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, the Group's parent and ultimate holding company 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 ("HKD" or "HK$"). The reason for selecting HKD as its presentation currency is because the Company is a public company with its shares listed on the Stock Exchange and 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. The Group was also engaged in the sale of liquefied petroleum gas ("LPG") in bulk and in cylinders, which was disposed of and discontinued in the prior year (see note 14).

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 HK$2,487 million as at 31 December 2010. The Group's liabilities as at 31 December 2010 included borrowings of HK$2,792 million that are repayable within one year from the end of the reporting period.

As of the date of approval of the consolidated financial statements, the Group had un-drawn facilities (the "Facilities") amounted to HK$1,665 million. When considering the Group's ability to continue as a going concern, the directors considered that the Group's bank loans of HK$1,641 million that are repayable within one year from the end of the reporting period will be rolled over or renewed as the Group has good relationship with its banks and has good credibility. If in the unlikely event that the bank loans cannot be renewed or rolled over, the directors believe that the Group is able to obtain sufficient funds from its ultimate holding company to refinance these borrowings. The guaranteed senior notes of HK$1,119 million, due in September 2011, will be financed by either the Facilities or other financing arrangements.

Taking into account of the foregoing, the directors are confident that the Group will be able to meet its financial obligations when they fall due and accordingly, have prepared the consolidated financial statements on a going concern basis.

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

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

HKFRS 2 (Amendments)	Group cash-settled share-based payment transactions
HKFRS 3 (as revised in 2008)	Business combinations
HKAS 27 (as revised in 2008)	Consolidated and separate financial statements
HKAS 39 (Amendments)	Eligible hedged items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC*)-INT 17	Distributions of non-cash assets to owners
HK-INT 5**	Presentation of financial statements—Classification by the borrower of a term loan that contains a repayment on demand clause

* IFRIC represents the International Financial Reporting Interpretations Committee.

** HK-INT represents the Hong Kong Interpretation

Except as described below, the application of the new and revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

HKFRS 3 (as revised in 2008) Business combinations

HKFRS 3 (as revised in 2008) has been applied in the current year prospectively to business combinations of which the acquisition date is on or after 1 January 2010 in accordance with the relevant transitional provisions. Its application has affected the accounting for business combinations in the current year.

- HKFRS 3 (as revised in 2008) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interests at the date of acquisition (previously referred to as "minority" interests) either at fair value or at the non-controlling interests' share of recognised identifiable net assets of the acquiree.

- HKFRS 3 (as revised in 2008) changes the recognition and subsequent accounting requirements for contingent consideration. Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably; any subsequent adjustments to the contingent consideration were always made against the cost of the acquisition. Under the revised Standard, contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognised against the cost of acquisition only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

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

HKFRS 3 (as revised in 2008) Business combinations *(Continued)*

- HKFRS 3 (as revised in 2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Group and the acquiree.

- HKFRS 3 (as revised in 2008) requires acquisition-related costs to be accounted for separately from the business combination, generally leading to those costs being recognised as an expense in profit or loss as incurred, whereas previously, they were accounted for as part of the cost of the acquisition.

As a result of the application of HKFRS 3 (as revised in 2008), the Group has recognised HK$4,417,000 of acquisition-related costs included in other expenses in the profit or loss, whereas previously, these costs would have been accounted for as part of the cost of the acquisition. The impact on earnings per share as a result of the application of HKFRS 3 (as revised in 2008) was a decrease in basic and diluted earnings per share of 0.2 HK cents and 0.2 HK cents respectively.

Amendments to HKAS 17 Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. In accordance with the transitional provisions set out in the amendment to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on the information that existed at the inception of the leases. After reassessment, the directors of the Company concluded that no reclassification was necessary.

HK-INT 5 Presentation of financial statements — Classification by the borrower of a term loan that contains a repayment on demand clause

HK-INT 5 "Presentation of financial statements—Classification by the borrower of a term loan that contains a repayment on demand clause" clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK-INT 5 for the first time in the current year. HK-INT 5 requires retrospective application.

After reviewing the terms of the Group's term loans, the directors of the Company concluded that no reclassification was necessary as the Group's bank borrowings did not include such repayment on demand clauses.

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

The Group has not early applied the following new and revised standards and interpretations that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 1 (Amendments)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[2]
HKFRS 1 (Amendments)	Severe hyperinflation and removal of fixed dates for first-time adopters[3]
HKFRS 7 (Amendments)	Disclosures – Transfers of financial assets[3]
HKFRS 9	Financial instruments[4]
HKAS 12 (Amendments)	Deferred tax: Recovery of underlying assets[5]
HKAS 24 (Revised)	Related party disclosures[6]
HKAS 32 (Amendments)	Classification of rights issues[7]
HK(IFRIC)-INT 14 (Amendments)	Prepayments of a minimum funding requirement[6]
HK(IFRIC)-INT 19	Extinguishing financial liabilities with equity instruments[2]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 July 2010.
3 Effective for annual periods beginning on or after 1 July 2011.
4 Effective for annual periods beginning on or after 1 January 2013.
5 Effective for annual periods beginning on or after 1 January 2012.
6 Effective for annual periods beginning on or after 1 January 2011.
7 Effective for annual periods beginning on or after 1 February 2010.

HKFRS 9 Financial instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 "Financial instruments: Recognition and measurement" are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. Hence, available-for-sale investments which are stated at costs less impairment will need to be measured at fair value with changes in fair value recognised in other comprehensive income and accumulated in equity.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, 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 presented in other comprehensive income, unless the presentation 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 are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

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

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013 and that the application of the new standard may have a significant impact on amounts reported in respect of the Group's financial assets. Apart from HKFRS 9, the directors anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the financial position of the Group.

3. Significant Accounting Policies

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary 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. Prior to 1 January 2010, losses applicable to the non-controlling interests in excess of the non-controlling interests in the subsidiary's equity were allocated against the interests of the Group except to the extent that the non-controlling interests had a binding obligation and were able to make an additional investment to cover the losses.

3. Significant Accounting Policies *(Continued)*

Business combinations

Business combinations that took place on or after 1 January 2010

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 at the acquisition date, except that:

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

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 "Share-based payment" at the acquisition date; and

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

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

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

3. Significant Accounting Policies *(Continued)*

Business combinations ***(Continued)***

Business combinations that took place on or after 1 January 2010 (Continued)

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not 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 at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 "Provisions, contingent liabilities and contingent assets", as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest is disposed of.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

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

Business combinations that took place prior to 1 January 2010

Acquisition of businesses was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair value at the acquisition date.

3. Significant Accounting Policies *(Continued)*

Business combinations *(Continued)*

Business combinations that took place on or after 1 January 2010 (Continued)

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the acquisition over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after assessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the acquisition, the excess was recognised immediately in profit or loss.

The non-controlling interest in the acquiree was initially measured at the non-controlling interest's proportionate share of the recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less any accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent years.

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

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in financial and operating policy decision of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the profit or loss and other comprehensive income of the associate, less any identified impairment losses. When the Group's share of losses of an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

3. Significant Accounting Policies *(Continued)*

Investments in associates ***(Continued)***

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition 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, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss. A discount on acquisition arising on an acquisition of an associate is included as income in the determination of the investor's share of results of the associate in the period in which the investment is acquired.

From 1 January 2010 onwards, upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate 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) when it loses significant influence over that associate.

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

Joint ventures

Jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of profit or loss and other comprehensive income of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of a jointly controlled entity recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

3. Significant Accounting Policies *(Continued)*

Joint ventures *(Continued)*

Jointly controlled entities (Continued)

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a jointly controlled entity. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs 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.

From 1 January 2010 onwards, upon disposal of a jointly controlled entity that results in the Group losing joint control over that jointly controlled entity, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the jointly controlled entity attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the jointly controlled entity. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that jointly controlled entity on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that jointly controlled entity 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) when it loses joint control over that jointly controlled entity.

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

Revenue recognition

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 pipelines construction, which relates to gas connection contracts, 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 gas supply is recognised when gas is used by the customers.

Sales of goods are recognised when goods are delivered and title has been passed.

3. Significant Accounting Policies *(Continued)*

Revenue recognition *(Continued)*

Interest income from a financial asset 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.

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated 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 pipelines	30–40 years
Plant and equipment and others	5–15 years

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

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "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 land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating 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 other categories of property, plant and equipment.

3. Significant Accounting Policies *(Continued)*

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.

Exclusive operating rights for city pipeline network and contracted customer base

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

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 probable to be 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.

Impairment (other than goodwill)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as expense immediately.

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.

3. Significant Accounting Policies *(Continued)*

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

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

Effective interest method

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

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

Loans and receivables

Loans and receivables (including deferred consideration receivable, trade receivables, other receivables, deposits, amounts due from minority shareholders, loans to jointly controlled entities and bank balances) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At the end of each reporting period 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 loss on financial assets below).

Available-for-sale financial assets

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

For 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 subsequent to initial recognition. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired (see accounting policy on impairment loss on financial assets below).

3. Significant Accounting Policies *(Continued)*

Financial instruments ***(Continued)***

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are 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 impacted.

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

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the 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 and deferred consideration receivable, 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.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income.

3. Significant Accounting Policies *(Continued)*

Financial instruments ***(Continued)***

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

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 through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying value on initial recognition.

Interest expense is recognised on an effective interest basis.

Bank and other borrowings and guaranteed senior notes

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 payables, other payables, amounts due to minority shareholders and loan from the ultimate holding company are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire or, the assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and any cumulative gain or loss that had been recognised directly in other comprehensive income is recognised in consolidated income statement.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in consolidated income statement.

3. Significant Accounting Policies *(Continued)*

Share-based payment transactions

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to share option reserve.

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

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 as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on 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 and 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 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.

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

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

3. Significant Accounting Policies *(Continued)*

Taxation ***(Continued)***

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. 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 deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Leasing

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

The Group as lessee

Operating lease payments 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 each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at 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 translating 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. HKD) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the exchange reserve).

3. Significant Accounting Policies *(Continued)*

Foreign currencies *(Continued)*

From 1 January 2010 onwards, on the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss. In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the exchange reserve.

Goodwill and fair value adjustments arising on acquisitions of foreign operations prior to 1 January 2005 are treated as non-monetary foreign currency items of the acquirer and reported using the historical exchange rate prevailing at the date of the acquisition.

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 cost

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

4. Key Sources of Estimation Uncertainty

In the process of applying the Group's accounting policies which are described in note 3, management has made various estimates based on past experience, expectations of the future and other information. The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment 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 unit 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. At 31 December 2010, the carrying amount of goodwill is HK$3,753,293,000 (2009: HK$2,752,733,000). Details of the recoverable amount calculation are disclosed in note 20.

Income taxes

As at 31 December 2010, no deferred tax asset is recognised in the Group's statement of financial position in relation to the estimated unused tax losses of HK$45,504,000 (2009: HK$29,385,000) 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 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.

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). As at 31 December 2010, the carrying amount of trade receivables is HK$173,427,000 (2009: HK$98,101,000).

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 debt, which includes borrowings and loans from the ultimate holding company disclosed in notes 29 and 30, equity attributable to shareholders of the Company, comprising issued share capital and reserves.

