)
Tax effect of tax losses not recognised	**39,231**	44,398
Withholding tax on undistributed profits	**43,727**	29,280
Tax charge for the year	**478,981**	405,373

Note: The tax rate of 25% represents EIT which is applicable to most of the Group's operations in the PRC for the year 2018 (2017: 25%).

15. Dividends

During the year, a final dividend in respect of the year ended 31 December 2017 of HK$415,303,000 (2017: HK$325,392,000 in respect of the year ended 31 December 2016) was recognised as distribution, being HK fifteen cents per ordinary share (2017: HK twelve cents per ordinary share).

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2018 of HK fifteen cents (2017: HK fifteen cents) per ordinary share has been proposed by the Board and is subject to approval by the shareholders in the forthcoming annual general meeting.

16. Earnings Per Share

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

	2018	2017
	HK$'000	HK$'000
Earnings for the purpose of basic earnings per share, being profit for the year attributable to shareholders of the Company	**1,224,274**	1,365,385

	Number of shares	
	2018	2017
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,789,529**	2,737,878

No diluted earnings per share for both 2018 and 2017 were presented as there were no potential ordinary shares in issue for both 2018 and 2017.

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17. Property, Plant and Equipment

	Buildings HK$'000	Gas and other pipelines HK$'000	Plant and equipment and others HK$'000	Construction in progress HK$'000	Total HK$'000
COST					
At 1 January 2017	1,499,669	10,308,457	1,422,390	1,916,987	15,147,503
Currency realignment	128,293	849,711	115,731	141,786	1,235,521
Additions	107,975	332,043	98,687	1,304,481	1,843,186
Additions from acquisition of businesses	16,348	10,309	189	1,478	28,324
Disposals	(5,843)	(8,424)	(32,324)	–	(46,591)
Transfer	106,155	1,231,815	55,999	(1,393,969)	–
At 31 December 2017	1,852,597	12,723,911	1,660,672	1,970,763	18,207,943
Currency realignment	(108,278)	(734,793)	(93,829)	(105,610)	(1,042,510)
Additions	76,656	700,967	160,012	1,391,308	2,328,943
Additions from acquisition of business	–	–	909	12,635	13,544
Disposals	(23,560)	(48,867)	(77,132)	–	(149,559)
Transfer	163,949	1,131,580	50,992	(1,346,521)	–
At 31 December 2018	1,961,364	13,772,798	1,701,624	1,922,575	19,358,361
DEPRECIATION					
At 1 January 2017	246,701	1,585,929	622,977	–	2,455,607
Currency realignment	23,699	138,968	58,858	–	221,525
Provided for the year	65,845	299,537	136,330	–	501,712
Eliminated on disposals	(4,105)	(875)	(25,481)	–	(30,461)
At 31 December 2017	332,140	2,023,559	792,684	–	3,148,383
Currency realignment	(23,155)	(121,530)	(49,769)	–	(194,454)
Provided for the year	73,821	344,701	150,422	–	568,944
Eliminated on disposals	(10,874)	(10,151)	(57,535)	–	(78,560)
At 31 December 2018	371,932	2,236,579	835,802	–	3,444,313
CARRYING VALUES					
At 31 December 2018	1,589,432	11,536,219	865,822	1,922,575	15,914,048
At 31 December 2017	1,520,457	10,700,352	867,988	1,970,763	15,059,560

The buildings situated on land in the PRC are held under medium-term leases.

No property, plant and equipment of the Group was pledged as at 31 December 2018 and 2017.

18. Leasehold Land

	2018 HK$'000	2017 HK$'000
Balance at the beginning of the year	**640,668**	577,449
Currency realignment	**(37,397)**	43,112
Additions	**103,071**	39,415
Addition relating to acquisition of business	**–**	6,178
Disposals	**(22,266)**	(5,529)
Charge for the year	**(19,945)**	(19,957)
Balance at the end of the year	**664,131**	640,668
Analysis for reporting purpose:		
Non-current portion	**638,502**	613,218
Current portion	**25,629**	27,450
	664,131	640,668

The amount represented medium-term land use rights situated in the PRC.

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19. Intangible Assets

	HK$'000
COST	
At 1 January 2017	610,520
Currency realignment	45,899
At 31 December 2017	656,419
Currency realignment	(33,758)
Addition	15,372
At 31 December 2018	638,033
AMORTISATION	
At 1 January 2017	105,021
Currency realignment	9,104
Provided for the year	18,822
At 31 December 2017	132,947
Currency realignment	(6,983)
Provided for the year	19,400
At 31 December 2018	145,364
CARRYING VALUES	
At 31 December 2018	492,669
At 31 December 2017	523,472

The intangible assets represent the Group's exclusive operating rights and distribution network for piped city gas.

The exclusive operating rights and distribution network are amortised on a straight-line basis over a period of 25 to 50 years.

20. Goodwill

	HK$'000
At 1 January 2017	5,349,340
Currency realignment	406,426
Addition relating to acquisition of business	68,406
At 31 December 2017	5,824,172
Currency realignment	(303,187)
Additions relating to acquisition of business (note 37)	1,268
At 31 December 2018	5,522,253

20. Goodwill *(Continued)*

Goodwill acquired in a business combination is allocated to cash generating units ("CGUs") that are expected to benefit from that business combination. The management considers each investment holding company operating in specific locations together with its respective subsidiaries (together referred to as the "Sub-group") represents a separate CGU for the purpose of goodwill impairment testing. The CGUs are principally engaged in the sales and distribution of piped gas in the PRC. At the end of the reporting period, the carrying amount of goodwill allocated to these Sub-groups are as follows:

	2018 **HK$'000**	2017 HK$'000
Sub-group headed by:		
Hong Kong & China Gas (Qingdao) Limited	**325,927**	343,818
Hong Kong & China Gas (Zibo) Limited	**350,543**	369,786
Hong Kong & China Gas (Yantai) Limited	**236,747**	249,743
Hong Kong & China Gas (Weifang) Limited	**136,224**	143,702
Hong Kong & China Gas (Weihai) Limited	**271,201**	286,088
Hong Kong & China Gas (Taian) Limited	**239,943**	253,114
Hong Kong & China Gas (Maanshan) Limited	**284,801**	300,435
Hong Kong & China Gas (Anqing) Limited	**269,942**	284,761
Mianyang Hong Kong & China Gas Co., Ltd.	**290,189**	306,118
成都新都港華燃氣有限公司	**220,547**	232,654
Towngas (BVI) Holdings Limited ("Towngas BVI")*	**404,248**	426,439
阜新新邱港華燃氣有限公司	**128,402**	135,451
Ji Nan Ping Yin Hong Kong & China Gas Co., Ltd.	**123,163**	129,924
Shenyang business	**105,221**	110,997
綿竹港華燃氣有限公司	**104,447**	110,181
潮州楓溪港華燃氣有限公司	**149,016**	157,196
Boxing Hong Kong & China Gas Co., Ltd	**88,682**	93,551
Dafeng Hong Kong and China Gas Company Limited	**249,576**	263,276
廣西中威管道燃氣發展集團有限責任公司	**127,973**	135,451
Baotou Hong Kong & China Gas Company Limited	**163,581**	172,561
Xingyi Hong Kong & China Gas Company Limited	**102,923**	108,573
Others	**1,148,957**	1,210,353
	5,522,253	5,824,172

* The operating entities of Towngas BVI are located in the Liaoning and Zhejiang provinces in the PRC.

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20. Goodwill *(Continued)*

The recoverable amounts of CGUs are determined from value in use calculations. The value in use calculations is derived from cash flow projections based on the most recent financial budgets for the next 5 years approved by management and discount rates. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rates of 8.5% (2017: 8.5%) using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

Cash flows beyond 5-year period have been extrapolated using growth rates from 4% to 6% (2017: 4% to 6%) per annum, which is based on industry growth forecasts. The Directors of the Company considered no impairment loss is necessary as at 31 December 2018 (2017: nil).

