

# Report of the Directors

The Board has pleasure in presenting the Directors' Report and the audited consolidated financial statements of the Group for the year ended 31 December 2014.

## Principal Activities

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 networks, the operation of gas fuel automobile refilling stations, and the sale of gas household appliances. Particulars of its principal subsidiaries are set out in note 42 to the consolidated financial statements.

## Results and Final Dividend

The results of the Group for the year ended 31 December 2014 are set out in the consolidated income statement on page 67.

The Directors have recommended the payment of a final dividend out of the share premium account of ten HK cents per share (2013: eight HK cents per share) to shareholders whose names are on the register of members of the Company on Monday, 8 June 2015.

The proposed final dividend, if approved by the shareholders at the AGM, will be payable in cash, with an option granted to shareholders to receive new and fully paid shares of the Company in lieu of cash, or partly in cash and partly in new shares under the scrip dividend scheme (the "Scrip Dividend Scheme"). The new shares will, on issue, not be entitled to the proposed final dividend, but will rank *pari passu* in all other respects with the existing shares.

The circular containing details of the Scrip Dividend Scheme and the relevant election form are expected to be sent to shareholders on or about Thursday, 11 June 2015. Subject to approval by shareholders at the AGM to be held on Friday, 29 May 2015 and compliance with the Companies Law of the Cayman Islands, the cheques for cash dividends and the share certificates to be issued under the Scrip Dividend Scheme will be distributed to shareholders on or about Friday, 10 July 2015. The register of members of the Company will be closed from Thursday, 4 June 2015 to Monday, 8 June 2015 (both days inclusive), for the purpose of determining shareholders who qualify for the final dividend and during which period no transfer of shares of the Company will be registered.

The Scrip Dividend Scheme is conditional upon the passing of the resolution relating to the payment of final dividend at the AGM and the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme.

The final dividend will be distributed, and the share certificates to be issued under the Scrip Dividend Scheme will be sent on or about 10 July 2015 to the shareholders whose names appear on the register of members of the Company on 8 June 2015.

## Reserves

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 71.

The Company's reserves available for distribution to shareholders as at 31 December 2014 amounted to HK\$4,936 million (2013: HK\$5,069 million), subject to the applicable statutory requirements under the laws of the Cayman Islands.

## Financial Summary

A summary of the results, assets and liabilities of the Group for each of the five years ended 31 December 2014 is set out on page 4.

## Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

## Share Capital

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

## Directors

The Directors during the year and up to the date of this Annual Report are as follows:

### Executive Directors

Mr. Chan Wing Kin, Alfred (*Chairman*)  
Mr. Wong Wai Yee, Peter (*Chief Executive Officer*)  
Mr. Ho Hon Ming, John (*Company Secretary*)

### Non-Executive Director

Mr. Kwan Yuk Choi, James

### Independent Non-Executive Directors

Dr. Cheng Mo Chi, Moses  
Mr. Li Man Bun, Brian David  
Mr. Chow Vee Tsung, Oscar

In accordance with article 112 of the Articles, Mr. Ho Hon Ming, John, Dr. Cheng Mo Chi, Moses and Mr. Li Man Bun, Brian David, having been longest in office since their respective last election, shall retire from office by rotation at the forthcoming AGM and, being eligible, will offer themselves for re-election.

# Report of the Directors

## Directors (Continued)

In addition, the Board proposed to put forward Mr. Kee Wai Ngai, Martin for election as an executive Director at the AGM. Subject to his election as a Director at the AGM, it is proposed that he will have no fixed or proposed term of director's service with the Company but his term of appointment will be subject to the requirements for retirement, rotation, re-election and vacation of office of Directors as set forth in the Articles.

Each Independent Non-Executive Director has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules.

Each of the Independent Non-Executive Directors was appointed for a period commencing from his appointment date and is subject to retirement by rotation at the AGM.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

The biographical details of the Directors of the Company are set out on pages 30 to 33 of this Annual Report.