5. Capital Risk Management *(Continued)*

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 excluding loans from the ultimate holding company ("ND") to equity plus ND (the "Gearing Ratio").

The Gearing Ratio at the reporting date was as follows:

	2010 HK$'000	2009 HK$'000
Debt (i)	3,696,089	2,764,737
Cash and cash equivalents	(1,433,941)	(963,861)
Net debt	2,262,148	1,800,876
Equity (ii)	8,563,437	6,433,588
Net debt to equity ratio	26.4%	28.0%
Gearing Ratio	17.3%	17.1%

(i) Debt is defined as long- and short-term borrowings, as detailed in notes 29 and 30.

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

6. Financial Instruments

Category of financial instruments

	2010 HK$'000	2009 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalent)	2,102,253	1,639,831
Available-for-sale instruments	169,372	168,853
Financial liabilities		
Amortised cost	4,163,898	3,461,423

6. Financial Instruments *(Continued)*

Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale equity investments, deferred consideration receivable, loans to jointly controlled entities, trade and other receivables, amounts due from minority shareholders, bank balances and cash, borrowings, amounts due to minority shareholders, trade and other payables and loans from the ultimate holding company. 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 expenses to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Certain bank balances, loans from the ultimate holding company, and guaranteed senior notes are denominated in foreign currencies which exposes the Group to foreign currency risk.

Details of the Group's bank balances, guaranteed senior notes and loans from the ultimate holding company, denominated in United States Dollar ("USD") and HKD at the end of the reporting period are set out in notes 26, 29 and 30.

The Group currently does not have a foreign currency hedging policy but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Sensitivity analysis

The following table details the Group's sensitivity to a reasonably possible change of 2% 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 and adjusts their translation at the end of each reporting period for a 2% change in foreign currency rates.

The sensitivity analysis includes bank balances, loan from the ultimate holding company, and guaranteed senior notes where the denomination of the balances is in a currency other than the currency of the respective group entities. A positive number below indicates an increase in profit for the year where RMB strengthen 2% against USD and HKD. For a 2% weakening of RMB against USD and HKD, there would be an equal but opposite impact on the profit for the year, and the balances below would be negative.

	2010 **HK$'000**	2009 HK$'000
Profit for the year	**51,340**	43,153

6. Financial Instruments *(Continued)*

Financial risk management objectives and policies *(Continued)*

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank and other loans, fixed-rate short-term bank fixed deposits, loans to jointly controlled entities and guaranteed senior notes. The cash flow interest rate risk relates primarily to floating-rate bank loans and the loan from the ultimate holding company. The Group currently does not have an interest rate hedging policy. However, 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'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 arising from the Group's HKD loan and the loan from the ultimate holding company and the fluctuation of basic borrowing rate announced by People's Bank of China arising from the Group's RMB bank loans.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments at the end of the reporting period. For variable-rate bank loans and loan from the ultimate holding company, 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 point (2009: 25 basis point) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points (2009: 25 basis point) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2010 would decrease/increase by HK$5,628,000 (2009: HK$3,179,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings and loan from the ultimate holding company.

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

Credit risk

At 31 December 2010, 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 amount of the respective financial assets as stated in the consolidated statement of financial position. 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 reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The credit risk of loans to jointly controlled entities is concentrated in four jointly controlled entities. Management will closely monitor the financial position of each counterparty to ensure overdue debts are timely recovered.

6. Financial Instruments *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk (Continued)

The credit risk of deferred consideration receivable is concentrated to one counterparty. Management will closely monitor the financial position of the counterparty to ensure overdue debts are timely recovered.

The credit risk on bank balances is limited because the counterparties have high credit ratings.

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 loans from the ultimate holding company, bank and other borrowings as a significant source of liquidity. As at the date of this report, the Group had available and unutilised bank loan facilities which are subject to the bank's withdrawal of HK$1,643 million (at 31 December 2009: HK$550 million and RMB224 million (approximately HK$255 million)) and unutilised loan facility from the ultimate holding company of HK$22 million (at 31 December 2009: HK$22 million). Please refer to note 1 for the directors' consideration of the Group's liquidity and going concern, in light of the fact that the Group's current liabilities exceeded its current assets by approximately HK$2,487 million.

The following table details the Group's remaining contractual maturity for its 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.

	Weighted average effective interest rate	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 31.12.2010 HK$'000
2010								
Trade payables	–	126,222	156,062	53,209	–	–	335,493	335,493
Other payables	–	106,686	–	–	–	–	106,686	106,686
Amount due to minority shareholders	–	25,630	–	–	–	–	25,630	25,630
Loan from the ultimate holding company	2.00%	–	–	9,392	508,988	–	518,380	471,365
Bank loans	3.25%	–	1,041,728	618,650	390,730	–	2,051,108	1,996,917
Other loans	2.79%	24,479	–	7,763	34,002	52,936	119,180	108,338
Guaranteed senior notes	8.69%	–	45,076	1,169,530	–	–	1,214,606	1,119,469
		283,017	1,242,866	1,858,544	933,720	52,936	4,371,083	4,163,898

6. Financial Instruments *(Continued)*

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

Liquidity risk (Continued)

	Weighted average effective interest rate	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 31.12.2009 HK$'000
2009								
Trade payables	–	70,045	88,879	55,745	–	–	214,669	214,669
Other payables	–	399,400	–	–	–	–	399,400	399,400
Amounts due to minority shareholders	–	82,617	–	–	–	–	82,617	82,617
Loans from the ultimate holding company	3.26%	–	–	14,806	528,251	–	543,057	471,365
Bank loans	2.18%	–	130,114	416,903	540,168	–	1,087,185	1,044,886
Other loans	2.23%	22,521	–	4,963	55,284	68,578	151,346	138,831
Guaranteed senior notes	8.69%	–	45,076	45,076	1,182,902	–	1,273,054	1,109,655
		574,583	264,069	537,493	2,306,605	68,578	3,751,328	3,461,423

Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flows analysis using prices or rates from observable current market transactions as input.

Except for the guaranteed senior notes as detailed in note 29, the directors consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

7. 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 segment and to assess its 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 that are used to make strategic decisions.

7. Segment Information *(Continued)*

Operating segments *(Continued)*

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 pipeline construction. They represent two major lines of business engaged by the Group. The principal activities of the reportable segments are as follows:

Sales and distribution of piped gas and related products	—	Sales of piped gas and gas related household appliances
Gas pipeline construction	—	Construction of gas pipeline networks under gas connection contracts

In prior year, the Group disposed of its business in the sales of LPG in bulk and in cylinders ("LPG operations").

Segments results represent the profit before taxation earned by each segment, excluding interest income, finance costs, share of results of associates, share of results of jointly controlled entities, unallocated other income and corporate expenses such as central administration costs and directors' salaries. This is the measure 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$'000	Gas pipeline construction HK$'000	Consolidated HK$'000
For the year ended 31 December 2010			
TURNOVER			
External	2,286,338	695,082	2,981,420
Segment results	143,972	277,927	421,899
Unallocated other income			138,410
Unallocated corporate expenses			(91,712)
Share of results of associates			183,408
Share of results of jointly controlled entities			116,102
Finance costs			(141,859)
Profit before taxation			626,248
Taxation			(136,442)
Profit for the year			489,806

7. SEGMENT INFORMATION *(Continued)*

Operating segments ***(Continued)***

	Sales and distribution of piped gas and related products HK$'000	Gas pipeline construction HK$'000	Total – continuing operations HK$'000	Discontinued operation – LPG operations HK$'000	Consolidated HK$'000
For the year ended 31 December 2009					
TURNOVER					
External	1,533,749	491,733	2,025,482	880,471	2,905,953
Segment results	111,382	201,702	313,084	16,121	329,205
Unallocated other income			64,873	3,608	68,481
Gain on disposal of LPG operations			–	458	458
Unallocated corporate expenses			(67,884)	–	(67,884)
Share of results of associates			136,901	–	136,901
Share of results of jointly controlled entities			73,933	559	74,492
Finance costs			(126,963)	(476)	(127,439)
Profit before taxation			393,944	20,270	414,214
Taxation			(91,625)	(10,446)	(102,071)
Profit for the year			302,319	9,824	312,143

Segment results included depreciation and amortisation of HK$197,632,000 (2009: HK$185,009,000), most of which is attributable to the sales and distribution of piped gas and related product 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 substantially all 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 each of the years ended 31 December 2010 and 2009.

8. Operating Profit before Returns on Investments

	2010 HK$'000	2009 HK$'000
Continuing operations		
Revenue	2,981,420	2,025,482
Less expenses:		
Gas fuel, stores and materials used	1,888,358	1,176,376
Staff costs	315,615	251,229
Depreciation and amortisation	197,632	173,016
Other expenses	249,628	179,661
	330,187	245,200

9. Other Income and Gains

Other income and gains mainly comprised of:

	Continuing operations		Discontinued operation		Consolidated	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Dividend income from available-for-sale investments	35,780	27,871	–	–	35,780	27,871
Interest income	7,979	10,731	–	964	7,979	11,695
Exchange gain	64,811	1,121	–	–	64,811	1,121
Discount on acquisition of a subsidiary	–	1,153	–	–	–	1,153
Gain on disposal of property, plant and equipment	–	664	–	2	–	666
Gain on disposal of leasehold land	4,553	–	–	–	4,553	–
Imputed interest income on deferred consideration receivable	9,151	5,548	–	–	9,151	5,548
Imputed interest on loans to jointly controlled entities	6,815	6,958	–	–	6,815	6,958

10. Finance Costs

	Continuing operations		Discontinued operation		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Interest on:						
— bank and other borrowings wholly repayable within five years	**42,608**	30,712	**–**	421	**42,608**	31,133
— bank and other borrowings not wholly repayable within five years	**1,645**	874	**–**	–	**1,645**	874
— guaranteed senior notes	**95,039**	93,923	**–**	–	**95,039**	93,923
	139,292	125,509	**–**	421	**139,292**	125,930
Bank charges	**2,567**	1,454	**–**	55	**2,567**	1,509
	141,859	126,963	**–**	476	**141,859**	127,439

11. Profit before Taxation

	Continuing operations		Discontinued operation		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Profit before taxation	**626,248**	393,944	**–**	20,270	**626,248**	414,214
Profit before taxation has been arrived at after charging:						
Directors' remuneration *(note 12)*	**8,988**	11,394	**–**	–	**8,988**	11,394
Share-based payments for other staff	**86**	446	**–**	–	**86**	446
Other staff costs	**274,491**	215,715	**–**	58,988	**274,491**	274,703
Retirement benefit scheme contributions (excluding directors)	**32,050**	23,674	**–**	4,858	**32,050**	28,532
Total staff costs	**315,615**	251,229	**–**	63,846	**315,615**	315,075
Allowance for doubtful debts	**10,000**	5,000	**–**	–	**10,000**	5,000
Amortisation of intangible assets	**6,782**	6,879	**–**	1,559	**6,782**	8,438
Amortisation of leasehold land	**8,557**	6,481	**–**	940	**8,557**	7,421
Auditor's remuneration	**6,578**	6,290	**–**	762	**6,578**	7,052
Cost of inventories sold	**2,100,380**	1,343,050	**–**	762,421	**2,100,380**	2,105,471
Depreciation of property, plant and equipment	**182,293**	159,656	**–**	9,494	**182,293**	169,150
Loss on disposal of property, plant and equipment	**5,811**	–	**–**	–	**5,811**	–
Operating lease rentals in respect of land and buildings	**9,063**	6,754	**–**	8,377	**9,063**	15,131
Share of tax of associates (included in share of results of associates)	**50,493**	20,429	**–**	–	**50,493**	20,429
Share of tax of jointly controlled entities (included in share of results of jointly controlled entities)	**18,476**	12,097	**–**	–	**18,476**	12,097

