

2015 Interim Report



香港中華煤氣有限公司

The Hong Kong and China Gas Company Limited

(Incorporated in Hong Kong under the Companies Ordinance with limited liability)

(Stock Code: 3)

THE HONG KONG AND CHINA GAS COMPANY LIMITED

2015 INTERIM REPORT

To Shareholders

Dear Sir or Madam,

HALF-YEARLY RESULTS

The Directors are pleased to report that the unaudited profit after taxation attributable to shareholders of the Group for the six months ended 30th June 2015 amounted to HK\$4,197 million, an increase of HK\$470 million compared to the same period last year. Earnings per share for the first half of 2015 amounted to HK36.3 cents, an increase of approximately 13 per cent compared to the same period last year.

Highlights of the unaudited results of the Group for the six months ended 30th June 2015, as compared to the same period in 2014, are shown in the following table:

	Unaudited	
	Six months ended 30th June	
	2015	2014
Revenue before Fuel Cost Adjustment, HK million dollars	14,517	14,827
Revenue after Fuel Cost Adjustment, HK million dollars	15,083	15,808
Profit Attributable to Shareholders, HK million dollars	4,197	3,727
Earnings per Share, HK cents	36.3	32.2*
Interim Dividend per Share, HK cents	12.0	12.0
Town Gas Sold in Hong Kong, million MJ	15,491	15,765
Gas Sold in mainland China City-gas Business, ten thousand cubic metres; natural gas equivalent [#]	794,747	768,123
Number of Customers in Hong Kong as at 30th June	1,828,333	1,810,647
Number of City-gas Customers in mainland China as at 30th June [#]	19,912,450	18,259,179

* *Adjusted for the bonus issue in 2015*

Inclusive of all mainland city-gas projects of the Group

The unaudited condensed consolidated interim accounts are provided on pages 8 to 33 of this Interim Report. The unaudited interim accounts have been reviewed by the Company's audit committee and external auditor, PricewaterhouseCoopers.

GAS BUSINESS IN HONG KONG

The local economy continued to grow moderately during the first half of 2015. Favourable overall employment conditions maintained stable growth in local consumer spending. However, restaurant and hotel sectors were impacted by a slowdown in inbound tourism. Residential gas sales were also affected as the average temperature in the first half of 2015 in Hong Kong was higher than the same period last year. Overall, total volume of gas sales in Hong Kong during the first half of 2015 was approximately 15,491 million MJ, a decrease of 1.7 per cent, in contrast to appliance sales which increased by 9.9 per cent, both compared to the same period last year.

As at 30th June 2015, the number of customers was 1,828,333, an increase of 8,398 since the end of December 2014.

The Company's operating costs have been increasing over the past few years. Although the Company has been implementing cost saving and workflow improvement measures, such initiatives are no longer offsetting additional costs. Therefore the Company raised its standard gas tariff by HK1 cent per MJ on 1st August 2015. The actual increase in the gas tariff (including standard tariff and fuel cost adjustment) is equivalent to 3.5 per cent. The Company promises to keep this standard gas tariff frozen for the next two years.

BUSINESS DEVELOPMENT IN MAINLAND CHINA

The Group's mainland businesses continued to progress well during the first half of 2015 in respect of the number of projects and profit.

Overall, inclusive of projects of the Group's subsidiary, Towngas China Company Limited ("Towngas China"; stock code: 1083.HK), the Group currently has 212 projects on the mainland, ten more than at the end of 2014, spread across 25 provinces, autonomous regions and municipalities. These projects encompass upstream, midstream and downstream natural gas sectors, water sectors, environmentally-friendly energy applications, energy resources' exploration and utilisation, as well as telecommunications.

Diversification and an increase in the number of projects are gradually transforming the Group from a locally-based company in Hong Kong centred on a single business into a sizable, nation-wide, multi-business corporation with a focus on environmentally-friendly energy ventures and utility sectors.

The Group's development of emerging environmentally-friendly energy businesses and related research and development of new technologies, through its wholly-owned subsidiary ECO Environmental Investments Limited and the latter's subsidiaries (collectively known as "ECO"), are progressing well. With a number of environmentally-friendly and energy conservation projects under construction or already commissioned, and new projects under development, the foundation for long-term growth of the Group's businesses is being continually reinforced.