21. Interests in Associates/Loan to an Associate

Details of the Group's interests in associates are as follows:

	2018 **HK$'000**	2017 HK$'000
Cost of investments in associates	**2,123,234**	2,167,627
Share of post-acquisition profits and other comprehensive income, net of dividends received	**1,885,962**	1,767,488
	4,009,196	3,935,115
Fair value of listed investments	**5,220,882**	8,697,257
Loan to an associate		
– Non-current portion	**11,159**	–
– Current portion	**–**	11,772
	11,159	11,772

21. Interests in Associates/Loan to an Associate *(Continued)*

Details of each of the Group's principal associates as at the end of the reporting periods are as follows:

Name of associate	Place of establishment and operation	Percentage of equity interest attributable to the Group and voting power attributable to the Group 2018	2017	Principal activities
Anhui Province Wenery Towngas Natural Gas Company Limited	PRC – Sino-foreign equity joint venture	**49.0%**	49.0%	Midstream
Changchun Gas Co., Ltd.*	PRC – Company limited by shares	**28.2%**	28.2%	Provision of natural gas and related services and gas pipeline construction
Dalian DETA Hong Kong and China Gas Co., Ltd.	PRC – Sino-foreign equity joint venture	**40.0%**	40.0%	Provision of natural gas and related services and gas pipeline construction
Foshan Gas Group Co., Ltd.**	PRC – Company limited by shares	**38.7%**	38.7%	Provision of natural gas and related services and gas pipeline construction
撫州市撫北天然氣有限公司	PRC – Limited liability company	**40.0%**	40.0%	Provision of natural gas and related services and gas pipeline construction
臨朐港華燃氣有限公司	PRC – Sino-foreign equity joint venture	**42.4%**	42.4%	Provision of natural gas and related services and gas pipeline construction
四川能投分布式能源有限公司	PRC – Sino-foreign equity joint venture	**25.0%**	25.0%	Provision of natural gas distributed energy
Shandong Jihua Gas Co., Ltd.	PRC – Sino-foreign equity joint venture	**49.0%**	49.0%	Provision of natural gas and related services and gas pipeline construction
石家莊華博燃氣有限公司	PRC – Sino-foreign equity joint venture	**45.0%**	45.0%	Provision of natural gas and related services and gas pipeline construction
Zhuojia Public Engineering (Maanshan) Co., Ltd.	PRC – Sino-foreign equity joint venture	**37.5%**	37.5%	Provision of gas pipe assembly
Zibo Lubo Gas Company Limited	PRC – Sino-foreign equity joint venture	**27.0%**	27.0%	Provision of natural gas and related services and gas pipeline construction

* Its shares are listed on the Shanghai Stock Exchange.
** Its shares are listed on the Shenzhen Stock Exchange.

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21. Interests in Associates/Loan to an Associate *(Continued)*

Aggregate information of associates that are not individually material

	2018 HK$'000	2017 HK$'000
The Group's share of profit and total comprehensive income	**323,076**	341,922
Aggregate carrying amount of the Group's interests in these associates	**4,009,196**	3,935,115

During the year, the maturity of the loan to an associate with principal amount of RMB9,800,000 bearing interest at a fixed rate of 4.75% per annum was extended from December 2018 to December 2020.

22. Interests in Joint Ventures/Loans to Joint Ventures

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

	2018 HK$'000	2017 HK$'000
Cost of investments in joint ventures	**1,162,065**	1,232,675
Share of post-acquisition profits and other comprehensive income, net of dividends received	**1,358,793**	1,174,522
	2,520,858	2,407,197
Loans to joint ventures		
– Non-current portion	**39,854**	24,024
– Current portion	**240,451**	286,298
	280,305	310,322

22. Interests in Joint Ventures/Loans to Joint Ventures *(Continued)*

Details of the Group's principal joint ventures at the end of the reporting periods are as follows:

Name of entity	Place of establishment and operation	Proportion of nominal value of registered capital held by the Group 2018	2017	Principal activities
Anqing Hong Kong and China Gas Company Limited	PRC – Sino-foreign equity joint venture	**50.0%**	50.0%	Provision for natural gas and related services and gas pipeline construction
重慶港華燃氣有限公司	PRC – Limited liability company	**50.0%**	50.0%	Provision of natural gas and related services and gas pipeline construction
Hangzhou Hong Kong and China Gas Company Limited	PRC – Sino-foreign equity joint venture	**50.0%**	50.0%	Provision of natural gas and related services and gas pipeline construction
Maanshan Hong Kong and China Gas Company Limited	PRC – Sino-foreign equity joint venture	**50.0%**	50.0%	Provision of natural gas and related services and gas pipeline construction
泰安市泰港燃氣有限公司	PRC – Sino-foreign equity joint venture	**49.0%**	49.0%	Midstream
Taian Taishan Hong Kong and China Gas Company Limited	PRC – Sino-foreign equity joint venture	**49.0%**	49.0%	Provision of natural gas and related services and gas pipeline construction
Weifang Hong Kong and China Gas Company Limited	PRC – Sino-foreign equity joint venture	**50.0%**	50.0%	Provision of natural gas and related services and gas pipeline construction
Weihai Hong Kong and China Gas Company Limited	PRC – Sino-foreign equity joint venture	**50.0%**	50.0%	Provision of natural gas and related services and gas pipeline construction
Wuhu Hong Kong & China Gas Company Limited	PRC – Sino-foreign equity joint venture	**50.0%**	50.0%	Provision of natural gas and related services and gas pipeline construction
Zibo Hong Kong and China Gas Company Limited	PRC – Sino-foreign equity joint venture	**50.0%**	50.0%	Provision of natural gas and related services and gas pipeline construction

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22. Interests in Joint Ventures/Loans to Joint Ventures *(Continued)*

Aggregate information of joint ventures that are not individually material

	2018 HK$'000	2017 HK$'000
The Group's share of profit and total comprehensive income	**346,641**	291,394
Aggregate carrying amount of the Group's interests in these joint ventures	**2,520,858**	2,407,197

The loans to joint ventures are unsecured and carried at amortised cost with the following details:

Principal amount **2018**	Principal amount 2017	Maturity date	Coupon interest rate	Effective interest rate	Carrying amount **2018** HK$'000	Carrying amount 2017 HK$'000
RMB35,000,000	RMB35,000,000	July 2020 (2017: Repayable on demand)	4.75%	4.75%	**39,854**	42,042
–	RMB2,180,000	Nil (2017: Repayable on demand)	5.88%	5.88%	**–**	2,618
RMB10,000,000	RMB10,000,000	November 2019 (2017: November 2018)	4.35%	4.35%	**11,387**	12,012
RMB10,000,000	RMB20,000,000	October 2019 (2017: October 2018)	4.35%	4.35%	**11,387**	24,024
RMB10,000,000	RMB10,000,000	September 2019 (2017: September 2018)	4.35%	4.35%	**11,387**	12,012
RMB10,000,000	RMB10,000,000	August 2019 (2017: August 2019)	4.75%	4.75%	**11,387**	12,012
RMB10,000,000	RMB10,000,000	August 2019 (2017: August 2019)	4.75%	4.75%	**11,387**	12,012
RMB10,000,000	RMB10,000,000	June 2019 (2017: June 2018)	4.35%	4.35%	**11,387**	12,012
RMB151,164,000	RMB151,164,000	Repayable on demand (2017: Repayable on demand)	–	–	**172,129**	181,578
					280,305	310,322

The principal and interest will be received on the respective maturity date for each loan.