12. Directors' and Employees' Emoluments

The emoluments paid or payable to each of the 9 (2009: 10) directors were as follows:

	Year ended 31 December 2010									
	Chan Wing Kin, Alfred HK$'000	Cheng Mo Chi HK$'000	Chow Yei Ching HK$'000	Kwan Yuk Choi, James HK$'000	Ho Hon Ming, John HK$'000 *(Note d)*	Law Wai Fun, Margaret HK$'000	Li Man Bun, Brian David HK$'000	Ou Yaping HK$'000 *(Note b)*	Wong Wai Yee, Peter HK$'000 *(Note e)*	Total HK$'000
Fees	200	400	400	200	200	200	400	200	200	2,400
Other emoluments										
Salaries and other benefits	–	–	–	–	888	–	–	–	888	1,776
Retirement benefit scheme contributions	–	–	–	–	89	–	–	–	89	178
Performance and discretionary bonus *(Note a)*	–	–	–	–	1,600	–	–	–	2,500	4,100
Share-based payments	153	–	–	127	127	–	–	–	127	534
Total emoluments	353	400	400	327	2,904	200	400	200	3,804	8,988

	Year ended 31 December 2009										
	Chen Wei HK$'000 (Note b)	Chan Wing Kin, Alfred HK$'000	Cheng Mo Chi HK$'000	Chow Yei Ching HK$'000	Kwan Yuk Choi, James HK$'000	Ho Hon Ming, John HK$'000	Li Man Bun, Brian David HK$'000	Ou Yaping HK$'000 *(Note b)*	Shen Lian Jin HK$'000 *(Note b)*	Wong Wai Yee, Peter HK$'000	Total HK$'000
Fees	–	200	400	400	200	200	400	–	–	200	2,000
Other emoluments											
Salaries and other benefits	643	–	–	–	–	845	–	200	128	845	2,661
Retirement benefit scheme contributions	37	–	–	–	–	84	–	10	7	84	222
Performance and discretionary bonus *(Note a)*	–	–	–	–	–	1,386	–	–	–	1,866	3,252
Share-based payments	–	916	–	–	763	763	–	–	54	763	3,259
Total emoluments	680	1,116	400	400	963	3,278	400	210	189	3,758	11,394

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

Notes:

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

(b) The emoluments of the directors are covered by their service contracts entered into with the Company. The service contract of Mr. Ou Yaping expired on 31 December 2009 and his director's emoluments thereafter are not covered by any service contract with the Company. The respective service contract of Mr. Chen Wei and Mr. Shen Lian Jin were expired on their respective dates of resignation on 31 December 2009 and 19 March 2009.

(c) No service contracts were entered into by the directors with the Company other than those mentioned in note b above.

(d) The monthly basic salary of Mr. Ho Hon Ming, John as Company Secretary was increased to HK$78,000 with effect from 1 January 2011.

(e) The monthly basic salary of Mr. Wong Wai Yee, Peter as Chief Executive Officer was increased to HK$83,500 with effect from 1 January 2011.

Employees' emoluments:

For the year ended 31 December 2010, the five highest paid individuals of the Group included two (2009: three) directors of the Company, details of their emoluments are included above. The emoluments of the remaining three (2009: two) highest paid individuals are as follows:

	2010 **HK$'000**	2009 HK$'000
Continuing operations		
Salaries and other benefit	**2,862**	1,867
Performance related incentive payments	**1,955**	827
Contribution to retirement benefit scheme	**166**	113
Share based payment	**43**	254
	5,026	3,061

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

The emoluments were within the following bands:

	Number of employees 2010	2009
HK$1,000,000 to HK$1,500,000	**1**	1
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**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 2010.

13. Taxation

	Continuing operations		Discontinued operation		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
The charge comprises:						
PRC Enterprise Income Tax ("EIT")						
– current year	**107,273**	90,062	**–**	5,639	**107,273**	95,701
Deferred taxation *(note 31)*						
– taxation charge for the year	**29,169**	1,563	**–**	4,807	**29,169**	6,370
	136,442	91,625	**–**	10,446	**136,442**	102,071

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 range from 15% to 25% (2009: 15% to 25%).

Pursuant to the relevant laws and regulations in the PRC, certain of the Company's PRC subsidiaries are entitled to exemption from EIT for the first two years commencing from their first profit-making year of operation and thereafter, these PRC subsidiaries will be entitled to a 50% relief from EIT for the following three years. The reduced tax rate for the relief period was 12.5% (2009: 7.5% to 12.5%). EIT has been provided for after taking these tax incentives into account. These tax incentives will be expired by the year 2012.

13. Taxation *(Continued)*

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

	2010 HK$'000	2009 HK$'000
Profit before taxation (from continuing operations)	626,248	393,944
Tax at the applicable rate of 25% (2009: 25%) *(Note)*	156,562	98,486
Tax effect of expenses that are not deductible for tax purposes	79,037	64,178
Tax effect of income that are not taxable for tax purposes	(24,300)	(7,934)
Tax effect of income that is exempted from EIT in determining taxable profit	–	(3,923)
Effect of different tax rates of subsidiaries entitled to a 50% reduction in EIT	(21,662)	(5,783)
Effect of different tax rates of subsidiaries operating in different regions	(15,774)	(9,258)
Tax effect of share of results of associates	(45,852)	(34,225)
Tax effect of share of results of jointly controlled entities	(29,026)	(18,483)
Tax effect of utilisation of tax losses not previously recognised	(1,057)	(1,155)
Tax effect of tax losses not recognised	6,758	1,503
Withholding tax on undistributed profits	31,756	8,219
Tax charge for the year (relating to continuing operations)	136,442	91,625

Note: The tax rate of 25% represents EIT which is applicable to most of the Group's operations in the PRC for the year 2010 (2009: 25%).

At the end of the reporting period, the Group has unused tax losses of HK$45,504,000 (2009: HK$29,385,000) available for offset 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 2015.

14. Discontinued Operation

On 2 April 2009, the Group entered into a sale agreement to dispose of its LPG operations. The disposal was effected in order to focus resources for the expansion of the Group's other businesses. The disposal was completed on 4 June 2009, on which date control of LPG operations passed to the acquirer.

The profit for the year ended 31 December 2009 from the discontinued operation is analysed as follows:

	HK$'000
Profit of LPG operations for the year	9,366
Gain on disposal of LPG operations	458
	9,824
(Loss) profit for the year attributable to:	
Shareholders of the Company	(515)
Non-controlling interests	10,339
	9,824

The results of the LPG operations, which have been included in the consolidated income statement for the year ended 31 December 2009, were as follows:

	Notes	HK$'000
Turnover	7	880,471
Operating profit before returns on investments		16,121
Other income	9	3,608
Share of results of jointly controlled entities		559
Finance costs	10	(476)
		19,812
Gain on disposal of LPG operations		458
Profit before taxation	11	20,270
Taxation	13	(10,446)
Profit for the year		9,824

No tax charge or credit arose on gain on discontinuance of the operations.

During the year ended 31 December 2009, the LPG operations contributed HK$45,891,000 to the Group's net operating cash flows, contributed HK$762,000 in respect of investing activities and paid HK$11,898,000 in respect of financing activities.

15. Dividends

During the year, final dividend of HK$39,203,000 (2009: HK$19,576,000) was recognised as distribution being two HK cents per ordinary share in respect of year ended 31 December 2009 (in respect of year ended 31 December 2008: one HK cent per ordinary share).

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2010 of three HK cents (2009: two HK cents) per ordinary share has been proposed by the Board of Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

16. Earnings Per Share

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

	2010 HK$'000	2009 HK$'000
Earnings for the purposes of basic and diluted earnings per share, being profit for the year attributable to shareholders of the Company	435,797	265,090

	Number of shares '000	 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,186,260	1,957,714
Effects of dilutive potential ordinary shares:		
Share options	284	2,896
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,186,544	1,960,610

From continuing operations

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

	2010 HK$'000	2009 HK$'000
Profit for the year attributable to shareholders of the Company for calculating basic and diluted earnings per share	435,797	265,605

The denominators used are the same as those detailed above for basic and diluted earnings per share.

16. Earnings Per Share *(Continued)*

From discontinued operation

The loss per share for the discontinued operation attributable to shareholder of the Company for the year ended 31 December 2009 is as follows:

	HK cents
Basic	(0.03)
Diluted	(0.03)

The calculation of the loss per share for the discontinued operation attributable to shareholder of the Company for the year ended 31 December 2009 is based on the following data:

	HK$'000
Loss from discontinued operation attributable to shareholders of the Company	(515)

The denominators used are the same as those detailed above for basic and diluted loss per share.

17. Property, Plant and Equipment

	Buildings HK$'000	Gas pipelines HK$'000	Plant and equipment and others HK$'000	Construction in progress HK$'000	Total HK$'000
COST					
At 1 January 2009	410,296	3,064,777	712,680	207,404	4,395,157
Currency realignment	948	6,068	1,590	450	9,056
Additions	19,848	84,576	37,731	373,961	516,116
Additions from acquisition of subsidiaries	16,223	124,004	4,877	24,698	169,802
Disposal of subsidiaries	(74,555)	(38,151)	(288,784)	(3,512)	(405,002)
Disposals	(1,685)	(334)	(10,387)	(220)	(12,626)
Transfer	31,365	261,928	34,600	(327,893)	–
At 31 December 2009	402,440	3,502,868	492,307	274,888	4,672,503
Currency realignment	18,482	147,084	23,767	18,427	207,760
Additions	25,865	88,175	79,602	524,951	718,593
Additions from acquisition of subsidiaries	18,482	181,711	53,767	40,096	294,056
Disposals	(3,286)	(983)	(28,857)	–	(33,126)
Transfer	41,080	250,286	10,901	(302,267)	–
At 31 December 2010	503,063	4,169,141	631,487	556,095	5,859,786
DEPRECIATION					
At 1 January 2009	48,293	346,814	188,618	–	583,725
Currency realignment	142	881	309	–	1,332
Provided for the year	18,045	96,500	54,605	–	169,150
Eliminated on disposal of subsidiaries	(21,136)	(8,599)	(123,593)	–	(153,328)
Eliminated on disposals	(463)	(204)	(4,919)	–	(5,586)
At 31 December 2009	44,881	435,392	115,020	–	595,293
Currency realignment	3,267	20,161	7,597	–	31,025
Provided for the year	19,471	105,676	57,146	–	182,293
Eliminated on disposals	(1,873)	(58)	(20,679)	–	(22,610)
At 31 December 2010	65,746	561,171	159,084	–	786,001
CARRYING VALUES					
At 31 December 2010	437,317	3,607,970	472,403	556,095	5,073,785
At 31 December 2009	357,559	3,067,476	377,287	274,888	4,077,210

The buildings are held under medium term leases and are situated in the PRC.

