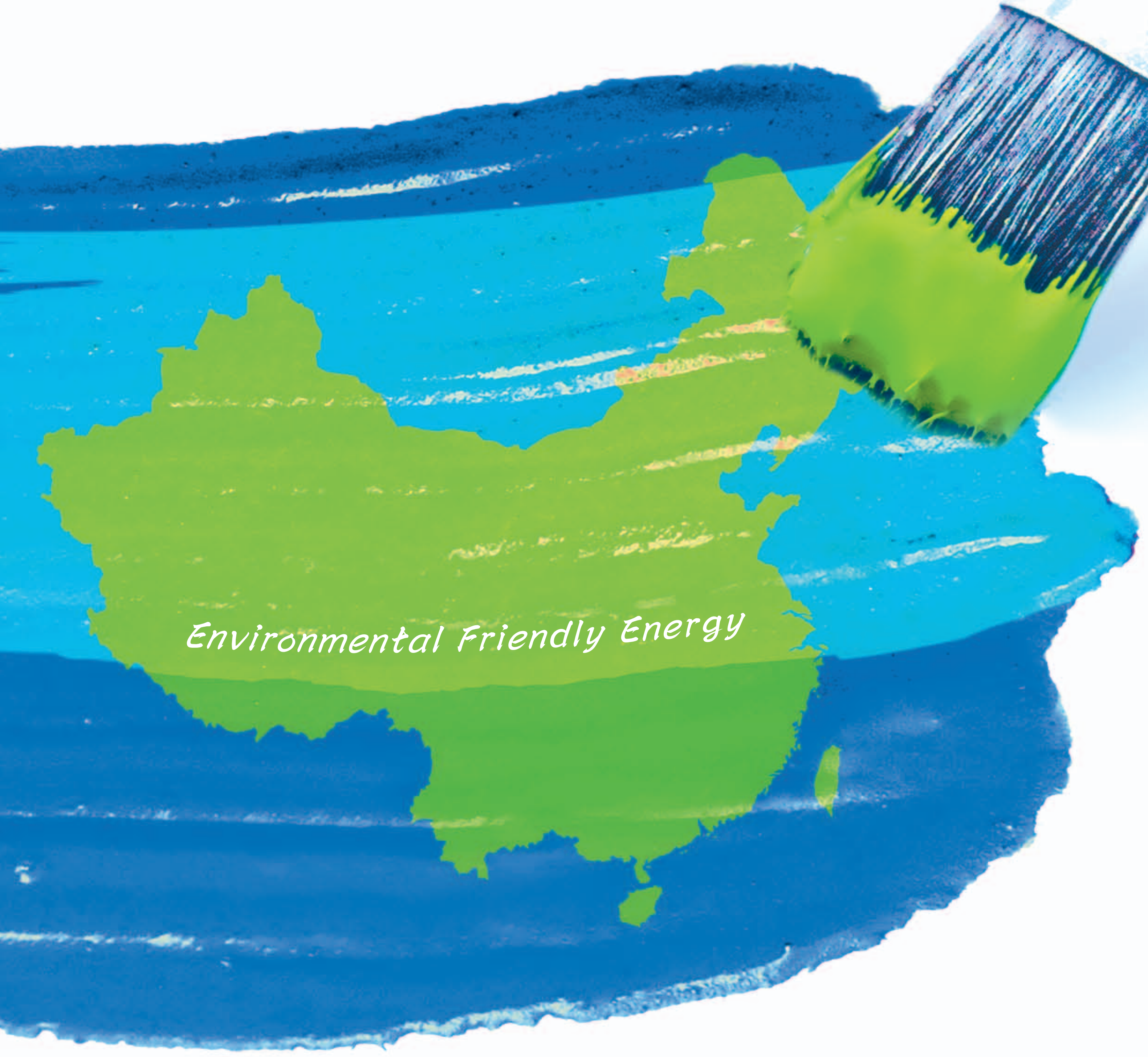
港華燃氣有限公司
Towngas China Company Limited

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 1083)



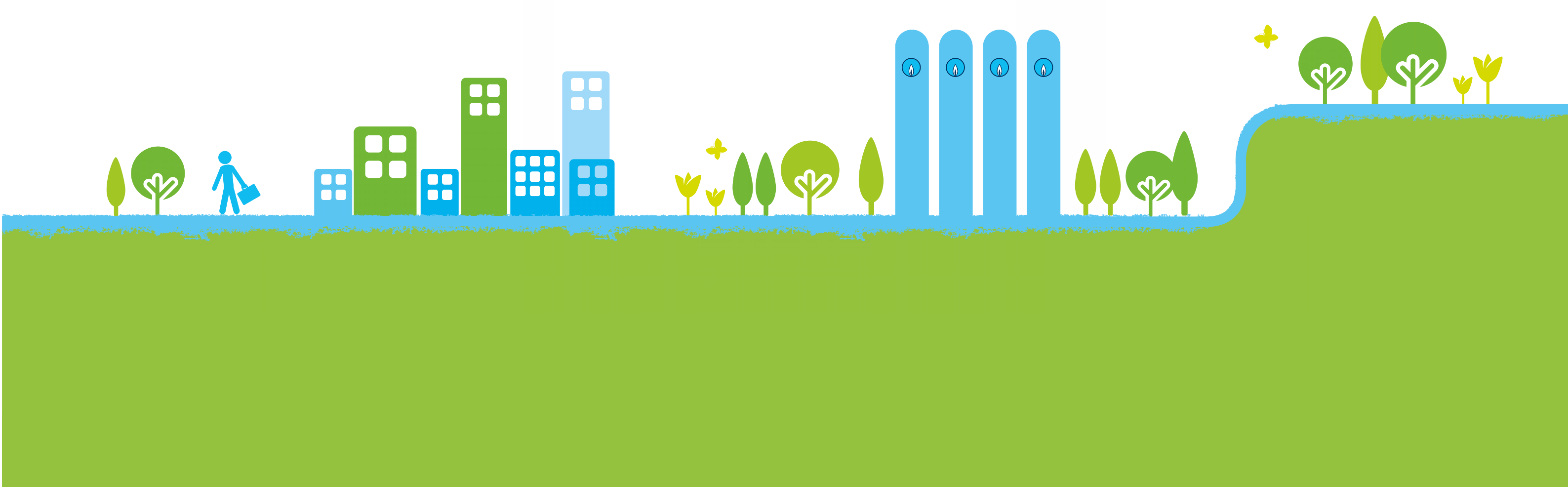
Annual Report 2014

Mission

To provide our customers with a safe, reliable supply of gas and the caring, competent and efficient services they expect, while working to protect and improve our environment.

Contents

2 Corporate Information
3 Geographical Coverage
4 Five-Year Financial Summary
5 Financial Highlights
6 Chairman's Statement
10 Awards
12 Financial Review
18 Business Review
30 Biographical Details of Directors
34 Report of the Directors
52 Corporate Governance Report
65 Independent Auditor's Report
67 Consolidated Income Statement
68 Consolidated Statement of Comprehensive Income
69 Consolidated Statement of Financial Position
71 Consolidated Statement of Changes in Equity
73 Consolidated Statement of Cash Flows
75 Notes to the Consolidated Financial Statements



Corporate Information

Board of Directors

Executive Directors

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

Non-Executive Director

Kwan Yuk Choi, James

Independent Non-Executive Directors

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

Authorized Representatives

Chan Wing Kin, Alfred
Ho Hon Ming, John

Company Secretary

Ho Hon Ming, John

Audit Committee

Li Man Bun, Brian David *(Chairman)*
Cheng Mo Chi, Moses
Chow Vee Tsung, Oscar

Remuneration Committee

Cheng Mo Chi, Moses *(Chairman)*
Li Man Bun, Brian David
Chow Vee Tsung, Oscar
Chan Wing Kin, Alfred

Nomination Committee

Chan Wing Kin, Alfred *(Chairman)*
Cheng Mo Chi, Moses
Li Man Bun, Brian David
Chow Vee Tsung, Oscar

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
88 Queensway
Hong Kong

Registered Office

P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Head Office and Principal Place of Business

23rd Floor, 363 Java Road
North Point, Hong Kong

Telephone	: (852) 2963 3298
Facsimile	: (852) 2561 6618
Stock Code	: 1083
Website	: www.towngaschina.com

Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor Services Limited
17M Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Hong Kong Branch Share Transfer Office

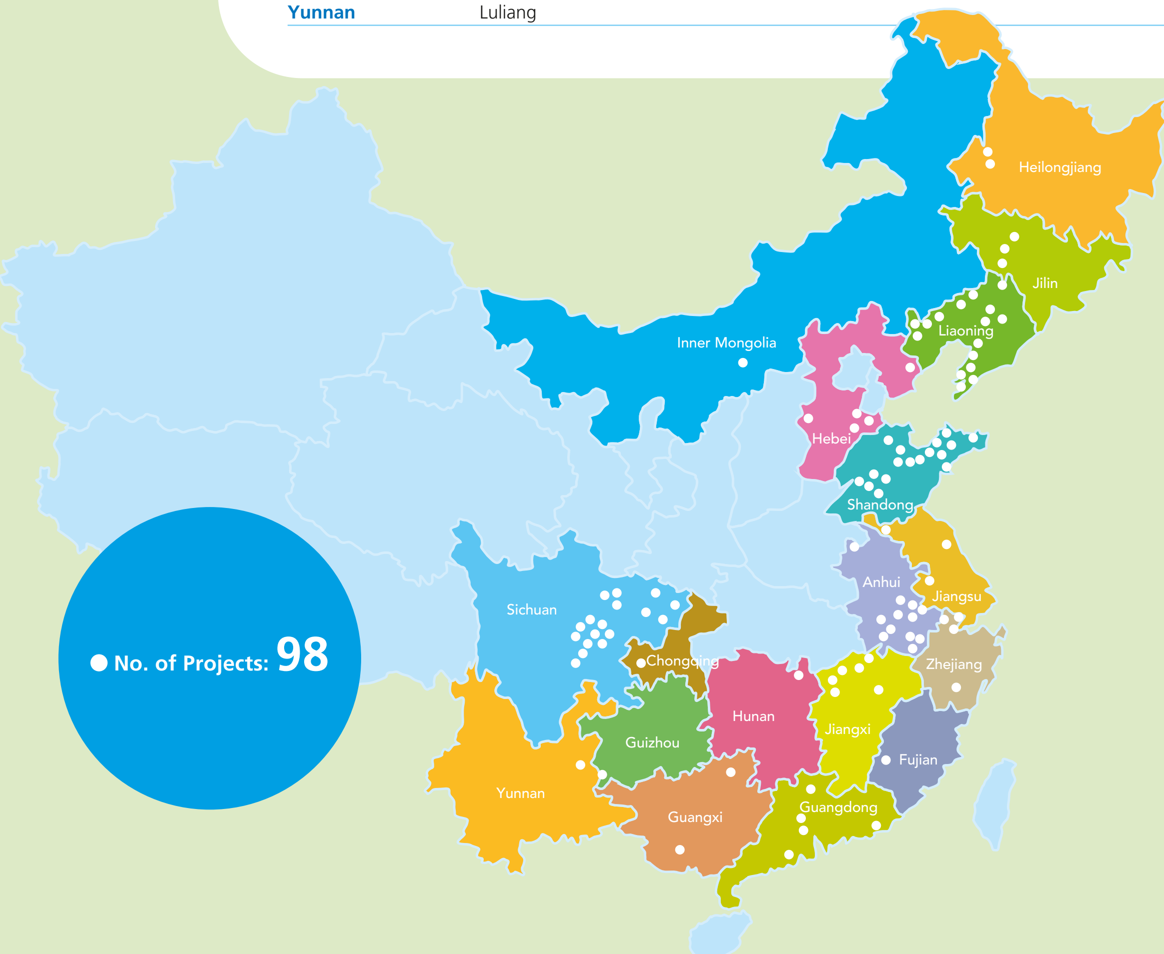
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Principal Bankers

Bank of China (Hong Kong) Limited
China Merchants Bank, Shenzhen Branch

Geographical Coverage

Heilongjiang	Qiqihar, Qiqihar (vehicle gas refilling station)
Jilin	Changchun, Gongzhuling, Siping
Liaoning	Anshan, Beipiao, Benxi, Chaoyang, Changxingdao, Dalian Economic and Technical Development Zone, Fuxin, Jianping, Kazuo, Lvshun, Shenyang, Tieling, Wafangdian, Wafangdian (midstream), Xinqiu, Yingkou
Shandong	Boxing, Chiping, Feicheng, Jimo, Jinan West, Laiyang, Laoshan, Linqu, Longkou, Pingyin, Taian, Weifang, Weihai, Yangxin, Zhaoyuan, Zibo, Zibo Lubo
Jiangsu	Dafeng, Nanjing Gaochun, Tongshan
Anhui	Anqing, Bowang, Bozhou, Chizhou, Huangshan, Huizhou, Maanshan, Maanshan (gas pipe assembly), Tunxi, Wuhu, Xuancheng-Huangshan (midstream), Zhengpugang
Jiangxi	Changjiu, Fuzhou, Jiujiang, Wuning, Xiushui, Yifeng
Sichuan	Cangxi, Chengdu, Dayi, Jianyang, Leshan, Lezhi, Mianyang, Mianzhu, Pengshan, Pengxi, Pingchang, Weiyuan, Xindu, Xinjin, Yuechi, Zhongjiang, Ziyang
Chongqing	Qijiang
Guangdong	Fengxi, Foshan, Qingyuan, Shaoguan, Yangdong
Guangxi	Guilin, Zhongwei (Fusui)
Zhejiang	Huzhou, Lishui, Tongxiang, Yuhang
Hunan	Miluo
Fujian	Changting
Hebei	Cangxian, Mengcun, Qinhuangdao, Shijiazhuang, Yanshan
Guizhou	Xingyi
Inner Mongolia	Baotou
Yunnan	Luliang



Five-Year Financial Summary

	For the year ended 31 December 2010 HK$'000	2011 HK$'000	2012 HK$'000	2013 HK$'000	**2014 HK$'000**
RESULTS					
Turnover	2,981,420	4,321,344	5,183,466	6,715,709	**7,881,833**
Profit before taxation	626,248	1,033,536	1,235,548	1,608,852	**1,531,059**
Taxation	(136,442)	(256,943)	(299,393)	(382,509)	**(350,085)**
Profit for the year	489,806	776,593	936,155	1,226,343	**1,180,974**
Profit for the year attributable to:					
Shareholders of the Company*	435,797	708,754	840,798	1,106,286	**1,054,189**
Non-controlling interests	54,009	67,839	95,357	120,057	**126,785**
Profit for the year	489,806	776,593	936,155	1,226,343	**1,180,974**
	HK cents	HK cents	HK cents	HK cents	**HK cents**
Earnings per share					
Basic	19.93	28.84	34.17	42.46	**40.19**
Diluted	19.93	28.82	34.10	42.34	**40.08**

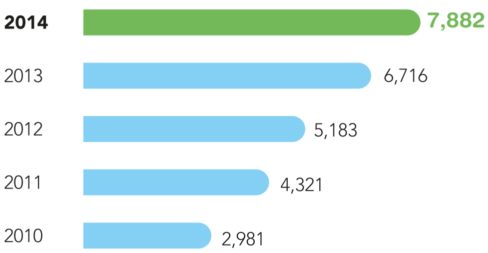
	As at 31 December 2010 HK$'000	2011 HK$'000	2012 HK$'000	2013 HK$'000	**2014 HK$'000**
ASSETS AND LIABILITIES					
Total assets	14,882,799	18,183,406	21,255,284	25,628,676	**27,350,239**
Total liabilities	(5,747,672)	(7,884,151)	(9,968,323)	(12,150,413)	**(12,905,761)**
	9,135,127	10,299,255	11,286,961	13,478,263	**14,444,478**
Equity attributable to shareholders of the Company	8,563,437	9,615,314	10,481,716	12,531,303	**13,253,951**
Non-controlling interests	571,690	683,941	805,245	946,960	**1,190,527**
Total equity	9,135,127	10,299,255	11,286,961	13,478,263	**14,444,478**

* the Company: Towngas China Company Limited

Financial Highlights

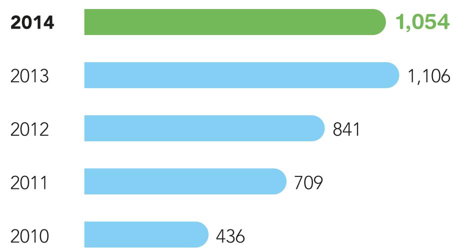
Turnover

(HK$ Millions)



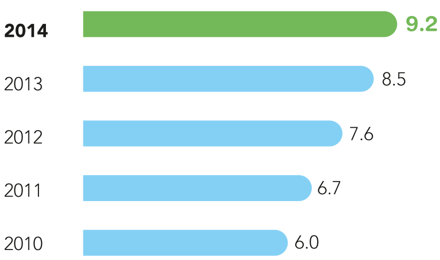
Profit Attributable to Shareholders of the Company

(HK$ Millions)

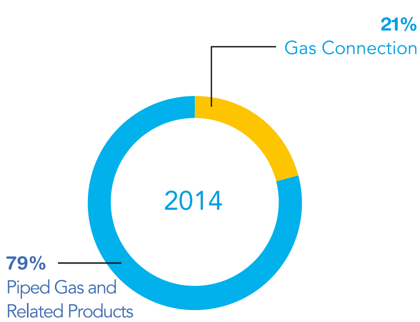


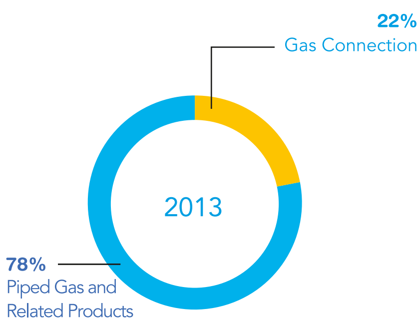
Number of Customers (All Entities)

(Millions)

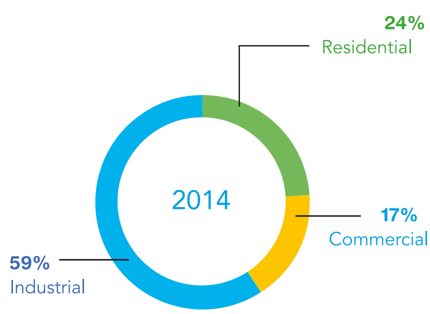


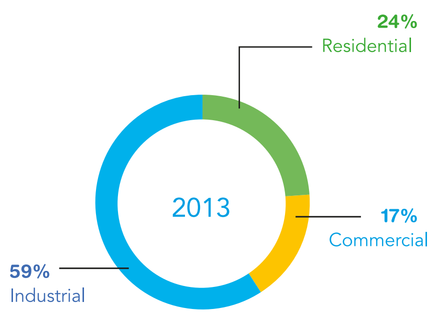
Turnover Analysis





Percentage of Gas Volume by Customer Mix (All Entities)





Chairman's Statement

In 2014, the global economy remained in the shadow of the financial crisis. The developed countries experienced a weak economic recovery whilst emerging countries faced challenges in terms of slow financial growth. China was the only country among the BRIC nations to deliver a relatively better economic performance with a gross domestic product growth of 7.4%.

Leveraging the enormous market in China and the efforts of all of our employees, the Towngas China Group reported favourable results in 2014. The Group's turnover surged to HK$7,882 million, representing an increase of 17% as compared to 2013. The profit after taxation attributable to shareholders of the Company excluding the unrealized exchange loss amounted to HK$1,195 million, representing an increase of 26% as compared to 2013.

Determination to Promote the Use of Natural Gas in China

In order to address the serious air pollution problems, the Chinese Government is determined to substantially increase the use of natural gas. It has thus set an aggressive target of "increase consumption of natural gas to 360 billion cubic metres in 2020, representing 10% of the total primary energy consumption". In 2014, China also successfully signed two natural gas import agreements with Russia, contracting to bring in up to 68 billion cubic metres of natural gas per year in total for a term of 30 years. These contracts are due to commence incrementally from 2018 onwards.

While promoting these natural gas imports from Russia, China also continued to speed up the development of natural gas import from Central Asia. With the commencement of operation of the Central Asian natural gas pipeline D in 2016, which is currently under construction, the transmission capabilities of the Central Asian natural gas pipelines will increase from 55 billion cubic metres to 85 billion cubic metres per year. These measures, together with the gradual commencement of operation of various coastal liquefied natural gas receiving terminals, will provide the natural gas and city gas industries in China with very reliable gas sources for sustainable development.

In view of the enormous transportation demand for imported natural gas, various natural gas pipelines construction projects are now underway simultaneously. Significant projects include the pipelines crossing three provinces in northeast China for the distribution of natural gas coming in from Russia to Shandong and Jiangsu, Phase IV of the West-to-East pipeline, Phase IV of the Shaanxi-to-Beijing pipeline as well as Sinopec's Xinjiang coal-to-gas transmission pipeline engineering project (Xinjiang-Guangdong-Zhejiang Pipeline). The long-term development of the Group's city gas businesses will be benefited from the robust development of upstream and midstream natural gas projects in China.

Price Reform of Natural Gas

The price reform of natural gas will accelerate the marketization of the natural gas industry in China. Following the unified increase of the natural gas city-gate prices in September 2014 with regard to the gas storage for non-residential consumption across the country, the Chinese Government also slightly raised the natural gas city-gate prices in April 2015 with regard to the gas storage while making relatively significant downward adjustments to the city-gate prices of incremental gas usage. As a result, the prices of natural gas storage for non-residential consumption would be in line with that of incremental gas usage, so that the consolidated price of natural gas for non-residential consumption in 2015 will be lower than that of 2014. The Group is well positioned for the marketization reform of natural gas price. Since the beginning of 2014, the Group has adopted "Year of Marketing Strategy" as the theme of management of the year, which has successfully driven our group companies to achieve greater business expansion both in the commercial and industrial gas consumption markets.

The price reform of natural gas for residential consumption was more prudent as compared to the marketization reform of natural gas for non-residential consumption. No adjustment will be made for city-gate prices of residential gas consumption in 2015. Instead, a progressive price level will be adopted. Our group companies are well positioned to make timely contribution to the establishment of a progressive price level system for residential gas consumption.

Chairman's Statement

The establishment of the Shanghai Oil and Natural Gas Trading Centre, as approved by the Chinese Government at the beginning of 2015, is having a profound impact on the landscape of demand and supply of natural gas in China as well as the price reform of natural gas in the future. The goal of the establishment of this oil and natural gas trading centre is to provide an influential regional trading platform for the import of oil and natural gas in Asia, especially in China.