## Directors' Interests or Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2014, the interests or short positions of the Directors and the chief executive in the shares of the Company (the "Shares"), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required pursuant to: (a) Divisions 7 to 9 of Part XV of the SFO, to be notified to the Company and the Stock Exchange; (b) Section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange, were as follows:

### Long positions in Shares and underlying Shares

Name of Company	Name of Director	Capacity	Interest in shares			Total interest in shares	Interest in underlying Shares pursuant to share options	Aggregate interest	Approximate percentage of the number of issued shares of the Company or its associated corporation as at 31.12.2014
			Personal interest	Family interest	Corporate interest				
Towngas China Company Limited	Chan Wing Kin, Alfred	Beneficial owner	—	—	—	—	3,618,000	3,618,000	0.14%
	Wong Wai Yee, Peter	Beneficial owner	—	—	—	—	3,015,000	3,015,000	0.11%
	Ho Hon Ming, John	Beneficial owner	—	—	—	—	3,015,000	3,015,000	0.11%
	Kwan Yuk Choi, James	Beneficial owner	2,515,000	—	—	2,515,000	—	2,515,000	0.10%
HKCG	Chan Wing Kin, Alfred	Interest held jointly with spouse	200,371	—	—	200,371	—	200,371	0.00%
	Ho Hon Ming, John	Beneficial owner	31,379	—	—	31,379	—	31,379	0.00%
	Kwan Yuk Choi, James	Beneficial owner and interest of spouse	70,736	80,143	—	150,879	—	150,879	0.00%

Details of the Directors' interests in share options granted by the Company are set out under the heading "Directors' Rights to Acquire Shares".

# Report of the Directors

## Directors' Rights to Acquire Shares

Pursuant to the Company's share option scheme, the Company has granted to certain Directors options to subscribe the Shares, details of which as at 31 December 2014 were as follows:

Name of Director	Date of grant	Exercise period	Number of Shares subject to outstanding options as at 01.01.2014	as at 31.12.2014		
				Exercise price HK\$	Number of Shares subject to outstanding options	Approximate percentage of the Company's issued share capital
Chan Wing Kin, Alfred	16.03.2007	16.03.2008 - 27.11.2015	1,085,400	3.811	1,085,400	0.04%
	16.03.2007	16.03.2009 - 27.11.2015	1,085,400	3.811	1,085,400	0.04%
	16.03.2007	16.03.2010 - 27.11.2015	1,447,200	3.811	1,447,200	0.05%
Wong Wai Yee, Peter	16.03.2007	16.03.2008 - 27.11.2015	904,500	3.811	904,500	0.03%
	16.03.2007	16.03.2009 - 27.11.2015	904,500	3.811	904,500	0.03%
	16.03.2007	16.03.2010 - 27.11.2015	1,206,000	3.811	1,206,000	0.05%
Ho Hon Ming, John	16.03.2007	16.03.2008 - 27.11.2015	904,500	3.811	904,500	0.03%
	16.03.2007	16.03.2009 - 27.11.2015	904,500	3.811	904,500	0.03%
	16.03.2007	16.03.2010 - 27.11.2015	1,206,000	3.811	1,206,000	0.05%
Kwan Yuk Choi, James	16.03.2007	16.03.2008 - 27.11.2015	—	3.811	—	—
	16.03.2007	16.03.2009 - 27.11.2015	309,000	3.811	—	—
	16.03.2007	16.03.2010 - 27.11.2015	1,206,000	3.811	—	—

### Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. During the year, no option was granted to the Directors and no option held by the Directors had lapsed or was cancelled. 1,515,000 options had been exercised by Mr. Kwan Yuk Choi, James, a Non-Executive Director of the Company, at the exercise price of HK\$3.811 per Share during the year.
3. These options represent personal interests held by the Directors as beneficial owners.

Save as stated above, as at 31 December 2014, there were no other interests or short positions of the Directors and the chief executive in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

## Share Option Scheme of the Company

Pursuant to a share option scheme adopted by the shareholders of the Company at an extraordinary general meeting held on 28 November 2005 ("2005 Main Board Scheme"), options may be granted to the Directors or employees of the Company or its subsidiaries, for the recognition of their contributions to the Group, to subscribe for Shares in the Company. The exercise price of the share option will be determined at the higher of the average of closing prices of the Shares on the Stock Exchange on the five trading days immediately preceding the date of grant of the option, the closing price of the Shares on the Stock Exchange on the date of grant or the nominal value of the Shares.