18. Leasehold Land

	2010 HK$'000	2009 HK$'000
Balance at the beginning of the year	**222,841**	228,020
Currency realignment	**9,526**	2,061
Additions	**35,808**	11,610
Acquired on acquisition of subsidiaries	**28,513**	48,949
Disposals	**(14,373)**	–
Disposal of subsidiaries	**–**	(60,378)
Charge for the year	**(8,557)**	(7,421)
Balance at the end of the year	**273,758**	222,841
Analysis for reporting purpose:		
Non-current portion	**264,742**	216,759
Current portion	**9,016**	6,082
	273,758	222,841

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

19. Intangible Assets

	HK$'000
COST	
At 1 January 2009	217,193
Currency realignment	482
Disposal of subsidiaries	(10,024)
At 31 December 2009	207,651
Currency realignment	7,836
At 31 December 2010	215,487
AMORTISATION	
At 1 January 2009	21,917
Currency realignment	30
Provided for the year	8,438
Disposal of subsidiaries	(4,944)
At 31 December 2009	25,441
Currency realignment	1,157
Provided for the year	6,782
At 31 December 2010	33,380
CARRYING VALUES	
At 31 December 2010	182,107
At 31 December 2009	182,210

At 31 December 2010, the intangible assets represent the Group's exclusive operating rights for city pipeline network.

The exclusive operating rights are amortised on a straight-line basis over a period of 20 to 30 years.

20. Goodwill

	HK$'000
At 1 January 2009	2,491,871
Currency realignment	88
Acquired on acquisition of subsidiaries	260,774
At 31 December 2009	2,752,733
Currency realignment	103,876
Acquired on acquisition of subsidiaries	896,684
At 31 December 2010	3,753,293

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. At the end of the reporting period, the carrying amount of goodwill mainly represents goodwill arising from the acquisition of subsidiaries as follows:

	2010 **HK$'000**	2009 HK$'000
Sub-group headed by:		
Hong Kong & China Gas (Qingdao) Limited	**337,534**	325,260
Hong Kong & China Gas (Zibo) Limited	**363,027**	349,826
Hong Kong & China Gas (Yantai) Limited	**245,179**	236,263
Hong Kong & China Gas (Weifang) Limited	**141,075**	135,945
Hong Kong & China Gas (Weihai) Limited	**280,859**	270,646
Hong Kong & China Gas (Taian) Limited	**248,488**	239,452
Hong Kong & China Gas (Maanshan) Limited	**294,943**	284,218
Hong Kong & China Gas (Anqing) Limited	**279,556**	269,390
Mianyang Hong Kong and China Gas Co., Ltd.	**300,523**	289,595
Gongzhuling Towngas Limited	**23,284**	22,437
Xin Du Hong Kong and China Gas Company Limited, Cheng Du ("Xindu")	**228,402**	220,096
Xinjin Diyuan Natural Gas Co., Ltd. and Xinjin Nanfang Natural Gas Co., Ltd. ("Xinjin")	**28,176**	27,151
Towngas (BVI) Holdings Limited ("Towngas BVI")*	**791,195**	–
Jiujiang Hong Kong and China Gas Co., Ltd. ("Jiujiang")	**66,054**	–
Guilin Hong Kong and China Gas Co., Ltd. ("Guilin")	**39,435**	–
Others	**85,563**	82,454
	3,753,293	2,752,733

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

20. Goodwill *(Continued)*

The recoverable amounts of CGUs are determined from value in use calculations. 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% (2009: 8%) using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates of 4% to 6% (2009: 4% to 6%) are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

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. Cash flows beyond 5 year period have been extrapolated using growth rates from 4% to 6% (2009: 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 2010.

21. Interests in Associates

	2010 HK$'000	2009 HK$'000
Cost of investments in associates	1,214,306	859,871
Share of post-acquisition profits, and other reserves net of dividends received	582,494	326,667
	1,796,800	1,186,538

Details of the Group's principal associates as at 31 December 2010 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 2010	 2009	Principal activities
Changchun Gas Company Limited 長春燃氣股份有限公司	PRC – Limited liability company	26%	26%	Production and distribution of natural gas, coal gas, LPG, metallurgical coke and coke oil
Foshan Gas Group Ltd. 佛山市燃氣集團股份有限公司	PRC – Sino-foreign equity joint venture	43%	43%	Provision of LPG, natural gas and related services and gas pipeline construction

21. Interest in Associates *(Continued)*

Name of associate	Place of establishment and operation	Percentage of equity interest attributable to the Group and voting power attributable to the Group 2010	2009	Principal activities
Dalian DETA Hong Kong and China Gaws Co., Ltd. 大連德泰港華燃氣有限公司	PRC – Sino-foreign equity joint venture	**40%**	–	Provision of natural gas and related services and gas pipeline construction
Fuzhou Fubei Natural Gas Co., Ltd. 撫州市撫北天然氣有限公司	PRC – Limited liability company	**40%**	–	Provision of natural gas and related services and gas pipeline construction
Linqu Hong Kong & China Gas Company Limited 臨朐港華燃氣有限公司	PRC – Sino-foreign equity joint venture	**42%**	–	Provision of natural gas and related services and gas pipeline construction
Shandong Jihua Gas Co., Ltd 山東濟華燃氣有限公司	PRC–Sino-foreign equity joint venture	**48%**	48%	Provision of natural gas and related services and gas pipeline construction
Zibo Lubo Gas Company Ltd. 淄博綠博燃氣有限公司	PRC – Sino-foreign equity joint venture	**27%**	27%	Provision of natural gas and related services and gas pipeline construction

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

Summarised financial information in respect of the Group's associates is set out below:

	2010 HK$'000	2009 HK$'000
Total assets	**7,249,443**	5,214,816
Total liabilities	**(3,713,884)**	(2,894,735)
Net assets	**3,535,559**	2,320,081
Revenue	**4,785,869**	4,274,899
Profit for the year	**466,883**	366,933

At the end of the reporting period, there was goodwill included in carrying amount of interest in associates of HK$213,589,000 arising from acquisition of associates (2009: HK$103,156,000).

22. Interests in Jointly Controlled Entities/Loans to Jointly Controlled Entities

	2010 HK$'000	2009 HK$'000
Cost of investments in jointly controlled entities	742,735	572,147
Share of post-acquisition profits, net of dividends received	287,451	169,775
Currency realignment	37,091	37,406
	1,067,277	779,328
Loans to jointly controlled entities		
– Current portion	84,906	5,682
– Non-current portion	119,160	108,060
	204,066	113,742

At 31 December 2010, the Group had interests in the following significant jointly controlled entities registered in PRC:

Name of entity	Place of establishment and operation	Proportion of nominal value of registered capital held by the Group 2010	2009	Principal activities
Anqing Hong Kong and China Gas Company Limited 安慶港華燃氣有限公司	PRC – Sino-foreign equity joint venture	50%	50%	Provision for coal gas and petroleum gas and related service and gas pipeline construction
Chongqing Hong Kong and China Gas Company Limited 重慶港華燃氣有限公司	PRC – Limited liability company	50%	50%	Provision of natural gas and related services and gas pipeline construction
Hangzhou Hong Kong and China Gas Company Limited 杭州港華燃氣有限公司	PRC – Sino-foreign equity joint venture	50%	–	Provision of natural gas and related services and gas pipeline construction
Maanshan Hong Kong and China Gas Company Limited 馬鞍山港華燃氣有限公司	PRC – Sino-foreign equity joint venture	50%	50%	Provision of natural gas and related services and gas pipeline construction
Taian Taishan Hong Kong and China Gas Company Limited 泰安泰山港華燃氣有限公司	PRC – Sino-foreign equity joint venture	50%	50%	Provision of natural gas and related services and gas pipeline construction

22. Interests in Jointly Controlled Entities/Loans to Jointly Controlled Entities *(Continued)*

Name of entity	Place of establishment and operation	Proportion of nominal value of registered capital held by the Group 2010	2009	Principal activities
Weifang Hong Kong and China Gas Company Limited 濰坊港華燃氣有限公司	PRC – Sino-foreign equity joint venture	50%	50%	Provision of natural gas and related services and gas pipeline construction
Weihai Hong Kong and China Gas Company Limited 威海港華燃氣有限公司	PRC – Sino-foreign equity joint venture	50%	50%	Provision of natural gas and related services and gas pipeline construction
Zibo Hong Kong and China Gas Company Limited 淄博港華燃氣有限公司	PRC–Sino-foreign equity joint venture	50%	50%	Provision of natural gas and related services and gas pipeline construction

At 31 December 2010, the aggregate amount of assets and liabilities recognised in the consolidated financial statements in relation to the Group's interests in jointly controlled entities are as follows:

	2010 HK$'000	2009 HK$'000
Current assets	448,221	278,411
Non-current assets	1,646,728	1,147,304
Current liabilities	756,943	402,917
Non-current liabilities	270,729	243,470
Income	1,180,289	741,950
Expenses	1,064,187	667,458

22. Interests in Jointly Controlled Entities/Loans to Jointly Controlled Entities *(Continued)*

The loans to jointly controlled entities are carried at amortised cost with the following details:

Principal amount 2010	Principal amount 2009	Maturity date	Coupon interest rate	Effective interest rate	Carrying amount 2010 HK$'000	Carrying amount 2009 HK$'000
RMB37,650,000	RMB37,650,000	December 2014	Nil	6.12%	34,812	31,534
RMB35,000,000	RMB35,000,000	July 2014	Nil	6.12%	33,121	30,023
RMB42,530,000	RMB42,530,000	July 2013	Nil	6.12%	42,226	38,344
RMB10,550,000	RMB10,550,000	February 2016	Nil	6.12%	9,001	8,159
–	RMB5,000,000	June 2010	5.31%	5.31%	–	5,682
RMB52,000,000	–	January 2011	5.84%	5.84%	61,321	–
RMB5,000,000	–	January 2011	4.25%	4.25%	5,896	–
RMB15,000,000	–	October 2011	4.25%	4.25%	17,689	–
					204,066	113,742

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

At the end of the reporting period, there was goodwill included in the carrying amount of interest in jointly controlled entities of HK$102,118,000 arising from acquisition of jointly controlled entities (2009: HK$102,118,000).