23. Equity Instruments at Fair Value Through Other Comprehensive Income

	2018
	HK$'000
Listed shares in the PRC	**43,741**
Unlisted shares in the PRC	**337,708**
	381,449

These investees are all engaged in the provision of natural gas and related services and gas pipeline construction business. These investments are not held for trading, instead, they are held for long-term strategic purposes. The Directors have elected to designate these investments in equity instruments as at FVTOCI as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

24. Available-For-Sale Investments

	2017
	HK$'000
Listed shares in the PRC, at fair value	64,930
Unlisted shares in the PRC, at cost	160,485
	225,415

At 31 December 2017, investments in unlisted equity securities issued by private entities established in the PRC were measured at cost less impairment because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably. These investees are all engaged in the provision of natural gas and related services and gas pipeline construction business.

25. Inventories

	2018	2017
	HK$'000	HK$'000
Finished goods	**126,858**	120,860
Materials and consumables	**448,392**	515,759
	575,250	636,619

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26. Loan to a Non-Controlling Shareholder

The loan to a non-controlling shareholder was unsecured and carried at amortised cost with the following details:

Principal amount		Maturity date	Coupon interest rate	Effective interest rate	Carrying amount	
2018	2017				**2018**	2017
					HK$'000	HK$'000
–	RMB14,500,000	Nil (2017: March 2018)	6%	6%	**–**	17,417

The principal and interest were received on respective payment due dates during the year.

27. Trade and Other Receivables, Deposits and Prepayments/Time Deposits Over Three Months And Bank Balances and Cash

	2018	2017
	HK$'000	HK$'000
Trade receivables (net of allowance for credit losses)	**871,480**	710,349
Prepayments	**597,090**	461,746
Other receivables and deposits	**364,658**	221,049
	1,833,228	1,393,144

Trade receivables

Included in the balance of trade and other receivables, deposits and prepayments are trade receivables with gross carrying amount of HK$1,003,238,000 (2017: HK$829,282,000) and allowance for credit losses of HK$131,758,000 (2017: HK$118,933,000). The Group has a policy of allowing a credit period ranging from 0 to 180 days to its customers. Longer credit period is also allowed on a case by case basis. The following is an aged analysis of trade receivables presented based on the invoice date, which approximated the revenue recognition date, at the end of the reporting period:

	2018	2017
	HK$'000	HK$'000
0 to 90 days	**747,436**	551,597
91 to 180 days	**44,553**	45,781
Over 180 days	**79,491**	112,971
	871,480	710,349

27. Trade and Other Receivables, Deposits and Prepayments/Time Deposits Over Three Months And Bank Balances and Cash *(Continued)*

Trade receivables *(Continued)*

As at 31 December 2018, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$3,117,000 which are past due as at the reporting date. Out of the past due balances, HK$2,264,000 has been past due 90 days or more and is not considered as in default based on the Group's assessment of historical credit loss experience of the existing debtors and all available forward-looking information, including but not limited to the expected economic conditions in the PRC and expected subsequent settlements. The Group does not hold any collateral over these balances.

Details of the impairment assessment of trade receivables for the year ended 31 December 2018 are set out in note 6.

As at 31 December 2017, included in the Group's trade receivables were debtors with aggregate carrying amount of HK$11,741,000 which had been past due at the end of the reporting period for which the Group had not provided for impairment loss. The Group did not hold any collateral over these balances but the management expected they were recoverable with reference to satisfactory settlement records.

Aging of trade receivables which were past due but not impaired was as follows:

	31 December 2017 HK$'000
0 to 90 days	4,932
91 to 180 days	2,144
Over 180 days	4,665
Total	11,741

Movement in the allowance for doubtful debts for trade and other receivables was as follows:

	2017 HK$'000
Balance at the beginning of the year	99,131
Impairment losses recognised on receivables	19,802
Balance at the end of the year	118,933

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27. Trade and Other Receivables, Deposits and Prepayments/Time Deposits Over Three Months And Bank Balances and Cash *(Continued)*

Trade receivables *(Continued)*

The allowance for doubtful debts was composed entirely of individually impaired receivables which represented amounts that had been long overdue and recoverability had been considered remote.

The Group had no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The Directors determined that such receivables neither past due nor impaired were of good credit quality with no history of default.

Time deposits over three months and bank balances and cash

The deposits and bank balances carry interest at prevailing market rates ranging from 0.00% to 2.93% (2017: 0.00% to 3.50%) per annum.

At the end of the reporting period, included in the time deposits over three months, bank balances and cash are the following amount denominated in currency other than the functional currency of the relevant entities to which it relates.

	2018 **HK$'000**	2017 HK$'000
United States Dollar	**20,043**	28,236
Hong Kong Dollar	**6,637**	7,571

28. Amounts Due From/To Non-Controlling Shareholders

The amounts due from/to non-controlling shareholders are unsecured, interest-free and repayable on demand.

29. Other Financial Assets/Liabilities

	2018 HK$'000	2017 HK$'000
Other financial assets		
Derivatives (not under hedge accounting)		
Cross currency interest rate swaps under current assets	**37,180**	–
Other financial liabilities		
Derivatives (not under hedge accounting)		
Foreign currency forward contracts under current liabilities	**64,257**	76,172
Cross currency swaps and cross currency interest rate swaps under current liabilities	**50,608**	–
	114,865	76,172
Foreign currency forward contracts under non-current liabilities	**–**	90,144
Cross currency swaps under non-current liabilities	**–**	38,733
	–	128,877
Derivatives (under hedge accounting)		
Cash flow hedge – cross currency interest rate swap contract under non-current liabilities	**22,300**	–
	137,165	205,049

The classification of the measure of the derivative financial instruments at 31 December 2018 and 2017 using the fair value hierarchy is Level 2. 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).

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29. Other Financial Assets/Liabilities *(Continued)*

Derivatives (not under hedge accounting)

The major terms of the outstanding foreign currency forward contracts, cross currency swaps and cross currency interest rate swaps are set out below:

Notional amount	Maturity	Forward contract rate	Interest rate		Exchange frequency	
			Receive	Pay	Receive	Pay
Foreign currency forward contracts						
RMB366,939,000	2019	HK$1 to RMB0.92	N/A	N/A	N/A	N/A
RMB564,849,000	2019	HK$1 to RMB0.94	N/A	N/A	N/A	N/A
RMB100,000,000	2019	HK$1 to RMB0.93	N/A	N/A	N/A	N/A
Cross currency swaps						
RMB188,822,000	2019	HK$1 to RMB0.94	N/A	N/A	Upon initial date and maturity date	Upon initial date and maturity date
RMB189,520,000	2019	HK$1 to RMB0.95	N/A	N/A	Upon initial date and maturity date	Upon initial date and maturity date
Cross currency interest rate swaps						
RMB1,860,751,000	2019	HK$1 to RMB0.84 – RMB0.89	HIBOR + 0.6% to HIBOR + 0.7%	4.37% to 4.83%	Quarterly from initial date until maturity date	Quarterly from initial date until maturity date

During the year, change in fair value of the foreign currency forward contracts, cross currency swaps and cross currency interest rate swaps amounting to gain of HK$13,304,000 (2017: loss of HK$364,376,000) has been recognised to profit or loss.

29. Other Financial Assets/Liabilities *(Continued)*

Cash flow hedge

During the year ended 31 December 2018, the Group entered into a cross currency interest rate swap contract with total notional amount of USD100,000,000 with Westpac Banking Corporation to minimise the exposure to fluctuations in foreign currency exchange rates and interest rates of the USD bank loan with principal amount of USD100,000,000. The critical terms of the cross currency interest rate swap and the corresponding USD bank loan are closely aligned and the Directors considered that the cross currency interest rate swap was a highly effective hedging instrument and qualified as cash flow hedge. During the year, the fair value change of HK15,061,000 on derivative instrument designated as cash flow hedge was recorded in hedge reserve, and reclassification of fair value change of HK$1,216,000 on derivative instrument designated as cash flow hedge was made to charge to finance costs of HK$63,000 and credit to exchange differences of HK1,279,000 in profit or loss.