An Award – Winning Company

◆ Company of the Year Award

In 2014, the Group won the "Company of the Year Award" in the "Gas Industry Awards 2014" jointly organized by the Institution of Gas Engineers & Managers (IGEM) and the Energy and Utilities Alliance (EUA) of the United Kingdom. This award aims to recognize enterprises and individuals with both passion and perseverance and have made outstanding contribution to the advancement of the gas industry. The Group won the "Company of the Year Award" on the back of our outstanding performance in terms of safety and reliability of our gas supply. We are the first gas operator in mainland China to have received this honour. Prior to this, The Hong Kong and China Gas Company Limited ("HKCG"), our parent company, was also awarded the "Company of the Year Award" in 1999 and 2006, respectively.

◆ Other Awards

The Group also received a number of other awards in 2014. These include the "2013-2014 China Marketing Award" jointly organized by Economic Observer, Hong Kong Management Association and China Economic Watch, the honour of "Outstanding Enterprise of the Year under the Social Responsibility Prize for People's Enterprises programme" of People's Daily Online, the award of "The Most Influential Company in China City-gas Industry of the Year" from Ta Kung Pao and Takungpao.com, "Most Innovative Treasury Practice - Highly Commended" as part of the "Taozhu Gong Awards 2014" from EuroFinance of the Economist Group, as well as "The 9th China's Best Customer Service Award" jointly presented by China Information Association and China Association of Trade in Services. These awards proved that the Group had the great distinction in areas including marketing, corporate social responsibility, city gas industry, financial management and customer services, which laid a solid foundation for the Group's future development.

Business Outlook

Given the ever-stronger calls for environmental protection in the country, China is implementing more aggressive policies to boost its use of natural gas. Under the government's 13th Five Year Development Plan, as China's urban population continues to grow apace, more natural gas will be imported into China while a number of key natural gas projects in the country will also commence operations. Looking forward, the Group is expecting to see satisfactory growth in natural gas sales in the next few years. However, the prolonged effects of the global economic crisis, the fluctuation of global oil price amidst the critical time of natural gas price reforms in China, together with the significant decrease in prices of oil and relevant products has all exerted pressure on the competitive advantages of natural gas.

2015 is a watershed year in view of China's transition from its 12th Five Year Development Plan to its 13th Five Year Development Plan. It is also a critical year marking an expedited marketization process of the natural gas in China. We will keep a close eye on the subsequent developments of natural gas price reforms whilst also maintaining close ties with the relevant government authorities and our industry peers. We will also pay strict attention to any business opportunities that may arise from the natural gas marketization reforms. We regard that these marketization reforms will provide customers with better choices. Along with China's ongoing transition into an overall affluent society, it will result in ever growing demand by China's expanding middle class for quality services in the city gas industry. Gas supply safety and customer services will thus play an increasingly important role.

The Group has been holding distinctive edges in terms of both gas supply safety and customer services in the gas industry in China. In 2015, we will continue to invest resources into gas supply safety and customer services, remain committed to our corporate social responsibilities and keep strengthening our staff training in customer services and professional marketing.

Leveraging the support of our parent company, HKCG, and its experiences accumulated in successfully establishing public utility businesses in mainland China over the past years, the Group is an industry leader, enjoying an excellent reputation as well as positive word of mouth recommendations in the city gas industry throughout the country. With the number of opportunities in the China city gas market arising from the rapid development under the 13th Five Year Development Plan, and policies related to environmental protection and emission reduction, the Group will continue to develop new projects and explore new markets of gas utilities in 2015, in order to capture the enormous potential for building an even more thriving future for its business growth.

CHAN Wing Kin, Alfred
Chairman

Hong Kong, 17 March 2015

Awards

2

Mr. Chan Wing Kin, Alfred, Chairman and the Executive Director of Towngas China, received the "Company of the Year Award" and gave his acceptance speech on behalf of Towngas China in London.

1. In March, the Group was honoured with the title "Platinum Charitable Partner" by Shanghai Soong Ching Ling Foundation – BEA Charity Fund.

2. In May, the Group won the "Company of the Year Award" in the "Gas Industry Awards 2014" jointly organized by The Institution of Gas Engineers & Managers (IGEM) and The Energy and Utilities Alliance (EUA) of the United Kingdom.

3. On 14 May, Standard & Poor's (S & P), one of the international leading rating agencies, upgraded the rating outlook of Towngas China from "stable" to "positive" and maintained long-term corporate credit rating at "BBB". Meanwhile, S&P upgraded the long-term Greater China credit rating of Towngas China to "cnA+" from "cnA" based on its outlook.

4. On 26 July, the Group was presented with the "2013-2014 China Marketing Award" for its selected case study "Bauhinia – Act from Our Heart".

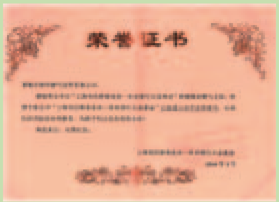
5. On 18 September, the Group was named "Most Innovative Treasury Practice - Highly Commended" as part of the "Taozhu Gong Awards 2014" with its "Towngas China – UnionPay Payment Solutions".

6. In September, the Group was elected as a constituent member of the Hang Seng Corporate Sustainability Index Series.

7. On 22 November, Towngas China won the title "Outstanding Award of Corporate Citizen in China 2014".

8. In December, the Group received the award of "The Most Influential Company in China City-gas Industry of the Year" at the first annual "Super-Connector" financial conference co-hosted by Ta Kung Pao and Takungpao.com in Beijing.

9. In December, the Group was awarded "Outstanding Enterprise of the Year under the Social Responsibility Prize for People's Enterprises programme" of People's Daily Online.


荣誉证书

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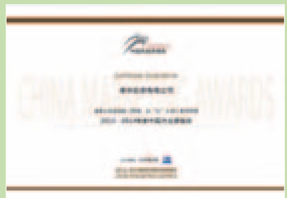

4


Certificate of Achievement
Towngas Investment Limited
Highly Commended

5


Hang Seng Corporate
Sustainability Index Series
Towngas China Co. Ltd.

6


荣誉证书
Certificate
2014中国优秀企业公民

7


大公網

8

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Financial Review

For the year ended 31 December 2014, the Group recorded a turnover of HK$7,882 million, a growth of 17% over the corresponding period of 2013. Profit after taxation attributable to shareholders of the Company excluding the unrealised exchange loss amounted to HK$1,195 million, an increase of 26% as compared to the corresponding period last year. Profit after taxation attributable to shareholders of the Company amounted to HK$1,054 million, a decrease of 5% as compared to the corresponding period last year. Basic earnings per share amounted to 40.19 HK cents, representing a decrease of 5% compared to the corresponding period of 2013.

Turnover

Turnover from the sales of piped gas and related products increased 18% from HK$5,265 million to HK$6,205 million in 2014. This growth was primarily attributable to the increase in the volume of gas sold and higher average gas sale prices. The total volume of gas sold by subsidiaries during the year amounted to 1,726 million cubic metres, an increase of 10% from 2013. In the gas connection business, income from connection fees for the year amounted to HK$1,677 million, a rise of 16% compared to 2013. This was attributable to an increase of approximately 373,000 new household connections by subsidiaries in 2014.

Gas Fuel, Stores and Materials Used

The cost of gas fuel, stores and materials used in 2014 amounted to HK$5,128 million, while that was HK$4,275 million in 2013. The increase in expenses was mainly attributable to the increase in the volume of gas sold.

Financial Review

Overhead Costs

Overhead costs in 2014 amounted to HK$1,688 million, up 11% as compared to HK$1,516 million in 2013. The increase was mainly due to the Group's business development together with escalations in wages and inflation. Staff costs and depreciation and amortisation expenses rose by 17% and 21%, respectively. At the same time, an increase of HK$64 million in overheads was due to the inclusion of new subsidiaries in 2014.

Staff Costs

Staff costs increased from HK$671 million in 2013 to HK$788 million in 2014. The increase in staff costs was due to the increase in the number of staff in line with our business development needs, the addition of new subsidiaries and higher average salaries on the mainland.

Finance Costs

Finance costs in 2014 amounted to HK$174 million, a slight increase as compared to 2013. This rise in finance costs reflected the increase in loans due to the acquisition of new projects in 2014.

Available-for-sale Investments

Available-for-sale investments mainly consisted of the Group's investment in Chengdu City Gas Co., Ltd. ("Chengdu Gas"), which pays increasing dividends to the Group every year. Chengdu Gas was stated at cost and no impairment provision was required during the year.

Gas equipment of China First Heavy Industries (Group) Co. Ltd, a customer of Qiqihar Hong Kong and China Gas Company Limited.

Financial Position

The Group has adopted a prudent approach in financial resources management, maintaining an appropriate level of cash and cash equivalents as well as adequate facilities to meet the requirements of day-to-day operations and business development, while also controlling borrowings at a healthy level.

As at 31 December 2014, the Group's total borrowings amounted to HK$7,552 million, of which HK$994 million represented loans from HKCG due between 2 to 5 years, HK$2,483 million represented bank loans and other loans due within 1 year, HK$4,048 million represented bank loans and other loans due between 1 to 5 years, and HK$27 million represented bank loans and other loans due over 5 years. The Group entered into an interest rate swap contract to swap the 5 year variable-rate bank borrowing of HK$350 million to the fixed-rate borrowing in 2011. Other than the HK$677 million in bank loans and other borrowings which bore interests at fixed rates, the Group's loans were mainly arranged on a floating interest rate basis. The maturities and interest rates of the loans were arranged to provide sound financial resources and stable interest costs for the Group. The Group's borrowings are mainly denominated in Renminbi, Hong Kong dollars and United States dollars. As at 31 December 2014, the Group did not have any pledge on assets. As at the end of the period, the Group had a gearing ratio (net debt excluding the HKCG loans ("Net Debt") to equity attributable to shareholders of the Company plus Net Debt) of 26.4%.

Financial Review

The Group's compressed natural gas refilling stations helped to improve air quality by providing clean energy to vehicles.

As at 31 December 2014, the Group's cash and cash equivalents together with time deposits amounted to HK$1,797 million, mainly denominated in Renminbi, Hong Kong dollars and United States dollars.

As at 31 December 2014, the Group's unutilised available facilities amounted to HK$1,000 million.

The operating and capital expenditure of the Group is funded by cash flow from operations, internal liquidity and financing agreements with banks and its shareholders. The Group maintains a strong liquidity position with its cash and cash equivalents on hand and unutilised banking facilities and we have adequate financial resources to meet our contractual obligations and operating requirements. Benefiting from our high credit ratings, the Group enjoys favourable interest rates on bank loans.

Credit Ratings

In May 2014, Standard & Poor's upgraded the Greater China credit rating of the Company from "cnA" to "cnA+" and maintained its long-term corporate credit rating at "BBB", while the rating outlook rose from "stable" to "positive". In July 2014, Moody's Investor Service maintained an issuer rating of "Baa2" for the Company and upgraded the rating outlook from "stable" to "positive", reflecting the credit rating agencies' recognition of the Group's sound financial conditions and its improving credit standing.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2014.

Final Dividend

In view of the continuous growth in the Group's results, the Board recommended the payment of a final dividend for the year ended 31 December 2014 of ten HK cents per share (2013: eight HK cents per share). The Board also proposed to offer a scrip dividend option to allow shareholders to elect to receive the final dividend wholly or partly in the form of new fully paid shares instead of in cash.

Business Review

Due to the persistent sluggishness of the global economy in the aftermath of the international financial crisis, China's GDP growth slowed in 2014 and showed a strong downward trend. At the same time, as corporate operating costs increase, many industries with high energy requirements are relocating to inland cities and outdated productions are being eliminated, China's manufacturing industry may be entering a difficult period in the next two to three years to come. However, with the joint efforts of all our staff, the Group's various businesses were able to record stable growth in 2014, and indicators in terms of total city gas sales volume, number of customers and sales of Bauhinia appliances rose steadily. Thus, despite situating in an environment with a slowdown in economic growth, our operating results were satisfactory.

Sales of Piped Gas

In 2014, the Group sold a total of 6.511 billion cubic metres of piped gas, representing an increase of 10% against the 5.945 billion cubic metres sold in the same period of last year. Among which, industrial gas sales grew by 348 million cubic metres to account for 59% of the total volume of gas sold by the Group. Commercial gas sales as a percentage of the total volume of gas sold by the Group were steady at 17%, while sales of residential gas as a percentage of the total volume of gas sold amounted to 24%. Our industrial and commercial gas sales continued to record a stable increase thanks to China's stable economic growth. Our project development strategy to strengthen industrial gas consumption is thus proving to be effective. A gas sales profile underpinned by industrial and commercial gas consumption ensures the persistent growth of our gas sales into the future. At the same time, the Group is able to transfer the cost of any upstream price adjustments promptly to industrial and commercial users, further assuring the ongoing growth in profitability of the Group's gas sales.

Development of New Projects

We continued to expand the geographic footprint of our business presence in 2014 with the acquisition of a total of nine new gas projects in Sichuan Province, Zhejiang Province, Jilin Province, Guizhou Province, Inner Mongolia Autonomous Region, Jiangsu Province, Yunnan Province, Shandong Province and Heilongjiang Province. These included city gas projects in Jiajiang County in Leshan City, Sichuan Province; Songyang County in Lishui City, Zhejiang Province; Siping City in Jilin Province; Xingyi City in Guizhou Province; Guyang County in Baotou City, Inner Mongolia Autonomous Region; Tongshan District in Xuzhou City, Jiangsu Province; Luliang County in Qujing City, Yunnan Province and Yangxin County in Binzhou City, Shandong Province; as well as a vehicle gas refilling station project at Qiqihar City in Heilongjiang Province. Total gas consumption with regard to the nine projects mentioned above is expected to reach approximately 800 million cubic metres in five years.

Except these nine new gas projects, Zhuojia Public Engineering (Maanshan) Co., Ltd. was also established in Maanshan City, Anhui Province during the year. This gas pipe assembly project manufactures precast and processes indoor gas pipe fittings in compliance with gas design and installation practices for on-site installation by gas companies of the Group.

In addition, the Group also developed a new project in early 2015, Xuancheng-Huangshan natural gas sub-stream and downstream city-gas project in Anhui Province. It provided solid foundation for the development of the Group's business in 2015. Total gas consumption of the project is expected to reach 280 million cubic metres in five years.

Business Review

Details of the Group's 10 new projects in 2014 are as follows:

	Project	Shareholding of the Group	Major Industries in the Operating Regions
1.	Jiajiang County, Leshan City, Sichuan Province	70%	Ceramics
2.	Songyang County, Lishui City, Zhejiang Province	51.35% (*)	Manufacturing of stainless steel pipes and copper metallurgy
3.	Siping City, Jilin Province	80%	Manufacturing of machinery, special-purpose vehicles
4.	Xingyi City, Guizhou Province	70%	Construction materials, pharmaceuticals and wine-making
5.	Guyang County, Baotou City, Inner Mongolia Autonomous Region	85%	Magnesium metal processing
6.	Tongshan District, Xuzhou City, Jiangsu Province	100%	Equipment and automobile manufacturing
7.	Luliang County, Qujing City, Yunnan Province	100%	Chemical industry
8.	Yangxin County, Binzhou City, Shandong Province	51%	Oil and gas chemical industry, stainless steel products, deep-processed industrial aluminum extrusion products
9.	Vehicle gas refilling station project, Qiqihar City, Heilongjiang Province	55%	Vehicle gas refilling stations
10.	Zhuojia Public Engineering (Maanshan) Co., Ltd.	37.5% (#)	Gas pipe assembly

Details of the Group's one new project in 2015 is as follows.

	Project	Shareholding of the Group	Major Industries in the Operating Regions
1.	Xuancheng-Huangshan natural gas sub-stream and downstream city-gas project, Anhui Province	49%	Chemical industry, automobile parts and accessories and electronic components

(*) The Group directly holds a 65% equity interest in its holding company which holds a 79% equity interest in the project. As a result, the effective shareholding in the project by the Group is 51.35%.

(#) The Group holds a direct 25% equity interest. In addition, Maanshan Hong Kong and China Gas Company Limited, a joint venture in which the Group holds a 50% equity interest, also holds a 25% equity interest in the project. As a result, the effective shareholding in the project by the Group is 37.5%.

Customer Services

With the Group's ongoing commitment to the delivery of premium "Customer-oriented, Professional and Efficient" services, the number of our customers reached 9.20 million in 2014. To meet the increasing customer demand and perfect our service image, we have been expanding our service network, and optimising and upgrading the functions and image of our customer centres. In 2013, the Group introduced a brand-new concept of "Sunshine, Happiness and Home". Currently, the majority of our customer centres have adopted this concept and replaced the decoration with fashionable items, with a view to provide customers with an even more heartwarming one-stop service experience.

To build our service spirit to "treat customers like family", promote a heartwarming service culture and improve the service quality and skills of our customer service staff, we commenced our "Flying Dandelion" Programme in 2013. Our aim is to establish a training system to cultivate quality customer service staff with regular customer service training. For the "Flying Dandelion" Programme in 2014, we commenced three specific customer service training courses to train and certify the qualifications of 21 excellent trainers for the Group. Besides, we have also monitored service quality continuously. We have integrated the use of external "mystery shopping" as well as the internal cross evaluation of group companies in different districts since 2014, which has promoted experience-sharing, exploitation of mutual synergies between individual companies and the full implementation and promotion of standardised customer services.

With regard to the management of customer safety, we have stepped up our efforts in carrying out indoor safety inspections. In 2014, targets of 100% indoor safety inspections of existing customers within three years and 100% rectification of indoor Class I hazards were completed. We have also issued and fully implemented our "Implementation Guideline of Individual Installations for Separate Flats", through which we not only seek to ensure "the Safety of Every Customer once they are Connected" but also provide customers with a safe, satisfactory and decent environment for gas usage. At the same time, we upgraded the overall quality of our safety inspection personnel and enhanced the level of our safety inspection management with the commencement of the second round of our "corporate safety inspection service standard assessment", which will both help to ensure the continuous improvement of indoor gas safety standards for customers.

Outstanding trainers of "Flying Dandelion" Programme demonstrating service etiquette for customer services.

Business Review

In respect of improvement of our design, installation and construction work, drawing on the extensive experience of HKCG, our parent company, accumulated over many years, we strived to achieve the target of "professional, aesthetic and personalised" installation for new customers by introducing advanced industrial techniques and skills, applying the practices of various enterprises, as well as gradually promoting the adoption of new products and techniques. Our group companies also set specific targets in terms of safety and reliability of gas supply, service appointments, work efficiency, service attitudes and customer opinion handling, and published their actual performance results in respect of various service targets on a regular basis. These can help to get a thorough understanding and fulfill the needs of our customers, and thus enhance customer satisfaction. The Group and its group companies received national service awards for two consecutive years, reflecting a high recognition from the society and customers. In 2014, we took part and received a number of awards in "The Ninth Best Customer Services Contest in China" jointly organized by China Association of Trade in Services and China Information Association.

Bauhinia

In 2014, celebrity branding was our strategy in promoting the Bauhinia brand. He Jiong, a well-known TV presenter in the PRC, was invited to act as our brand ambassador, while a number of complementary marketing plans were launched. As a result, the sales of our Bauhinia gas appliances grew continuously and reached a total of 310,000 items. The brand image and market share of the brand were also further enhanced.

For brand communication, we made full use of the appeal of our brand ambassador and held four celebrity promotional events in Nanjing, Changchun, Taian and Chengdu with "Professional Gas Appliances and Happy Kitchens" as our theme of promotion, further enhancing our brand awareness and influence. Together with He Jiong, we also launched the large charity programme "Civilised Transportation for Bauhinia Children" to raise the public awareness with regard to the road safety of children and enhance the brand awareness. Activities of the programme include donations, interactions on Weibo as well as large exhibitions on knowledge of road safety for children. In addition, we placed advertisements on TV, in airports and high-speed rail links together with sizable outdoor advertising in the top five sales regions nationwide to actively promote Bauhinia's brand image.

In terms of product, a brand-new series of gas stoves products with Bauhinia features was launched in 2014. The gas stove, which was manufactured with advanced overseas technologies and passed ongoing researches and tests, has a high cost-performance ratio and comes with multi-safety features such as firewall and flameout devices. Meanwhile, we were able to strengthen the research and development as well as production of our bi-functional heaters and cooking stoves with the adoption of the European advanced electrical technologies, based on the research results of our analysis on consumer demand.

Leveraging on the ninth anniversary of the launch of our Bauhinia products, we introduced our "Exclusive Privileges for our Persistent Ninth Anniversary" programme and held a number of product promotions during peak seasons in household consumption, including the "15th March Consumer Rights Day", the "1st May Holiday" and the "1st October Holiday". These events highlighted our commitment to long-term development, integrity, professionalism and accountability. Discount incentives were also offered to encourage customers to replace their old gas appliances and were well received by both customers and the market.

During the year, Bauhinia received the "Excellent Enterprise for Trustworthy Quality and Service in China" award presented by the China Quality Inspection Association. Bauhinia also won again the "2013-2014 China Marketing Award" jointly organized by Economic Observer and Hong Kong Management Association for our promotional campaign entitled "Bauhinia – Act from our Heart", which is the only brand to receive this award for two consecutive years in the industry.

Safety and Risk Management

We insisted on carrying out monthly safety inspection by our general managers and conducted review and assessment on corporate safety and risk management. We have also strengthened our construction project management at the same time. The monthly safety inspection conducted by the general managers involves various aspects, covering transportation, gas stations, occupational safety and health, construction work, hazard rectification, self–evaluation on risk, security, operation and maintenance of our pipeline network and regular safety inspections for customers, office buildings and warehouses. We also conducted safety inspections in the Northeastern China, Eastern China and Southern China, and held workshops in Changchun and Chengdu. These activities further enhanced the safety and risk management standards of the Group and facilitated the exchange of safety and risk management experience between group companies.

Mr. Chan Wing Kin, Alfred, Chairman and Executive Director of the Company, conducting safety inspection in Southern China.

Business Review

Engineering and Procurement Management

The Group was invited to participate in the preparation of a number of national/industrial standards and local directives, including the "Code for Construction and Acceptance of City Gas Distribution Works", "Code for Pressurised Pipes – Communal Pipes", "Code for Design of Compressed Natural Gas Supply Stations", "Code for Design of Liquefied Petroleum Gas (LPG) Supply Works" and "Safety Technical Specifications for Operation, Maintenance and Emergency Repair of City Gas Facilities". In addition, we participated in the preparation and amendment of technical management guidelines including the "Design Handbook of Gas Stations", "Standard Manual of Cathodic Protection" and "Standardised Pressure Regulating Counters (Units)", pursuant to which the standard design requirements for the Group's new facilities was formulated in terms of technical specification and appearance. Meanwhile, the quality control over these facilities was also enhanced.

We further strengthened our quality controls on construction materials, including exertion of stringent monitoring over suppliers, establishment of clear product standards, reinforcement of review on technical documents for tenders provided by suppliers and extension of the area of on-site supervision for production.