23. Available-for-Sale Investments

	2010 HK$'000	2009 HK$'000
Unlisted shares in the PRC, at cost	169,372	168,853

At the end of the reporting period, investments in unlisted equity securities issued by private entities established in the PRC are measured at cost less impairment because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

24. Deferred Consideration Receivable

As part of the consideration for the disposal of certain subsidiaries during the year ended 31 December 2009 (see note 35), deferred consideration of HK$379,000,000 is to be settled in cash by the purchaser under five annual instalments of HK$40,000,000 each commencing from June 2010 for five years, and a balancing sum of HK$179,000,000 in June 2015 (the "Balancing Sum"). The Balancing Sum of the consideration is subject to downward adjustment up to an amount of HK$65 million, if on or before 15 June 2015, trade and other receivables of the disposed subsidiaries that were outstanding at the date of disposal have become uncollectible. The amount is secured against the entire share capital of the holding company of the LPG operations disposed of and interest free. The fair value of the deferred consideration at date of initial recognition is determined based on the estimated future cash flows discounted at 3% per annum. The carrying amounts are analysed for reporting purpose as follows:

	2010 **HK$'000**	2009 HK$'000
Non-current assets	**242,481**	283,325
Current assets (included in trade and other receivables, deposits and prepayments)	**39,321**	39,321
	281,802	322,646

The amount of deferred consideration receivable is within credit period. The directors of the Company consider the amounts will be recoverable because the purchaser is of good financial position.

During the year, imputed interest income from deferred consideration receivable is HK$9,151,000 (2009: HK$5,548,000).

25. Inventories

	2010 **HK$'000**	2009 HK$'000
Finished goods	**62,279**	38,300
Consumables	**85,606**	63,556
	147,885	101,856

26. Trade and Other Receivables, Deposits and Prepayments/Other Financial Assets

	2010 HK$'000	2009 HK$'000
Trade receivables	173,427	98,101
Deferred consideration receivable	39,321	39,321
Prepayments	225,043	128,459
Other receivables and deposits	93,664	90,558
Amount due from a related company*	–	127,378
	531,455	483,817

* The amount was unsecured, interest-free and repayable on demand. The amount was due from a company in which two former directors and a director had beneficial interest. The maximum amount outstanding during the year was HK$127,378,000. The amount was settled during the year

Trade receivables

Included in trade and other receivables, deposits and prepayments are trade receivables of HK$173,427,000 (2009: HK$98,101,000). 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 at the end of the reporting period:

	2010 HK$'000	2009 HK$'000
0 to 90 days	168,772	90,784
91 to 180 days	1,362	1,504
181 to 360 days	3,293	5,813
	173,427	98,101

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK$2,759,000 (2009: HK$819,000) which have been past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

26. Trade and Other Receivables, Deposits and Prepayments/Other Financial Assets *(Continued)*

Trade receivables *(Continued)*

Aging of trade receivables which are past due but not impaired is as follows:

	2010 HK$'000	2009 HK$'000
0 to 90 days	1,589	294
91 to 180 days	73	59
181 to 360 days	1,097	466
Total	2,759	819

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

	2010 HK$'000	2009 HK$'000
Balance at beginning of the year	8,039	3,039
Impairment losses recognised on receivables	10,000	5,000
Balance at end of the year	18,039	8,039

The Group has 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 are of good credit quality with no history of default.

Other financial assets

The bank balances carry interest at prevailing market rates range from 0.1% to 5.5% (2009: 0.1% to 5.5%) per annum.

At the end of the reporting period, included in the bank balances and cash are the following amount denominated in currency other than the functional currency of the relevant entity to which it relates.

	2010 HK$'000	2009 HK$'000
United States Dollar	481,299	186,992

27. Amounts Due from/to Minority Shareholders

The amounts due from/to minority shareholders are unsecured and interest-free.

28. Trade and Other Payables and Accrued Charges

	2010 HK$'000	2009 HK$'000
Trade payables	335,493	214,669
Receipt in advance	947,491	560,695
Consideration payable for acquisitions	67,319	198,479
Amount due to a related company *(note a)*	–	127,378
Other payables and accruals	289,251	217,099
Amount due to the ultimate holding company *(note b)*	14,427	585
	1,653,981	1,318,905

Notes:

(a) The amount was unsecured, interest-free and repayable on demand. The amount was due to a company in which two former directors and a director had beneficial interest. The amount was settled during the year.

(b) The amount is unsecured, interest-free and repayable on demand.

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

	2010 HK$'000	2009 HK$'000
0 to 90 days	246,840	117,864
91 to 180 days	18,549	33,394
181 to 360 days	19,426	35,830
Over 360 days	50,678	27,581
	335,493	214,669

29. Borrowings

	2010 HK$'000	2009 HK$'000
Bank loans – unsecured *(note a)*	**1,996,917**	1,044,886
Other loans – unsecured *(note a)*	**108,338**	138,831
Guaranteed senior notes – secured *(notes a & b)*	**1,119,469**	1,109,655
	3,224,724	2,293,372
Carrying amount repayable:		
On demand or within one year	**2,792,403**	562,035
More than one year but not exceeding two years	**20,856**	1,435,843
More than two years but not exceeding five years	**365,002**	233,784
More than five years	**46,463**	61,710
	3,224,724	2,293,372
Less: Amount due within one year shown under current liabilities	**(2,792,403)**	(562,035)
Amount due after one year	**432,321**	1,731,337

Notes:

(a) The bank and other loans mainly comprise of:

	Effective interest rate	Carrying amount 2010 HK$'000	 2009 HK$'000
Floating-rate loans:			
Unsecured HK$ bank loans	0.74% to 2%	**1,530,524**	800,000
Unsecured RMB bank loans	4.31% to 5.02%	**231,723**	52,841
Unsecured other loans	0.73%	**17,620**	17,747
Fixed rate loans*:			
Unsecured RMB bank loans	4.68% to 5.23%	**234,670**	192,045
Unsecured RMB other loans	2.49% to 4.87%	**51,494**	84,859
Unsecured other loans	1.12%	**39,224**	36,225
Guaranteed senior notes	8.69%	**1,119,469**	1,109,655
Total bank loans and other loans		**3,224,724**	2,293,372

* The majority of the Group's fixed rate loans are repayable within one year.

29. Borrowings *(Continued)*

Notes: (Continued)

(b) The Company issued US$200,000,000 8.25% guaranteed senior notes due 2011 (the "Guaranteed Senior Notes") on 23 September 2004. The Guaranteed Senior Notes are listed on the Singapore Exchange Securities Trading Limited and are secured by a pledge of shares of certain subsidiaries of the Group. The Guaranteed Senior Notes bear interest at 8.25% per annum, payable semi-annually in arrears. At any time prior to 23 September 2008, the Company may redeem up to 35% of the principal amount of the Guaranteed Senior Notes with the net cash proceeds of one or more sales of the Company's shares in an offering at a redemption price of 108.25% of the principal amount of the Guaranteed Senior Notes, plus accrued and unpaid interest, if any, to the redemption date. The effective interest rate of Guaranteed Senior Notes is 8.69%. The outstanding principal amount of the Guaranteed Senior Notes will be repaid in 2011 at 100%.

At 31 December 2010, Guaranteed Senior Notes with a principal amount of US$141,000,000 (2009: US$141,000,000) are still outstanding in the market. At 31 December 2010, the market value of the Guaranteed Senior Notes amounted to US$147,437,000 (equivalent to approximately HK$1,142,634,000) (2009: US$153,338,000).

30. Loans from the Ultimate Holding Company

The amount represents unsecured loans denominated in USD and HKD which bear interest at 1.25% plus the Hong Kong Interbank Offered Rate per annum and are repayable in the fifth year from the date of the relevant draw down of the loan.

Principal outstanding	Maturity	Effective interest rate	Carrying amount 2010 HK$'000	2009 HK$'000
HK$277,615,000 (2009: HK$277,615,000)	April 2013 – May 2014 (2009: April 2013 – May 2014) (according to date of draw down)	2.13% (2009: 3.26%)	277,615	277,615
US$25,000,000 (2009: US$25,000,000)	December 2012 (2009: December 2012)	1.81% (2009: 3.26%)	193,750	193,750
			471,365	471,365

31. Deferred Taxation

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

	Accelerated depreciation tax HK$'000	Intangible assets HK$'000	Undistributed profits of jointly controlled entities/ associates HK$'000	Total HK$'000
At 1 January 2009	–	50,408	10,059	60,467
Acquired on acquisition of subsidiaries	24,487	–	–	24,487
Disposal of subsidiaries	–	–	(4,807)	(4,807)
Currency realignment	–	31	12	43
(Credit) charge for the year	–	(1,849)	8,219	6,370
At 31 December 2009	24,487	48,590	13,483	86,560
Acquired on acquisition of subsidiaries	12,552	–	10,989	23,541
Currency realignment	760	2,030	720	3,510
(Credit) charge for the year	(983)	(1,604)	31,756	29,169
At 31 December 2010	36,816	49,016	56,948	142,780

At the end of the reporting period, deferred tax liability not recognised in respect of the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries was HK$3,405,000 (2009: HK$3,135,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

32. Share Capital

	Number of shares	HK$'000
At 31 December 2010		
– Authorised:		
Shares of HK$0.10 each	3,000,000,000	300,000
– Issued and fully paid:		
Shares of HK$0.10 each	2,448,787,330	244,879

32. Share Capital *(Continued)*

A summary of the movements in the authorised share capital is as follows:

	Number of shares	HK$'000
At 1 January 2009, 31 December 2009 and 31 December 2010	3,000,000,000	300,000

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 2009	1,957,556,330	195,756
Issue of shares on exercise of share options *(note a)*	804,000	80
At 31 December 2009 and 1 January 2010	1,958,360,330	195,836
Issue of shares on exercise of share options *(note b)*	5,427,000	543
Issue of shares on acquisition of subsidiaries *(note c)*	485,000,000	48,500
At 31 December 2010	2,448,787,330	244,879

Notes:

(a) During the year ended 31 December 2009, the Company allotted and issued 804,000 shares of HK$0.10 each for cash at the exercise price of HK$2.796 per share as a result of the exercise of share options.

(b) During the year ended 31 December 2010, the Company allotted and issued 3,618,000, 603,000 and 1,206,000 shares of HK$0.10 each for cash at the exercise price of HK$0.473, HK$2.796 and HK$3.483 per share respectively as a result of the exercise of share options.

(c) During the year ended 31 December 2010, the Company allotted and issued 485,000,000 ordinary shares of HK$0.10 each for acquisition of a subsidiary as detailed in note 34.

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

33. 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.

Capital reserve represents the deemed contribution arising from waiver of loans from the minority shareholders of the subsidiaries.

34. Acquisition of Subsidiaries/Businesses

Acquisitions in 2010

Acquisition of Towngas BVI

In July 2010, the Group acquired 100% equity interest in Towngas BVI from Hong Kong & China Gas (China) Limited, a wholly-owned subsidiary of HKCG. Towngas BVI is engaged in the operation of piped gas assets and related business in the PRC. This transaction has been accounted for using the purchase method of accounting.

The consideration transferred:

The consideration was settled by the issue of 485,000,000 ordinary shares of HK$0.10 each. The fair value of the ordinary shares determined using the published price available at the date of acquisition amounted to HK$1,464,700,000.

Acquisition-related costs amounting to HK$4,417,000 were excluded from the consideration transferred and were recognised as expenses in the current year, within the other expenses.