The 2005 Main Board Scheme will remain in force for a period of 10 years commencing on 28 November 2005.

The share options under the 2005 Main Board Scheme are exercisable at any time for a period to be determined by the Directors, which shall not be more than 10 years after the date of grant.

Options granted under the 2005 Main Board Scheme must be taken up within 28 days of the date of grant, upon payment of HK\$1.00 per grant.

The total number of Shares in respect of which options may be granted under the 2005 Main Board Scheme is not permitted to exceed 10% of the Shares in issue on the date of approval of the 2005 Main Board Scheme without prior approval from the Company's shareholders. No option may be granted in any 12-month period to any one grantee which if exercised in full would result in the total number of Shares already issued and issuable to him under all the options previously granted to him and the said option exceeding 1% of the total number of Shares in issue.

# Report of the Directors

## Share Option Scheme of the Company (Continued)

As at the date of this report, the outstanding number of shares in respect of which options had been granted under the 2005 Main Board Scheme was 11,015,800 (2013: 13,535,800), representing approximately 0.42% (2013: approximately 0.52%) of the issued share capital of the Company as at the date of this report.

Details of specific categories of options are as follows:

Option types	Date of grant	Exercise period	Exercise price HK\$
<b>2005 Main Board Scheme:</b>			
2006 Options	03.10.2006	04.10.2007 – 27.11.2015	2.796
	03.10.2006	04.04.2008 – 27.11.2015	2.796
	03.10.2006	04.10.2008 – 27.11.2015	2.796
2007 Options	16.03.2007	16.03.2008 – 27.11.2015	3.811
	16.03.2007	16.03.2009 – 27.11.2015	3.811
	16.03.2007	16.03.2010 – 27.11.2015	3.811

## Share Option Scheme of the Company (Continued)

The following table discloses movements in the share options during the year:

Option type	Date of grant	Exercise period	Exercise price (HK\$)	Number of Shares subject to outstanding options as at 01.01.2014	Exercised during the year	Number of Shares subject to outstanding options as at 31.12.2014	Weighted average closing price of Shares immediately before the date(s) on which options were exercised (HK\$)	
<b>Category 1:</b>								
<b>Directors</b>								
Chan Wing Kin, Alfred Options	2007	16.03.2007	16.03.2008 – 27.11.2015	3.811	1,085,400	—	1,085,400	—
		16.03.2007	16.03.2009 – 27.11.2015	3.811	1,085,400	—	1,085,400	—
		16.03.2007	16.03.2010 – 27.11.2015	3.811	1,447,200	—	1,447,200	—
Wong Wai Yee, Peter Options	2007	16.03.2007	16.03.2008 – 27.11.2015	3.811	904,500	—	904,500	—
		16.03.2007	16.03.2009 – 27.11.2015	3.811	904,500	—	904,500	—
		16.03.2007	16.03.2010 – 27.11.2015	3.811	1,206,000	—	1,206,000	—
Ho Hon Ming, John Options	2007	16.03.2007	16.03.2008 – 27.11.2015	3.811	904,500	—	904,500	—
		16.03.2007	16.03.2009 – 27.11.2015	3.811	904,500	—	904,500	—
		16.03.2007	16.03.2010 – 27.11.2015	3.811	1,206,000	—	1,206,000	—
Kwan Yuk Choi, James Options	2007	16.03.2007	16.03.2008 – 27.11.2015	3.811	—	—	—	—
		16.03.2007	16.03.2009 – 27.11.2015	3.811	309,000	309,000	—	9.06
		16.03.2007	16.03.2010 – 27.11.2015	3.811	1,206,000	1,206,000	—	9.06
<b>Total for Directors</b>					11,163,000	1,515,000	9,648,000	
<b>Category 2:</b>								
<b>Employees</b>	2006	03.10.2006	04.10.2007 – 27.11.2015	2.796	301,500	180,900	120,600	9.19
	Options	03.10.2006	04.04.2008 – 27.11.2015	2.796	542,700	19,100	523,600	9.19
		03.10.2006	04.10.2008 – 27.11.2015	2.796	723,600	—	723,600	—
Options	2007	16.03.2007	16.03.2008 – 27.11.2015	3.811	301,500	301,500	—	9.20
		16.03.2007	16.03.2009 – 27.11.2015	3.811	301,500	301,500	—	9.20
		16.03.2007	16.03.2010 – 27.11.2015	3.811	402,000	402,000	—	9.20
<b>Total for Employees</b>					2,572,800	1,205,000	1,367,800	
<b>All categories</b>					13,735,800	2,720,000	11,015,800	



# Report of the Directors

## Share Option Scheme of the Company (Continued)

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. During the year, no share option was cancelled or had lapsed.
3. During the year, no new option was granted.