The major terms of the cross currency interest rate swap are set out below:

Notional amount	Maturity	Exchange rate	Interest rate		Exchange frequency		Total hedged item
			Receive	Pay	Receive	Pay	
Cross currency interest rate swap							
USD100,000,000	2021	USD1 to RMB6.8685	LIBOR+0.53%	4.43%	Quarterly from initial date until maturity date	Quarterly from initial date until maturity date	Bank loan principal and interest payments

30. Trade and Other Payables and Accrued Charges

	2018 **HK$'000**	2017 HK$'000
Trade payables	**1,248,393**	1,197,993
Receipt in advance	**–**	3,092,720
Consideration payable for acquisitions of businesses	**75,019**	100,591
Other payables and accruals	**755,590**	780,852
Amount due to the ultimate holding company (note)	**924**	863
	2,079,926	5,173,019

Note: The amount is unsecured, interest-free and repayable on demand.

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30. Trade and Other Payables and Accrued Charges *(Continued)*

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2018 HK$'000	2017 HK$'000
0 to 90 days	**819,120**	775,346
91 to 180 days	**127,950**	139,989
181 to 360 days	**128,181**	137,281
Over 360 days	**173,142**	145,377
	1,248,393	1,197,993

31. Contract Liabilities

	31 December 2018 HK$'000	1 January 2018* HK$'000
Sales and distribution of piped gas and related products	**756,526**	639,612
Gas connection	**2,287,430**	2,453,108
	3,043,956	3,092,720

* The amounts in this column are after the adjustments from the application of HKFRS 15.

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

	Sales and distribution of piped gas and related products HK$'000	**Gas connection** HK$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	639,612	1,140,695

31. Contract Liabilities *(Continued)*

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

Sales and distribution of piped gas and related products

The Group typically receives prepayments from customers for piped gas and related products before the respective sales and distribution.

Gas connection

The Group receives deposits from customers before the construction work commences, and this will give rise to contract liabilities at the start of a contract.

32. Borrowings

	2018 **HK$'000**	2017 HK$'000
Bank loans – unsecured	**9,466,400**	8,739,164
Other loans – unsecured	**37,932**	40,501
	9,504,332	8,779,665
Carrying amount repayable:		
On demand or within one year	**2,783,581**	3,707,803
More than one year but not exceeding two years	**1,168,312**	2,804,347
More than two years but not exceeding five years	**5,533,998**	2,246,573
More than five years	**18,441**	20,942
	9,504,332	8,779,665
Less: Amount due within one year shown under current liabilities	**(2,783,581)**	(3,707,803)
Amount due after one year	**6,720,751**	5,071,862

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32. Borrowings *(Continued)*

The bank and other loans mainly comprise of:

	Effective interest rate	Carrying amount 2018 HK$'000	2017 HK$'000
Floating-rate loans:			
Unsecured HKD bank loans	2.23% (2017: 1.60%)	**3,627,482**	2,700,267
Unsecured RMB bank loans	4.70% (2017: 4.58%)	**1,469,859**	1,568,402
Unsecured USD bank loans	2.80% (2017: 1.80%)	**783,200**	507,910
Fixed rate loans*:			
Unsecured RMB bank loans	4.05% (2017: 3.92%)	**3,585,859**	3,962,585
Unsecured RMB other loans	1.50% (2017: 2.69%)	**21,907**	23,109
Unsecured other loans	1.15% (2017: 1.12%)	**16,025**	17,392
Total bank loans and other loans		**9,504,332**	8,779,665

* The majority of the Group's fixed rate loans are repayable after two years but not exceeding five years.

33. Loans From Joint Ventures

At the year ended date, loans from joint ventures were denominated in RMB with the carrying amount of HK$24,642,000 (2017: HK$49,172,000). The loans carrying interest at a fixed rate of 2.78% (2017: 2.57%) per annum are unsecured and wholly repayable on demand.

34. Deferred Taxation

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

	Accelerated tax depreciation HK$'000	Intangible assets HK$'000	Undistributed profits of joint ventures/ associates/ subsidiaries HK$'000	ECL provision/ fair value revaluation of equity instruments at FVTOCI HK$'000	Total HK$'000
At 1 January 2017	66,064	134,391	208,071	–	408,526
Currency realignment	5,302	9,998	16,233	–	31,533
Charge (credit) to profit or loss	7,271	(4,639)	29,280	–	31,912
Withholding tax paid	–	–	(17,871)	–	(17,871)
At 31 December 2017	78,637	139,750	235,713	–	454,100
Adjustments (note 2)	–	–	–	22,951	22,951
At 1 January 2018 (restated)	**78,637**	**139,750**	**235,713**	**22,951**	**477,051**
Currency realignment	**(3,984)**	**(7,082)**	**(13,674)**	**(1,425)**	**(26,165)**
(Credit) charge to profit or loss	**(2,692)**	**(4,761)**	**43,727**	**(3,555)**	**32,719**
Charge to other comprehensive income	**–**	**–**	**–**	**19,641**	**19,641**
Withholding tax paid	**–**	**–**	**(7,346)**	**–**	**(7,346)**
At 31 December 2018	**71,961**	**127,907**	**258,420**	**37,612**	**495,900**

At the end of the reporting period, the Group has unused tax losses of HK$748,306,000 (2017: HK$708,374,000) available for offsetting against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Such unrecognised tax losses will expire progressively until 2023.

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35. Share Capital

	Number of shares	HK$'000
At 31 December 2018		
– Authorised:		
Shares of HK$0.10 each	5,000,000,000	500,000
– Issued and fully paid:		
Shares of HK$0.10 each	2,810,027,892	281,003

Details of the authorised share capital is as follows:

	Number of shares	HK$'000
At 1 January 2017, 31 December 2017 and 2018	5,000,000,000	500,000

A summary of the movements in the issued and fully paid capital of the Company is as follows:

	Number of shares	HK$'000
At 1 January 2017	2,711,601,763	271,160
Issue of shares upon scrip dividend scheme (note a)	57,087,782	5,709
At 31 December 2017	2,768,689,545	276,869
Issue of shares upon scrip dividend scheme (note b)	41,338,347	4,134
At 31 December 2018	2,810,027,892	281,003

Notes:

(a) On 15 March 2017, a scrip dividend scheme was proposed by the board, which offers the shareholders of the Company may elect to receive the dividend wholly or partly by the allotment of new shares in lieu of cash. This proposal was approved at the annual general meeting of the Company held on 1 June 2017. On 17 July 2017, 57,087,782 shares of HK$0.10 each were allotted and issued at HK$4.836 each to shareholders who had elected to receive new shares in lieu of cash dividend in respect of the 2016 final dividend under the scrip dividend scheme.

(b) On 19 March 2018, a scrip dividend scheme was proposed by the board, which offers the shareholders of the Company may elect to receive the dividend wholly or partly by the allotment of new shares in lieu of cash. This proposal was approved at the annual general meeting of the Company held on 1 June 2018. On 18 July 2018, 41,338,347 shares of HK$0.10 each were allotted and issued at HK$7.436 each to shareholders who had elected to receive new shares in lieu of cash dividend in respect of the 2017 final dividend under the scrip dividend scheme.

All the shares which were issued during the years ended 31 December 2017 and 2018 rank pari passu with the then existing shares in all respects.

36. Reserves

General reserves represent the Enterprise Expansion Fund and General Reserve Fund set aside by certain subsidiaries in accordance with the relevant laws and regulations of the PRC. They are not available for distribution.

37. Acquisition of A Business

During the year ended 31 December 2018, the Group acquired the following business which is principally engaged in the operation of distributed energy and other related business in the PRC. The primary reason for the below acquisition was for the expansion of the Group's business and to increase returns to its shareholders.

	Date of acquisition	Percentage of registered capital acquired	Purchase consideration HK$'000
Business combination in:			
徐州工業園區中港熱力有限公司 ("Xuzhou")	**January 2018**	**51%**	**49,719**

The acquisition-related costs were insignificant and were recognised as expenses in the current year, within other expenses of note 9.