We organized our first Pipeline Operating Technique Contest together with the Towngas Engineering Academy at Jinan. This initiative not only enhanced the technical standards of corporate pipeline operators but also provided specific improvements for previously identified problems.

Inspection work for the safe operation of gas stations was also enhanced. We improved the operation and management of safety for plants and stations of various enterprises by providing them with engineering workshops and sharing with them our plant and station management experiences in the annual meeting, focusing on the inspection of plants and stations and their operations. Looking forward to 2015, the Group will be participating in the compilation of a number of professional standards, including "Sample Manual of Plant and Station Construction and Management", with a view to further strengthen the operation and management of safety of the plants and stations of various enterprises.

Live at the first Towngas China Pipeline Operating Technique Contest.

We conducted surveys and research on potential hazards like facilities construction in compliance with regulations and pipelines passing through a confined space. Meanwhile, the management on completeness of pipelines was also strengthened with enhancement in the construction, inspection and management of our steel pipe cathodic protection system. The Group prepared the "Training Material about Cathodic Protection", and jointly commenced the first phase of training in relation to inspection works on cathodic protection and appointment of internal accredited officers with Towngas Training Institute, laying a solid technical foundation for and human resource protection to the Group in respect of pipe corrosion control measures, safe operation and comprehensive management of assets.

During the year, we continued to control cost and product quality by adhering to our joint procurement strategy, which we were also seeking to expand its application. Our supply management accreditation work has delivered significant results, as evidenced by the fact that the majority of our procurement staff possesses professional qualifications from international renowned institutions. We also organised workshops in relation to joint procurement and warehouse management, conducted training for staff and provided opportunities to facilitate the exchange of knowledge and enhance their specialist expertise.

At the end of May 2014, we convened our second management conference for our supply partners. At the event, we held a meritorious supplier contest to reward supply partners with outstanding performances and to encourage suppliers to provide quality services to the Group on an ongoing basis. Moreover, we put forward our advice and expectations for the suppliers in various aspects, including enhancement of management of our suppliers in future, technical and talent training, commitment to corporate social responsibilities, automation of production and management, as well as the enhancement of informatization, encouraging the suppliers to keep abreast of the times and make continuous improvements together with the Group.

Business Review

Staff Training and Development

As at December 2014, the Group had a total of 21,112 employees. In respect of staff training and development, staff occupational development and their lives have always been our utmost concern, as we strive to live up to our corporate motto of "health, harmony and happiness".

During the year, we organized advanced training programmes consisting of both academic and commercial elements in four regions with Shandong University, Sun Yat-sen University, Southwestern University of Finance and Economics and Hohai University.

In order to meet the Group's demand for talents and provide a development platform for our employees, we have introduced a corresponding succession training programme for important positions in senior, middle and junior management as well as professional and technical staff, so that the Group and its staff can stride ahead at the same pace. The programme was tailor-made for internal staff. During the year, over 100 talented employees with work commitment and a strong sense of belonging to the Group were chosen to take part in this programme. The programme not only created huge rooms for occupational development for our staff, but also fulfilled the long-term needs for talents of the Group to achieve stable development.

As an enterprise with strong social responsibility, the Group has established a closer business-school relationship with top institutes in the Mainland. Our internship programme was established in 2014 and acted as a pioneer by adopting the "rotation before permanent role" model. It provided a number of internship positions for students, allowing them to take up challenging tasks. Interns may gain realistic working experience rapidly by working in an environment that assimilated reality under the guidance of their mentors.

Mr. Wong Wai Yee, Peter, Executive Director and Chief Executive Officer of the Company, presenting prizes to "Dynamic Employees" from the "Dynamic Flame" Incentive Scheme.

To keep abreast of the latest development trends of online learning, we have commenced the enhancement of our online learning platform in 2014. The establishment of learning platform and development of the first round of online courses were completed. The platform allows the provision of a wide range of professional online courses for all staff, enabling both efficient learning without any time and space constraints as well as the building of a learning organisation with the characteristics of Towngas China.

We continued to carry out our Employee Assistance Programme (EAP) and launched a range of events under the theme of "Living with Positive Energy !" together with four specialist areas, namely "My Healthy Life", "My Low-carbon Life and Protection of the Environment", "My Happy Life" and "Assistance for Employees", to encourage employees to achieve a work-life balance and maintain sound physical and mental health. We also introduced our EAP Mental Health Consultation Hotline in May during the year to further care for the mental health of our employees.

Corporate Social Responsibilities

Fulfilling our corporate social responsibilities, the Group is committed to both environmental protection and the work of helping and supporting the underprivileged. Our aim is to promote the charitable traditions, begun by our parent company, HKCG, in mainland China.

Since the launch of "Gentle Breeze Movement", our flagship charitable campaign, in 2013, the Group has provided various charity services to schools and people in need in the society. In 2014, the "Gentle Breeze Movement" gained momentum in Weifang City, Shandong Province with the donation of teaching and daily commodities to five primary schools in Xiashan District, Weicheng District and Hanting District, Weifang City.

Towngas China's volunteers teaching visually-impaired students to use gas cooking stoves.

Business Review

Items donated include laptops, school uniforms, books, desks and chairs, sports equipment and musical instruments, all of which aiming to improve the learning environment of the students. After learning about the special needs of the Weifang School for Blind Children in Weicheng District, we also funded the setup of a cooking workshop and donated kitchenware items and cooking utensils, such as "Bauhinia" cooking appliances and range hoods, to provide the visually-impaired children with the equipment to learn basic living skills and to cultivate their ability to live independently.

The charitable project, "Guangcai Loving Home - Home of Happiness and Peace", was jointly organized by the China Guangcai Program Foundation and Beijing Global Village, with an aim to bring social services to the resident children as a demonstration of our care. In 2014, "Companionship for Resident Children Programme" of the Group jointed hand with the above mentioned programme. Two teams of volunteers were sent to visit the impoverished mountain areas in Wuxi County, Chongqing Province to serve as volunteers. They marked the beginning of the six-month "Companionship for Resident Children Programme". In addition to homework tutorials, music, art and sports activities, the volunteers also provided both physical and mental guidance to the resident children.

Since 2009, the Group has donated to the "Firefly Programme" run by the Shanghai Soong Ching Ling Foundation – BEA Charity Fund, to fund the building of "Firefly Paradises" at schools in Sichuan and Shandong Provinces. A new "Firefly Paradise" donated by the Group was completed in Hangzhou City, Zhejiang Province in June 2014.

Our annual welfare initiative, "Towngas Rice Dumplings for the Community", was held in May 2014. Towngas China volunteers, local students, community volunteers and senior citizens from throughout the country gathered together to make "Charity Rice Dumplings" to celebrate the Dragon Boat Festival with less-privileged groups – orphans, senior citizens and people in need, through the sharing of these "Charity Rice Dumplings".

We launched an environmental protection campaign known as the "Unlimited Recycling of Limited Resources". By taking the catchy "Towngas China Environmental Watchword", we called on staff and their families, customers and the public to reduce their consumption of resources, effectively use and recycle resources while striving to alleviate the air pollution. The activities encouraged include tree-planting, conservation of water and electricity as well as avoidance of disposable items. At the same time, we encouraged staff in our group companies and their families, and the public to actively participate in "Earth Hour", contributing efforts to the environmental protection of our planet.

Towngas China's volunteers helping resident children in impoverished mountain areas of Wuxi County, Chongqing with their homework.

Long-term Development Strategy

The Group's mission is to provide customers with safe and reliable supply of gas and caring, competent and efficient services, while working to protect and improve our environment. The Group thus focused on investment, exploration and operations management in gas-related business, with principal businesses involving the sale and distribution of piped gas. Leveraging our professional management in customer services and safe and reliable gas supply, as well as our emphasis on corporate social responsibility, Towngas China has become a leading brand in China's gas industry. Our business footprint has also expanded rapidly, with the establishment of over 90 piped gas companies across 18 provinces, autonomous regions and municipalities including Anhui, Fujian, Guangdong, Guangxi, Guizhou, Heilongjiang, Hebei, Hunan, Inner Mongolia, Jiangsu, Jiangxi, Jilin, Liaoning, Shandong, Sichuan, Yunnan, Zhejiang and Chongqing. We will continue to identify new projects with business potential in the natural gas industry while expanding the scope of the Group's existing projects, so as to achieve long-term stable and sustainable growth of our business and continue to create values for shareholders.

Corporate social responsibility acts as the cornerstone in our development. Therefore, looking forward, we will continue to fulfill our responsibilities. We will actively reward our society by gathering more resources in the name of our charity label, "Gentle Breeze Movement", to ensure that our welfare activities will be carried out both more regularly and in a more structured manner as we put our unceasing efforts to contribute to the sustainable development of our community as well as our business.

Biographical Details of Directors

Mr. Chan Wing Kin, Alfred, *B.B.S., C.Eng., F.H.K.I.E., F.I.Mech.E., F.I.G.E.M., F.E.I., M.Sc. (Eng), B.Sc. (Eng)*, aged 64, has been the Chairman and an Executive Director of the Company since 1 March 2007. Mr. Chan is the Managing Director of HKCG (a public listed company in Hong Kong and the controlling shareholder of the Company) and holds directorships in various subsidiaries of HKCG. He is also an Independent Non-executive Director of Standard Chartered Bank (Hong Kong) Limited and a director of Shenzhen Gas Corporation Ltd., which is a listed company on the Shanghai Stock Exchange. Mr. Chan is the Chairman of The Hong Kong Management Association and a Vice Chairman of China Gas Association. Mr. Chan received the Executive Award under the DHL/SCMP Hong Kong Business Awards 2005 and the Director of the Year Awards – Listed Companies (SEHK – Hang Seng Index Constituents) Executive Directors from The Hong Kong Institute of Directors in 2006. Mr. Chan is a Chartered Engineer, Fellow of The Hong Kong Institution of Engineers; Fellow of The Institution of Mechanical Engineers, Fellow of The Institution of Gas Engineers & Managers and Fellow of The Energy Institute of the United Kingdom.

Mr. Wong Wai Yee, Peter, *C.P.A., C.M.A., A.C.I.S., A.C.S., F.I.G.E.M., F.H.K.I.o.D., M.B.A.*, aged 63, has been an Executive Director and the Chief Executive Officer of the Company since 1 March 2007. Mr. Wong is also an Executive Director and Chief Operating Officer – Utilities Business of HKCG (a public listed company in Hong Kong and the controlling shareholder of the Company). Mr. Wong also holds directorships in various subsidiaries of HKCG. He is a director of Shenzhen Gas Corporation Ltd., which is a listed company on the Shanghai Stock Exchange. Mr. Wong was named consecutively as one of "The Best CEO of Chinese Listed Companies" by Forbes in 2012 and 2013. He is a chartered professional accountant of Canada and a chartered company secretary both in Hong Kong and the United Kingdom. Mr. Wong is a Fellow of The Institution of Gas Engineers & Managers of the United Kingdom. He completed the Advanced Management Program from Harvard Business School in the United States. Mr. Wong was formerly a director of the Certified Management Accountants Society of British Columbia, Canada and the president of its Hong Kong branch. He is a member of the Advisory Board of the Department of Accounting of Hong Kong Shue Yan University. Mr. Wong has over 38 years of experience in corporate finance, management and international working experience.

Mr. Ho Hon Ming, John, *F.C.A., F.C.P.A., F.H.K.I.o.D., B.A. (Hons.),* aged 58, has been an Executive Director and the Company Secretary of the Company since 1 March 2007. Mr. Ho is the chief financial officer and the company secretary of HKCG (a public listed company in Hong Kong and the controlling shareholder of the Company) and holds directorships in various subsidiaries of HKCG. He is a director of Changchun Gas Co., Ltd. and Shenzhen Gas Corporation Ltd., both are listed companies on the Shanghai Stock Exchange. Mr. Ho is a General Committee member of the Chamber of Hong Kong Listed Companies. He is a Fellow of the Institute of Chartered Accountants in England and Wales and also a Fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Ho has over 36 years of experience in accounting, corporate finance and investment.

Mr. Kwan Yuk Choi, James, *J.P., R.P.E. (Gas), C.Eng., Hon.F.H.K.I.E., F.I.G.E.M., F.I.Mech.E., F.E.I., F.C.I.B.S.E., M.B.A., B.Sc. (Eng),* aged 63, was appointed as an Executive Director of the Company in 2007 and was re-designated as a Non-Executive Director of the Company with effect from 1 February 2013. Mr. Kwan is also an independent non-executive director of MTR Corporation Limited, a public listed company in Hong Kong. He was awarded an Honorary Fellowship by The Hong Kong University of Science and Technology in 2011. He was the President of The Institution of Gas Engineers (currently known as The Institution of Gas Engineers & Managers) in the United Kingdom in 2000/2001 and The Hong Kong Institution of Engineers in 2004/2005. Mr. Kwan was also a former member of the Construction Industry Council, the Transport Advisory Committee, the Vocational Training Council and the Standing Committee on Disciplined Services Salaries and Conditions of Service of the Hong Kong Special Administrative Region. Mr. Kwan is a Registered Professional Engineer (Gas), a Chartered Engineer, Honorary Fellow of The Hong Kong Institution of Engineers, Fellow of The Institution of Mechanical Engineers, Fellow of The Institution of Gas Engineers & Managers, Fellow of The Energy Institute and Fellow of Chartered Institution of Building Services Engineers of the United Kingdom. Mr. Kwan was an executive director and the chief operating officer of HKCG (a public listed company in Hong Kong and the controlling shareholder of the Company) prior to his retirement on 1 February 2013. His other directorship in public listed company in the last 3 years includes Shenzhen Gas Corporation Ltd., which is a listed company on the Shanghai Stock Exchange.

Biographical Details of Directors

Dr. Cheng Mo Chi, Moses, *GBS, OBE, JP,* aged 65, has been an Independent Non-Executive Director since 23 May 2007 and is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. Dr. Cheng is a practising solicitor and the senior partner of Messrs. P.C. Woo & Co.. Dr. Cheng was a member of the Legislative Council of Hong Kong. He is the founder chairman of the Hong Kong Institute of Directors of which he is now the Honorary President and Chairman Emeritus. Dr. Cheng serves as a member of the National Committee of the Chinese People's Political Consultative Conference and the Chairman of the Committee on Free Kindergarten Education established by the Education Bureau. He was awarded a Doctorate of the Academy *honoris causa* by The Hong Kong Academy for Performing Arts on 28 June 2013. Dr. Cheng currently holds directorships in China Mobile Limited, China Resources Enterprise, Limited, Guangdong Investment Limited, Kader Holdings Company Limited, K. Wah International Holdings Limited, Liu Chong Hing Investment Limited and Tian An China Investments Company Limited, all being public listed companies in Hong Kong. He is also an independent non-executive director of ARA Asset Management Limited, a company whose shares are listed on the Singapore Stock Exchange. His other directorships in public listed companies in the last 3 years include Hong Kong Exchanges and Clearing Limited and Hong Kong Television Network Limited (formerly known as City Telecom (H.K.) Limited).

Mr. Li Man Bun, Brian David, *JP, FCA, MBA, MA (Cantab),* aged 40, has been an Independent Non-Executive Director since 23 May 2007 and is the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Company. Mr. Li is also an Executive Director of The Bank of East Asia, Limited ("BEA") (a listed company on the Hong Kong Stock Exchange). He was General Manager & Head of Wealth Management Division of BEA from July 2004 to March 2009. In April 2009, he was appointed Deputy Chief Executive of BEA, primarily responsible for BEA's China and international businesses, and assisting the Chief Executive in the overall management and control of the BEA Group. He is also an independent non-executive director of Hopewell Highway Infrastructure Limited and China Overseas Land & Investment Limited, both of which are listed companies on the Hong Kong Stock Exchange. Mr. Li currently holds a number of public and honorary positions, including being a member of the Twelfth National Committee of the Chinese People's Political Consultative Conference, a member of the Advisory Committee of the Securities and Futures Commission of Hong Kong, Chairman of the Traffic Accident Victims Assistance Advisory Committee of the Government of the Hong Kong Special Administrative Region ("HKSARG"), a member of the HKSARG Small and Medium Enterprises Committee, a member of the HKSARG Harbourfront Commission, a member of the HKSARG Aviation Development Advisory Committee, a member of the Hong Kong-Europe Business Council, a member of the Hong Kong-Taiwan Business Co-operation Committee, a Committee member of the Hong Kong Chapter, the Institute of Chartered Accountants in England and Wales ("ICAEW"), a member of the Inaugural Financial Consulting Committee for Authority of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone of Shenzhen, and a Council Member of The Hong Kong Management Association 2014/2015. Mr. Li is a Fellow of the Hong Kong Institute of Certified Public Accountants and a Full Member of the Treasury Markets Association. Mr. Li is also a Fellow of the ICAEW. He holds an MBA from Stanford University as well as an MA and a BA from the University of Cambridge.

Mr. Chow Vee Tsung, Oscar, aged 40, has been an Independent Non-Executive Director since 4 June 2012 and is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Mr. Chow is an executive director of Chevalier International Holdings Limited, a public company listed in Hong Kong. He was educated in Hong Kong, Canada and the United Kingdom and graduated from the University of Oxford, the United Kingdom with a degree in Master of Engineering. In 1997, he returned to Hong Kong to engage in the finance sector and worked in the corporate finance division of BNP Prime Peregrine and subsequently worked as an Associate Underwriter of Centre Solutions (Asia) Limited, a subsidiary of Zurich Financial Services, before he joined the Chevalier Group in 2000. Mr. Chow is a General Committee member of the Hong Kong General Chamber of Commerce and a General Committee member of The Chinese Manufacturers' Association of Hong Kong. He is also Vice Chairman of Hong Kong Bahrain Business Association, a Committee member of the Shanghai Chinese People's Political Consultative Conference and a member of the SME Development Fund Vetting Committee of Trade and Industry Department of the HKSAR Government. In addition, he is a Court member of The Hong Kong Polytechnic University and The University of Hong Kong; a Council member of The Hong Kong University of Science and Technology.

Notes:

1. The Directors' interests in shares of the Company, if any, within the meaning of Part XV of the Securities and Futures Ordinance ("SFO") as at 31 December 2014 are disclosed in the section headed "Directors' Interests or Short Positions in Shares, Underlying Shares and Debentures" in this Annual Report.

2. Save as disclosed in the Directors' respective biographical details under the "Biographical Details of Directors" section, the Directors (a) have not held any directorships in other public listed companies, whether in Hong Kong or overseas, during the last three years; and (b) do not have any other relationships with any Directors, senior management or substantial or controlling shareholders of the Company.

3. The current amounts of Directors' fees have been recommended by the Remuneration Committee and approved by the Board with reference to market rates, directors' workload and required commitment. The details of the emoluments of the Directors on a named basis are disclosed in note 12 to the consolidated financial statements.

4. The current term of office of Dr. Cheng Mo Chi, Moses and Mr. Li Man Bun, Brian David, each an Independent Non-Executive Director, shall expire on 22 May 2016. The current term of office of Mr. Chow Vee Tsung, Oscar, an Independent Non-Executive Director, shall expire upon the conclusion of the Company's annual general meeting (the "AGM") on 29 May 2015. The term of office of Mr. Kwan Yuk Choi, James, a Non-Executive Director, shall expire on 2 June 2016. Their respective terms of office are subject to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the provisions of the Company's memorandum and the articles of association (the "Articles") in force from time to time, including but not limited to, the requirements for retirement, rotation and vacation of office of directors as set forth in the Articles. Accordingly, each Director is required to retire by rotation once every three years and that not less than one-third (or the number nearest to one-third) of the existing Directors shall retire from office every year at the AGM. A Director's specific term of appointment, therefore, cannot exceed three years. Every retiring Director shall be eligible for re-election at the AGM.

5. The Company published announcements on 21 November 2013 and 16 March 2015 respectively setting out the information relating to a disciplinary proceeding against an Independent Non-Executive Director.

Report of the Directors

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

Principal Activities

The Company is an investment holding company. Its subsidiaries are principally engaged in the sales and distribution of piped gas in the People's Republic of China (the "PRC") including the provision of piped gas, construction of gas pipelines, the operation of city gas pipeline networks, the operation of gas fuel automobile refilling stations, and the sale of gas household appliances. Particulars of its principal subsidiaries are set out in note 42 to the consolidated financial statements.

Results and Final Dividend

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

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

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

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

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

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

Reserves

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

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

Financial Summary

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

Property, Plant and Equipment

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

Share Capital

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

Directors

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

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

Non-Executive Director
Mr. Kwan Yuk Choi, James

Independent Non-Executive Directors
Dr. Cheng Mo Chi, Moses
Mr. Li Man Bun, Brian David
Mr. Chow Vee Tsung, Oscar

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

Directors *(Continued)*

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

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

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

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

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

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

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

Long positions in Shares and underlying Shares

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

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

Directors' Rights to Acquire Shares

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

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

Notes:

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

2. During the year, no option was granted to the Directors and no option held by the Directors had lapsed or was cancelled. 1,515,000 options had been exercised by Mr. Kwan Yuk Choi, James, a Non-Executive Director of the Company, at the exercise price of HK$3.811 per Share during the year.

3. These options represent personal interests held by the Directors as beneficial owners.

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

Share Option Scheme of the Company

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

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

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

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

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

Share Option Scheme of the Company *(Continued)*

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

Details of specific categories of options are as follows:

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

Share Option Scheme of the Company *(Continued)*

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

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

Share Option Scheme of the Company *(Continued)*

Notes:

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

2. During the year, no share option was cancelled or had lapsed.

3. During the year, no new option was granted.

Arrangements to Purchase Shares or Debentures

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

Directors' Interests in Contracts of Significance

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

Management Contracts

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

Competing Business

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

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

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

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

Substantial Shareholders

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

Long positions in Shares and underlying Shares in the Company

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

Substantial Shareholders *(Continued)*

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

Notes:

1. The entire issued share capital of Rimmer, Riddick and Hopkins were owned by Dr. the Hon. Lee Shau Kee. Dr. the Hon. Lee Shau Kee was therefore taken to be interested in the same 1,642,489,654 Shares as set out in Notes 2 and 3 below by virtue of Part XV of the SFO.

2. Rimmer and Riddick as trustees of respective discretionary trusts, held units in a unit trust ("Unit Trust"). Hopkins as trustee of the Unit Trust owned all the issued ordinary shares of HD. HD was entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of HLD. HLD through its subsidiaries (including Faxson) was entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of HKCG. Each of Rimmer, Riddick, Hopkins, HD, HLD and Faxson was therefore taken to be interested in the same 1,642,489,654 Shares which HKCG is deemed interested in as described in Note 3 below by virtue of Part XV of the SFO.