## Arrangements to Purchase Shares or Debentures

Other than the share option scheme disclosed above, at no time during the year was the Company, its holding company, fellow subsidiaries or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

## Directors' Interests in Contracts of Significance

There are no contract of significance to which the Company, its holding company, fellow subsidiaries or subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

## Competing Business

During the year and up to the date of this report, the following Directors are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules, as set out below:

Mr. Chan Wing Kin, Alfred, the Chairman of the Company, is the Managing Director of HKCG; and Mr. Wong Wai Yee, Peter, an Executive Director of the Company, is an executive director of HKCG.

HKCG and its subsidiaries (excluding the Group) (the "HKCG Group") are principally engaged in the production, distribution and marketing of gas, water supply and emerging environmental-friendly energy related businesses in Hong Kong and the PRC. Although some of the businesses carried out by the HKCG Group are similar to the businesses carried out by the Group, they are of different scales and/or in different locations. Therefore, the Directors are of the view that the businesses of the HKCG Group do not compete directly with the businesses of the Group.

Save as disclosed above, none of the Directors had any interest in any business (apart from the Group's business) which competes or is likely to compete, either directly or indirectly with the Group's business.

## Substantial Shareholders

As at 31 December 2014, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders (other than the Directors or the chief executive of the Company as disclosed above) had notified the Company of relevant interests and short positions in the issued share capital of the Company:

### Long positions in Shares and underlying Shares in the Company

Name of shareholder	Capacity	Aggregate interest in Shares	Approximate percentage of the Company's issued share capital as at 31.12.2014
Lee Chau Kee	Interest of controlled corporations	1,642,489,654 (Note 1)	62.39%
Rimmer (Cayman) Limited ("Rimmer")	Trustee	1,642,489,654 (Note 2)	62.39%
Riddick (Cayman) Limited ("Riddick")	Trustee	1,642,489,654 (Note 2)	62.39%
Hopkins (Cayman) Limited ("Hopkins")	Interest of controlled corporations	1,642,489,654 (Note 2)	62.39%
Henderson Development Limited ("HD")	Interest of controlled corporations	1,642,489,654 (Note 2)	62.39%
Henderson Land Development Company Limited ("HLD")	Interest of controlled corporations	1,642,489,654 (Note 2)	62.39%
Faxson Investment Limited ("Faxson")	Interest of controlled corporations	1,642,489,654 (Note 2)	62.39%
HKCG	Interest of controlled corporations	1,642,489,654 (Note 3)	62.39%
Towngas International Company Limited ("TICL")	Interest of controlled corporations	1,599,141,814 (Note 3)	60.74%
Hong Kong & China Gas (China) Limited ("HK&CG (China)")	Beneficial owner	1,599,141,814 (Note 3)	60.74%

# Report of the Directors

## Substantial Shareholders (Continued)

### Long positions in Shares and underlying Shares in the Company (Continued)

#### Notes:

1. The entire issued share capital of Rimmer, Riddick and Hopkins were owned by Dr. the Hon. Lee Shau Kee. Dr. the Hon. Lee Shau Kee was therefore taken to be interested in the same 1,642,489,654 Shares as set out in Notes 2 and 3 below by virtue of Part XV of the SFO.
2. Rimmer and Riddick as trustees of respective discretionary trusts, held units in a unit trust ("Unit Trust"). Hopkins as trustee of the Unit Trust owned all the issued ordinary shares of HD. HD was entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of HLD. HLD through its subsidiaries (including Faxson) was entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of HKCG. Each of Rimmer, Riddick, Hopkins, HD, HLD and Faxson was therefore taken to be interested in the same 1,642,489,654 Shares which HKCG is deemed interested in as described in Note 3 below by virtue of Part XV of the SFO.
3. As HK&CG (China) was a wholly-owned subsidiary of TICL, which in turn was a wholly-owned subsidiary of HKCG, each of TICL and HKCG was therefore taken to be interested in the 1,599,141,814 Shares held by HK&CG (China) by virtue of Part XV of the SFO. In addition, HKCG was also taken to be interested in (1) the 40,825,858 Shares held by its indirect wholly-owned subsidiary, Planwise Properties Limited; and (2) the 2,521,982 Shares held by its indirect wholly-owned subsidiary, Superfun Enterprises Limited.