Details of fair value of net identifiable assets acquired and goodwill arising on acquisition are as follows:

	Xuzhou HK$'000
Purchase consideration	**49,719**
Non-controlling interests	**46,551**
Acquiree's fair value of net identifiable assets acquired (see below)	**(95,002)**
Goodwill arising on acquisition	**1,268**

The non-controlling interests recognised at the acquisition dates in respect of the acquisition in 2018 were measured by reference to the proportionate share of fair values of the acquirees' net assets at the acquisition dates and amounted to HK$46,551,000.

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37. Acquisition of A Business *(Continued)*

The net identifiable assets acquired in the transaction are as follows:
Acquirees' fair values at acquisition dates:

	Xuzhou HK$'000
Net assets acquired:	
Property, plant and equipment	13,544
Prepayments	86,909
Bank balances and cash	2,064
Other payables and accrued charges	(7,515)
	95,002

Net cash outflow arising on acquisition:

	Xuzhou HK$'000
Purchase consideration	49,719
Bank balances and cash acquired	(2,064)
	47,655

Goodwill arose from the above acquisition because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefits of expected synergies, revenue growth, future market development and the assembled workforce of the business.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

During the year, acquired business contributed HK$56,921,000 to the Group's revenue and incurred profit of HK$3,616,000 for the period between the dates of acquisition and the end of the reporting period, respectively.

Had the above acquisition been effected at the beginning of the reporting period, the total amount of revenue of the Group for the year ended 31 December 2018 would have been HK$11,787,002,000, and the amount of the profit for the year would have been HK$1,413,149,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed at the beginning of the reporting period, nor is it intended to be a projection of future results.

38. Major Non-Cash Transactions

The Group issued additional shares as scrip dividends during the year ended 31 December 2018 as set out in note 35(b) (2017: note 35(a)).

39. Reconciliation of Liabilities Arising from Financing Activities

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

	Bank and other loans HK$'000	**Loans from joint ventures** HK$'000	**Dividend payable** HK$'000	**Total** HK$'000
At 1 January 2018	8,779,665	49,172	–	8,828,837
Financing cash flows	693,341	(22,861)	(199,111)	471,369
Exchange differences	(278,271)	(1,669)	–	(279,940)
Interest expenses	309,597	–	–	309,597
Dividend declaration				
– shareholders of the Company	–	–	415,303	415,303
– non-controlling shareholders	–	–	91,200	91,200
Issue of shares upon scrip dividend scheme	–	–	(307,392)	(307,392)
At 31 December 2018	9,504,332	24,642	–	9,528,974
At 1 January 2017	7,836,812	–	–	7,836,812
Financing cash flows	285,906	49,172	(148,753)	186,325
Exchange differences	399,911	–	–	399,911
Interest expenses	257,036	–	–	257,036
Dividend declaration				
– shareholders of the Company	–	–	325,392	325,392
– non-controlling shareholders	–	–	99,438	99,438
Issue of shares upon scrip dividend scheme	–	–	(276,077)	(276,077)
At 31 December 2017	8,779,665	49,172	–	8,828,837

Note: The amounts reclassified from hedge reserve are excluded in the reconciliation.

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40. Related Party Transactions

Save as disclosed elsewhere in the consolidated financial statements, the following related party transactions took place during the year:

Name of related party	Nature of transaction	2018 HK$'000	2017 HK$'000
瀋陽三全工程監理諮詢有限公司 (note a)	Project management services	**7,264**	7,839
HongKong and China Technology (Wuhan) Company Limited (note a)	System software and supporting services	**8,529**	7,124
Shanxi ECO Coalbed Methane Co., Ltd. (note a)	Purchase of coalbed methane	**1,784**	3,739
Anhui Province Natural Gas Development Co. Ltd. (note b)	Purchase of compressed natural gas	**75,384**	85,050
山東港華培訓學院 (note a)	Training services	**3,115**	3,220
卓度計量技術(深圳)有限公司 (note a)	Purchase of gas meters	**20,250**	17,031
卓通管道系統(中山)有限公司 (note a)	Purchase of pipeline construction materials and tools	**127,676**	118,902
珠海卓銳高科信息技術有限公司 (note a)	Provision of system software, cloud computing system and safety inspection supporting services	**2,374**	1,406
Chaozhou Hong Kong and China Gas Company Limited (note a)	Processing service charges of natural gas	**1,672**	1,083

40. Related Party Transactions *(Continued)*

Name of related party	Nature of transaction	2018 HK$'000	2017 HK$'000
Maanshan Hong Kong and China Gas Company Limited (note c)	Purchase of natural gas	**57,602**	42,833
南京港華棲霞燃氣有限公司 (note b)	Purchase of liquefied natural gas	**–**	3,687
清遠卓佳公用工程材料有限公司 (note b)	Purchase of pipeline construction materials and tools	**13,804**	7,905
南京港華能源投資發展有限公司 (note b)	Purchase of liquefied natural gas	**–**	6,774
港華國際能源貿易有限公司 (note a)	Purchase of liquefied natural gas	**93,022**	52,070
常州東利港華氣體有限公司 (note b)	Purchase of natural gas	**57,818**	7,631
豐縣港華燃氣有限公司 (note a)	Sale of natural gas	**–**	4,491
Zhuojia Public Engineering (Maanshan) Co., Ltd. (note b)	Processing of pipeline materials	**9,426**	5,661
Xuzhou Hong Kong and China Gas Company Limited (note a)	Purchase of natural gas	**7,928**	1,719
江蘇海企港華燃氣股份有限公司 (note b)	Purchase of pipeline construction materials and tools	**2,741**	2,135

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40. Related Party Transactions *(Continued)*

Name of related party	Nature of transaction	2018 HK$'000	2017 HK$'000
Guangzhou Hong Kong and China Gas Company Limited (note a)	Sale of natural gas	**35,028**	–
徐州港華能源科技有限公司 (note a)	Purchase of natural gas	**2,757**	–
四川空港燃氣有限公司 (note d)	Sale of natural gas	**17,247**	–
四川空港燃氣有限公司 (note d)	Sale of fixed assets	**32,244**	–
GH-Fushion Corporation Limited (note b)	Purchase of pipeline construction materials and tools	**1,779**	757

Notes:

(a) HKCG has controlling interests in these companies.

(b) HKCG has significant influences in these companies.

(c) The Group jointly controlled this company with an independent third party.

(d) The Group has significant influences in this company.

Emoluments paid to the key management personnel of the Company which represents the Executive Directors of the Company are set out in note 13.

41. Operating Lease Commitments

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

	2018 **HK$'000**	2017 HK$'000
Within one year	**25,330**	24,414
In the second to fifth year inclusive	**58,207**	67,560
Over five years	**19,776**	22,153
	103,313	114,127

Operating lease payments represent rental payable by the Group for certain of its office properties. Leases are negotiated for terms up to 20 years.

42. Commitments

	2018 **HK$'000**	2017 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	**262,281**	180,941
– acquisition of businesses	**18,219**	19,219
– acquisition of an associate	**–**	86,486

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43. Retirement Benefit Schemes

The Group's subsidiaries operating in the PRC have participated in defined contribution retirement schemes organised by the relevant local government authorities in the PRC. The Group is required to make specific contributions to the retirement schemes at a rate of 12 to 25 percent of basic salary of its PRC employees and have no further obligation for post-retirement benefits beyond the annual contributions made. Pursuant to these arrangements, the retirement plan contributions charge for the year ended 31 December 2018 amounted to HK$78,918,000 (2017: HK$72,005,000).

The Group has joined a MPF Scheme for all its non-PRC employees. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. The retirement benefits scheme contributions arising from the MPF Scheme charged to the consolidated income statement represent contributions payable to the funds by the Group at rates specified in the rules of the scheme. For the year ended 31 December 2018, the Group made retirement benefit scheme contributions amounting to HK$350,000 (2017: HK$476,000).