3. As HK&CG (China) was a wholly-owned subsidiary of TICL, which in turn was a wholly-owned subsidiary of HKCG, each of TICL and HKCG was therefore taken to be interested in the 1,599,141,814 Shares held by HK&CG (China) by virtue of Part XV of the SFO. In addition, HKCG was also taken to be interested in (1) the 40,825,858 Shares held by its indirect wholly-owned subsidiary, Planwise Properties Limited; and (2) the 2,521,982 Shares held by its indirect wholly-owned subsidiary, Superfun Enterprises Limited.

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

Short Positions in Shares and Underlying Shares in the Company

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

Other Persons

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

Connected Transactions

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

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

Connected Transactions *(Continued)*

Gas Purchase and Pipeline Materials Purchase Transactions

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

(1) an agreement (the "2013 Gas Purchase Master Agreement") relating to the purchase of various types of fuel gas (including but not limited to liquefied coalbed methane, compressed natural gas and liquefied natural gas) by members of the Group from members of the HKCG Group (the "Gas Purchase Transactions"); and

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

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

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

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

Connected Transactions *(Continued)*

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

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

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the agreement governing them on terms that are fair and reasonable and are in the interest of the shareholders of the Company as a whole.

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

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

(1) an agreement (the "2011 Master Project Management Agreement") for the provision of project management services relating to the monitoring and managing of gas facilities and construction and installation projects of the Group by 瀋陽三全工程監理諮詢有限公司 (Shenyang Sanquan Project Management Consulting Co., Ltd.) ("Shenyang Sanquan"), a non wholly-owned subsidiary of HKCG, to members of the Group;

(2) an agreement (the "2011 Master System Software and Supporting Services Agreement") relating to the user authorization, installation, management and maintenance and the provision of technical supporting services in respect of system software developed by 港華科技(武漢)有限公司 (Hongkong and China Technology (Wuhan) Company Limited) ("HKCG (Wuhan)"), including but not limited to the Towngas Customer Information System, the Towngas Customer Services Centre Hotline System and the Production Operating Management System by HKCG (Wuhan), a non wholly-owned subsidiary of HKCG, to members of the Group; and

(3) an agreement (the "2011 Master Cloud Computing System and Supporting Services Agreement", and together with the 2011 Master Project Management Agreement and the 2011 Master System Software and Supporting Services Agreement collectively referred to as the "2011 CCT Master Agreements") relating to the user authorization, installation, management and maintenance and the provision of technical supporting services relating to a cloud computing hardware system which will manage, operate and monitor the network infrastructure of information systems, including but not limited to, Towngas Customer Information System by 名氣通智能科技（深圳）有限公司 (Towngas Telecommunications (Shenzhen) Limited) ("Towngas Telecommunications (Shenzhen)"), a wholly-owned subsidiary of HKCG, to members of the Group,

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

Connected Transactions *(Continued)*

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

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

(1) an agreement (the "2014 Master Project Management Agreement") for the provision of project management services relating to the monitoring and managing of gas facilities and construction and installation projects of the Group by Shenyang Sanquan to members of the Group (the "Project Management Transactions");

(2) an agreement (the "2014 Master System Software and Supporting Services Agreement") relating to the user authorization, installation, management and maintenance and the provision of technical supporting services in respect of system software developed by HKCG (Wuhan), including but not limited to the Towngas Customer Information System, the Towngas Customer Services Centre Hotline System and the Production Operating Management System by HKCG (Wuhan) to members of the Group (the "System Software and Supporting Services Transactions"); and

(3) an agreement (the "2014 Master Cloud Computing System and Supporting Services Agreement", and together with the 2014 Master Project Management Agreement and the 2014 Master System Software and Supporting Services Agreement collectively referred to as the "2014 CCT Master Agreements") relating to the user authorization, installation, management and maintenance and the provision of technical supporting services relating to a cloud computing hardware system which will manage, operate and monitor the network infrastructure of information systems, including but not limited to, Towngas Customer Information System by Towngas Telecommunications (Shenzhen) to members of the Group (the"Cloud Computing System and Supporting Services Transactions"),

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

Connected Transactions *(Continued)*

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

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

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

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

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the agreement governing them on terms that are fair and reasonable and are in the interest of the shareholders of the Company as a whole.

Related Party Transactions

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

Borrowings

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

Donations

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

Public Float

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

Major Customers and Suppliers

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

Pre-Emptive Rights

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

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

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

Emolument Policy

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

Emolument Policy *(Continued)*

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

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

Corporate Governance

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

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

Auditor

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

On behalf of the Board
Ho Hon Ming, John
Executive Director and Company Secretary

Hong Kong, 17 March 2015

Corporate Governance Report

The Directors and other members of the management team of the Company are dedicated to maintain high standards of corporate governance. They will continue to exercise leadership, control, enterprise, integrity and judgment so as to achieve continuing prosperity and to act in the best interests of the Company and its shareholders in a transparent and responsible manner. Strategic development with prudence and adherence to ethical principles form the cores of the Company's corporate governance practices.

The Company continues to devote efforts on promoting good corporate governance so as to ensure its ability to attract investment, protect the rights of shareholders and stakeholders, and enhance shareholders' value.

Corporate Governance Practices

The Company has adopted the code provisions in the Corporate Governance Code (the "Code") as contained in Appendix 14 to the Listing Rules from time to time, as its own code on corporate governance practices since 2005.

The Company has complied with the code provisions as set out in the Code throughout the year ended 31 December 2014.

The Board continues to monitor and review the Company's corporate governance practices to ensure compliance.

Board of Directors

Board Composition

As at the date of this Annual Report, the Board comprises seven members as detailed below:

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

Non-Executive Director
Mr. Kwan Yuk Choi, James

Independent Non-Executive Directors
Dr. Cheng Mo Chi, Moses
Mr. Li Man Bun, Brian David
Mr. Chow Vee Tsung, Oscar

Board of Directors *(Continued)*

Board Composition *(Continued)*

All Directors have distinguished themselves in their fields of expertise, and have exhibited high standards of personal and professional ethics and integrity. Directors give sufficient time and attention to the Group's affairs. The Company also requests the Directors to disclose to the Company semi-annually the number and the nature of offices held in public companies or organisations and other significant commitments with an indication of time involved. The Board believes that the balance of skills and experience are appropriate for safeguarding the interests of shareholders and the Group.

The Company has arranged appropriate directors' and officers' liabilities insurance coverage for Directors and officers of the Company. This insurance coverage is reviewed on an annual basis.

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

Independent Non-Executive Directors are identified as such in all corporate communications containing the names of the Directors. An updated list of Directors identifying the Independent Non-Executive Directors and the roles and functions of the Directors is maintained on the websites of the Company and Hong Kong Exchanges and Clearing Limited ("HKEx").

There is no relationship (including financial, business, family or other material/relevant relationship(s)) between any members of the Board, and in particular, there is no relationship (including financial, business, family or other material/relevant relationship(s)) between the Chairman and the Chief Executive Officer.

All directors entered into formal letters of appointment with the Company. Pursuant to the Articles, at least one-third of the Directors shall retire from office but are eligible for re-election by shareholders at each AGM of the Company and each Director shall retire on a rotational basis at least once every three years.

During the year ended 31 December 2014, the Board had at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive director possessing appropriate professional qualification, or accounting or related financial management expertise pursuant to Rule 3.10 of the Listing Rules and the appointment of Independent Non-Executive Directors representing at least one third of the Board pursuant to Rule 3.10A of the Listing Rules.

Board of Directors *(Continued)*

Board Composition *(Continued)*

The current term of office of Dr. Cheng Mo Chi, Moses and Mr. Li Man Bun, Brian David, each an Independent Non-Executive Director, shall expire on 22 May 2016. The current term of office of Mr. Chow Vee Tsung, Oscar, an Independent Non-Executive Director, shall expire upon the conclusion of the Company's AGM on 29 May 2015. The term of office of Mr. Kwan Yuk Choi, James, a Non-Executive Director, shall expire on 2 June 2016. Their respective terms of office are subject to the Listing Rules and the provisions of the Company's memorandum and the Articles in force from time to time, including but not limited to, the requirements for retirement, rotation and vacation of office of directors as set forth in the Articles.

The Board adopted a Board Diversity Policy in March 2013 setting out the approach to achieve diversity on the Board. The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. It endeavours to ensure that the Board has a balance of, amongst other factors, skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will be made on a merit basis, and candidates will be considered against a range of selection criteria, having regard for the benefits of diversity on the Board.

Functions of the Board

Headed by the Chairman, the Board is responsible for formulation and approval of the Group's development, business strategies, policies, annual budgets and business plans, recommendation of any dividend and supervision of management.

The Executive Directors are responsible for the day-to-day management of the Company's operations and conduct meetings with senior management of the Group, at which operational issues and financial performance are evaluated.

The Company considers that the internal control system and risk management function are essential, and the Board plays an important role in implementing and monitoring the internal control system and risk management function.

Specific matters are decided by the Board and those reserved for management's direction are reviewed by the Board. In addition, Directors may seek independent professional advice in appropriate circumstances at the Company's expense.

The Articles set out the responsibilities and proceedings of the Board. The Board meets regularly at least four times a year to consider operational reports and policies of the Company. Significant operational policies are discussed and passed by the Board.

Board of Directors *(Continued)*

Corporate Governance Functions

The Board is responsible for performing corporate governance duties including:

(a) developing and reviewing the Company's policies and practices on corporate governance;

(b) reviewing and monitoring the training and continuous professional development of Directors and senior management;

(c) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

(d) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) reviewing the Company's compliance with Appendix 14 to the Listing Rules and disclosure in this Corporate Governance Report.

Directors' Training and Continuous Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under the Listing Rules and other relevant regulatory requirements.

From time to time, the Company Secretary updates and provides written training materials on the latest developments of applicable laws, rules and regulations to the Directors.

According to the records maintained by the Company, the Directors received the following training for the year ended 31 December 2014:

Directors	Type of Training
Executive Directors	
Mr. Chan Wing Kin, Alfred *(Chairman)*	A, B
Mr. Wong Wai Yee, Peter *(Chief Executive Officer)*	A, B
Mr. Ho Hon Ming, John *(Company Secretary)*	A, B
Non-Executive Director	
Mr. Kwan Yuk Choi, James	A, B
Independent Non-Executive Directors	
Dr. Cheng Mo Chi, Moses	A, B
Mr. Li Man Bun, Brian David	A, B
Mr. Chow Vee Tsung, Oscar	A, B

A: attending seminars and/or conference and/or forums or giving talks at seminars

B: reading materials relating to the Group, general business or director's duties and responsibilities, etc.

Corporate Governance Report

Board of Directors *(Continued)*

Board Meetings

The Board held four regular Board meetings during the year ended 31 December 2014 at approximately quarterly intervals. Due notices and board papers were given to all Directors prior to each meeting in accordance with the Articles and the Code. Details of individual attendance of each of the Directors are set out below:

Directors	Attendance/Number of Meetings
Executive Directors	
Mr. Chan Wing Kin, Alfred *(Chairman)*	4/4
Mr. Wong Wai Yee, Peter *(Chief Executive Officer)*	4/4
Mr. Ho Hon Ming, John *(Company Secretary)*	4/4
Non-Executive Director	
Mr. Kwan Yuk Choi, James	4/4
Independent Non-Executive Directors	
Dr. Cheng Mo Chi, Moses	4/4
Mr. Li Man Bun, Brian David	4/4
Mr. Chow Vee Tsung, Oscar	4/4

Chairman and Chief Executive Officer

The Chairman of the Board is Mr. Chan Wing Kin, Alfred and the Chief Executive Officer is Mr. Wong Wai Yee, Peter. The roles of the Chairman and the Chief Executive Officer are separate. Such division of responsibilities has been clearly established. It allows a balance of power between the Board and the management of the Group, and ensures the independence and accountability of each of the Board and management of the Group. The Chairman oversees the Board so that it acts in the best interests of the Group. With the support of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and that they receive adequate, clear, complete and reliable information in a timely manner. The Chairman has overall responsibility for providing leadership, vision and direction regarding the business development of the Group and ensuring that good corporate governance practices and procedures are established.

The Chief Executive Officer, who is assisted by other Executive Directors, is responsible for the day-to-day business management and operations of the Group for formulating and successfully implementing policies and maintaining an effective executive support team. The Chief Executive Officer is accountable to the Board for keeping the Chairman and all Directors fully informed of all major business developments and issues.

Board of Directors *(Continued)*

Responsibilities of the Directors

In the course of discharging their duties, the Directors act in good faith, with due diligence and care, and in the best interests of the Company and its shareholders. Their responsibilities include:

- attending regular Board meetings focusing on business strategy, operational issues and financial performance;
- actively participating on the boards of the Company's subsidiaries and associated companies;
- approving the annual budgets for each operating company covering financial and business performance, key risks and opportunities;
- monitoring the quality, timeliness, relevance and reliability of internal and external reporting;
- monitoring and managing potential conflicts of interest of the Board, senior management and shareholders of the Company;
- considering any misuse of corporate assets and abuse in related party transactions; and
- ensuring processes are in place to maintain the overall integrity of the Company, including financial statements, relationships with suppliers, customers and other stakeholders, and compliance with all relevant laws and ethics.

To enable the Directors to meet their obligations, an appropriate organisational structure is in place with clearly defined responsibilities and limits of authority.

Board Committees

The Company has set up a number of committees of the Board, including the Remuneration Committee, the Audit Committee and the Nomination Committee, with specific terms of reference relating to their authority and duties, which strengthen the Board's functions and enhance its expertise.

Remuneration Committee

The Remuneration Committee comprises one Executive Director, Mr. Chan Wing Kin, Alfred, and three Independent Non-Executive Directors, namely Dr. Cheng Mo Chi, Moses, Mr. Li Man Bun, Brian David and Mr. Chow Vee Tsung, Oscar and is chaired by Dr. Cheng Mo Chi, Moses.

Written terms of reference of the Remuneration Committee have been adopted by the Board and are posted on the websites of the Company and HKEx. The Remuneration Committee's responsibilities include but are not limited to the review and consideration of the Company's remuneration policy for Directors and senior management, the making of recommendations to the Board on the remuneration packages of individual Executive Directors and senior management including benefits in kind, pension rights and compensation payments, and the making of recommendations relating to remunerations of Non-Executive Directors.

Board Committees *(Continued)*

Remuneration Committee *(Continued)*

During the year ended 31 December 2014, the Remuneration Committee:

- reviewed the remunerations of the senior management of the Company for 2014;
- reviewed the Executive Directors' remuneration; and
- reviewed the Directors' fees for 2014.

The Remuneration Committee held two meetings during the year ended 31 December 2014 with individual attendance as follows:

Members of the Remuneration Committee	Attendance/Number of Meetings
Dr. Cheng Mo Chi, Moses	2/2
Mr. Li Man Bun, Brian David	2/2
Mr. Chow Vee Tsung, Oscar	2/2
Mr. Chan Wing Kin, Alfred	2/2

The Group remunerates its employees based on their individual performance, job nature and responsibilities. The Group also provides training and various benefits for its employees including medical welfare, provident funds, bonuses and other incentives. The Group also encourages its employees to pursue a balanced life and provides a good working environment to maximise their potential and their contribution to the Group.

Audit Committee

The Audit Committee comprises Mr. Li Man Bun, Brian David, Dr. Cheng Mo Chi, Moses and Mr. Chow Vee Tsung, Oscar, all of whom are Independent Non-Executive Directors, and is chaired by Mr. Li Man Bun, Brian David.

The Audit Committee reports directly to the Board and reviews the interim and annual financial statements and internal controls of the Company, to protect the interests of the Company's shareholders.

The Audit Committee meets regularly with the Company's external auditor to discuss various accounting issues, and review the effectiveness of the internal controls of the Group. Written terms of reference, which describe the authority and duties of the Audit Committee, have been adopted and posted on the websites of the Company and HKEx, and are regularly reviewed and updated by the Board.

Board Committees *(Continued)*

Audit Committee *(Continued)*

During the year ended 31 December 2014, the Audit Committee:

- reviewed the financial statements for the year ended 31 December 2013 and for the six months ended 30 June 2014;
- made recommendations on the re-appointment of the external auditor;
- reviewed the effectiveness of the internal control system;
- reviewed the external auditor's findings; and
- reviewed the Company's continuing connected transactions for the year ended 31 December 2013 pursuant to the Listing Rules.

The Audit Committee held two meetings during the year ended 31 December 2014 with individual attendance as follows:

Members of the Audit Committee	Attendance/Number of Meetings
Mr. Li Man Bun, Brian David	2/2
Dr. Cheng Mo Chi, Moses	2/2
Mr. Chow Vee Tsung, Oscar	2/2

Nomination Committee

The Nomination Committee comprises one Executive Director, Mr. Chan Wing Kin, Alfred, and three Independent Non-Executive Directors, Dr. Cheng Mo Chi, Moses, Mr. Li Man Bun, Brian David and Mr. Chow Vee Tsung, Oscar, and is chaired by Mr. Chan Wing Kin, Alfred.

The written terms of reference of the Nomination Committee have been adopted by the Board and are posted on the websites of the Company and HKEx. The Nomination Committee's responsibilities include but are not limited to formulating the policy and making recommendations to the Board on nominations and appointments of Directors and Board succession. The Nomination Committee is also responsible for reviewing the structure, size, composition and diversity of the Board, assessing the independence of Independent Non-Executive Directors and making recommendations on any proposed changes to the Board.

Board Committees *(Continued)*

Nomination Committee *(Continued)*

During the year ended 31 December 2014, the Nomination Committee:

- recommended the nomination of retiring Directors for re-election at the 2014 AGM;
- reviewed the independence of Independent Non-Executive Directors;
- reviewed the amendments to its Terms of Reference relating to Board diversity; and
- reviewed the structure, size, composition and diversity of the Board.

The Nomination Committee held one meeting during the year ended 31 December 2014 with individual attendance as follows:

Members of the Nomination Committee	Attendance/Number of Meeting
Mr. Chan Wing Kin, Alfred	1/1
Dr. Cheng Mo Chi, Moses	1/1
Mr. Li Man Bun, Brian David	1/1
Mr. Chow Vee Tsung, Oscar	1/1

Model Code for Securities Transactions by Directors

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by the Directors. All Directors who held office as at 31 December 2014, following specific enquiry made by the Company, confirmed that they have complied with the required standard set out in the Model Code regarding directors' securities transactions throughout the year ended 31 December 2014.

The Company has further adopted a formal model code for securities transactions by its relevant employees in 2008, who may have access to the Company's inside information during the course of their employment, on terms no less exacting than the required standard set out in the Model Code.

External Auditor

The external auditor of the Company is Deloitte. Deloitte provided services in respect of the audit of the Group's consolidated financial statements which were prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the year ended 31 December 2014. Deloitte also reviewed the 2014 unaudited interim financial information of the Group, which was prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the HKICPA.

The total fees charged by Deloitte in respect of audit services for the year ended 31 December 2014 amounted to HK$6.6 million.

Non-audit service fees charged by Deloitte during 2014 are as follows:

Description of non-audit services performed		HK$
(1)	Interim review of the financial statements of the Company for the six months ended 30 June 2014	600,000
(2)	Tax review	167,400
(3)	Annual review on continuing connected transactions for the year ended 31 December 2014	66,000
Total		833,400

Directors' and Auditor's Responsibility in Preparing Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements and ensuring that the preparation of the accounts is in accordance with statutory requirements and applicable accounting standards.

The statement of the external auditor of the Company regarding their reporting responsibilities for the financial statements is set out in the Independent Auditor's Report on pages 65 to 66 of this Annual Report.

Going Concern Basis in Preparing Financial Statements

The Directors, having made appropriate enquiries, consider that the Company has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

Effectiveness of Internal Control System

The Board is responsible for the Company's internal control system and for reviewing its effectiveness. The Group's internal audit department and senior management conduct reviews of the effectiveness of the internal control system of the Company and its subsidiaries. The Audit Committee reviews the findings and recommendations of the internal audit department and the senior management in their meetings held twice a year and reports to the Board on such review.

In respect of the year ended 31 December 2014, the Board, through the Audit Committee, reviewed the overall effectiveness of the Group's internal control system, covering financial, operational and compliance controls and risk management functions, which included the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programmes and budget.

The Whistleblowing Policy was established in 2013, with an aim to encourage employees and other parties who deal with the Group (e.g. contractors and suppliers, etc.) to report any misconduct, malpractice or irregularity to the Company, and which can be found on the Company's website.

The Board has adopted the Policy and Procedures on Disclosure of Inside Information establishing procedures and guidelines for Directors and the directors, officers and employees of members of the Group regarding the use, handling and dissemination of inside information in accordance with the applicable laws and regulations.

The Board concluded that in general, the Group has set up a sound control environment and has installed necessary control mechanisms to monitor and correct non-compliance, if any.

Company's Constitutional Documents

During the year, there have been no changes to the Company's constitutional documents.

Company Secretary

The Company Secretary of the Company is Mr. Ho Hon Ming, John. For the year under review, the Company Secretary has taken no less than 15 hours of relevant professional training.

Communication with Shareholders

The Directors are aware of the importance of maintaining good relations and communications with the Company's shareholders. The Board established a Shareholders Communication Policy setting out the principles of the Company in relation to shareholders' communications, with the objective of ensuring that its communication with the shareholders is timely and accurate.

The Company uses a range of communication tools, such as the AGM, the annual reports, various notices, announcements and circulars, to ensure its shareholders are kept well informed of the Group's key business imperatives.

Communication with Shareholders *(Continued)*

The Company has maintained a website at "www.towngaschina.com" which serves as a forum for corporate communications with its shareholders and the general public. All corporate communications required under the Listing Rules are displayed and archived (for documents published in the previous five years) on the Company's website and there are established procedures to ensure timely updates of the same in compliance with the Listing Rules.

At the 2014 AGM held on 26 May 2014, separate resolutions were proposed by the Chairman in respect of each issue itemised on the agenda, including the re-election of the Directors. The Chairman of the Board, the chairman of each of the Remuneration Committee, the Audit Committee and the Nomination Committee and members of senior management, together with representatives from the external auditor, attended the 2014 AGM to answer questions from the Company's shareholders.

The notice of the AGM is distributed to all shareholders at least 20 clear business days prior to the AGM and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules.

Details of individual attendance of each of the Directors are set out below:

Director	Attendance/Number of Meeting
Executive Directors	
Mr. Chan Wing Kin, Alfred *(Chairman)*	1/1
Mr. Wong Wai Yee, Peter *(Chief Executive Officer)*	1/1
Mr. Ho Hon Ming, John *(Company Secretary)*	1/1
Non-Executive Director	
Mr. Kwan Yuk Choi, James	1/1
Independent Non-Executive Directors	
Dr. Cheng Mo Chi, Moses	1/1
Mr. Li Man Bun, Brian David	1/1
Mr. Chow Vee Tsung, Oscar	1/1

Shareholders' Rights

Convening an Extraordinary General Meeting by Shareholders and putting forward proposals

Under the Articles, an extraordinary general meeting ("EGM") may be convened by the Board upon requisition by any two or more shareholders, or any one shareholder which is a recognised clearing house (or its nominee), of the Company holding not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. The shareholders shall make a written requisition to the Board or the Company Secretary of the Company at the head office of the Company, specifying the shareholding information of the shareholders, their contact details and the proposal regarding any specified transaction/business and its supporting documents.