Save for the shareholders as disclosed herein, the Directors are not aware of any persons who, as at 31 December 2014, were entitled to exercise or control the exercise of 5% or more of the voting power of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

### Short Positions in Shares and Underlying Shares in the Company

As at 31 December 2014, the Company had not been notified of any short positions being held by any substantial shareholder in the Shares or underlying Shares of the Company.

## Other Persons

As at 31 December 2014, the Company had not been notified of any interests or short positions being held by any person (other than the Directors and chief executive and the substantial shareholders as disclosed above) in the share capital of the Company that was required to be disclosed under Division 2 and 3 of Part XV of the SFO and the Listing Rules.

## Connected Transactions

Set out below is the information in relation to the connected transactions (all being continuing connected transactions) that existed during the year ended 31 December 2014 which are required to be disclosed in this Annual Report in accordance with Chapter 14A of the Listing Rules.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the auditor's findings and conclusions in respect of the continuing connected transactions disclosed by the Group below and note 36 to the consolidated financial statements, as appropriate, in accordance with Main Board Listing Rule 14A.56. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

# Report of the Directors

## Connected Transactions (Continued)

### Gas Purchase and Pipeline Materials Purchase Transactions

On 5 April 2013, the Company and HKCG entered into two master agreements respectively, namely:

- (1) an agreement (the "2013 Gas Purchase Master Agreement") relating to the purchase of various types of fuel gas (including but not limited to liquefied coalbed methane, compressed natural gas and liquefied natural gas) by members of the Group from members of the HKCG Group (the "Gas Purchase Transactions"); and
- (2) an agreement (the "2013 Pipeline Materials Purchase Master Agreement", and together with the 2013 Gas Purchase Master Agreement collectively referred to as the "2013 CCT Master Agreements") relating to the purchase of various pipeline construction materials and tools (including but not limited to gas meters) by members of the Group from members of the HKCG Group (the "Pipeline Materials Purchase Transactions"),

each for a term commencing from 1 May 2013 to 31 December 2015 (both days inclusive). Particulars of the Gas Purchase Transactions, the Pipeline Materials Purchase Transactions and the 2013 CCT Master Agreements were disclosed in the announcement of the Company dated 5 April 2013. Further, as announced by the Company on 25 March 2015, the annual cap amount in respect of the Pipeline Materials Purchase Transactions for the financial year ending 31 December 2015 has been revised.

As HKCG is a controlling shareholder of the Company, members of the HKCG Group are connected persons of the Company under the Listing Rules. The transactions contemplated under the 2013 CCT Master Agreements constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules and were subject to the reporting, annual review and announcement requirements but were exempted from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Gas Purchase Transactions and Pipeline Materials Purchase Transactions are subject to annual cap amounts of RMB56,000,000 (approximately HK\$69,983,000) and RMB20,000,000 (approximately HK\$24,994,000) respectively for the year ended 31 December 2014. The respective amounts of the Gas Purchase Transactions and Pipeline Materials Purchase Transactions for the year ended 31 December 2014 was RMB26,446,000 (approximately HK\$33,286,000) and RMB19,539,000 (approximately HK\$24,592,000), which have not exceeded the annual cap amounts as stated above.

## Connected Transactions (Continued)

### Gas Purchase and Pipeline Materials Purchase Transactions (Continued)

The Board, including the Independent Non-Executive Directors, had reviewed and confirmed that the Gas Purchase Transactions and Pipeline Materials Purchase Transactions for the year ended 31 December 2014 were entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or better; and
- (iii) according to the agreement governing them on terms that are fair and reasonable and are in the interest of the shareholders of the Company as a whole.