44. Statement of Financial Position and Reserves of the Company

(a) Statement of the financial position of the Company:

	2018 HK$'000	2017 HK$'000
Non-current assets		
Property, plant and equipment	**32**	30
Investments in subsidiaries	**2,192,215**	2,316,990
	2,192,247	2,317,020
Current assets		
Amounts due from subsidiaries	**10,836,721**	10,983,034
Bank balances and cash	**39,661**	40,836
	10,876,382	11,023,870
Current liabilities		
Other payables and accrued charges	**57,087**	72,201
Amounts due to subsidiaries	**1,258,301**	1,219,747
Amounts due to the ultimate holding company	**247**	198
Borrowings – amount due within one year	**1,935,778**	3,144,547
Other financial liabilities	**6,325**	41,042
	3,257,738	4,477,735
Net current assets	**7,618,644**	6,546,135
Total assets less current liabilities	**9,810,891**	8,863,155
Non-current liabilities		
Loan from a subsidiary	**4,984,844**	4,815,097
Borrowings – amount due after one year	**1,513,200**	–
Other financial liabilities	**22,300**	8,936
	6,520,344	4,824,033
Net assets	**3,290,547**	4,039,122
Capital and reserves		
Share capital	**281,003**	276,869
Reserves	**3,009,544**	3,762,253
	3,290,547	4,039,122

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44. Statement of Financial Position and Reserves of the Company *(Continued)*

(b) Movement of share capital and reserves of the Company:

	Share capital HK$'000	Share premium HK$'000	Others* HK$'000	Total HK$'000
At 1 January 2017	271,160	6,281,786	(2,406,936)	4,146,010
Loss and other comprehensive expense for the year	–	–	(57,573)	(57,573)
Issue of shares upon scrip dividend scheme	5,709	270,368	–	276,077
Dividends paid to shareholders	–	(325,392)	–	(325,392)
At 31 December 2017	276,869	6,226,762	(2,464,509)	4,039,122
Loss and other comprehensive expense for the year	–	–	(640,664)	(640,664)
Issue of shares upon scrip dividend scheme	4,134	303,258	–	307,392
Dividends paid to shareholders	–	(415,303)	–	(415,303)
At 31 December 2018	281,003	6,114,717	(3,105,173)	3,290,547

* Others represent hedge reserve, exchange reserve and accumulated losses.

(c) Amounts due from/to subsidiaries

The amounts due from/to subsidiaries are unsecured, interest-free and are repayable on demand.

45. Particulars of Principal Subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2018 and 2017 are as follows:

Name of company	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2018	2017	Principal activities
Directly-owned subsidiaries					
Hong Kong & China Gas (Anqing) Limited	BVI – Limited liability company/HK	US$1	**100.0%**	100.0%	Investment holding
Hong Kong & China Gas (Maanshan) Limited	BVI – Limited liability company/HK	US$1	**100.0%**	100.0%	Investment holding
Hong Kong & China Gas (Qingdao) Limited	BVI – Limited liability company/HK	US$1	**100.0%**	100.0%	Investment holding
Hong Kong & China Gas (Taian) Limited	BVI – Limited liability company/HK	US$1	**100.0%**	100.0%	Investment holding
Hong Kong & China Gas (Weifang) Limited	BVI – Limited liability company/HK	US$1	**100.0%**	100.0%	Investment holding
Hong Kong & China Gas (Weihai) Limited	BVI – Limited liability company/HK	US$1	**100.0%**	100.0%	Investment holding
Hong Kong & China Gas (Yantai) Limited	BVI – Limited liability company/HK	US$1	**100.0%**	100.0%	Investment holding
Hong Kong & China Gas (Zibo) Limited	BVI– Limited liability company/HK	US$1	**100.0%**	100.0%	Investment holding
TCCL (Finance) Limited	HK – Limited liability company	HK$1	**100.0%**	100.0%	Financing
Towngas China Group Limited	BVI – Limited liability company/HK	US$12,821	**100.0%**	100.0%	Investment holding
Towngas China Holdings Limited	HK – Limited liability company	HK$100	**100.0%**	100.0%	Investment holding

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45. Particulars of Principal Subsidiaries *(Continued)*

Name of company	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2018	2017	Principal activities
Indirectly-owned subsidiaries					
An Shan Hong Kong and China Gas Company Limited	PRC – Wholly foreign-owned enterprise	US$15,000,000	**100.0%**	100.0%	Provision of natural gas and related services and gas pipeline construction
Baotou Hong Kong & China Gas Company Limited	PRC – Sino-foreign equity joint venture	RMB20,000,000	**85.0%**	85.0%	Provision of natural gas and related services and gas pipeline construction
Beipiao Hong Kong and China Gas Company Limited	PRC – Sino-foreign equity joint venture	RMB56,000,000	**80.0%**	80.0%	Provision of natural gas and related services and gas pipeline construction
Ben Xi Hongkong and China Gas Company Limited	PRC – Sino-foreign equity joint venture	RMB335,000,000	**80.0%**	80.0%	Provision of natural gas and related services and gas pipeline construction
Boxing Hong Kong & China Gas Co., Ltd	PRC – Sino-foreign equity joint venture	RMB40,000,000	**65.0%**	65.0%	Provision of natural gas and related services and gas pipeline construction
Cang Xi Hong Kong and China Gas Company Limited	PRC – Wholly foreign-owned enterprise	RMB20,000,000	**100.0%**	100.0%	Provision of natural gas and related services and gas pipeline construction
Cangxian Hong Kong & China Gas Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB10,000,000	**90.0%**	90.0%	Provision of natural gas and related services and gas pipeline construction
Changting Hong Kong and China Gas Company Limited	PRC – Sino-foreign equity joint venture	RMB22,000,000	**90.0%**	90.0%	Provision of natural gas and related services and gas pipeline construction

45. Particulars of Principal Subsidiaries *(Continued)*

Name of company	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2018	2017	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
Chao Sheng Investments Limited	HK – Limited liability company	HK$100	**100.0%**	100.0%	Investment holding
Chaoyang Hongkong and China Gas Company Limited	PRC – Sino-foreign equity joint venture	US$10,791,838	**90.0%**	90.0%	Provision of natural gas and related services and gas pipeline construction
潮州楓溪港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB60,000,000	**60.0%**	60.0%	Provision of natural gas and related services and gas pipeline construction
Chi Ping Hongkong and China Gas Co. Ltd.	PRC – Sino-foreign equity joint venture	RMB40,000,000	**85.0%**	85.0%	Provision of natural gas and related services and gas pipeline construction
Chizhou Hong Kong and China Gas Company Ltd	PRC – Wholly foreign-owned enterprise	RMB20,000,000	**100.0%**	100.0%	Provision of natural gas and related services and gas pipeline construction
Dafeng Hong Kong and China Gas Company Limited	PRC – Sino-foreign equity joint venture	RMB80,000,000	**51.0%**	51.0%	Provision of natural gas and related services and gas pipeline construction
Dalian Changxing Hong Kong and China Gas Co. Ltd.	PRC – Wholly foreign-owned enterprise	US$14,000,000	**100.0%**	100.0%	Provision of natural gas and related services and gas pipeline construction
Dalian Lvshun Hong Kong and China Gas Co. Ltd.	PRC – Wholly foreign-owned enterprise	US$15,000,000	**100.0%**	100.0%	Provision of natural gas and related services and gas pipeline construction
大連瓦房店港華燃氣有限公司 (Formerly 大連瓦房店金宇港華燃氣有限公司)*	PRC – Sino-foreign equity joint venture	RMB40,000,000	**60.0%**	60.0%	Provision of natural gas and related services and gas pipeline construction
Da Yi Hong Kong and China Gas Company Limited	PRC – Limited liability company	RMB20,000,000	**100.0%**	100.0%	Provision of natural gas and related services and gas pipeline construction

* The company name was changed in January 2019

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45. Particulars of Principal Subsidiaries *(Continued)*