If within 21 days of receipt of such written requisition, the Board does not proceed to convene such EGM to be held within a further 21 days, the requisitionists themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board, provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition.

Making Enquiries to the Board

Shareholders may send written enquiries, either by post or by facsimiles, together with his/her contact details, such as postal address or fax, addressed to the head office of the Company at 23rd Floor, 363 Java Road, North Point, Hong Kong or facsimile number (852) 2561 6618.

Independent Auditor's Report

Deloitte.
德勤

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

TO THE SHAREHOLDERS OF TOWNGAS CHINA COMPANY LIMITED
港華燃氣有限公司
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Towngas China Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 67 to 160, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

Independent Auditor's Report

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014 and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

17 March 2015

Consolidated Income Statement

For the year ended 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
Turnover	7	**7,881,833**	6,715,709
Operating profit before returns on investments	8	**1,066,039**	925,047
Other gains, net	9	**14,291**	246,050
Share of results of associates		**347,205**	336,188
Share of results of joint ventures		**277,556**	265,125
Finance costs	10	**(174,032)**	(163,558)
Profit before taxation	11	**1,531,059**	1,608,852
Taxation	13	**(350,085)**	(382,509)
Profit for the year		**1,180,974**	1,226,343
Profit for the year attributable to:			
Shareholders of the Company		**1,054,189**	1,106,286
Non-controlling interests		**126,785**	120,057
		1,180,974	1,226,343
Proposed final dividend of ten HK cents (2013: eight HK cents) per ordinary share	14	**263,266**	209,044
		HK cents	HK cents
Earnings per share	15		
– Basic		**40.19**	42.46
– Diluted		**40.08**	42.34

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	2014 HK$'000	2013 HK$'000
Profit for the year	**1,180,974**	1,226,343
Other comprehensive (expense) income		
Item that will not be reclassified subsequently to profit or loss		
Exchange differences arising on translation to presentation currency	**(337,605)**	294,001
Item that may be reclassified subsequently to profit or loss		
Fair value change on cash flow hedge	**3,360**	8,684
	(334,245)	302,685
Total comprehensive income for the year	**846,729**	1,529,028
Total comprehensive income attributable to:		
Shareholders of the Company	**766,265**	1,384,816
Non-controlling interests	**80,464**	144,212
Total comprehensive income for the year	**846,729**	1,529,028

Consolidated Statement of Financial Position

At 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
Non-current assets			
Property, plant and equipment	16	**11,026,351**	9,355,245
Leasehold land	17	**449,682**	352,258
Intangible assets	18	**608,608**	174,621
Goodwill	19	**5,890,298**	5,797,674
Interests in associates	20	**2,836,497**	2,809,167
Interests in joint ventures	21	**1,936,057**	1,787,730
Loans to joint ventures	21	**56,012**	11,743
Available-for-sale investments	22	**170,763**	170,248
Deferred consideration receivable	23	**—**	123,066
		22,974,268	20,581,752
Current assets			
Inventories	24	**565,951**	588,281
Leasehold land	17	**23,827**	11,663
Loan to an associate	20	**18,745**	19,206
Loans to joint ventures	21	**166,245**	224,514
Trade and other receivables, deposits and prepayments	25	**1,788,086**	1,580,379
Amounts due from non-controlling shareholders	26	**16,551**	18,247
Time deposits over three months	25	**344,914**	374,271
Bank balances and cash	25	**1,451,652**	2,230,363
		4,375,971	5,046,924
Current liabilities			
Trade and other payables and accrued charges	28	**4,136,399**	4,151,637
Amounts due to non-controlling shareholders	26	**188,092**	248,843
Taxation		**582,078**	563,384
Borrowings - amount due within one year	29	**2,482,814**	2,418,883
		7,389,383	7,382,747
Net current liabilities		**(3,013,412)**	(2,335,823)
Total assets less current liabilities		**19,960,856**	18,245,929

Consolidated Statement of Financial Position

At 31 December 2014

	NOTES	2014 HK$'000	2013 HK$'000
Non-current liabilities			
Loans from the ultimate holding company	30	**993,750**	993,750
Borrowings - amount due after one year	29	**4,075,077**	3,487,785
Deferred taxation	31	**440,603**	275,823
Other financial liabilities	27	**6,948**	10,308
		5,516,378	4,767,666
Net assets		**14,444,478**	13,478,263
Capital and reserves			
Share capital	32	**263,266**	261,286
Reserves		**12,990,685**	12,270,017
Equity attributable to shareholders of the Company		**13,253,951**	12,531,303
Non-controlling interests		**1,190,527**	946,960
Total equity		**14,444,478**	13,478,263

The consolidated financial statements on pages 67 to 160 were approved and authorised for issue by the Board of Directors ("the Board") on 17 March 2015 and are signed on its behalf by:

Chan Wing Kin, Alfred
DIRECTOR

Li Man Bun, Brian David
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to shareholders of the Company								Non-controlling interests HK$'000	Total HK$'000
	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Share option reserve HK$'000	Hedge reserve HK$'000	General reserves HK$'000 (note 33)	Retained earnings HK$'000	Total HK$'000		
At 1 January 2013	246,035	5,663,096	1,475,413	24,021	(18,992)	95,011	2,997,132	10,481,716	805,245	11,286,961
Exchange differences arising on translation to presentation currency	—	—	269,846	—	—	—	—	269,846	24,155	294,001
Fair value change on cash flow hedge	—	—	—	—	8,684	—	—	8,684	—	8,684
Profit for the year	—	—	—	—	—	—	1,106,286	1,106,286	120,057	1,226,343
Total comprehensive income for the year	—	—	269,846	—	8,684	—	1,106,286	1,384,816	144,212	1,529,028
Issue of shares upon share placement	15,000	915,308	—	—	—	—	—	930,308	—	930,308
Issue of shares upon exercise of share options	251	13,000	—	(3,705)	—	—	—	9,546	—	9,546
Transfer	—	—	—	—	—	7,270	(7,270)	—	—	—
Acquisition of additional interest in a subsidiary	—	—	—	—	—	—	(96,546)	(96,546)	(932)	(97,478)
Additions on acquisition of businesses	—	—	—	—	—	—	—	—	47,935	47,935
Disposal of a subsidiary	—	—	—	—	—	—	—	—	(107,004)	(107,004)
Partial disposal of a subsidiary	—	—	—	—	—	—	(21,766)	(21,766)	21,766	—
Capital contribution from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	70,141	70,141
Dividends paid to shareholders of the Company	—	(156,771)	—	—	—	—	—	(156,771)	—	(156,771)
Dividends paid to non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	(34,403)	(34,403)
	15,251	771,537	—	(3,705)	—	7,270	(125,582)	664,771	(2,497)	662,274
At 31 December 2013	261,286	6,434,633	1,745,259	20,316	(10,308)	102,281	3,977,836	12,531,303	946,960	13,478,263

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to shareholders of the Company									
	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Share option reserve HK$'000	Hedge reserve HK$'000	General reserves HK$'000 (note 33)	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2014	261,286	6,434,633	1,745,259	20,316	(10,308)	102,281	3,977,836	12,531,303	946,960	13,478,263
Exchange differences arising on translation to presentation currency	–	–	(291,284)	–	–	–	–	(291,284)	(46,321)	(337,605)
Fair value change on cash flow hedge	–	–	–	–	3,360	–	–	3,360	–	3,360
Profit for the year	–	–	–	–	–	–	1,054,189	1,054,189	126,785	1,180,974
Total comprehensive income for the year	–	–	(291,284)	–	3,360	–	1,054,189	766,265	80,464	846,729
Issue of shares upon scrip dividend scheme	1,708	153,758	–	–	–	–	–	155,466	–	155,466
Issue of shares upon exercise of share options	272	14,101	–	(4,210)	–	–	–	10,163	–	10,163
Transfer	–	–	–	–	–	27,978	(27,978)	–	–	–
Additions on acquisition of businesses (note 34)	–	–	–	–	–	–	–	–	157,368	157,368
Capital contribution from non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	72,601	72,601
Dividends paid to shareholders of the Company	–	(209,246)	–	–	–	–	–	(209,246)	–	(209,246)
Dividends paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	(66,866)	(66,866)
	1,980	(41,387)	–	(4,210)	–	27,978	(27,978)	(43,617)	163,103	119,486
At 31 December 2014	263,266	6,393,246	1,453,975	16,106	(6,948)	130,259	5,004,047	13,253,951	1,190,527	14,444,478

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014 **HK$'000**	2013 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**1,531,059**	1,608,852
Adjustments for:		
Interest income	**(33,245)**	(38,344)
Imputed interest on loans to joint ventures and deferred consideration receivable	**(9,744)**	(12,141)
Interest expenses	**170,334**	159,971
Share of results of associates	**(347,205)**	(336,188)
Share of results of joint ventures	**(277,556)**	(265,125)
Dividends from available-for-sale investments	**(65,450)**	(58,169)
Release of leasehold land	**13,107**	12,417
Amortisation of intangible assets	**20,607**	7,454
Depreciation of property, plant and equipment	**381,093**	323,097
(Gain) loss on disposal of property, plant and equipment	**(12,617)**	19,733
Loss on disposal of leasehold land	**2,549**	4,788
Gain on fair value change of derivative financial instruments	**—**	(1,017)
Allowance for doubtful debts	**8,473**	29,050
Loss on disposal of a subsidiary	**—**	34,712
Exchange loss (gain)	**140,678**	(159,662)
Operating cash flows before movements in working capital	**1,522,083**	1,329,428
Decrease (increase) in inventories	**2,929**	(157,884)
Increase in trade receivables	**(119,392)**	(183,593)
Increase in other receivables, deposits and prepayments	**(5,088)**	(138,149)
Increase in trade payables	**172,614**	197,066
Increase in other payables and accrued charges	**133,116**	387,307
Increase in amounts due to non-controlling shareholders	**6,046**	12,256
Cash generated from operations	**1,712,308**	1,446,431
Interest paid	**(176,981)**	(162,364)
Taxation paid	**(277,054)**	(233,550)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**1,258,273**	1,050,517

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	NOTES	**2014 HK$'000**	2013 HK$'000
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(1,997,984)**	(1,682,107)
Acquisition of businesses (net of cash and cash equivalents acquired)	34	**(544,606)**	(1,200,255)
Consideration paid for acquisition of businesses acquired in prior periods		**(449,842)**	(347,861)
Acquisition of additional interest in an associate		**—**	(8,042)
Capital injection to an associate		**(18,593)**	(4,609)
Capital injection to a joint venture		**—**	(5,122)
Disposal of a subsidiary (net of cash and cash equivalents disposed)	35	**—**	1,839
Decrease (increase) in time deposits over three months		**29,357**	(154,969)
Purchase of leasehold land		**(65,871)**	(41,973)
Loans to joint ventures		**(13,944)**	(56,515)
Dividends received from joint ventures		**76,889**	208,312
Dividends received from an associate		**195,052**	176,930
Repayment of loans from joint ventures		**28,443**	62,642
Repayment of loan from an associate		**—**	15,161
Dividends from available-for-sale investments		**65,450**	58,169
Deferred consideration received		**40,000**	40,000
Proceeds from disposal of property, plant and equipment		**24,596**	11,671
Interest received		**33,245**	38,344
Proceeds from disposal of leasehold land		**2,863**	2,623
Acquisition of additional interest in a subsidiary		**—**	(97,478)
NET CASH USED IN INVESTING ACTIVITIES		**(2,594,945)**	(2,983,240)
FINANCING ACTIVITIES			
Repayments of bank and other loans		**(3,029,823)**	(2,393,827)
Dividends paid to shareholders of the Company		**(53,780)**	(156,771)
Dividends paid to non-controlling shareholders of subsidiaries		**(66,866)**	(34,403)
New bank and other loans raised		**3,710,499**	3,182,031
Capital contribution from non-controlling shareholders of subsidiaries		**72,601**	70,141
Issue of shares upon exercise of share options		**10,163**	9,546
Issue of shares upon share placement		**—**	930,308
NET CASH GENERATED FROM FINANCING ACTIVITIES		**642,794**	1,607,025
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(693,878)**	(325,698)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**2,230,363**	2,479,484
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(84,833)**	76,577
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTING BANK BALANCES AND CASH		**1,451,652**	2,230,363

Notes to the Consolidated Financial Statements

1. General and Basis of Preparation

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

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

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

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that its current liabilities exceeded its current assets by approximately HK$3,013 million as at 31 December 2014. The Group's liabilities as at 31 December 2014 included borrowings of approximately HK$2,483 million that are repayable within one year from the end of the reporting period.

As of the date of approval for issuance of the consolidated financial statements, the Group had unutilised facilities (the "Facilities") amounting to approximately HK$1,200 million. When considering the Group's ability to continue as a going concern, the Directors considered that the Group's bank loans of approximately HK$2,483 million that are repayable within one year from the end of the reporting period will be rolled over or refinanced as the Group has good relationship with the banks and has good credibility.

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

2. Application of New and Revised Hong Kong Financial Reporting Standards

The Group has applied for the first time in the current year the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKAS"), amendments and interpretation ("HK(IFRIC) - Int") (hereinafter collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) - Int 21	Levies

The application of the above new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 - 2012 Cycle[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 - 2013 Cycle[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 - 2014 Cycle[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations[3]
Amendments to HKAS 1	Disclosure Initiative[3]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[3]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants[3]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[1]
Amendments to HKAS 27	Equity Method in Separate Financial Statements[3]
HKFRS 9	Financial Instruments[6]
HKFRS 14	Regulatory Deferral Accounts[4]
HKFRS 15	Revenue from Contracts with Customers[5]

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

[1] Effective for annual periods beginning on or after 1 July 2014
[2] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
[3] Effective for annual periods beginning on or after 1 January 2016
[4] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
[5] Effective for annual periods beginning on or after 1 January 2017
[6] Effective for annual periods beginning on or after 1 January 2018

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods and services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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

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

The directors of the Company anticipates that the application of HKFRS 15 in the future may affect the amounts reported and related disclosures. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Except those mentioned above, the directors of the Company anticipate that the application of the other new and revised HKFRSs that have been issued but are not yet effective may have no material impact on the results and the financial position of the Group.

3. Significant Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are stated at fair value, as explained in the accounting policies below, and in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

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

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

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

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

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

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

The principal accounting policies are set out below.

3. Significant Accounting Policies *(Continued)*

Basis of consolidation

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

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

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

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

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

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

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

3. Significant Accounting Policies *(Continued)*

Basis of consolidation *(continued)*

Changes in the Group's ownership interests in existing subsidiaries

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

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

Business combinations

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

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

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

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

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

3. Significant Accounting Policies *(Continued)*

Business combinations *(continued)*

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, when applicable, on the basis specified in another HKFRS.

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not 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 were disposed of.

3. Significant Accounting Policies *(Continued)*

Business combinations *(continued)*

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), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

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

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

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

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

Investments in associates and joint ventures

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

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

3. Significant Accounting Policies *(Continued)*

Investments in associates and joint ventures *(continued)*

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

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

3. Significant Accounting Policies *(Continued)*

Investments in associates and joint ventures *(continued)*

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

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

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

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

Revenue recognition

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

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

3. Significant Accounting Policies *(Continued)*

Revenue recognition *(continued)*

Revenue from gas supply is recognised when gas is used by the customers.

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

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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

Property, plant and equipment

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

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

Buildings	15 - 30 years
Gas pipelines	25 - 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.

3. Significant Accounting Policies *(Continued)*

Leasehold land and building

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

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "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.

Construction in progress

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

Intangible assets

Intangible assets acquired in a business combination

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

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

Exclusive operating rights for city pipeline network

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

3. Significant Accounting Policies *(Continued)*

Intangible assets *(continued)*

Distribution network

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

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

Inventories

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

Construction contracts

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

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

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 any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

3. Significant Accounting Policies *(Continued)*

Impairment (other than goodwill) *(continued)*

If the recoverable amount of an asset 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.

Financial instruments

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

Financial assets

The Group's financial assets are mainly classified into one of the two categories, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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 and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, 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, loan to an associate, loans to joint ventures, trade receivables, other receivables, amounts due from non-controlling shareholders, time deposits over three months and bank balances and cash) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

3. Significant Accounting Policies *(Continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

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.

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

Impairment of financial assets

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

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

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

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

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

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

3. Significant Accounting Policies *(Continued)*

Financial instruments *(continued)*

Financial assets *(continued)*

Impairment of financial assets (continued)

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.

Financial liabilities and equity

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

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Bank and other borrowings

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

Other financial liabilities

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

3. Significant Accounting Policies *(Continued)*

Financial instruments *(continued)*

Financial liabilities and equity *(continued)*

Derivative financial instruments and hedging

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

Hedge accounting

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

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

Cash flow hedges

The effective portion of changes in the fair value of derivatives that is designated and qualifies as cash flow hedges is recognised in other comprehensive income and accumulated in hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the consolidated income statement as the recognised hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(continued)*

Financial liabilities and equity *(continued)*

Derecognition

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

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

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

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

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.

3. Significant Accounting Policies *(Continued)*

Taxation

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

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

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

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

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

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

3. Significant Accounting Policies *(Continued)*

Taxation *(continued)*

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

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 the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

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

3. Significant Accounting Policies *(Continued)*

Borrowing costs

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

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

Retirement benefits costs

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

4. 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 units and a suitable discount rate in order to calculate the present value. Where the actual cash flows are less than expected, a material impairment loss may arise. As at 31 December 2014, the carrying amount of goodwill is HK$5,890,298,000 (2013: HK$5,797,674,000). Details of the recoverable amount calculation are disclosed in note 19.

Income taxes

As at 31 December 2014, no deferred tax asset is recognised in the consolidated statement of financial position in relation to the estimated unused tax losses of the Group of HK$307,655,000 (2013: HK$232,923,000) 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.

4. Key Sources of Estimation Uncertainty *(Continued)*

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 2014, the carrying amount of trade receivables is HK$743,444,000 (2013: HK$644,465,000).

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.

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:

	2014 HK$'000	2013 HK$'000
Debt (i)	**7,551,641**	6,900,418
Time deposits over three months	**(344,914)**	(374,271)
Bank balances and cash	**(1,451,652)**	(2,230,363)
Net debt	**5,755,075**	4,295,784
Equity (ii)	**13,253,951**	12,531,303
Net debt to equity ratio	**43.4%**	34.3%
Gearing Ratio (iii)	**26.4%**	20.9%

(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.

(iii) Being the proportion of ND of HK$4,761,325,000 (2013: HK$3,302,034,000) to equity plus ND of HK$18,015,276,000 (2013: HK$15,833,337,000).

6. Financial Instruments

Categories of financial instruments

	2014 HK$'000	2013 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**2,909,574**	3,685,196
Available-for-sale instruments	**170,763**	170,248
Financial liabilities		
Amortised cost	**9,134,320**	8,518,305
Derivative financial instruments	**6,948**	10,308

Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, deferred consideration receivable, loan to an associate, loans to joint ventures, trade and other receivables, amounts due from non-controlling shareholders, time deposits over three months, bank balances and cash, trade and other payables, amounts due to non-controlling shareholders, borrowings, loans from the ultimate holding company and other financial liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

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

Details of the Group's bank balances and cash, time deposits over three months, bank and other borrowings 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 25, 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.

6. Financial Instruments *(Continued)*

Financial risk management objectives and policies *(continued)*

Currency risk *(continued)*

Sensitivity analysis

The following table details the Group's sensitivity to a reasonably possible change of 3% (2013: 3%) in exchange rate of USD and HKD against RMB while all other variables are held constant. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each reporting period for a 3% (2013: 3%) change in foreign currency rates.

The sensitivity analysis includes bank balances and cash, borrowings and loans from the ultimate holding company 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 before taxation for the year where RMB strengthens by 3% (2013: 3%) against USD and HKD. For a 3% (2013: 3%) weakening of RMB against USD and HKD, there would be an equal but opposite impact on the profit before taxation for the year, and the balances below would be negative. This is mainly attributable to the Group's exposure to foreign exchange on its foreign currency borrowings.

	2014 **HK$'000**	2013 HK$'000
Profit before taxation for the year	**201,394**	171,381

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 joint ventures and loan to associates. The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. The fair value interest rate risk on bank deposits is insignificant as the fixed deposits are short-term.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings and the loans from the ultimate holding company and pay-fixed interest rate swap. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The critical terms of the interest rate swap are similar to the hedged borrowing. The interest rate swap is designated as effective hedging instruments and hedge accounting is used (see note 27 for details).

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 loans and the loans from the ultimate holding company and the fluctuation of basic borrowing rate announced by the People's Bank of China arising from the Group's RMB bank loans.

6. Financial Instruments *(Continued)*

Financial risk management objectives and policies *(continued)*

Interest rate risk *(continued)*

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 loans 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 points (2013: 25 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points (2013: 25 basis points) higher/lower and all other variables were held constant, the Group's profit before taxation for the year ended 31 December 2014 would decrease/increase by HK$17,148,000 (2013: HK$15,401,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings and loans 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

As at 31 December 2014, 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.

6. Financial Instruments *(Continued)*

Financial risk management objectives and policies *(continued)*

Credit risk *(continued)*

The credit risk of loans to joint ventures and loan to an associate are concentrated in four (2013: five) joint ventures and one (2013: one) associate respectively. However, the management, having considered the financial background and good creditability of the associate and joint ventures, believes there is no significant credit risk. Management will closely monitor the financial position of each counterparty to ensure overdue debts are timely recovered.

The credit risk of deferred consideration receivable is concentrated in one (2013: 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 date of approval for issuance of the consolidated financial statements, the Group had available unutilised bank loan facilities of HK$1,200 million (at 31 December 2013: HK$2,201 million). As stated in note 1, the directors have considered the Group's liquidity and going concern in light of the fact that the Group's current liabilities exceed its current assets by approximately HK$3,013 million (at 31 December 2013: HK$2,336 million).