UTILITY BUSINESSES IN MAINLAND CHINA

The Group's city-gas businesses are progressing well. Inclusive of Towngas China, the Group currently has a total of 128 city-gas projects in mainland cities spread across 23 provinces, autonomous regions and municipalities, of which one is a new project established by Towngas China this year. The total volume of gas sales for these projects for the first half of 2015 was approximately 7,940 million cubic metres, an increase of 3 per cent over the same period last year. As at the end of June 2015, the Group's mainland gas customers stood at approximately 19.91 million, an increase of 9 per cent over the same period last year. The Group continues to have a good reputation as a large-scale city-gas enterprise with outstanding performance on the mainland.

Despite the impact of global economic uncertainty and slow economic recovery leading to continuous weak demand for commodities worldwide, the mainland economy continued to grow steadily though the pace was slower during the first half of 2015 compared to the same period last year. The growth in demand for energy, including electricity, petroleum and natural gas, was noticeably lower across the whole country. However, a long-term and steady growth in the demand for natural gas, the major clean energy resource on the mainland, is still anticipated. Following a gas supply purchase and sales contract and a framework agreement signed between mainland China and Russia in May and November 2014 respectively, Russia will supply a total of 68 billion cubic metres of piped natural gas annually to mainland China, an important move in guaranteeing sufficient gas resources. The mainland government has also formulated a natural gas utilisation policy to strengthen preventative measures to combat air pollution and to minimise the formation of haze. This momentum is benefiting the Group's city-gas and natural gas businesses and helping to create continuous growth.

In April 2015, the mainland government aligned the two-tiered natural gas ceiling city-gate prices of "existing" and "incremental" volumes by substantially reducing the ceiling price for "incremental volume" and slightly raising the ceiling price for "existing volume", both applicable to non-residential users, with an aim to further promote market-oriented reform of natural gas prices. However, the sluggish global economic recovery is currently having an adverse impact on industrial gas market demand. Despite this, in the medium to long term, natural gas is still projected to be the clean energy of choice on the mainland for reducing air pollution and improving hazy atmospheric conditions. With gradual commissioning of the country's large-scale natural gas projects, including transmission pipelines from Sichuan province to eastern and southern China and the West-to-East pipeline, and pipeline projects for importing natural gas from Central Asia and Myanmar, together with the signing of piped natural gas supply contracts with Russia, as well as a rise in the quantity of imported liquefied natural gas ("LNG"), supply of natural gas on the mainland will increase substantially in the next few years. Thus, with increasing sources of gas supply, expanding pipeline networks and the public's aspiration for greater environmental protection, the Group anticipates its mainland city-gas businesses will continue to thrive in future.

The Group's midstream natural gas projects are operating smoothly. These include natural gas pipeline projects in Anhui and Hebei provinces; natural gas extension projects in Jilin and Henan provinces; and the Guangdong LNG Receiving Terminal project. In addition, Towngas China added two midstream natural gas projects to its portfolio this year – the Xuancheng-Huangshan natural gas sub-stream and downstream city-gas project in Anhui province, and Taigang Gas midstream long-haul pipeline project in Taian city, Shandong province. Construction of the Group's gas storage facility in underground salt caverns in Jintan city, Jiangsu province is in progress. Upon completion, this facility will be the first of its kind developed by any city-gas enterprise on the mainland. Phase one of this project, with a total storage capacity of 110 million standard cubic metres, is expected to be commissioned in mid-2016 and will help the Group supplement and regulate gas supplies during the peak winter period in eastern China. This project is also in line with the Chinese government's policy of advocating faster development of gas storage capacity. These kinds of midstream projects generate good returns and support the Group's development of its downstream city-gas markets.

The upstream natural gas supply market is also facing reform. The Shanghai Petroleum and Natural Gas Exchange launched a pilot operation on 1st July 2015 to further promote a market-oriented pricing mechanism for natural gas. Initially, the major products for spot trading in this exchange are piped natural gas and LNG. These kinds of reforms, impacting both natural gas supply mechanism and prices, are conducive to the healthy development of downstream city-gas businesses.

The Group has so far invested in, and operates, six water projects, including water supply joint venture projects in Wujiang district, Suzhou city, Jiangsu province and in Wuhu city, Anhui province; wholly-owned water supply projects in Zhengpugang Xin Qu, Maanshan city and in Jiangbei Xin Qu, Wuhu city, both in Anhui province; and an integrated water supply and wastewater treatment joint venture project, together with an integrated wastewater treatment project for a special industry, both in Suzhou Industrial Park, Suzhou city, Jiangsu province. With increasing demand for clean water resources across the country, the Group's water projects are progressing well, supplying water of good quality, and maintaining steady growth in volume of water sales. To achieve a healthier development in the water sector, these project companies are now striving for a reasonable increase in the selling price of water.