Name of company	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2018	2017	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
Feicheng Hong Kong and China Gas Company Limited	PRC – Wholly foreign-owned enterprise	RMB32,000,000	**100.0%**	100.0%	Provision of natural gas and related services and gas pipeline construction
Fuxin Hongkong and China Gas Company Limited	PRC – Sino-foreign equity joint venture	RMB77,200,000	**90.0%**	90.0%	Provision of natural gas and related services and gas pipeline construction
阜新大力燃氣有限責任公司	PRC – Wholly foreign-owned enterprise	RMB13,900,000	**100.0%**	100.0%	Provision of natural gas and related services and gas pipeline construction
阜新新邱港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	RMB34,000,000	**100.0%**	100.0%	Provision of natural gas and related services and gas pipeline construction
Gao Chun Hong Kong and China Gas Co., Ltd.	PRC – Wholly foreign-owned enterprise	US$7,500,000	**100.0%**	100.0%	Provision of natural gas and related services and gas pipeline construction
Gongzhuling Hong Kong and China Gas Company Limited	PRC – Wholly foreign-owned enterprise	RMB88,000,000	**100.0%**	100.0%	Provision of natural gas and related services and gas pipeline construction
廣西中威管道燃氣發展集團有限責任公司	PRC – Wholly foreign-owned enterprise	RMB30,000,000	**100.0%**	100.0%	Provision of natural gas and related services and gas pipeline construction
Guilin Hong Kong & China Gas Co., Ltd.	PRC – Wholly foreign-owned enterprise	RMB30,000,000	**100.0%**	100.0%	Provision of natural gas and related services and gas pipeline construction
Heilongjiang Hong Kong & China Lianfu New Energy Company Limited	PRC – Sino-foreign equity joint venture	RMB13,000,000	**55.0%**	55.0%	Vehicle gas refilling stations

45. Particulars of Principal Subsidiaries *(Continued)*

Name of company	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2018	2017	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
Hong Kong and China Gas (Dalian) Limited	HK – Limited liability company	HK$100	**100.0%**	100.0%	Investment holding
Hong Kong & China Gas (Hangzhou) Limited	BVI – Limited liability company/HK	US$1	**100.0%**	100.0%	Investment holding
Hong Kong & China Gas (Huzhou) Limited	BVI – Limited liability company/HK	US$1	**100.0%**	100.0%	Investment holding
Hong Kong & China Gas (Tongxiang) Limited	BVI – Limited liability company/HK	US$1	**100.0%**	100.0%	Investment holding
Hong Kong & China Gas (Yingkou) Limited	BVI – Limited liability company/HK	US$1	**100.0%**	100.0%	Investment holding
Hong Kong and China Gas (Zhumadian) Limited	HK – Limited liability company	HK$100	**100.0%**	100.0%	Investment holding
Huang Shan Hong Kong & China Gas Co., Ltd.	PRC – Wholly foreign-owned enterprise	RMB40,000,000	**100.0%**	100.0%	Provision of natural gas and related services and gas pipeline construction
Huangshan Huizhou Hong Kong & China Gas Co., Ltd.	PRC – Wholly foreign-owned enterprise	US$2,100,000	**100.0%**	100.0%	Provision of natural gas and related services and gas pipeline construction
Huang Shan Taiping Hong Kong & China Gas Co., Ltd.	PRC – Wholly foreign-owned enterprise	US$3,500,000	**100.0%**	100.0%	Provision of natural gas and related services and gas pipeline construction
Huzhou Hong Kong and China Gas Company Limited	PRC – Sino-foreign equity joint venture	US$10,500,000	**98.9%**	98.9%	Provision of natural gas and related services and gas pipeline construction
Jiajiang Hong Kong & China Gas Company Limited	PRC – Sino-foreign equity joint venture	RMB20,000,000	**70.0%**	70.0%	Provision of natural gas and related services and gas pipeline construction

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45. Particulars of Principal Subsidiaries *(Continued)*

Name of company	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2018	2017	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
Jianping Hong Kong and China Gas Company Limited	PRC – Sino-foreign equity joint venture	RMB58,000,000	**80.0%**	80.0%	Provision of natural gas and related services and gas pipeline construction
簡陽港華燃氣有限公司	PRC – Limited liability company	RMB150,000,000	**100.0%**	100.0%	Provision of natural gas and related services and gas pipeline construction
Ji Nan Ping Yin Hong Kong & China Gas Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB200,000,000 (2017: RMB100,000,000)	**82.2%**	82.2%	Provision of natural gas and related services and gas pipeline construction
九江港華燃氣有限公司	PRC – Limited liability company	RMB10,000,000	**60.0%**	60.0%	Provision of natural gas and related services and gas pipeline construction
Kazuo Hong Kong & China Gas Co., Ltd.	PRC – Wholly foreign-owned enterprise	US$6,400,000	**100.0%**	100.0%	Provision of natural gas and related services and gas pipeline construction
Laiyang Hong Kong and China Gas Co., Ltd.	PRC – Wholly foreign-owned enterprise	US$11,520,000	**100.0%**	100.0%	Provision of natural gas and related services and gas pipeline construction
Lezhi Hong Kong and China Gas Company Limited	PRC – Wholly foreign-owned enterprise	RMB30,000,000	**100.0%**	100.0%	Provision of natural gas and related services and gas pipeline construction
Longkou Hongkong and China Gas Company Limited	PRC – Wholly foreign-owned enterprise	US$7,070,000	**100.0%**	100.0%	Provision of natural gas and related services and gas pipeline construction
Luliang Hong Kong & China Gas Company Limited	PRC – Wholly foreign-owned enterprise	RMB52,000,000	**100.0%**	100.0%	Provision of natural gas and related services and gas pipeline construction
Maanshan Bowang Hong Kong & China Gas Co., Ltd.	PRC – Sino-foreign equity joint venture	US$10,000,000	**75.1%**	75.1%	Provision of natural gas and related services and gas pipeline construction

45. Particulars of Principal Subsidiaries *(Continued)*

Name of company	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2018	2017	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
Maanshan Jiangbei Hong Kong and China Towngas Company Limited	PRC – Wholly foreign-owned enterprise	US$10,000,000	**100.0%**	100.0%	Provision of natural gas and related services and gas pipeline construction
Mengcun Hong Kong & China Gas Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB10,000,000	**90.0%**	90.0%	Provision of natural gas and related services and gas pipeline construction
Mianyang Heqing Towngas Co., Ltd	PRC – Sino-foreign equity joint venture	RMB10,000,000	**80.0%**	80.0%	Provision of natural gas and related services and gas pipeline construction
Mianyang Hong Kong & China Gas Co., Ltd.	PRC – Wholly foreign-owned enterprise	RMB90,000,000	**100.0%**	100.0%	Provision of natural gas and related services and gas pipeline construction
Mianzhu Hong Kong and China Gas Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB30,000,000	**80.0%**	80.0%	Provision of natural gas and related services and gas pipeline construction
Mianzhu Yuquan Hong Kong and China Gas Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB5,000,000	**80.0%**	80.0%	Provision of natural gas and related services and gas pipeline construction
Miluo Hong Kong and China Gas Co. Ltd	PRC – Sino-foreign equity joint venture	RMB50,000,000	**70.0%**	70.0%	Provision of natural gas and related services and gas pipeline construction
Mei Shan Peng Shan Hong Kong and China Gas Company Limited (Formerly Peng Shan Hong Kong and China Gas Company Limited)	PRC – Sino-foreign equity joint venture	RMB20,000,000	**70.0%**	70.0%	Provision of natural gas and related services and gas pipeline construction
Peng Xi Hong Kong and China Gas Company Limited	PRC – Limited liability company	RMB20,000,000	**100.0%**	100.0%	Provision of natural gas and related services and gas pipeline construction

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45. Particulars of Principal Subsidiaries *(Continued)*