6. Financial Instruments *(Continued)*

Financial risk management objectives and policies *(continued)*

Liquidity risk *(continued)*

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	Repayable on demand or less than 1 month HK$'000	1 - 3 months HK$'000	3 months to 1 year HK$'000	1 - 5 years HK$'000	5 + years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2014 HK$'000
2014								
Trade payables	–	418,271	272,394	337,518	–	–	1,028,183	1,028,183
Other payables	–	366,404	–	–	–	–	366,404	366,404
Amounts due to non-controlling shareholders	–	188,092	–	–	–	–	188,092	188,092
Loans from the ultimate holding company	2.86%	2,302	4,605	22,501	1,021,270	–	1,050,678	993,750
Bank loans	2.19%	10,194	1,089,615	1,475,434	4,370,504	21,371	6,967,118	6,506,249
Other loans	2.69%	2,984	219	28,268	9,024	14,233	54,728	51,642
		988,247	1,366,833	1,863,721	5,400,798	35,604	9,655,203	9,134,320
Derivative-net settlement								
Interest rate swap		–	1,040	3,120	3,120	–	7,280	6,948

	Weighted average effective interest rate	Repayable on demand or less than 1 month HK$'000	1 - 3 months HK$'000	3 months to 1 year HK$'000	1 - 5 years HK$'000	5 + years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2013 HK$'000
2013								
Trade payables	—	435,854	258,310	175,991	—	—	870,155	870,155
Other payables	—	498,889	—	—	—	—	498,889	498,889
Amounts due to non-controlling shareholders	—	248,843	—	—	—	—	248,843	248,843
Loans from the ultimate holding company	3.61%	—	—	8,181	1,065,480	—	1,073,661	993,750
Bank loans	2.53%	—	1,302,366	1,117,882	3,790,448	16,293	6,226,989	5,849,467
Other loans	2.05%	2,945	—	23,733	15,338	18,947	60,963	57,201
		1,186,531	1,560,676	1,325,787	4,871,266	35,240	8,979,500	8,518,305
Derivative-net settlement								
Interest rate swap		—	1,007	3,022	7,051	—	11,080	10,308

6. Financial Instruments *(Continued)*

Fair value measurements

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

Some of the Group's financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial liabilities are determined (in particular, the valuation techniques and inputs used).

Financial liabilities	Fair value as at 31.12.2014	Fair value as at 31.12.2013	Fair value hierarchy	Valuation techniques and key inputs
Interest rate swaps classified as other financial liabilities in the statement of financial position	**Liabilities (designated for hedging) – HK$6,948,000**	Liabilities (designated for hedging) – HK$10,308,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of the Group.

The Directors consider that the carrying amount of financial liabilities recorded at amortised cost in the consolidated financial statements approximates their fair value.

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 segments and to assess their performance. The chief operating decision maker of the Group has been identified as the executive directors of the Company (the "Executive Directors").

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

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

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

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

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 joint ventures, other gains, net and unallocated corporate expenses such as central administration costs and directors' salaries. These are reported to the Executive Directors for the purposes of resource allocation and assessment of segment performance.

7. Segment Information *(Continued)*

Operating segments *(continued)*

Information regarding these segments is presented below:

	Sales and distribution of piped gas and related products HK$'000	Gas connection HK$'000	Consolidated HK$'000
For the year ended 31 December 2014			
TURNOVER			
External	**6,205,330**	**1,676,503**	**7,881,833**
Segment results	**471,189**	**746,162**	**1,217,351**
Other gains, net			**14,291**
Unallocated corporate expenses			**(151,312)**
Share of results of associates			**347,205**
Share of results of joint ventures			**277,556**
Finance costs			**(174,032)**
Profit before taxation			**1,531,059**
Taxation			**(350,085)**
Profit for the year			**1,180,974**

	Sales and distribution of piped gas and related products HK$'000	Gas connection HK$'000	Consolidated HK$'000
For the year ended 31 December 2013			
TURNOVER			
External	5,264,625	1,451,084	6,715,709
Segment results	426,956	638,269	1,065,225
Other gains, net			246,050
Unallocated corporate expenses			(140,178)
Share of results of associates			336,188
Share of results of joint ventures			265,125
Finance costs			(163,558)
Profit before taxation			1,608,852
Taxation			(382,509)
Profit for the year			1,226,343

7. Segment Information *(Continued)*

Operating segments *(continued)*

Segment results included depreciation and amortisation of HK$414,807,000 (2013: HK$342,968,000), most of which are attributable to the sales and distribution of piped gas and related products segment.

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

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

All of the Group's revenue was generated in the PRC (place of domicile of the group entities that derive revenue) and over 90% of the Group's non-current assets other than financial instruments were also located in the PRC (place of domicile of the group entities that hold such assets). No individual customer of the Group had contributed sales of over 10% of the total revenue of the Group for the years ended 31 December 2014 and 2013.

8. Operating Profit Before Returns on Investments

	2014 HK$'000	2013 HK$'000
Turnover	**7,881,833**	6,715,709
Less expenses:		
Gas fuel, stores and materials used	**5,127,833**	4,274,570
Staff costs	**787,681**	670,677
Depreciation, amortisation and release of leasehold land	**414,807**	342,968
Other expenses	**485,473**	502,447
	1,066,039	925,047

9. Other Gains, Net

Other gains, net mainly comprised of:

	2014 HK$'000	2013 HK$'000
Dividend income from available-for-sale investments	**65,450**	58,169
Interest income	**33,245**	38,344
Exchange (loss) gain	**(140,678)**	159,662
Imputed interest income on deferred consideration receivable	**4,860**	6,278
Imputed interest income on loans to joint ventures	**4,884**	5,863
Gain on fair value change of derivative financial instruments	**—**	1,017
Loss on disposal of a subsidiary	**—**	(34,712)

10. Finance Costs

	2014 **HK$'000**	2013 HK$'000
Interest on:		
– bank and other borrowings wholly repayable within five years	**176,123**	161,269
– bank and other borrowings not wholly repayable within five years	**858**	1,095
Bank charges	**3,698**	3,587
	180,679	165,951
Less: amounts capitalised	**(6,647)**	(2,393)
	174,032	163,558

11. Profit Before Taxation

	2014 **HK$'000**	2013 HK$'000
Profit before taxation has been arrived at after charging and (crediting):		
Directors' remuneration (note 12)	**10,803**	10,307
Other staff costs	**712,797**	602,311
Retirement benefit scheme contributions (excluding directors)	**64,081**	58,059
Total staff costs	**787,681**	670,677
Allowance for doubtful debts	**8,473**	29,050
Amortisation of intangible assets	**20,607**	7,454
Release of leasehold land	**13,107**	12,417
Auditor's remuneration	**9,528**	11,031
Cost of inventories sold	**5,603,735**	4,686,162
Depreciation of property, plant and equipment	**381,093**	323,097
Operating lease rentals in respect of land and buildings	**36,047**	25,360
(Gain) loss on disposal of property, plant and equipment	**(12,617)**	19,733
Loss on disposal of leasehold land	**2,549**	4,788

12. Directors' and Employees' Emoluments

The emoluments paid or payable to each of the 7 (2013: 7) directors were as follows:

	Year ended 31 December 2014							
	Chan Wing Kin, Alfred HK$'000	Cheng Mo Chi, Moses HK$'000	Chow Vee Tsung, Oscar HK$'000	Kwan Yuk Choi, James HK$'000	Ho Hon Ming, John HK$'000 (Note b)	Li Man Bun, Brian David HK$'000	Wong Wai Yee, Peter HK$'000 (Note c)	Total HK$'000
Fees	200	500	500	200	200	500	200	2,300
Other emoluments								
Salaries and other benefits	—	—	—	—	1,063	—	1,138	2,201
Retirement benefit scheme contributions	—	—	—	—	106	—	114	220
Performance and discretionary bonus (Note a)	—	—	—	—	2,181	—	3,901	6,082
Total emoluments	200	500	500	200	3,550	500	5,353	10,803

	Year ended 31 December 2013							
	Chan Wing Kin, Alfred HK$'000	Cheng Mo Chi, Moses HK$'000	Chow Vee Tsung, Oscar HK$'000	Kwan Yuk Choi, James HK$'000	Ho Hon Ming, John HK$'000 (Note b)	Li Man Bun, Brian David HK$'000	Wong Wai Yee, Peter HK$'000 (Note c)	Total HK$'000
Fees	200	500	500	200	200	500	200	2,300
Other emoluments								
Salaries and other benefits	—	—	—	—	1,023	—	1,094	2,117
Retirement benefit scheme contributions	—	—	—	—	102	—	110	212
Performance and discretionary bonus (Note a)	—	—	—	—	2,038	—	3,640	5,678
Total emoluments	200	500	500	200	3,363	500	5,044	10,307

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 directors' duties and responsibilities and the Group's performance and profitability.

(b) Mr. Ho Hon Ming, John is also the Company Secretary of the Company and his emoluments disclosed above include those for services rendered by him as Company Secretary. The monthly basic salary of Mr. Ho Hon Ming, John as Company Secretary was increased to HK$92,600 per month with effect from 1 January 2015.

(c) Mr. Wong Wai Yee, Peter is also the Chief Executive Officer of the Company and his emoluments disclosed above include those for services rendered by him as Chief Executive Officer. The monthly basic salary of Mr. Wong Wai Yee, Peter as Chief Executive Officer was increased to HK$99,120 per month with effect from 1 January 2015.

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

Employees' emoluments:

For the year ended 31 December 2014, the five highest paid individuals of the Group included two (2013: two) directors of the Company, details of their emoluments are included above. The emoluments of the remaining three (2013: three) highest paid individuals are as follows:

	2014 **HK$'000**	2013 HK$'000
Salaries and other benefit	**4,228**	4,009
Performance related incentive payments	**2,247**	1,886
Contribution to retirement benefit scheme	**293**	281
	6,768	6,176

The emoluments were within the following bands:

	Number of employees	
	2014	2013
HK$1,500,001 to HK$2,000,000	**—**	2
HK$2,000,001 to HK$2,500,000	**2**	1
HK$2,500,001 to HK$3,000,000	**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 2014.

13. Taxation

	2014 HK$'000	2013 HK$'000
The charge comprises:		
PRC Enterprise Income Tax ("EIT")		
– current year	**314,818**	339,651
Deferred taxation (note 31)		
– taxation charge for the year	**35,267**	42,858
	350,085	382,509

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% (2013: 15% to 25%).

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

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

	2014 HK$'000	2013 HK$'000
Profit before taxation	**1,531,059**	1,608,852
Tax at the applicable rate of 25% (2013: 25%) (Note)	**382,765**	402,213
Tax effect of expenses that are not deductible for tax purposes	**90,003**	97,173
Tax effect of income that are not taxable for tax purposes	**(31,423)**	(50,620)
Effect of different tax rates of subsidiaries operating in different regions	**(12,138)**	(3,641)
Tax effect of share of results of associates	**(86,801)**	(84,047)
Tax effect of share of results of joint ventures	**(69,389)**	(66,281)
Tax effect of utilisation of tax losses not previously recognised	**(112)**	(650)
Tax effect of tax losses not recognised	**34,909**	42,350
Withholding tax on undistributed profits	**42,271**	46,012
Tax charge for the year	**350,085**	382,509

Note: The tax rate of 25% represents EIT which is applicable to most of the Group's operations in the PRC for the year 2014 (2013: 25%).

14. Dividends

During the year, final dividend in respect of year ended 31 December 2013 of HK$209,246,000 (2013: HK$156,771,000 in respect of year ended 31 December 2012) was recognised as distribution, being eight HK cents per ordinary share (2013: six HK cents per ordinary share).

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2014 of ten HK cents (2013: eight HK cents) per ordinary share has been proposed by the Board and is subject to approval by the shareholders in the forthcoming annual general meeting.

15. 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:

	2014 HK$'000	2013 HK$'000
Earnings for the purposes of basic and diluted earnings per share, being profit for the year attributable to shareholders of the Company	**1,054,189**	1,106,286

	Number of shares	
	2014 '000	2013 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,623,056**	2,605,489
Effects of dilutive potential ordinary shares:		
Share options	**6,933**	7,288
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,629,989**	2,612,777

16. 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 2013	878,568	6,158,038	958,742	961,814	8,957,162
Currency realignment	29,051	197,243	32,296	28,936	287,526
Additions	62,102	238,799	127,183	1,256,416	1,684,500
Additions from acquisition of businesses	38,323	159,665	52,040	67,279	317,307
Disposals	(9,293)	(11,657)	(44,651)	—	(65,601)
Disposal of a subsidiary	(38,238)	(124,579)	(33,492)	(35,966)	(232,275)
Transfer	112,301	900,030	40,793	(1,053,124)	—
At 31 December 2013	1,072,814	7,517,539	1,132,911	1,225,355	10,948,619
Currency realignment	(47,187)	(193,256)	(40,005)	(24,178)	(304,626)
Additions	95,352	405,351	186,157	1,317,771	2,004,631
Additions from acquisition of businesses	53,067	234,092	10,393	20,900	318,452
Disposals	(12,046)	(1,097)	(26,964)	—	(40,107)
Transfer	41,998	805,808	30,049	(877,855)	—
At 31 December 2014	1,203,998	8,768,437	1,292,541	1,661,993	12,926,969
DEPRECIATION					
At 1 January 2013	120,310	868,985	315,602	—	1,304,897
Currency realignment	4,819	28,906	14,651	—	48,376
Provided for the year	40,211	179,109	103,777	—	323,097
Eliminated on disposals	(1,506)	(2,764)	(29,927)	—	(34,197)
Eliminated on disposal of a subsidiary	(22,818)	(16,559)	(9,422)	—	(48,799)
At 31 December 2013	141,016	1,057,677	394,681	—	1,593,374
Currency realignment	(4,863)	(28,362)	(12,496)	—	(45,721)
Provided for the year	47,814	215,763	117,516	—	381,093
Eliminated on disposals	(6,056)	(698)	(21,374)	—	(28,128)
At 31 December 2014	177,911	1,244,380	478,327	—	1,900,618
CARRYING VALUES					
At 31 December 2014	1,026,087	7,524,057	814,214	1,661,993	11,026,351
At 31 December 2013	931,798	6,459,862	738,230	1,225,355	9,355,245

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

No property, plant and equipment of the Group was pledged as at 31 December 2014 and 2013.

17. Leasehold Land

	2014 HK$'000	2013 HK$'000
Balance at the beginning of the year	**363,921**	314,580
Currency realignment	**(8,246)**	9,880
Additions	**65,871**	41,973
Additions relating to acquisition of businesses	**70,482**	17,316
Disposals	**(5,412)**	(7,411)
Charge for the year	**(13,107)**	(12,417)
Balance at the end of the year	**473,509**	363,921
Analysis for reporting purpose:		
Non-current portion	**449,682**	352,258
Current portion	**23,827**	11,663
	473,509	363,921

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

18. Intangible Assets

	HK$'000
COST	
At 1 January 2013	227,280
Currency realignment	6,693
At 31 December 2013	233,973
Currency realignment	(5,614)
Additions relating to acquisition of businesses (note 34)	458,780
At 31 December 2014	687,139
AMORTISATION	
At 1 January 2013	50,191
Currency realignment	1,707
Provided for the year	7,454
At 31 December 2013	59,352
Currency realignment	(1,428)
Provided for the year	20,607
At 31 December 2014	78,531
CARRYING VALUES	
At 31 December 2014	608,608
At 31 December 2013	174,621

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

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

19. Goodwill

	HK$'000
At 1 January 2013	4,284,965
Currency realignment	153,072
Provisional goodwill on acquisition of businesses	1,359,637
At 31 December 2013	5,797,674
Currency realignment	(147,532)
Additions relating to acquisition of businesses (note 34)	240,156
At 31 December 2014	5,890,298

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 allocated to these Sub-groups are as follows:

	2014 HK$'000	2013 HK$'000
Sub-group headed by:		
Hong Kong & China Gas (Qingdao) Limited	**357,697**	366,490
Hong Kong & China Gas (Zibo) Limited	**384,712**	394,170
Hong Kong & China Gas (Yantai) Limited	**259,824**	266,212
Hong Kong & China Gas (Weifang) Limited	**149,502**	153,177
Hong Kong & China Gas (Weihai) Limited	**297,636**	304,953
Hong Kong & China Gas (Taian) Limited	**263,331**	269,805
Hong Kong & China Gas (Maanshan) Limited	**312,562**	320,246
Hong Kong & China Gas (Anqing) Limited	**296,255**	303,538
Mianyang Hong Kong and China Gas Co., Ltd.	**318,475**	326,304
Xin Du Hong Kong and China Gas Company Limited, Cheng Du	**242,045**	247,995
Towngas (BVI) Holdings Limited ("Towngas BVI")*	**443,652**	454,559
Miluo Red-Horse Natural Gas Development Co., Ltd.	**150,229**	153,923
Fuxin Xinqiu Hong Kong & China Gas Co., Ltd. ("Xinqiu")	**140,918**	144,383
Jinan Pingyin Hong Kong & China Gas Co., Ltd.	**135,169**	155,665
Shenyang business ("Shenyang")	**115,478**	139,020
Sichuan Quanxin Gas Co., Ltd. ("Quanxin")	**114,628**	131,924

19. Goodwill *(Continued)*

	2014 HK$'000	2013 HK$'000
Chaozhou Fengxi Hong Kong and China Gas Co., Ltd. ("Fengxi")	**163,541**	184,180
Boxing Hong Kong & China Gas Co., Ltd. ("Boxing")	**97,327**	113,257
Dafeng Hong Kong and China Gas Company Limited ("Dafeng")	**273,903**	359,709
Guangxi Zhongwei Pipeline Gas Development Group Co., Ltd. ("Zhongwei")	**140,447**	151,109
Baotou Hong Kong & China Gas Company Limited ("Baotou")	**179,527**	—
Xingyi Hong Kong & China Gas Company Limited ("Xingyi")	**112,956**	—
Others	**940,484**	857,055
	5,890,298	5,797,674

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

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 7.6% (2013: 7.6%) using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

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% (2013: 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 2014 (2013: nil).

20. Interests in Associates/Loan to an Associate

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

	2014 HK$'000	2013 HK$'000
Cost of investments in associates	**1,693,860**	1,743,493
Share of post-acquisition profits and other comprehensive income, net of dividends received	**1,142,637**	1,065,674
	2,836,497	2,809,167
Loan to an associate – Current portion	**18,745**	19,206

Details of each of the Group's principal associates as at the end of the reporting period 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 2014	2013	Principal activity
Changchun Gas Company Limited 長春燃氣股份有限公司	PRC - Limited liability company	**25%**	25%	Production and distribution of natural gas, coal gas, metallurgical coke and coke oil
Bozhou WanHua Gas Company Ltd 亳州皖華燃氣有限公司	PRC - Sino-foreign equity joint venture	**49%**	49%	Provision of natural gas and related services and gas pipeline construction
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 natural gas and related services and gas pipeline construction

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

Name of associate	Place of establishment and operation	Percentage of equity interest attributable to the Group and voting power attributable to the Group 2014	2013	Principal activity
Dalian DETA Hong Kong and China Gas Co., Ltd. 大連德泰港華燃氣有限公司	PRC - Sino-foreign equity joint venture	**40%**	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%**	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%**	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	**49%**	49%	Provision of natural gas and related services and gas pipeline construction
Shijiazhuang Huabo Gas Co., Ltd. 石家莊華博燃氣有限公司	PRC - Sino-foreign equity joint venture	**45%**	45%	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

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's consolidated financial statements prepared in accordance with HKFRSs, which were not audited by the certified public accountants registered in the PRC.

This associate is accounted for using the equity method in these consolidated financial statements.

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

Foshan Gas Group Ltd. ("Foshan")

	2014 HK$'000	2013 HK$'000
Current assets	**1,229,924**	1,260,899
Non-current assets	**4,168,079**	4,030,285
Current liabilities	**(2,208,406)**	(2,138,514)
Non-current liabilities	**(925,273)**	(1,100,913)

	2014 HK$'000	2013 HK$'000
Revenue	**4,845,834**	4,433,568
Profit and total comprehensive income for the year	**401,365**	456,062
Dividends received from the associate during the year	**81,183**	54,252

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

	2014 HK$'000	2013 HK$'000
Net assets of Foshan	**2,264,324**	2,051,757
Less: non-controlling interests of Foshan	**(576,065)**	(511,524)
	1,688,259	1,540,233
Proportion of the Group's ownership interest in Foshan	**725,951**	662,300
Goodwill	**47,316**	48,479
Carrying amount of the Group's interest in Foshan	**773,267**	710,779

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

Aggregate information of associates that are not individually material

	2014 HK$'000	2013 HK$'000
The Group's share of profit and total comprehensive income	**174,618**	140,081
Aggregate carrying amount of the Group's interests in these associates	**2,063,230**	2,098,388

The loan to an associate is unsecured and carried at amortised cost with the following details:

Principal amount 2014	Principal amount 2013	Maturity date	Coupon interest rate	Effective interest rate	Carrying amount 2014 HK$'000	Carrying amount 2013 HK$'000
RMB15,000,000	RMB15,000,000	April 2015 (2013: April 2014)	6.56%	6.56%	**18,745**	19,206

The principal and interest will be received on respective payment due dates set out in the loan agreements.

21. Interests in Joint Ventures/Loans to Joint Ventures

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

	2014 HK$'000	2013 HK$'000
Cost of investments in joint ventures	**1,140,245**	1,192,585
Share of post-acquisition profits and other comprehensive income, net of dividends received	**795,812**	595,145
	1,936,057	1,787,730
Loans to joint ventures		
- Non-current portion	**56,012**	11,743
- Current portion	**166,245**	224,514
	222,257	236,257

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

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

Name of entity	Place of establishment and operation	Proportion of nominal value of registered capital held by the Group 2014	2013	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 natural gas and related services 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%**	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
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
Wuhu Hong Kong & China Gas Company Limited 蕪湖港華燃氣有限公司	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

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

Aggregate information of joint ventures that are not individually material

	2014 HK$'000	2013 HK$'000
The Group's share of profit and total comprehensive income	**277,556**	265,125
Aggregate carrying amount of the Group's interests in these joint ventures	**1,936,057**	1,787,730

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

Principal amount 2014	Principal amount 2013	Maturity date	Coupon interest rate	Effective interest rate	Carrying amount 2014 HK$'000	Carrying amount 2013 HK$'000
RMB14,890,000	RMB14,890,000	Repayable on demand (2013: December 2014)	Nil	6.00%	**18,920**	18,111
RMB35,000,000	RMB35,000,000	July 2017 (2013: July 2014)	Nil	6.12%	**43,739**	43,208
RMB10,550,000	RMB10,550,000	February 2016 (2013: February 2016)	Nil	6.12%	**12,273**	11,744
RMB52,000,000	RMB52,000,000	August 2015 (2013: August 2014)	5.84%	5.84%	**64,984**	66,581
RMB10,000,000	RMB10,000,000	September 2015 (2013: September 2014)	7.87%	7.87%	**12,497**	12,804
RMB20,000,000	RMB20,000,000	December 2015 (2013: December 2015)	6.00%	6.00%	**24,994**	25,608
RMB35,889,290	RMB24,138,123	Repayable on demand (2013: Repayable on demand)	5.88%	5.88%	**44,850**	30,907
—	RMB22,760,000	December 2014 (2013: December 2014)	—	6.12%	**—**	27,294
					222,257	236,257

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

22. Available-for-sale Investments

	2014 HK$'000	2013 HK$'000
Unlisted shares in the PRC, at cost	**170,763**	170,248

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 are of the opinion that their fair values cannot be measured reliably. These investees are all engaged in the provision of natural gas and related services and gas pipeline construction business.