The net assets acquired in the transaction are as follows:

	Acquirees' carrying amount and provisional fair value at acquisition date HK$'000
Net assets acquired:	
Property, plant and equipment	281,715
Leasehold land	24,068
Interest in an associate	176,863
Interest in a jointly controlled entity	165,680
Loans to jointly controlled entities	39,522
Inventories	8,559
Trade and other receivables, deposits and prepayments *(note)*	25,593
Bank balances and cash	111,738
Trade and other payables and accrued charges	(106,673)
Borrowings	(4,594)
Deferred taxation	(20,852)
Net assets acquired	701,619

Note: The trade and other receivables acquired with a fair value of HK$25,593,000 had gross contractual amounts of HK$25,593,000. The best estimate at acquisition date of contractual cash flows not expected to be collected was HK$ nil.

34. Acquisition of Subsidiaries/Businesses *(Continued)*

Acquisitions in 2010 *(Continued)*

Acquisition of Towngas BVI (Continued)

Non-controlling interests:

The non-controlling interests in Towngas BVI recognised at the acquisition date was determined with reference to the proportionate share of the fair value of the acquiree's net assets at the acquisition date and amounted to HK$28,114,000.

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	1,464,700
Plus: Non-controlling interests	28,114
Less: Net assets acquired	(701,619)
Provisional goodwill arising on acquisition	791,195

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

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

	HK$'000
Net inflow of cash and cash equivalents in respect of the acquisition, representing bank balances and cash acquired	111,738

During the year, Towngas BVI contributed HK$194,078,000 to the Group's turnover and HK$43,188,000 to the Group's profit for the period between the date of acquisition and the end of the reporting period.

Acquisition of Jiujiang

In September 2010, the Group completed the acquisition of 60% equity interest in Jiujiang, which is engaged in the operation of piped gas assets and related business in the PRC at an aggregate consideration of HK$73,001,000 from an independent vendor. This transaction has been accounted for using the purchase method of accounting.

The consideration transferred:

The consideration of HK$73,001,000 was settled by way of cash.

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

34. Acquisition of Subsidiaries/Businesses *(Continued)*

Acquisitions in 2010 *(Continued)*

Acquisition of Jiujiang (Continued)

The net assets acquired in the transaction are as follows:

	Acquirees' carrying amount and provisional fair value at acquisition date HK$'000
Net assets acquired:	
Property, plant and equipment	2,520
Leasehold land	36
Inventories	71
Trade and other receivables, deposits and prepayments *(note)*	4,331
Bank balances and cash	4,665
Trade and other payables and accrued charges	(36)
Tax payables	(8)
Net assets acquired	11,579

Note: The trade and other receivables acquired with a fair value of HK$4,331,000 had gross contractual amounts of HK$4,331,000. The best estimate at acquisition date of contractual cash flows not expected to be collected was HK$ nil.

Non-controlling interests:

The non-controlling interests in Jiujiang recognised at the acquisition date was determined with reference to the proportionate share of the fair value of the acquiree's net assets at the acquisition date and amounted to HK$4,632,000.

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	73,001
Plus: Non-controlling interests	4,632
Less: Net assets acquired	(11,579)
Provisional goodwill arising on acquisition	66,054

34. Acquisition of Subsidiaries/Businesses *(Continued)*

Acquisitions in 2010 ***(Continued)***

Acquisition of Jiujiang (Continued)

Goodwill arising on acquisition: *(Continued)*

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

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition:

	HK$'000
Cash consideration	73,001
Bank balances and cash acquired	(4,665)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	68,336

During the year, Jiujiang had not yet started to contribute to the Group's turnover and its expenses reduced the Group's profit by HK$470,000 for the period between the date of acquisition and the end of the reporting period.

Acquisition of Guilin

In July 2010, the Group completed the acquisition of 95% equity interest in Guilin, which is engaged in the operation of piped gas assets and related business in the PRC at an aggregate consideration of HK$58,898,000 from an independent vendor. This transaction has been accounted for using the purchase method of accounting.

The consideration transferred:

The consideration of HK$58,898,000 was settled by way of cash and other payables of HK$47,417,000 and HK$11,481,000 respectively.

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

34. Acquisition of Subsidiaries/Businesses *(Continued)*

Acquisitions in 2010 *(Continued)*

Acquisition of Guilin (Continued)

The net assets acquired in the transaction are as follows:

	Acquirees' carrying amount and provisional fair value at acquisition date HK$'000
Net assets acquired:	
Property, plant and equipment	9,821
Leasehold land	4,409
Inventories	872
Trade and other receivables, deposits and prepayments *(note)*	16,502
Bank balances and cash	47
Trade and other payables and accrued charges	(4,653)
Tax payables	(952)
Borrowings	(2,870)
Deferred taxation	(2,689)
Net assets acquired	20,487

Note: The trade and other receivables acquired with a fair value of HK$16,502,000 had gross contractual amounts of HK$16,502,000. The best estimate at acquisition date of contractual cash flows not expected to be collected was HK$ nil.

Non-controlling interests:

The non-controlling interests in Guilin recognised at the acquisition date was determined with reference to the proportionate share of the fair value of the acquiree's net assets at the acquisition date and amounted to HK$1,024,000.

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	58,898
Plus: Non-controlling interests	1,024
Less: Net assets acquired	(20,487)
Provisional goodwill arising on acquisition	39,435

34. Acquisition of Subsidiaries/Businesses *(Continued)*

Acquisitions in 2010 *(Continued)*

Acquisition of Guilin (Continued)

Goodwill arising on acquisition: *(Continued)*

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

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition:

	HK$'000
Cash consideration	47,417
Bank balances and cash acquired	(47)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	47,370

During the year, Guilin contributed HK$4,457,000 to the Group's turnover and HK$845,000 to the Group's profit for the period between the date of acquisition and the end of the reporting period.

If the above acquisitions of Towngas BVI, Jiujiang and Guilin had been completed on 1 January 2010, total consolidated revenue of the Group would have been HK$3,154,341,000, and consolidated profit for the year would have been HK$536,855,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2010, nor is it intended to be a projection of future results.

The primary reason for the above acquisitions was for the expansion of the Group's business and to generate increase in returns to its shareholders.

34. Acquisition of Subsidiaries/Businesses *(Continued)*

Acquisitions in 2009

In April 2009, the Group completed the acquisition of 100% equity interest in Xindu, which is engaged in the operation of piped gas assets and related business in Xindu area of Chengdu of the PRC at an aggregate consideration of HK$286,848,000 from an independent vendor. This transaction has been accounted for by the acquisition method of accounting.

The aggregate net assets acquired in the transaction, and the goodwill arising on acquisition, are as follows:

	Acquirees' carrying amount at acquisition date HK$'000	Fair value adjustments HK$'000	Acquirees' carrying amount and fair value at acquisition date HK$'000
Net assets acquired:			
Property, plant and equipment	21,292	38,268	59,560
Leasehold land	559	8,758	9,317
Trade receivables	7,942	–	7,942
Other receivables, deposits and prepayments	2,610	–	2,610
Bank balances and cash	26,466	–	26,466
Taxation recoverable	2,106	–	2,106
Trade payables	(3,822)	–	(3,822)
Other payables and accrued charges	(25,715)	–	(25,715)
Deferred taxation	–	(11,712)	(11,712)
Net assets acquired	31,438	35,314	66,752
Goodwill arising on acquisition			220,096
Total consideration			286,848
Satisfied by:			
Cash consideration			171,848
Other payables			115,000
			286,848
Net cash outflow arising on acquisition:			
Cash consideration			171,848
Bank balances and cash acquired			(26,466)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries			145,382

The goodwill on acquisition of the above subsidiary represents value obtainable from synergies with the Group and opportunities for the Group to bring its expertise to the proposition and access to the region of PRC that are provided by the above newly acquired subsidiary.

34. Acquisition of Subsidiaries/Businesses *(Continued)*

Acquisitions in 2009 *(Continued)*

Xindu contributed HK$87,216,000 to the Group's turnover and HK$13,743,000 to the Group's profit before taxation for the period between the date of acquisition and the end of the reporting period.

In May 2009, the Group completed the acquisition of 60% equity interest in Xinjin, which is engaged in the operation of piped gas assets and related business in Xinjin area of Chengdu of the PRC at an aggregate consideration of HK$68,026,000 from an independent vendor. This transaction has been accounted for by the acquisition method of accounting.

The aggregate net assets acquired in the transaction, and the goodwill arising on acquisition, are as follows:

	Acquirees' carrying amount at acquisition date HK$'000	Fair value adjustments HK$'000	Acquirees' carrying amount and fair value at acquisition date HK$'000
Net assets acquired:			
Property, plant and equipment	27,905	27,458	55,363
Leasehold land	2,514	17,807	20,321
Inventories	4,455	–	4,455
Other receivables, deposits and prepayments	40,364	–	40,364
Bank balances and cash	3,670	–	3,670
Trade payables	(7,343)	–	(7,343)
Other payables and accrued charges	(30,737)	–	(30,737)
Taxation payable	(977)	–	(977)
Borrowings	(5,672)	–	(5,672)
Deferred taxation	–	(11,319)	(11,319)
Net assets acquired	34,179	33,946	68,125
Non-controlling interests			(27,250)
Goodwill arising on acquisition			27,151
Total consideration			68,026
Satisfied by:			
Cash consideration			40,815
Amounts due to minority shareholders			27,211
			68,026
Net cash outflow arising on acquisition:			
Cash consideration			40,815
Bank balances and cash acquired			(3,670)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries			37,145

The goodwill on acquisition of the above subsidiary represents value obtainable from synergies with the Group and opportunities for the Group to bring its expertise to the proposition and access to the region of PRC that are provided by the above newly acquired subsidiary.

34. Acquisition of Subsidiaries/Businesses *(Continued)*

Acquisitions in 2009 *(Continued)*

Xinjin contributed HK$27,576,000 to the Group's turnover and HK$8,470,000 to the Group's profit before taxation for the period between the date of acquisition and the end of the reporting period.

During the year ended 31 December 2009, the Group paid a consideration of HK$38,647,000 to an independent vendor to acquire a gas pipeline business, including related assets located in Chiping of Shandong Province of the PRC ("Chiping Towngas"). The acquisition enabled the Group to continue the operation of the existing natural gas business which the vendor previously engaged. This transaction has been accounted for using the purchase method of accounting.

The aggregate net assets acquired in the transaction, and the goodwill arising on acquisition, are as follows:

	Acquirees' carrying amount at acquisition date HK$'000	Fair value adjustments HK$'000	Acquirees' carrying amount and fair value at acquisition date HK$'000
Net assets acquired:			
Property, plant and equipment	18,298	2,649	20,947
Leasehold land	7,125	3,173	10,298
Inventories	814	–	814
Trade receivables	984	–	984
Other receivables, deposits and prepayments	340	–	340
Bank balances and cash	1,785	–	1,785
Other payables and accrued charges	(4,160)	–	(4,160)
Deferred taxation	–	(1,456)	(1,456)
Net assets acquired	25,186	4,366	29,552
Non-controlling interests			(4,432)
Goodwill arising on acquisition			13,527
Total consideration			38,647
Satisfied by:			
Cash consideration			9,670
Amounts due to minority shareholders			28,977
			38,647
Net cash outflow arising on acquisition:			
Cash consideration			9,670
Bank balances and cash acquired			(1,785)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries			7,885

The goodwill on acquisition of the above business represents value obtainable from synergies with the Group and opportunities for the Group to bring its expertise to the proposition and access to the region of PRC that are provided by the above newly acquired business.