Name of company	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2018	2017	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
平昌港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB20,000,000	**90.0%**	90.0%	Provision of natural gas and related services and gas pipeline construction
Qingdao Dong Yi Hong Kong and China Gas Company Limited	PRC – Sino-foreign equity joint venture	RMB30,000,000	**60.0%**	60.0%	Provision of natural gas and related services and gas pipeline construction
Qingdao Zhongji Hong Kong and China Gas Company Limited	PRC – Sino-foreign equity joint venture	RMB73,500,000	**90.0%**	90.0%	Provision of natural gas and related services and gas pipeline construction
清遠港華燃氣有限公司	PRC – Limited liability company	RMB50,000,000	**80.0%**	80.0%	Provision of natural gas and related services and gas pipeline construction
Qinhuangdao Hong Kong & China Gas Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB15,000,000	**51.0%**	51.0%	Provision of natural gas and related services and gas pipeline construction
齊齊哈爾港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB128,561,800	**61.7%**	61.7%	Provision of natural gas and related services and gas pipeline construction
Qiqihar Xingqixiang Gas Company Limited	PRC – Wholly foreign-owned enterprise	RMB60,000,000	**100.0%**	100.0%	Vehicle gas refilling stations
韶關港華燃氣有限公司	PRC – Limited liability company	RMB20,000,000	**100.0%**	100.0%	Provision of natural gas and related services and gas pipeline construction
Shenyang Hong Kong & China Gas Company Limited	PRC – Wholly foreign-owned enterprise	US$24,532,434	**100.0%**	100.0%	Provision of natural gas and related services and gas pipeline construction

45. Particulars of Principal Subsidiaries *(Continued)*

Name of company	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2018	2017	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
Siping Hong Kong & China Gas Company Limited	PRC – Sino-foreign equity joint venture	RMB45,000,000	**80.0%**	80.0%	Provision of natural gas and related services and gas pipeline construction
松陽港華燃氣有限公司	PRC – Limited liability company	RMB80,000,000	**51.4%**	51.4%	Provision of natural gas and related services and gas pipeline construction
唐山港能投智慧能源有限公司	PRC – Sino-foreign equity joint venture	RMB80,000,000	**49.0%**	–	Provision of natural gas distributed energy
Tie Ling Hong Kong and China Gas Company Limited	PRC – Sino-foreign equity joint venture	RMB232,960,000	**80.0%**	80.0%	Provision of natural gas and related services and gas pipeline construction
Tongshan Hong Kong and China Gas Co. Ltd	PRC – Wholly foreign-owned enterprise	RMB124,000,000	**100.0%**	100.0%	Provision of natural gas and related services and gas pipeline construction
Tongxiang Hong Kong and China Gas Company Limited	PRC – Sino-foreign equity joint venture	US$7,000,000	**76.0%**	76.0%	Provision of natural gas and related services and gas pipeline construction
Towngas (BVI) Holdings Limited	BVI – Limited liability company/HK	US$1	**100.0%**	100.0%	Investment holding
Towngas China Energy Investment Limited	HK– Limited liability company	HK$100	**100.0%**	100.0%	Investment holding
Towngas China Energy Investment Limited (Formerly Towngas China Energy Investment (Shenzhen) Limited)*	PRC – Wholly foreign-owned enterprise	RMB250,000,000 (2017: RMB100,000,000)	**100.0%**	100.0%	Investment holding
Towngas China (Fengxi) Limited	HK – Limited liability company	HK$100	**100.0%**	100.0%	Investment holding

* The company name was changed in January 2019

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45. Particulars of Principal Subsidiaries *(Continued)*

Name of company	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2018	2017	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
Towngas China (Zhengpugang) Limited	HK – Limited liability company	HK$100	**100.0%**	100.0%	Investment holding
Towngas Investments Limited	PRC – Wholly foreign-owned enterprise	US$200,000,000	**100.0%**	100.0%	Investment holding
Towngas Natural Gas Sales Co., Ltd.	PRC – Wholly foreign-owned enterprise	RMB50,000,000	**100.0%**	–	Procurement of natural gas sources
威遠港華燃氣有限公司	PRC – Limited liability company	RMB30,000,000	**100.0%**	100.0%	Provision of natural gas and related services and gas pipeline construction
Wuhu Jiangbei Hong Kong & China Gas Company Limited	PRC – Wholly foreign-owned enterprise	RMB200,000,000	**100.0%**	100.0%	Provision of natural gas and related services and gas pipeline construction
Wuning Hong Kong & China Gas Co., Ltd.	PRC – Wholly foreign-owned enterprise	RMB40,000,000	**100.0%**	100.0%	Provision of natural gas and related services and gas pipeline construction
Wulian Hong Kong & China Gas Company Limited	PRC – Sino-foreign equity joint venture	RMB20,000,000	**70.0%**	70.0%	Provision of natural gas and related services and gas pipeline construction
成都新都港華燃氣有限公司	PRC – Limited liability company	RMB30,000,000	**100.0%**	100.0%	Provision of natural gas and related services and gas pipeline construction
Xin Jin Hong Kong and China Gas Company Limited	PRC – Sino-foreign equity joint venture	RMB40,000,000 (2017: RMB20,000,000)	**60.0%**	60.0%	Provision of natural gas and related services and gas pipeline construction
Xingyi Hong Kong & China Gas Company Limited	PRC – Sino-foreign equity joint venture	RMB50,000,000	**70.0%**	70.0%	Provision of natural gas and related services and gas pipeline construction

45. Particulars of Principal Subsidiaries *(Continued)*

Name of company	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2018	2017	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
修水港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB30,000,000	**80.0%**	80.0%	Provision of natural gas and related services and gas pipeline construction
Yang Jiang Hong Kong and China Gas Company Limited	PRC – Wholly foreign-owned enterprise	RMB50,000,000	**100.0%**	100.0%	Provision of natural gas and related services and gas pipeline construction
Yan Shan Hong Kong & China Gas Co., Ltd.	PRC – Sino-foreign equity joint venture	RMB10,000,000	**90.0%**	90.0%	Provision of natural gas and related services and gas pipeline construction
Yangxin Hong Kong & China Gas Company Limited	PRC – Sino-foreign equity joint venture	RMB18,000,000	**51.0%**	51.0%	Provision of natural gas and related services and gas pipeline construction
Yifeng Hongkong and China Gas Co., Ltd.	PRC – Wholly foreign-owned enterprise	RMB32,000,000	**100.0%**	100.0%	Provision of natural gas and related services and gas pipeline construction
Yingkou Hong Kong and China Gas Co., Ltd.	PRC – Wholly foreign-owned enterprise	US$9,400,000	**100.0%**	100.0%	Provision of natural gas and related services and gas pipeline construction
Yue Chi Hong Kong and China Gas Company Limited	PRC – Sino-foreign equity joint venture	RMB30,000,000	**90.0%**	90.0%	Provision of natural gas and related services and gas pipeline construction
Zhao Yuan Hong Kong & China Gas Co., Ltd.	PRC – Wholly foreign-owned enterprise	RMB22,000,000	**100.0%**	100.0%	Provision of natural gas and related services and gas pipeline construction
Zhong Jiang Hong Kong and China Gas Company Limited	PRC – Wholly foreign-owned enterprise	RMB30,000,000	**100.0%**	100.0%	Provision of natural gas and related services and gas pipeline construction

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45. Particulars of Principal Subsidiaries *(Continued)*

Name of company	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2018	2017	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
Zhongxiang Hong Kong & China Gas Co., Ltd.	PRC – Wholly foreign-owned enterprise	RMB42,000,000	**100.0%**	100.0%	Provision of natural gas and related services and gas pipeline construction
資陽港華燃氣有限公司	PRC – Limited liability company	RMB30,000,000	**90.0%**	90.0%	Provision of natural gas and related services and gas pipeline construction
內蒙古港億天然氣有限公司	PRC – Sino-foreign equity joint venture	RMB80,000,000	**85.0%**	85.0%	Midstream

None of the subsidiaries had issued any debt securities at the end of the year.

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