23. Deferred Consideration Receivable

As part of the consideration for the disposal of certain subsidiaries during the year ended 31 December 2009, 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$65,000,000, 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 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:

	2014 HK$'000	2013 HK$'000
Non-current assets	**—**	123,066
Current assets (included in trade and other receivables, deposits and prepayments)	**112,011**	39,321
	112,011	162,387

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$4,860,000 (2013: HK$6,278,000).

24. Inventories

	2014 HK$'000	2013 HK$'000
Finished goods	**125,570**	151,594
Materials and consumables	**440,381**	436,687
	565,951	588,281

25. Trade and Other Receivables, Deposits and Prepayments/Time Deposits over three Months and Bank Balances and Cash

	2014 HK$'000	2013 HK$'000
Trade receivables	**743,444**	644,465
Deferred consideration receivable	**112,011**	39,321
Prepayments	**668,718**	566,302
Other receivables and deposits	**263,913**	330,291
	1,788,086	1,580,379

Trade receivables

Included in the balance of trade and other receivables, deposits and prepayments are trade receivables of HK$743,444,000 (2013: HK$644,465,000). The Group has a policy of allowing a credit period ranging from 0 to 180 days to its customers. Longer credit period is also allowed on a case by case basis. The following is an aged analysis of trade receivables presented based on the invoice date, which approximated the revenue recognition date, at the end of the reporting period:

	2014 HK$'000	2013 HK$'000
0 to 90 days	**671,721**	579,840
91 to 180 days	**21,240**	27,747
181 to 360 days	**50,483**	36,878
	743,444	644,465

25. Trade and Other Receivables, Deposits and Prepayments/Time Deposits over three Months and Bank Balances and Cash *(Continued)*

Trade receivables *(continued)*

Included in the Group's trade receivables are debtors with aggregate carrying amount of HK$23,133,000 (2013: HK$18,345,000) 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.

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

	2014 HK$'000	2013 HK$'000
0 - 90 days	**16,479**	14,609
91 - 180 days	**5,122**	1,373
181 - 360 days	**1,532**	2,363
Total	**23,133**	18,345

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

	2014 HK$'000	2013 HK$'000
Balance at the beginning of the year	**75,105**	46,055
Impairment losses recognised on receivables	**8,473**	29,050
Balance at the end of the year	**83,578**	75,105

The allowance for doubtful debts is all individually impaired receivables which represents amounts that have been long overdue and recoverability has been considered remote.

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.

25. Trade and Other Receivables, Deposits and Prepayments/Time Deposits over three Months and Bank Balances and Cash *(Continued)*

Trade receivables *(continued)*

Time deposits over three months and bank balances and cash

The deposits and bank balances carry interest at prevailing market rates ranging from 0.35% to 3.25% (2013: 0.1% to 2.5%) per annum.

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

	2014 HK$'000	2013 HK$'000
United States Dollar	**23,967**	63,586
Hong Kong Dollar	**99,327**	69,280

26. Amounts Due from/to Non-Controlling Shareholders

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

27. Other Financial Liabilities

	2014 HK$'000	2013 HK$'000
Other financial liabilities		
Derivative under hedge accounting		
Cash flow hedge - Interest rate swap	**6,948**	10,308

The classification of the measure of the derivative financial instruments at 31 December 2014 using the fair value hierarchy is Level 2. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

27. Other Financial Liabilities *(Continued)*

Cash flow hedges

As at 31 December 2014, the Group had an interest rate swap contract designated as highly effective hedging instrument in order to minimise its exposure to cash flow change of its floating-rate loan which has HK$350,000,000 principal and will be matured in 2016. The terms of the interest rate swap contract has been negotiated to match the terms of the loan. The interest rate swap contract swaps the interest rate on the floating rate loan from HIBOR plus 0.75% to 2.725%.

28. Trade and Other Payables and Accrued Charges

	2014 HK$'000	2013 HK$'000
Trade payables	**1,028,183**	870,155
Receipt in advance	**2,354,328**	2,185,799
Consideration payable for acquisitions of businesses	**127,861**	212,519
Consideration payable to a joint venture (note a)	**23,490**	73,034
Other payables and accruals	**600,433**	809,401
Amount due to ultimate holding company (note b)	**2,104**	729
	4,136,399	4,151,637

Notes:

(a) The amount represents consideration payable to a joint venture for acquisition of Pingyin business as disclosed in note 34.

(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:

	2014 HK$'000	2013 HK$'000
0 to 90 days	**754,712**	685,272
91 to 180 days	**123,977**	74,035
181 to 360 days	**79,586**	46,564
Over 360 days	**69,908**	64,284
	1,028,183	870,155

29. Borrowings

	2014 HK$'000	2013 HK$'000
Bank loans - unsecured	**6,506,249**	5,849,467
Other loans - unsecured	**51,642**	57,201
	6,557,891	5,906,668
Carrying amount repayable:		
On demand or within one year	**2,482,814**	2,418,883
More than one year but not exceeding two years	**1,719,160**	1,244,095
More than two years but not exceeding five years	**2,329,250**	2,212,404
More than five years	**26,667**	31,286
	6,557,891	5,906,668
Less: Amount due within one year shown under current liabilities	**(2,482,814)**	(2,418,883)
Amount due after one year	**4,075,077**	3,487,785

The bank and other loans mainly comprise of:

	Effective interest rate	Carrying amount 2014 HK$'000	2013 HK$'000
Floating-rate loans:			
Unsecured HKD bank loans	1.51%	**5,476,734**	4,485,445
Unsecured RMB bank loans	6.00%	**404,584**	681,116
Fixed rate loans*:			
Unsecured HKD bank loans**	2.73%	**350,000**	350,000
Unsecured RMB bank loans	3.58%	**274,931**	332,907
Unsecured RMB other loans	2.69%	**31,202**	31,969
Unsecured other loans	1.15%	**20,440**	25,231
Total bank loans and other loans		**6,557,891**	5,906,668

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

** An interest rate swap agreement was entered into by the Group to swap floating interest rate on the loan for a fixed rate. Please see note 27 for details.

30. Loans from the Ultimate Holding Company

The amount represents unsecured loans denominated in USD and HKD which bear interest at the Hong Kong Interbank Offered Rate plus a premium ranging from 1.25% to 3% per annum and are repayable according to the date of the relevant draw down of the loan.

Principal outstanding	Maturity	Effective interest rate	Carrying amount 2014 HK$'000	2013 HK$'000
HK$800,000,000 (2013: HK$800,000,000)	June 2017 - February 2018 (according to date of draw down) (2013: December 2014 - June 2017) (according to date of draw down)	2.62% (2013: 2.93%)	**800,000**	800,000
US$25,000,000 (2013: US$25,000,000)	December 2016 (2013: December 2016)	3.86% (2013: 3.86%)	**193,750**	193,750
			993,750	993,750

31. Deferred Taxation

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

	Accelerated tax depreciation HK$'000	Intangible assets HK$'000	Undistributed profits of joint ventures/ associates/ subsidiaries HK$'000	Total HK$'000
At 1 January 2013	45,120	46,761	144,425	236,306
Additions relating to acquisition of businesses	7,135	—	—	7,135
Disposal of a subsidiary	(5,956)	—	—	(5,956)
Currency realignment	1,373	1,411	8,222	11,006
(Credit) charge for the year	(1,420)	(1,734)	46,012	42,858
Withholding tax paid	—	—	(15,526)	(15,526)
At 31 December 2013	46,252	46,438	183,133	275,823
Additions relating to acquisition of businesses (note 34)	26,530	114,695	—	141,225
Currency realignment	(151)	(142)	(593)	(886)
(Credit) charge for the year	(2,019)	(4,985)	42,271	35,267
Withholding tax paid	—	—	(10,826)	(10,826)
At 31 December 2014	70,612	156,006	213,985	440,603

At the end of the reporting period, the Group has unused tax losses of HK$307,655,000 (2013: HK$232,923,000) available for offsetting against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Such unrecognised tax losses will expire progressively until 2018.

32. Share Capital

	Number of shares	HK$'000
At 31 December 2014		
– Authorised:		
Shares of HK$0.10 each	5,000,000,000	500,000
– Issued and fully paid:		
Shares of HK$0.10 each	2,632,657,769	263,266

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

	Number of shares	HK$'000
At 1 January 2013, 31 December 2013 and 2014	5,000,000,000	500,000

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

	Number of shares	HK$'000
At 1 January 2013	2,460,344,830	246,035
Issue of shares upon share placement (note a)	150,000,000	15,000
Issue of shares upon exercise of share options (note b)	2,505,000	251
At 31 December 2013	2,612,849,830	261,286
Issue of shares upon scrip dividend scheme (note c)	17,087,939	1,708
Issue of shares upon exercise of share options (note d)	2,720,000	272
At 31 December 2014	2,632,657,769	263,266

32. Share Capital *(Continued)*

Notes:

(a) On 16 January 2013, 150,000,000 new shares of the Company were issued by a share placement ("Placement") at a price of HK$6.31 per share. The Company intended to use the net proceeds after deducting related commission and other expenses of HK$930,308,000 from the Placement for the Group's general working capital and further investments of the Group. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 4 June 2012.

(b) During the year ended 31 December 2013, the Company allotted and issued 2,505,000 shares of HK$0.10 each for cash at the price of HK$3.811 per share as a result of the exercise of share options.

(c) On 17 March 2014, a scrip dividend scheme was proposed by the board, which offers the shareholders of the Company may elect to receive the dividend wholly or partly by the allotment of new shares in lieu of cash. This proposal was approved at the annual general meeting of the Company held on 26 May 2014. On 11 July 2014, 17,087,939 shares of HK$0.10 each were allotted and issued at HK$9.098 each to shareholders who had elected to receive new shares in lieu of cash dividend in respect of the 2013 final dividend under the scrip dividend scheme.

(d) During the year ended 31 December 2014, the Company allotted and issued 200,000 and 2,520,000 shares of HK$0.10 each for cash at the price of HK$2.796 and HK$3.811 per share respectively as a result of the exercise of share options.

All the shares which were issued during the year ended 31 December 2014 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.

34. Acquisition of Businesses

Acquisitions in 2014

During the year ended 31 December 2014, the Group acquired the following businesses which are principally engaged in the sales and distribution of piped gas in the PRC. The primary reason for the below acquisitions was for the expansion of the Group's business and to increase returns to its shareholders.

	Date of acquisition	Percentage of registered capital acquired	Purchase consideration HK$'000
Business combinations in:			
Xingyi Hong Kong & China Gas Company Limited ("Xingyi")	**January 2014**	**70%**	**118,385**
Jiajiang Hong Kong & China Gas Company Limited ("Jiajiang")	**January 2014**	**70%**	**66,368**
Songyang Hong Kong & China Gas Company Limited ("Songyang")	**January 2014**	**51%**	**56,807**
Siping Hong Kong & China Gas Company Limited ("Siping")	**January 2014**	**80%**	**61,380**
Baotou Hong Kong & China Gas Company Limited ("Baotou")	**February 2014**	**85%**	**227,244**
Qianxinanzhou Ruiyang Compressed Natural Gas Company Limited ("Ruiyang")	**April 2014**	**70%**	**26,317**
Luliang Hong Kong & China Gas Company Limited ("Luliang")	**May 2014**	**—***	**116,019**

* During the year, the Group acquired the identifiable assets and liabilities associated with the business of sales and distribution of piped gas from the former owners.

The acquisition-related costs were insignificant and were recognised as expenses in the current year, within other expenses of note 8.

34. Acquisition of Businesses *(Continued)*

Acquisitions in 2014 *(continued)*

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

	Xingyi HK$'000	Jiajiang HK$'000	Songyang HK$'000	Siping HK$'000	Baotou HK$'000	Ruiyang HK$'000	Luliang HK$'000	Subtotal HK$'000	Fair value adjustments HK$'000 (note)	Total HK$'000
Purchase consideration	118,385	66,368	56,818	61,380	227,244	26,317	116,019	672,531	—	672,531
Non-controlling interests	4,788	18,046	18,006	2,138	8,043	9,724	—	60,745	96,623	157,368
Acquirees' fair value of net identifiable assets acquired (see below)	(7,170)	(60,153)	(37,011)	(10,697)	(53,620)	(32,412)	(116,019)	(317,082)	(272,661)	(589,743)
Goodwill arising on acquisition	116,003	24,261	37,813	52,821	181,667	3,629	—	416,194	(176,038)	240,156

The non-controlling interests recognised at the acquisition dates in respect of the acquisitions in 2014 were measured by reference to the proportionate share of fair values of the acquirees' net assets at the acquisition dates and amounted to HK$60,745,000.

34. Acquisition of Businesses *(Continued)*

Acquisitions in 2014 *(continued)*

The net identifiable assets acquired in the transactions are as follows:

Acquirees' fair values at acquisition dates:

	Xingyi HK$'000	Jiajiang HK$'000	Songyang HK$'000	Siping HK$'000	Baotou HK$'000	Ruiyang HK$'000	Luliang HK$'000	Subtotal HK$'000	Fair value adjustments HK$'000 (note)	Total HK$'000
Net assets acquired:										
Property, plant and equipment	15,288	54,931	104,089	2,421	25,742	12	115,969	318,452	—	318,452
Leasehold land	1,663	573	14,305	1,481	7,543	44,917	—	70,482	—	70,482
Intangible assets	14,857	18,715	4,196	10,640	46,824	—	—	95,232	363,548	458,780
Inventories	2,198	3,817	869	—	1,880	—	6	8,770	—	8,770
Trade and other receivables, deposit, and prepayments	14,580	1,713	3,163	2,127	9,684	13,025	52	44,344	—	44,344
Cash and bank balances	430	7,174	9,185	829	103	96	—	17,817	—	17,817
Trade and other payables and accrued charges	(24,121)	(8,572)	(85,106)	(4,093)	(18,479)	(18,945)	(8)	(159,324)	—	(159,324)
Taxation	(1,200)	(1,852)	4,669	(48)	(2,232)	—	—	(663)	—	(663)
Borrowing	(12,811)	—	(6,406)	—	(3,661)	—	—	(22,878)	—	(22,878)
Deferred taxation	(3,714)	(12,042)	(11,953)	(2,660)	(13,276)	(6,693)	—	(50,338)	(90,887)	(141,225)
Dividend payable	—	(4,304)	—	—	(508)	—	—	(4,812)	—	(4,812)
	7,170	60,153	37,011	10,697	53,620	32,412	116,019	317,082	272,661	589,743

The trade and other receivables acquired with fair value of HK$44,344,000 had gross contractual amounts of HK$44,344,000. The best estimate at acquisition date of contractual cash flows not expected to be collected was nil.

Note: At the dates of acquisitions in 2013, goodwill of HK$1,359,637,000 has been determined provisionally based on the acquirees' provisional fair value of net identifiable assets acquired. During the year ended 31 December 2014, the identification and determination of fair values of the net identifiable assets acquired have been completed.

The directors of the Company consider that the fair value adjustments upon completion of acquisition accounting in respect of the acquisitions in 2013 have no material impact on the results and the financial position of the Group for 2013. Thus, the amounts previously recognised at the acquisition dates are not retrospectively adjusted. The fair value adjustments, amortisation, the corresponding deferred tax effect and non-controlling interests on the fair value adjustments have been adjusted during the year ended 31 December 2014.

34. Acquisition of Businesses *(Continued)*

Acquisitions in 2014 *(continued)*

Net cash outflow arising on acquisitions:

	Xingyi HK$'000	Jiajiang HK$'000	Songyang HK$'000	Siping HK$'000	Baotou HK$'000	Ruiyang HK$'000	Luliang HK$'000	Total HK$'000
Purchase consideration	118,385	66,368	56,818	61,380	227,244	26,317	116,019	672,531
Amounts unpaid and included in:								
– consideration payable for acquisitions	(44,539)	–	(6,574)	–	–	–	–	(51,113)
– amounts due to non-controlling shareholders	(24,744)	(24,044)	(6,574)	(3,633)	–	–	–	(58,995)
Bank balances and cash acquired	(430)	(7,174)	(9,185)	(829)	(103)	(96)	–	(17,817)
	48,672	35,150	34,485	56,918	227,141	26,221	116,019	544,606

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

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

During the year, acquired businesses contributed HK$94,336,000 to the Group's turnover and incurred loss of HK$29,304,000 for the period between the date of acquisitions and the end of the reporting period, respectively.

Had the above acquisitions been effected at the beginning of the reporting period, the total amount of revenue of the Group for the year ended 31 December 2014 would have been HK$7,891,219,000, and the amount of the profit for the year would have been HK$1,177,944,000. 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 acquisitions been completed at the beginning of the reporting period, nor is it intended to be a projection of future results.

34. Acquisition of Businesses *(Continued)*

Acquisitions in 2013

During the year ended 31 December 2013, the Group acquired the following businesses which are principally engaged in the sales and distribution of piped gas in the PRC. The primary reason for the below acquisitions was for the expansion of the Group's business and to increase returns to its shareholders.

	Date of acquisition	Percentage of registered capital acquired	Purchase consideration HK$'000
Business combinations in:			
Feicheng Hong Kong and China Gas Company Limited ("Feicheng")	January 2013	—*	59,411
Shenyang business ("Shenyang")	January 2013	—*	162,095
Pingyin business ("Pingyin")	January 2013	—*	128,499
Boxing Hong Kong & China Gas Co., Ltd. ("Boxing")	January 2013	51%	114,580
Sichuan Quanxin Gas Co., Ltd. ("Quanxin")	January 2013	80%	168,948
Anxian County Lanyan Gas Co., Ltd. ("Lanyan")	January 2013	80%	10,382
Mianzhu Xinxin Natural Gas Co., Ltd. ("Xinxin")	January 2013	80%	5,209
Chaozhou Fengxi Hong Kong and China Gas Co., Ltd. ("Fengxi")	January 2013	60%	193,713
Yanshan Hong Kong & China Gas Co., Ltd. ("Yanshan")	April 2013	90%	68,010
Mengcun Hong Kong & China Gas Co., Ltd. ("Mengcun")	April 2013	90%	34,005
Cangxian Hong Kong & China Gas Co., Ltd. ("Cangxian")	April 2013	90%	68,010
Dafeng Hong Kong and China Gas Company Limited ("Dafeng")	May 2013	51%	367,089
Jianping Hong Kong and China Gas Company Limited ("Jianping")	August 2013	80%	91,079
Guangxi Zhongwei Pipeline Gas Development Group Co., Ltd. ("Zhongwei")	August 2013	100%	170,434

* During the year, the Group acquired the identifiable assets and liabilities associated with the business of sales and distribution of piped gas from the former owners.

34. Acquisition of Businesses *(Continued)*

Acquisitions in 2013 *(continued)*

The acquisition-related costs were insignificant and were recognised as expenses in the current year, within other expenses of note 8.

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

	Feicheng HK$'000	Boxing HK$'000	Quanxin HK$'000	Lanyan HK$'000	Xinxin HK$'000	Shenyang HK$'000	Fengxi HK$'000	Pingyin HK$'000 (note)	Yanshan HK$'000	Mengcun HK$'000	Cangxian HK$'000	Dafeng HK$'000	Jianping HK$'000	Zhongwei HK$'000	Total HK$'000
Purchase consideration	59,411	114,580	168,948	10,382	5,209	162,095	193,713	128,499	68,010	34,005	68,010	367,089	91,079	170,434	1,641,464
Non-controlling interests	—	4,121	10,120	626	584	—	9,571	—	1,138	1,147	1,139	11,027	8,462	—	47,935
Acquirees' provisional fair value of net identifiable assets acquired (see below)	(19,336)	(8,410)	(50,598)	(3,130)	(2,920)	(26,715)	(23,927)	(74,791)	(11,383)	(11,471)	(11,390)	(22,505)	(42,310)	(20,876)	(329,762)
Provisional goodwill arising from acquisition	40,075	110,291	128,470	7,878	2,873	135,380	179,357	53,708	57,765	23,681	57,759	355,611	57,231	149,558	1,359,637

Note: The Group acquired the Pingyin business from a joint venture of the Group for cash consideration of HK$84,967,000 and issuance of 35% equity interest in Jinan Pingyin Hong Kong and China Gas Company Limited ("Jinan Pingyin"), a subsidiary of the Group. The provisional fair value of the 35% equity interest in Jinan Pingyin, determined by reference to the provisional fair value of Jinan Pingyin at the date of the acquisition, amounted to HK$43,532,000.

The non-controlling interests recognised at the acquisition dates were measured by reference to the proportionate share of provisional fair values of the acquirees' net assets at the acquisition dates and amounted to HK$47,935,000.

34. Acquisition of Businesses *(Continued)*

Acquisitions in 2013 *(continued)*

The net identifiable assets acquired in the transactions are as follows:

Acquirees' provisional fair values at acquisition dates:

	Boxing HK$'000	Quanxin HK$'000	Shenyang HK$'000	Fengxi HK$'000	Pingyin HK$'000	Dafeng HK$'000	Jianping HK$'000	Zhongwei HK$'000	Other businesses HK$'000	Total HK$'000
Net assets acquired:										
Property, plant and equipment	48,775	49,491	25,570	1,415	65,918	41,153	37,182	19,579	28,224	317,307
Leasehold land	—	1,156	467	—	4,021	7,017	3,566	634	455	17,316
Inventories	2,217	3,516	678	—	4,852	2,061	1,562	17	1,089	15,992
Trade and other receivables, deposit, and prepayments (note)	10,105	41,333	—	26	—	15,772	—	63,013	53,390	183,639
Cash and bank balances	42	12,264	—	22,934	—	12,012	—	231	3,151	50,634
Trade and other payables and accrued charges	(43,081)	(27,445)	—	(448)	—	(32,660)	—	(62,582)	(25,163)	(191,379)
Taxation	(920)	—	—	—	—	(2,105)	—	(16)	122	(2,919)
Borrowing	(8,728)	(6,234)	—	—	—	(10,760)	—	—	—	(25,722)
Dividend payable	—	(20,022)	—	—	—	(7,560)	—	—	(389)	(27,971)
Deferred taxation	—	(3,461)	—	—	—	(2,425)	—	—	(1,249)	(7,135)
	8,410	50,598	26,715	23,927	74,791	22,505	42,310	20,876	59,630	329,762

Note: The trade and other receivables acquired with a provisional fair value of HK$171,215,000 had gross contractual amounts of HK$171,215,000. The best estimate at acquisition date of contractual cash flows not expected to be collected was nil.