34. Acquisition of Subsidiaries/Businesses *(Continued)*

Acquisitions in 2009 ***(Continued)***

Chiping contributed HK$9,756,000 to the Group's turnover and HK$1,053,000 to the Group's profit before taxation for the period between the date of acquisition and the end of the reporting period.

During the year, the Group completed the acquisition of 100% equity interest in a business, which is engaged in the operation of piped gas assets and related business in Qiqihar of the PRC at an aggregate consideration of HK$35,735,000 from an independent vendor. This transaction has been accounted for by the acquisition method of accounting.

The aggregate net assets acquired in the transaction, and the goodwill arising on acquisition, are as follows:

	Acquirees' carrying amount at acquisition date HK$'000	Fair value adjustments HK$'000	Acquirees' carrying amount and fair value at acquisition date HK$'000
Net assets acquired:			
Property, plant and equipment	23,774	10,158	33,932
Leasehold land	9,013	–	9,013
Inventories	1,187	–	1,187
Trade receivables	730	–	730
Other receivables, deposits and prepayments	136	–	136
Bank balances and cash	1,469	–	1,469
Trade payables	(496)	–	(496)
Other payables and accrued charges	(5,508)	–	(5,508)
Borrowings	(3,575)	–	(3,575)
Net assets acquired	26,730	10,158	36,888
Discount on acquisition			(1,153)
Total consideration			35,735
Satisfied by:			
Cash consideration			35,735
Net cash outflow arising on acquisition:			
Cash consideration			35,735
Bank balances and cash acquired			(1,469)
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries			34,266

The goodwill on acquisition of the above subsidiary represents value obtainable from synergies with the Group and opportunities for the Group to bring its expertise to the proposition and access to the region of PRC that are provided by the above newly acquired subsidiary.

If the acquisitions had been completed on 1 January 2009, total group revenue for the year would have been HK$2,950,000,000 and profit for the year would have been HK$322,649,000. The pro forma information is for illustrative purpose only and is not necessarily an indicative revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2009, nor is it intended to be a projection of future results.

35. Disposal of Subsidiaries

On 4 June 2009, the Group discontinued its LPG operations at the time of disposal of its subsidiary, Panva LPG Investment Holdings Limited to a purchaser, which is related to the Group as it is an associate of a former executive director of the Company. The net assets of Panva LPG Investment Holdings Limited at the date of disposal were as follows:

	4.6.2009 HK$'000
NET ASSETS DISPOSED OF	
Property, plant and equipment	251,674
Leasehold land	60,378
Intangible assets	5,080
Interests in a jointly controlled entity	34,027
Available for sale investments	1,135
Inventories	149,701
Trade receivables	32,247
Other receivables and prepayments	172,969
Bank balances and cash	246,474
Trade payables	(9,530)
Other creditors and accruals	(184,631)
Taxation	(16,612)
Bank loan	(8,765)
Deferred taxation	(4,807)
	729,340
Non-controlling interests	(356,160)
Exchange gain realised	(11,541)
	361,639
Gain on disposal	458
Total consideration	362,097
Satisfied by:	
Cash	40,000
Deferred consideration	322,097
	362,097
Net cash outflow arising on disposal:	
Cash consideration	40,000
Bank balances and cash disposed of	(246,474)
	(206,474)

The deferred consideration will be settled in cash by the purchaser on or before 3 June 2015.

36. Related Party Transactions

During the year, the following related party transactions took place:

Name of related party	Nature of transactions	2010 HK$'000	2009 HK$'000
HKCG	Loan facility *(See note 30)*	**471,365**	471,365
	Interest expense	**9,307**	15,095
	Management fee	**2,508**	1,685
GH–Fusion Corporation Limited *(note b)*	Purchase of construction materials	**5,046**	3,943
	Sales of parts and components of gas pipelines	**–**	1,181
Shanxi Hong Kong & China Coalbed Gas Company Limited *(note a)*	Purchase of coalbed methane	**847**	4,572
Hong Kong and China Technology (Wuhan) Limited *(note a)*	Purchase of computerised customer relations management system	**725**	1,432
ECO Environmental Investments Limited *(note a)*	Office licence income	**316**	313
Anhui Province Natural Gas Development Company Limited *(note b)*	Purchase of compressed natural gas	**22,547**	229
Yingkou Hong Kong and China Gas Company Limited *(note a)*	Vehicle leasing expense	**–**	284
Jilin Hong Kong and China Gas Company Limited *(note a)*	Purchase of compressed natural gas	**1,959**	176
Tongling Hong Kong and China Gas Company Limited *(note c)*	Purchase of CNG and LPG	**494**	113

Notes:

(a) HKCG had controlling interests in these companies.

(b) HKCG had significant influences in these companies.

(c) HKCG jointly controlled this company with another party.

During the year, the Group acquired Towngas BVI from a subsidiary of HKCG, please refer to note 34 for details.

37. 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:

	2010	2009
	HK$'000	HK$'000
Within one year	**7,712**	6,950
In the second to fifth year inclusive	**7,159**	7,119
Over five years	**4,187**	684
	19,058	14,753

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

38. Commitments

	2010	2009
	HK$'000	HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	**57,144**	29,083
– acquisition of a subsidiary	**61,321**	–
Capital injection contracted for but not provided in the consolidated financial statements in respect of		
– investment in an associate	**3,774**	22,211

39. Share Options

The Company's Pre-GEM Share Option Scheme (the "Pre-GEM Share Option Scheme") and share option scheme (the "Scheme") were adopted pursuant to resolutions passed on 4 April 2001 for providing incentives to directors and eligible employees and, unless otherwise cancelled or amended, will expire on 3 April 2011. Under the Pre-GEM Share Option Scheme and the Scheme, the Board of the Company may grant options to eligible employees, including executive directors of the Company or any of its subsidiaries, to subscribe for shares in the Company.

Pursuant to a share option scheme adopted by the shareholders of the Company at the annual general meeting held on 26 April 2005 (the "2005 GEM Share Option Scheme") and approved by Sinolink Worldwide Holdings Limited ("Sinolink") pursuant to an ordinary resolution passed at the annual general meeting of Sinolink held on 18 May 2005, the Company may grant options 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. In addition, pursuant to a share option scheme adopted by the shareholders of the Company at an extraordinary general meeting held on 28 November 2005 (the "New Scheme") and approved by Enerchina Holdings Limited ("Enerchina") and Sinolink pursuant to an ordinary resolution passed at the respective special general meeting of Enerchina and Sinolink held on 28 November 2005, the Company may grant options to the directors or employees of the Company or its subsidiaries, for the recognition of their attributions to the Group, to subscribe for shares in the Company.

The 2005 GEM Share Option Scheme has replaced the Scheme, there will be no options granted under the Scheme in the future but the options granted during its life shall continue to be valid and exercisable in accordance with their terms of issue. The provision of the Scheme shall remain in full force and effect.

The 2005 GEM Share Option Scheme and the New Scheme remained in force for a period of 10 years commencing on the date of adoption of the scheme, i.e. 18 May 2005 and 28 November 2005 respectively.

The share options under the 2005 GEM Share Option Scheme (the "2005 GEM Options") and the New Scheme (the "New Scheme Options") 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.

The 2005 GEM Options granted or the New Scheme Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1 per option.

39. Share Options *(Continued)*

Movements of the share options, which were all held by directors and senior management, during the year were as follows:

	Number of share options				
	Outstanding at the beginning of the year	Exercised during the year	Forfeited during the year	Outstanding at the end of the year	Exercisable share options at the end of the year
For the year ended 31 December 2009					
Pre-GEM Listing options	3,618,000	–	–	3,618,000	3,618,000
The Scheme					
2004 options *(note a)*	15,265,950	–	(2,502,450)	12,763,500	12,763,500
New Scheme					
2006 options *(note b)*	4,180,800	(804,000)	(1,206,000)	2,170,800	2,170,800
2007 options *(note b)*	14,673,000	–	–	14,673,000	8,803,800
	37,737,750	(804,000)	(3,708,450)	33,225,300	27,356,100
Weighted average exercise price	3.246	2.796	3.260	3.255	3.165
For the year ended 31 December 2010					
Pre-GEM Listing options	**3,618,000**	**(3,618,000)**	**–**	**–**	**–**
The Scheme					
2004 options *(note a)*	**12,763,500**	**(1,206,000)**	**–**	**11,557,500**	**11,557,500**
New Scheme					
2006 options *(note b)*	**2,170,800**	**(603,000)**	**–**	**1,567,800**	**1,567,800**
2007 options *(note b)*	**14,673,000**	**–**	**–**	**14,673,000**	**14,673,000**
	33,225,300	**(5,427,000)**	**–**	**27,798,300**	**27,798,300**
Weighted average exercise price	**3.255**	**1.400**	**–**	**3.617**	**3.617**

The weighted average price of the Company's shares at the dates of exercise of 361,800 options on 18 March 2010, 1,447,200 options on 31 March 2010 and 3,618,000 options on 7 June 2010 were HK$3.69, HK$3.75 and HK$3.03, respectively.

39. Share Options *(Continued)*

Had all the outstanding vested share options been fully exercised on 31 December 2010, the Company would have received cash proceeds of HK$100,557,000 (2009: HK$85,787,000). Details of specific categories of options are as follows:

Option type	Date of grant	Vesting proportion	Exercisable period	Exercise price HK$
2004 options *(note a)*	19.11.2004	30%	31.12.2005–30.03.2011	3.483
		30%	31.12.2006–30.03.2011	3.483
		40%	31.12.2007–30.03.2011	3.483
2006 options *(note b)*	03.10.2006	30%	04.10.2007–27.11.2015	2.796
		30%	04.04.2008–27.11.2015	2.796
		40%	04.10.2008–27.11.2015	2.796
2007 options *(note b)*	16.03.2007	30%	16.03.2008–27.11.2015	3.811
		30%	16.03.2009–27.11.2015	3.811
		40%	16.03.2010–27.11.2015	3.811

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

The Group recognised total expenses of HK$620,000 (2009: HK$3,715,000) for the year ended 31 December 2010 in relation to share options granted by the Company.

Notes:

a. The 2004 option represented the share options granted under the Scheme.

b. The 2006 and 2007 option represented the share options granted under the New Scheme.

The Black-Scholes option pricing model had been used to estimate the fair value of the options at the date of grant. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate.

40. 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 2010 amounted to approximately HK$31,782,000 (2009: HK$28,247,000).

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 2010, the Group made retirement benefit scheme contributions amounting to HK$446,000 (2009: HK$507,000).

41. Events after the End of the Reporting Period

Subsequent to the end of the reporting period, the Group acquired 80% and 100% interest in Xiushui Hong Kong and China Gas Co., Ltd ("Xiushui") and Wuning Hong Kong and China Gas Co., Ltd ("Wuning") for a total consideration of HK$61,321,000 and HK$80,448,000 respectively from independent third parties. Xiushui and Wuning are both engaged in the sales and distribution of piped gas in the PRC. As of the date of this report, the management of the Group is still in the process of determining the financial effect of the acquisitions.