### Project Management, System Software and Supporting Services and Cloud Computing System and Supporting Services Transactions

On 19 December 2011, the Company entered into master agreements with three subsidiaries of HKCG respectively, namely

- (1) an agreement (the “2011 Master Project Management Agreement”) for the provision of project management services relating to the monitoring and managing of gas facilities and construction and installation projects of the Group by 瀋陽三全工程監理諮詢有限公司 (Shenyang Sanquan Project Management Consulting Co., Ltd.) (“Shenyang Sanquan”), a non wholly-owned subsidiary of HKCG, to members of the Group;
- (2) an agreement (the “2011 Master System Software and Supporting Services Agreement”) relating to the user authorization, installation, management and maintenance and the provision of technical supporting services in respect of system software developed by 港華科技(武漢)有限公司 (Hongkong and China Technology (Wuhan) Company Limited) (“HKCG (Wuhan)”), including but not limited to the Towngas Customer Information System, the Towngas Customer Services Centre Hotline System and the Production Operating Management System by HKCG (Wuhan), a non wholly-owned subsidiary of HKCG, to members of the Group; and
- (3) an agreement (the “2011 Master Cloud Computing System and Supporting Services Agreement”, and together with the 2011 Master Project Management Agreement and the 2011 Master System Software and Supporting Services Agreement collectively referred to as the “2011 CCT Master Agreements”) relating to the user authorization, installation, management and maintenance and the provision of technical supporting services relating to a cloud computing hardware system which will manage, operate and monitor the network infrastructure of information systems, including but not limited to, Towngas Customer Information System by 名氣通智能科技(深圳)有限公司 (Towngas Telecommunications (Shenzhen) Limited) (“Towngas Telecommunications (Shenzhen)”), a wholly-owned subsidiary of HKCG, to members of the Group,

each for a term commencing from 19 December 2011 to 30 September 2014 (both days inclusive). Particulars of the 2011 CCT Master Agreements were disclosed in the announcement of the Company dated 19 December 2011.

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## Connected Transactions (Continued)

### Project Management, System Software and Supporting Services and Cloud Computing System and Supporting Services Transactions (Continued)

On 5 September 2014, the Company and the three subsidiaries of HKCG as mentioned above, namely, Shenyang Sanquan, HKCG (Wuhan) and Towngas Telecommunications (Shenzhen), entered into three master agreements to renew the 2011 Master Project Management Agreement, the 2011 Master System Software and Supporting Services Agreement and the 2011 Master Cloud Computing System and Supporting Services Agreement respectively, namely:

- (1) an agreement (the "2014 Master Project Management Agreement") for the provision of project management services relating to the monitoring and managing of gas facilities and construction and installation projects of the Group by Shenyang Sanquan to members of the Group (the "Project Management Transactions");
- (2) an agreement (the "2014 Master System Software and Supporting Services Agreement") relating to the user authorization, installation, management and maintenance and the provision of technical supporting services in respect of system software developed by HKCG (Wuhan), including but not limited to the Towngas Customer Information System, the Towngas Customer Services Centre Hotline System and the Production Operating Management System by HKCG (Wuhan) to members of the Group (the "System Software and Supporting Services Transactions"); and
- (3) an agreement (the "2014 Master Cloud Computing System and Supporting Services Agreement", and together with the 2014 Master Project Management Agreement and the 2014 Master System Software and Supporting Services Agreement collectively referred to as the "2014 CCT Master Agreements") relating to the user authorization, installation, management and maintenance and the provision of technical supporting services relating to a cloud computing hardware system which will manage, operate and monitor the network infrastructure of information systems, including but not limited to, Towngas Customer Information System by Towngas Telecommunications (Shenzhen) to members of the Group (the "Cloud Computing System and Supporting Services Transactions"),

each for a term commencing from 1 October 2014 to 31 December 2016 (both days inclusive). Particulars of the Project Management Transactions, the System Software and Supporting Services Transactions, the Cloud Computing System and Supporting Services Transactions and the 2014 CCT Master Agreements were disclosed in the announcement of the Company dated 5 September 2014.