34. Acquisition of Businesses *(Continued)*

Acquisitions in 2013 *(continued)*

Net cash outflow arising on acquisitions:

	Boxing HK$'000	Quanxin HK$'000	Shenyang HK$'000	Fengxi HK$'000	Pingyin HK$'000	Dafeng HK$'000	Jianping HK$'000	Zhongwei HK$'000	Other businesses HK$'000	Total HK$'000
Purchase consideration	114,580	168,948	162,095	193,713	128,499	367,089	91,079	170,434	245,027	1,641,464
Less: equity instrument issued	—	—	—	—	(43,532)	—	—	—	—	(43,532)
Cash consideration	114,580	168,948	162,095	193,713	84,967	367,089	91,079	170,434	245,027	1,597,932
Amounts unpaid and included in:										
– consideration payable for acquisitions	—	—	(12,881)	—	—	—	(54,407)	(75,223)	—	(142,511)
– consideration payable to a joint venture	—	—	—	—	(73,034)	—	—	—	—	(73,034)
– amounts due to non-controlling shareholders	—	(92,097)	—	—	—	—	—	—	(39,401)	(131,498)
Bank balances and cash acquired	(42)	(12,264)	—	(22,934)	—	(12,012)	—	(231)	(3,151)	(50,634)
	114,538	64,587	149,214	170,779	11,933	355,077	36,672	94,980	202,475	1,200,255

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

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

During the year, acquired businesses contributed HK$556,691,000 and HK$48,143,000 to the Group's turnover and profit for the period between the date of acquisition and the end of the reporting period, respectively.

Had the above acquisitions been effected at the beginning of the reporting period, the total amount of revenue of the Group for the year ended 31 December 2013 would have been HK$6,824,441,000, and the amount of the profit for the year would have been HK$1,226,861,000. 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 acquisitions been completed at the beginning of the reporting period, nor is it intended to be a projection of future results.

35. Disposal of a Subsidiary

In May 2013, the Group disposed its 51% equity interest in Jinan Jihua Gas Co., Ltd. ("Jinan") to an associate of the Group, Shandong Jihua Gas Co., Ltd., for cash consideration of HK$76,659,000. Since the Group lost control on Jinan, relevant assets and liabilities are derecognised from the Group's consolidated financial statements.

	HK$'000
Net assets disposed of:	
Property, plant and equipment	183,476
Inventories	6,098
Trade and other receivables, deposits and prepayments	28,212
Cash and bank balances	74,820
Trade and other payables and accrued charges	(44,116)
Taxation	(24,159)
Deferred taxation	(5,956)
	218,375
Non-controlling interests	(107,004)
	111,371
The loss on disposal is calculated as follows:	
Cash consideration	76,659
Net assets disposed of	(111,371)
Loss on disposal	(34,712)
Net cash inflow arising on disposal:	
Cash consideration	76,659
Less: bank balances and cash disposed of	(74,820)
	1,839

The revenue and operating losses of the disposed subsidiary included in the Group's consolidated financial statements amounted to HK$46,392,000 and HK$8,177,000, respectively.

36. Related Party Transactions

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

Name of related party	Nature of transaction	2014 HK$'000	2013 HK$'000
HKCG	Outstanding loan balances (See note 30)	**993,750**	993,750
	Interest expense	**28,463**	30,813
Shenyang Sanquan Project Management Consulting Co., Ltd. (note a)	Project management services	**5,014**	5,405
Hongkong and China Technology (Wuhan) Company Limited (note a)	System software and supporting services	**3,598**	4,551
GH - Fusion Corporation Limited (note b)	Purchase of pipeline construction materials and tools	**1,163**	3,132
Shanxi ECO Coalbed Methane Co., Ltd. (note a)	Purchase of coalbed methane	**28,419**	50,289
Anhui Province Natural Gas Development Company Limited (note b)	Purchase of compressed natural gas	**106,638**	77,931
Jilin Province Natural Gas Limited Company (note c)	Purchase of compressed natural gas vehicles	**—**	3,974
	Consideration for the acquisition of remaining 50% equity interest of Gongzhuling Gangtian Compressed Natural Gas Co., Ltd.	**—**	6,143
Tongling Hong Kong and China Gas Company Limited (note c)	Purchase of compressed natural gas	**15**	100
	Sale of compressed natural gas	**105**	669
Towngas Telecommunications (Shenzhen) Limited (note a)	Cloud computing system and supporting services	**9,193**	8,615

36. Related Party Transactions *(Continued)*

Name of related party	Nature of transaction	2014 HK$'000	2013 HK$'000
Gongzhuling Gangtian Compressed Natural Gas Co., Ltd. (note b)	Sale of compressed natural gas	**—**	800
Shandong Hong Kong and China Gas Training Institute (note b)	Training services	**1,133**	864
M-Tech Metering Solution (Shenzhen) Co., Ltd. (note a)	Purchase of pipeline construction materials and tools	**4,939**	4,085
G-Tech Piping Tech (Zhongshan) Ltd. (note a)	Purchase of pipeline construction materials and tools	**18,490**	10,066
Taizhou Hong Kong and China Gas Company Limited (note a)	Purchase of compressed natural gas	**4,852**	856
Pingxiang Hong Kong & China Gas Company Limited (note a)	Provision of management services	**74**	—
Nanjing Hong Kong and China Gas Company Limited (note c)	Provision of technical supporting services	**277**	—
Yixing Hong Kong & China Gas Company Limited (note a)	Compressed natural gas vehicle rental	**507**	—
Zhuhai S-Tech Technology Limited (note a)	Provision of software	**162**	—

Notes:

(a) HKCG has controlling interests in these companies.

(b) HKCG has significant influences in these companies.

(c) HKCG jointly controlled these companies with an independent third party.

Emoluments paid to the key management personnel of the Company which represents the executive directors of the Company are set out in note 12.

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:

	2014 HK$'000	2013 HK$'000
Within one year	**16,966**	18,734
In the second to fifth year inclusive	**18,516**	9,680
Over five years	**30,371**	2,849
	65,853	31,263

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

	2014 HK$'000	2013 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	**112,824**	103,817
– acquisition of businesses	**11,472**	589,417
– acquisition of an associate	**41,656**	4,609

39. Share Options

Pursuant to a share option scheme adopted by the shareholders of the Company at an extraordinary general meeting held on 28 November 2005 (the "Scheme") and approved by Enerchina Holdings Limited ("Enerchina") and Sinolink Worldwide Holdings Limited ("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 Scheme remained in force for a period of 10 years commencing on the date of adoption of the scheme, i.e. 28 November 2005.

The share options under the Scheme (the "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 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	Outstanding at the end of the year	Exercisable share options at the end of the year
For the year ended 31 December 2013				
Scheme				
2006 options (note)	1,567,800	—	1,567,800	1,567,800
2007 options (note)	14,673,000	(2,505,000)	12,168,000	12,168,000
	16,240,800	(2,505,000)	13,735,800	13,735,800
Weighted average exercise price (HK$)	3.713	3.811	3.695	3.695
For the year ended 31 December 2014				
Scheme				
2006 options (note)	**1,567,800**	**(200,000)**	**1,367,800**	**1,367,800**
2007 options (note)	**12,168,000**	**(2,520,000)**	**9,648,000**	**9,648,000**
	13,735,800	**(2,720,000)**	**11,015,800**	**11,015,800**
Weighted average exercise price (HK$)	**3.695**	**3.736**	**3.685**	**3.685**

39. Share Options *(Continued)*

The weighted average price of the Company's shares as at the dates of exercise of 200,000 options on 6 February 2014, 1,515,000 options on 23 April 2014 and 1,005,000 options on 7 May 2014 were HK$9.04, HK$9.27 and HK$8.65 respectively.

Had all the outstanding vested share options been fully exercised on 31 December 2014, the Company would have received cash proceeds of HK$40,593,000 (2013: HK$50,756,000). Details of specific categories of options are as follows:

Option type	Date of grant	Vesting proportion	Exercisable period	Exercise price HK$
2006 options (note)	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)	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 did not recognise any expenses for the year ended 31 December 2014 (2013: nil) in relation to share options granted by the Company in previous year.

Note: The 2006 and 2007 option represented the share options granted under the Scheme.

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 2014 amounted to HK$63,625,000 (2013: HK$57,787,000).

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 2014, the Group made retirement benefit scheme contributions amounting to HK$504,203 (2013: HK$484,000).

41. Major Non-Cash Transactions

The Group issued additional shares as scrip dividends during the year ended 31 December 2014 as set out in note 32(c).

42. Particulars of Principal Subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2014 and 2013 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		Principal activities
			2014	2013	
Directly-owned subsidiaries					
Hong Kong & China Gas (Anqing) Limited	BVI - Limited liability company/HK	US$1	**100%**	100%	Investment holding
Hong Kong & China Gas (Maanshan) Limited	BVI - Limited liability company/HK	US$1	**100%**	100%	Investment holding
Hong Kong & China Gas (Qingdao) Limited	BVI - Limited liability company/HK	US$1	**100%**	100%	Investment holding
Hong Kong & China Gas (Taian) Limited	BVI - Limited liability company/HK	US$1	**100%**	100%	Investment holding
Hong Kong & China Gas (Weifang) Limited	BVI- Limited liability company/HK	US$1	**100%**	100%	Investment holding
Hong Kong & China Gas (Weihai) Limited	BVI - Limited liability company/HK	US$1	**100%**	100%	Investment holding
Hong Kong & China Gas (Yantai) Limited	BVI - Limited liability company/HK	US$1	**100%**	100%	Investment holding
Hong Kong & China Gas (Zibo) Limited	BVI - Limited liability company/HK	US$1	**100%**	100%	Investment holding
TCCL (Finance) Limited 港華燃氣(融資)有限公司	HK - Limited liability company	HK$1	**100%**	100%	Financing
Towngas China Group Limited 港華燃氣集團有限公司	BVI - Limited liability company	US$12,821	**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 2014	2013	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	US$20,000,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Baotou Hong Kong and China Gas Company Limited 包頭港華燃氣有限公司	PRC - Sino-foreign equity joint venture	RMB100,000,000	**85%**	—	Provision of natural gas and related services and gas pipeline construction
Beipiao Hong Kong and China Gas Company Limited 北票港華燃氣有限公司	PRC - Sino-foreign equity joint venture	RMB56,000,000	**80%**	80%	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	RMB310,000,000 (2013: RMB210,000,000)	**80%**	80%	Provision of natural gas and related services and gas pipeline construction
Boxing Hong Kong & China Gas Co., Ltd. 博興港華燃氣有限公司	PRC - Sino-foreign equity joint venture	RMB40,000,000 (2013: RMB15,000,000)	**65%**	65%	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 - Sino-foreign equity joint venture	RMB20,000,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Cangxian Hong Kong & China Gas Co., Ltd. 滄縣港華燃氣有限公司	PRC - Sino-foreign equity joint venture	RMB10,000,000	**90%**	90%	Provision of natural gas and related services and gas pipeline construction
Changting Hong Kong and China Gas Company Limited 長汀港華燃氣有限公司	PRC - Sino-foreign equity joint venture	RMB22,000,000	**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 2014	2013	Principal activities
Indirectly-owned subsidiaries (continued)					
Chaoyang Hong Kong and China Gas Co., Ltd. 朝陽港華燃氣有限公司	PRC - Sino-foreign equity joint venture	US$10,791,838	**90%**	90%	Provision of natural gas and related services and gas pipeline construction
Chaozhou Fengxi Hong Kong and China Gas Co., Ltd. 潮州楓溪港華燃氣有限公司	PRC - Sino-foreign equity joint venture	RMB60,000,000	**60%**	60%	Provision of natural gas and related services and gas pipeline construction
China Overlink Holdings Co. Ltd.	BVI - Limited liability company	US$1	**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
Dafeng Hong Kong and China Gas Company Limited 大豐港華燃氣有限公司	PRC - Sino-foreign equity joint venture	RMB60,000,000	**51%**	51%	Provision of natural gas and related services and gas pipeline construction
Dalian Changxing Hong Kong and China Gas Co., Ltd. 大連長興港華燃氣有限公司	PRC - Wholly foreign-owned enterprise	US$14,000,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Dalian Lvshun Hong Kong and China Gas Co., Ltd. 大連旅順港華燃氣有限公司	PRC - Wholly foreign-owned enterprise	US$15,000,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
大連瓦房店金宇港華燃氣有限公司	PRC - Sino-foreign equity joint venture	RMB40,000,000	**60%**	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 2014	2013	Principal activities
Indirectly-owned subsidiaries (continued)					
Dayi Hong Kong and China Gas Co., Ltd. 大邑港華燃氣有限公司	PRC - Wholly foreign-owned enterprise	RMB20,000,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Feicheng Hong Kong and China Gas Company Limited 肥城港華燃氣有限公司	PRC - Wholly foreign-owned enterprise	RMB32,000,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Fuxin Hong Kong and China Gas Company Limited 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
Fuxin Dali Gas Company Limited 阜新大力燃氣有限責任公司	PRC - Wholly foreign-owned enterprise	RMB13,900,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Fuxin Xinqiu Hong Kong and China Gas Company Limited 阜新新邱港華燃氣有限公司	PRC - Wholly foreign-owned enterprise	RMB34,000,000	**100%**	100%	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	US$4,010,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Gongzhuling Hong Kong and China Gas Company 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
Guangxi Zhongwei Pipeline Gas Development Group Co., Ltd 廣西中威管道燃氣發展集團有限責任公司	PRC - Wholly foreign-owned enterprise	RMB30,000,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Guilin Hong Kong and China Gas Co., Ltd. 桂林港華燃氣有限公司	PRC - Sino-foreign equity joint venture	RMB30,000,000	**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		Principal activities
			2014	2013	
Indirectly-owned subsidiaries (continued)					
Heilongjiang Hong Kong & China Lianfu New Energy Company Limited 黑龍江港華聯孚能源有限公司	PRC - Sino-foreign equity joint venture	RMB7,150,000	**55%**	—	Vehicle gas refilling stations
Hong Kong and China Gas (Dalian) Limited 香港中華煤氣(大連)有限公司	HK - Limited liability company	HK$100	**100%**	100%	Investment holding
Hong Kong & China Gas (Hangzhou) Limited	BVI - Limited liability company/HK	US$1	**100%**	100%	Investment holding
Hong Kong & China Gas (Huzhou) Limited	BVI - Limited liability company/HK	US$1	**100%**	100%	Investment holding
Hong Kong & China Gas (Tongxiang) Limited	BVI - Limited liability company/HK	US$1	**100%**	100%	Investment holding
Hong Kong & China Gas (Yingkou) Limited 香港中華煤氣(營口)有限公司	BVI - Limited liability company/HK	US$1	**100%**	100%	Investment holding
Hong Kong and China Gas (Zhumadian) Limited 香港中華煤氣(駐馬店)有限公司	HK - Limited liability company	HK$100	**100%**	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	RMB40,000,000	**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	US$2,100,000	**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 2014	2013	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	US$3,500,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Huzhou Hong Kong and China Gas Company Limited 湖州港華燃氣有限公司	PRC - Sino-foreign equity joint venture	US$10,500,000	**98.85%**	98.85%	Provision of natural gas and related services and gas pipeline construction
Jiajiang Hong Kong & China Gas Company Limited 夾江港華燃氣有限公司	PRC - Sino-foreign equity joint venture	RMB20,000,000	**70%**	—	Provision of natural gas and related services and gas pipeline construction
Jianping Hong Kong and China Gas Company Limited 建平港華燃氣有限公司	PRC - Sino-foreign equity joint venture	RMB58,000,000	**80%**	80%	Provision of natural gas and related services and gas pipeline construction
Jianyang Hong Kong and China Gas Company Limited 簡陽港華燃氣有限公司	PRC - Limited liability company	RMB30,000,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Jinan Pingyin Hong Kong and China Gas Company Limited 濟南平陰港華燃氣有限公司	PRC - Wholly foreign-owned enterprise	RMB100,000,000	**82.5%**	82.5%	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%**	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	US$6,400,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Laiyang Hong Kong and China Gas Co., Ltd. 萊陽港華燃氣有限公司	PRC - Wholly foreign-owned enterprise	US$5,440,000	**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		Principal activities
			2014	2013	
Indirectly-owned subsidiaries (continued)					
Lezhi Hong Kong and China Gas Company Limited 樂至港華燃氣有限公司	PRC - Wholly foreign-owned enterprise	RMB30,000,000	**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	US$7,070,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Luliang Hong Kong & China Gas Company Limited 陸良港華燃氣有限公司	PRC - Wholly foreign-owned enterprise	RMB52,000,000	**100%**	—	Provision of natural gas and related services and gas pipeline construction
Maanshan Bowang Hong Kong and China Gas Co., Ltd. 馬鞍山博望港華燃氣有限公司	PRC - Sino-foreign equity joint venture	US$10,000,000	**75.1%**	75.1%	Provision of natural gas and related services and gas pipeline construction
Maanshan Jiangbei Hong Kong & China Gas Company Limited 馬鞍山江北港華燃氣有限公司	PRC - Limited liability company	US$10,000,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Mengcun Hong Kong & China Gas Co., Ltd. 孟村回族自治縣港華燃氣有限公司	PRC - Sino-foreign equity joint venture	RMB10,000,000	**90%**	90%	Provision of natural gas and related services and gas pipeline construction
Mianyang Heqing Hong Kong and China Gas Company Limited 綿陽河清港華燃氣有限公司 (Formerly Anxian County Lanyan Gas Co., Ltd. 安縣藍焰燃氣有限公司)	PRC - Sino-foreign equity joint venture	RMB1,000,000	**80%**	80%	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

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 2014	2013	Principal activities
Indirectly-owned subsidiaries (continued)					
Mianzhu Xinxin Natural Gas Co., Ltd. 綿竹市鑫新天然氣有限責任公司	PRC - Sino-foreign equity joint venture	RMB1,000,000	**80%**	80%	Provision of natural gas and related services and gas pipeline construction
Miluo Hong Kong and China Gas Company Limited 汨羅港華燃氣有限公司 (Formerly Miluo Red-Horse Natural Gas Development Company Limited 汨羅市紅馬燃氣開發有限公司)	PRC - Sino-foreign equity joint venture	RMB50,000,000	**70%**	70%	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	RMB20,000,000	**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	RMB16,590,000 (2013: RMB3,590,000)	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Pingchang Hong Kong and China Gas Company Limited 平昌港華燃氣有限公司	PRC - Limited liability company	RMB20,000,000	**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	RMB50,000,000 (2013: RMB10,000,000)	**80%**	80%	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 2014	2013	Principal activities
Indirectly-owned subsidiaries (continued)					
Qinhuangdao Hong Kong and China Gas Co., Ltd. 秦皇島港華燃氣有限公司	PRC - Sino-foreign equity joint venture	RMB15,000,000	**51%**	51%	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	**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	US$24,532,434	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Sichuan Quanxin Gas Co., Ltd. 四川全新燃氣有限公司	PRC - Sino-foreign equity joint venture	RMB12,000,000	**80%**	80%	Provision of natural gas and related services and gas pipeline construction
Siping Hong Kong and China Gas Company Limited 四平港華燃氣有限公司	PRC - Sino-foreign equity joint venture	RMB45,000,000	**80%**	—	Provision of natural gas and related services and gas pipeline construction
Songyang Hong Kong & China Gas Company Limited 松陽港華燃氣有限公司	PRC - Limited liability company	RMB20,000,000	**51.35%**	—	Provision of natural gas and related services and gas pipeline construction
Tieling Hong Kong and China Gas Company Limited 鐵嶺港華燃氣有限公司	PRC - Sino-foreign equity joint venture	RMB232,960,000	**80%**	80%	Provision of natural gas and related services and gas pipeline construction
Tongshan Hong Kong and China Gas Company Limited 桐山港華燃氣有限公司	PRC - Wholly foreign-owned enterprise	RMB60,000,000	**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 2014	2013	Principal activities
Indirectly-owned subsidiaries (continued)					
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	US$7,000,000	**76%**	76%	Provision of natural gas and related services and gas pipeline construction
Towngas (BVI) Holdings Limited 港華燃氣(維爾京)控股有限公司	BVI - Limited liability company/HK	US$1	**100%**	100%	Investment holding
Towngas China (Fengxi) Limited 港華燃氣(楓溪)有限公司	HK - Limited liability company	HK$100	**100%**	100%	Investment holding
Towngas China (Zhengpugang) Limited 港華燃氣(鄭蒲港)有限公司	HK - Limited liability company	HK$100	**100%**	100%	Investment holding
Towngas Investments Limited 港華燃氣投資有限公司	PRC - Wholly foreign-owned enterprise	US$200,000,000	**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	RMB30,000,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Wuning Hong Kong and China Gas Company Limited 武寧港華燃氣有限公司	PRC - Wholly foreign-owned enterprise	RMB25,000,000	**100%**	100%	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	RMB30,000,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Xin Jin Hong Kong and China Gas Company Limited 新津港華燃氣有限公司	PRC - Sino-foreign equity joint venture	RMB20,000,000 (2013: RMB12,000,000)	**60%**	60%	Provision of natural gas and related services and gas pipeline construction
Xin Jin Yong Shuang Hong Kong and China Gas Company Limited 新津永雙港華燃氣有限公司	PRC - Sino-foreign equity joint venture	RMB20,000,000 (2013: RMB11,500,000)	**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 2014	2013	Principal activities
Indirectly-owned subsidiaries (continued)					
Xingyi Hong Kong and China Gas Company Limited 興義港華燃氣有限公司	PRC - Sino-foreign equity joint venture	RMB50,000,000	**70%**	—	Provision of natural gas and related services and gas pipeline construction
Xiushui Hong Kong and China Gas Company Limited 修水港華燃氣有限公司	PRC - Sino-foreign equity joint venture	RMB30,000,000	**80%**	80%	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
Yanshan Hong Kong & China Gas Co., Ltd. 鹽山港華燃氣有限公司	PRC - Sino-foreign equity joint venture	RMB10,000,000	**90%**	90%	Provision of natural gas and related services and gas pipeline construction
Yifeng Hong Kong and China Gas Co., Ltd. 宜豐港華燃氣有限公司	PRC - Wholly foreign-owned enterprise	RMB32,000,000	**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	US$9,400,000	**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		Principal activities
			2014	2013	
Indirectly-owned subsidiaries (continued)					
Yuechi Hong Kong and China Gas Company Limited 岳池港華燃氣有限公司	PRC - Sino-foreign equity joint venture	RMB30,000,000	**90%**	90%	Provision of natural gas and related services and gas pipeline construction
Zhaoyuan Hong Kong and China Gas Company Limited 招遠港華燃氣有限公司	PRC - Wholly foreign-owned enterprise	RMB22,000,000	**100%**	100%	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	RMB30,000,000	**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	RMB30,000,000	**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.

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