42. Particulars of Principal Subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2010 and 2009 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 2010	2009	Principal activities
Directly-owned subsidiaries					
Hong Kong & China Gas (Anqing) Limited	BVI – Limited liability company/ HK	USD1	100%	100%	Investment holding
Hong Kong & China Gas (Maanshan) Limited	BVI – Limited liability company/ HK	USD1	100%	100%	Investment holding
Hong Kong & China Gas (Qingdao) Limited	BVI – Limited liability company/ HK	USD1	100%	100%	Investment holding
Hong Kong & China Gas (Taian) Limited	BVI – Limited liability company/ HK	USD1	100%	100%	Investment holding
Hong Kong & China Gas (Weifang) Limited	BVI – Limited liability company/ HK	USD1	100%	100%	Investment holding
Hong Kong & China Gas (Weihai) Limited	BVI – Limited liability company/ HK	USD1	100%	100%	Investment holding
Hong Kong & China Gas (Yantai) Limited	BVI – Limited liability company/ HK	USD1	100%	100%	Investment holding
Hong Kong & China Gas (Zibo) Limited	BVI – Limited liability company/ HK	USD1	100%	100%	Investment holding
Towngas China Group Limited	BVI – Limited liability company	USD12,821	100%	100%	Investment holding

42. 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 2010	2009	Principal activities
Indirectly-owned subsidiaries					
An Shan Hong Kong and China Gas Company Limited 鞍山港華燃氣有限公司	PRC – Wholly foreign- owned enterprise	USD15,000,000	**100%**	–	Provision of natural gas and related services and gas pipeline construction
Benxi Hong Kong and China Gas Company Limited 本溪港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB280,000,000 (2009: RMB97,824,900)	**80%**	80%	Provision of natural gas and related services and gas pipeline construction
Cangxi Hong Kong and China Gas Company Limited 蒼溪港華燃氣有限公司	PRC – Wholly foreign- owned enterprise	RMB10,000,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Chaoyang Hong Kong and China Gas Company Limited 朝陽港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB89,248,000	**90%**	90%	Provision of natural gas and related services and gas pipeline construction
China Overlink Holdings Co., Limited	BVI – Limited liability company	USD1	**100%**	100%	Investment holding
Chi Ping Hong Kong and China Gas Co., Ltd. 茌平港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB40,000,000	**85%**	85%	Provision of natural gas and related services and gas pipeline construction
Chizhou Hong Kong and China Gas Company Limited 池州港華燃氣有限公司	PRC – Wholly foreign- owned enterprise	RMB20,000,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction

42. 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 2010	2009	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
Dalian Changxing Hong Kong and China Gas Company Limited 大連長興港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	USD14,000,000	100%	–	Provision of natural gas and related services and gas pipeline construction
Dalian Lvshun Hong Kong and China Gas Company Limited 大連旅順港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	USD15,000,000	100%	–	Provision of natural gas and related services and gas pipeline construction
Dayi Hong Kong and China Gas Company Limited 大邑港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	RMB10,000,000	100%	100%	Provision of natural gas and related services and gas pipeline construction
Fuxin Hong Kong and China Gas Co., Ltd. 阜新港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB77,200,000	90%	90%	Provision of natural gas and related services and gas pipeline construction
Gao Chun Hong Kong and China Gas Co., Ltd. 南京高淳港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	USD4,010,000 (2009: USD1,010,000)	100%	100%	Provision of natural gas and related services and gas pipeline construction
Gongzhuling Towngas Limited 公主嶺港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	RMB53,000,000	100%	100%	Provision of natural gas and related services and gas pipeline construction

42. 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 2010	2009	Principal activities
Indirectly-owned subsidiaries ***(Continued)***					
Guilin Hong Kong and China Gas Company Limited 桂林港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB10,000,000	95%	–	Provision of natural gas and related services and gas pipeline construction
Hong Kong & China Gas (Dalian) Limited	HK – Limited liability company	HK$100	100%	–	Investment holding
Hong Kong & China Gas (Hangzhou) Limited	BVI – Limited liability company/ HK	USD1	100%	–	Investment holding
Hong Kong & China Gas (Huzhou) Limited	BVI – Limited liability company/ HK	USD1	100%	–	Investment holding
Hong Kong & China Gas (Tongxiang) Limited	BVI – Limited liability company/ HK	USD1	100%	–	Investment holding
Hong Kong & China Gas (Yingkou) Limited	BVI – Limited liability company/ HK	USD1	100%	–	Investment holding
Huangshan Hong Kong and China Gas Co Ltd 黃山港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	USD3,500,000	100%	100%	Provision of natural gas and related services and gas pipeline construction
Huangshan Huizhou Hong Kong and China Gas Co., Ltd. 黃山徽州港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	USD2,100,000	100%	100%	Provision of natural gas and related services and gas pipeline construction

42. 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 2010	2009	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
Huangshan Taiping Hong Kong and China Gas Co., Ltd. 黃山太平港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	USD3,500,000	100%	100%	Provision of natural gas and related services and gas pipeline construction
Huzhou Hong Kong and China Gas Co., Ltd. 湖州港華燃氣有限公司	PRC – Sino-foreign equity joint venture	USD10,500,000	98.85%	–	Provision of natural gas and related services and gas pipeline construction
Jianyang Hong Kong and China Gas Co., Ltd. 簡陽港華燃氣有限公司	PRC – Limited liability company	RMB10,000,000	100%	100%	Provision of natural gas and related services and gas pipeline construction
Jinan Jihua Gas Co., Ltd. 濟南濟華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB100,000,000	51%	51%	Provision of natural gas and related services and gas pipeline construction
Jiujiang Hong Kong and China Gas Co., Ltd. 九江港華燃氣有限公司	PRC – Limited liability company	RMB10,000,000	60%	–	Provision of natural gas and related services and gas pipeline construction
Kazuo Hong Kong and China Gas Co., Ltd. 喀左港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	USD6,400,000	100%	–	Provision of natural gas and related services and gas pipeline construction

42. 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 2010	2009	Principal activities
Indirectly-owned subsidiaries ***(Continued)***					
Laiyang Hong Kong and China Gas Co., Ltd. 萊陽港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	USD5,440,000	100%	–	Provision of natural gas and related services and gas pipeline construction
Lezhi Hong Kong and China Gas Co., Ltd. 樂至港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	RMB10,000,000	100%	100%	Provision of natural gas and related services and gas pipeline construction
Longkou Hong Kong and China Gas Co Ltd 龍口港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	USD7,070,000	100%	100%	Provision of natural gas and related services and gas pipeline construction
Mianyang Hong Kong and China Gas Company Limited 綿陽港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	RMB90,000,000	100%	100%	Provision of natural gas and related services and gas pipeline construction
Pengshan Hong Kong and China Gas Company Limited 彭山港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB10,000,000	70%	70%	Provision of natural gas and related services and gas pipeline construction
Pengxi Hong Kong and China Gas Company Limited 蓬溪港華燃氣有限公司	PRC – Limited liability company	RMB3,590,000	90%	90%	Provision of natural gas and related services and gas pipeline construction

42. 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 2010	2009	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
Pingchang Hong Kong and China Gas Company Limited 平昌港華燃氣有限公司	PRC – Limited liability company	RMB10,000,000 (2009: RMB4,900,000)	90%	90%	Provision of natural gas and related services and gas pipeline construction
Qingdao Dong Yi Hong Kong and China Gas Co Ltd 青島東億港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB30,000,000	60%	60%	Provision of natural gas and related services and gas pipeline construction
Qingdao Zhongji Hong Kong and China Gas Co Ltd 青島中即港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB73,500,000	90%	90%	Provision of natural gas and related services and gas pipeline construction
Qing Yuan Hong Kong and China Gas Company Limited 清遠港華燃氣有限公司	PRC – Limited liability company	RMB10,000,000	80%	80%	Provision of natural gas and related services and gas pipeline construction
Qiqihar Hong Kong and China Gas Company Limited 齊齊哈爾港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB128,561,800 (2009: RMB80,000,000)	61.67%	61.67%	Provision of natural gas and related services and gas pipeline construction
Shao Guan Hong Kong and China Gas Co., Ltd. 韶關港華燃氣有限公司	PRC – Limited liability company	RMB20,000,000	100%	100%	Provision of natural gas and related services and gas pipeline construction
Shenyang Hong Kong and China Gas Company Limited 瀋陽港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	USD8,000,000	100%	100%	Provision of natural gas and related services and gas pipeline construction

42. 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 2010	2009	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
TCCL (Finance) Limited	HK – Limited liability company	HK$1	**100%**	–	Financing
Tieling Hong Kong and China Gas Company Limited 鐵嶺港華燃氣有限公司	PRC – Sino-foreign equity joint venture	USD12,480,000	**80%**	80%	Provision of natural gas and related services and gas pipeline construction
Tongxiang Hong Kong and China Gas Company Limited 桐鄉港華天然氣有限公司	PRC – Sino-foreign equity joint venture	USD7,000,000	**76%**	–	Provision of natural gas and related services and gas pipeline construction
Towngas (BVI) Holdings Limited	BVI – Limited liability company	USD1	**100%**	–	Investment holding
Towngas Investments Limited 港華燃氣投資有限公司	PRC – Wholly foreign-owned enterprise	USD200,000,000	**100%**	100%	Investment holding
Weiyuan Hong Kong and China Gas Company Limited 威遠港華燃氣有限公司	PRC – Limited liability company	RMB10,000,000	**99.5%**	99.5%	Provision of natural gas and related services and gas pipeline construction
Xin Du Hong Kong and China Gas Company Limited, Cheng Du 成都新都港華燃氣有限公司	PRC – Limited liability company	RMB22,000,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Xinjin Diyuan Natural Gas Co., Ltd. 新津縣地源天然氣有限責任公司	PRC – Sino-foreign equity joint venture	RMB12,000,000	**60%**	60%	Provision of natural gas and related services and gas pipeline construction

42. 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 2010	2009	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
Xinjin Nanfang Natural Gas Co., Ltd. 新津南方天然氣有限公司	PRC – Sino-foreign equity joint venture	RMB11,500,000	60%	60%	Provision of natural gas and related services and gas pipeline construction
Yang Jiang Hong Kong and China Gas Company Limited 陽江港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	RMB50,000,000	100%	100%	Provision of natural gas and related services and gas pipeline construction
Yingkou Hong Kong and China Gas Company Limited 營口港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	USD9,400,000	100%	–	Provision of natural gas and related services and gas pipeline construction
Yuechi Hong Kong and China Gas Company Limited 岳池港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB12,500,000	90%	90%	Provision of natural gas and related services and gas pipeline construction
Zhongjiang Hong Kong and China Gas Company Limited 中江港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	RMB18,810,000	100%	100%	Provision of natural gas and related services and gas pipeline construction
Ziyang Hong Kong and China Gas Company Limited 資陽港華燃氣有限公司	PRC – Limited liability company	RMB18,890,000	90%	90%	Provision of natural gas and related services and gas pipeline construction

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.