## **Connected Transactions (Continued)**

### **Project Management, System Software and Supporting Services and Cloud Computing System and Supporting Services Transactions (Continued)**

As HKCG is a controlling shareholder of the Company, members of the HKCG Group are connected persons of the Company under the Listing Rules. The transactions contemplated under the 2011 CCT Master Agreements and the 2014 CCT Master Agreements constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules and were subject to the reporting, annual review and announcement requirements but were exempted from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Project Management Transactions, System Software and Supporting Services Transactions and Cloud Computing System and Supporting Services Transactions were subject to annual cap amounts of RMB9,200,000 (approximately HK\$11,497,000), RMB16,900,000 (approximately HK\$21,120,000) and RMB8,100,000 (approximately HK\$10,122,000) respectively for the year ended 31 December 2014. The respective amounts of the Project Management Transactions, System Software and Supporting Services Transactions and Cloud Computing System and Supporting Services Transactions for the year ended 31 December 2014 was RMB3,984,000 (approximately HK\$5,014,000), RMB2,859,000 (approximately HK\$3,598,000) and RMB7,304,000 (approximately HK\$9,193,000), which have not exceeded the annual cap amounts as stated above.

The Board, including the Independent Non-Executive Directors, had reviewed and confirmed that the Project Management Transactions, System Software and Supporting Services Transactions and Cloud Computing System and Supporting Services Transactions for the year ended 31 December 2014 were entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or better; and
- (iii) according to the agreement governing them on terms that are fair and reasonable and are in the interest of the shareholders of the Company as a whole.

## **Related Party Transactions**

Details of the related party transactions undertaken in the normal course of business are set out in note 36 to the consolidated financial statements. In relation to those related party transactions that also constituted connected transactions under the Listing Rules, they are in compliance with applicable requirements under the Listing Rules and are reported in this Annual Report in accordance with the Listing Rules.



# Report of the Directors

## Borrowings

Particulars of borrowings of the Group as at 31 December 2014 are set out in note 29 to the consolidated financial statements.

## Donations

During the year, the Group made charitable and other donations amounting to approximately HK\$1,094,000.

## Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this Annual Report and during the year, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

## Major Customers and Suppliers

During the year, the five largest suppliers in aggregate accounted for about 57.05% of the Group's operating cost for the year. Purchases from the largest supplier accounted for about 33.23% of the Group's operating costs. None of the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors owned more than 5% of the issued shares of the Company) had an interest in the Group's five largest suppliers. The percentage of the turnover attributable to the Group's five largest customers was less than 30% during the year.

## Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands which would oblige the Company to offer new Shares on pro-rata basis to existing shareholders.

## Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2014.

## Emolument Policy

As at 31 December 2014, the Group had 21,112 employees. Approximately 99% of the Group's employees are located in the PRC. The Group remunerates its employees based on their individual performance, job nature and responsibility. Moreover, the Group provides training and various benefits for its employees including medical welfare, provident funds, bonuses and other incentives. The Group also encourages its employees to pursue a balanced life and provides a good working environment for its employees to maximise their potential and contribution to the Group.

### **Emolument Policy (Continued)**

The emoluments of the Directors are recommended by the Remuneration Committee of the Company for the Board's approval, having regard to the Group's operating results, individual performance and comparable market statistics. No Director or executive, nor any of his/her associates, is involved in deciding his/her own remuneration.

The Company has adopted a share option scheme as incentive to Directors and eligible employees, and details of the scheme are set out in note 39 to the consolidated financial statements and under the heading "Share Option Scheme of the Company" in this Annual Report.

### **Corporate Governance**

The Company had complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the year ended 31 December 2014.

Details of the corporate governance of the Group are set out in the section headed "Corporate Governance Report" on pages 52 to 64 in this Annual Report.

### **Auditor**

The consolidated financial statements of the Company for the year ended 31 December 2014 have been audited by Messrs. Deloitte Touche Tohmatsu ("Deloitte"). A resolution will be submitted to the forthcoming AGM of the Company to re-appoint Deloitte as the auditor of the Company.

On behalf of the Board

**Ho Hon Ming, John**

*Executive Director and Company Secretary*

Hong Kong, 17 March 2015