Operation and management of businesses encompassing city-gas, midstream natural gas and city-water projects create greater synergy and mutual advantages. Furthermore, these businesses generate stable income and provide good environmental benefits, with room for expansion. The Group will therefore keep on looking for opportunities to invest in high-quality utility projects on the mainland.

EMERGING ENVIRONMENTALLY-FRIENDLY ENERGY BUSINESSES

ECO's major businesses in Hong Kong – an aviation fuel facility, dedicated liquefied petroleum gas ("LPG") vehicular refilling stations and landfill gas utilisation projects – are all operating smoothly. Total turnover for ECO's aviation fuel facility for the first half of 2015 was 2.88 million tonnes. The facility provides a safe and reliable fuel supply to Hong Kong International Airport and contributes to ECO's steady profit growth. The LPG refilling station business is progressing steadily, providing a quality and reliable fuel supply to the local taxi and minibuss sectors. ECO's landfill gas project in the North East New Territories, after operating for several years, is generating noticeable environmental benefits. On this basis, ECO has commenced the development of a South East New Territories landfill gas utilisation project recently, with commissioning expected in mid-2016, which will make a further contribution to energy conservation and emission reduction in Hong Kong. ECO's oilfield project in Thailand, despite the adverse impact of the fall in international oil prices, is operating smoothly and recorded an output of 1.04 million barrels of oil during the first half of 2015, a significant increase of 94 per cent compared to the same period last year.

ECO's coalbed methane liquefaction facility, located in Jincheng city, Shanxi province, is operating smoothly. On this basis, ECO is now seeking more natural gas and coalbed gas supply sources at different strategic locations in order to expand its production capacity and distribution coverage. There is substantial demand for coke for steelmaking in the iron and steel industry in mainland China. During the industrial process to convert coking coal to coke, a large quantity of coke oven gas is generated which ECO finds it useful as a raw material to produce LNG to meet market demand. To this end, construction of a project in Xuzhou city, Jiangsu province to produce LNG by using coke oven gas is in progress; commissioning is expected by the end of 2015. Upon completion, ECO's capability to supply LNG will be enhanced.

As haze and air pollution on the mainland are now a growing concern, the Chinese government is increasing its efforts to promote the development of refilling station networks supplying LNG as a fuel for vehicles and vessels. The use of LNG as a gradual replacement for diesel for heavy-duty trucks is an especially important and effective anti-pollution measure. In response to this opportunity, ECO has continued to reinforce its production of LNG by using coalbed gas, coke oven gas and biomass, such as agricultural and forestry waste, as raw materials. Mainland China, a sizeable agricultural country, generates a large quantity of agricultural waste every year. Apart from a small portion of this for use in fields or for power generation, the rest is not fully utilised as effective measures are yet to be put in place. ECO has successfully developed new technologies to convert this agricultural and forestry waste into natural gas through thermal gasification and methanation. ECO's application of these new technologies will be implemented shortly which will then open a new chapter in ECO's new energy businesses.

Meanwhile, a network of ECO natural gas refilling stations is gradually taking shape in, amongst others, Shaanxi, Shandong, Shanxi, Henan and Liaoning provinces. All in all, ECO currently has 52 refilling stations in operation, under construction or at the planning stage, and as expansion into more provinces progresses, the ECO brand name will gradually become more well-known in the market.

ECO's coal-based methanol production plant in Inner Mongolia Autonomous Region operated smoothly during the first half of 2015. Construction of an additional facility to upgrade methanol into natural gasoline (a gasoline substitute chemical product) using self-developed technology, was completed at the end of 2014 and is now at the pilot production stage, thus laying a solid foundation for ECO's methanol upgrading business.

ECO is also developing innovative resource conversion technologies for the production of high value-added environmentally-friendly energy. Related research and development has shown promising results with noticeable economic and environmental benefits, especially in the areas of methanol upgrading and utilisation of agricultural waste, which should also help strengthen ECO's competitive edge in this new energy sector in future.

TOWNGAS CHINA COMPANY LIMITED (STOCK CODE: 1083.HK)

Towngas China, a subsidiary of the Group, recorded good business growth during the first half of 2015. Towngas China's profit after taxation attributable to its shareholders was HK\$639 million, an increase of 37 per cent compared to the same period last year. As at the end of June 2015, the Group held approximately 1,642 million shares in Towngas China, representing approximately 62.15 per cent of Towngas China's total issued shares.

Project development is also progressing well. During the first half of 2015, Towngas China acquired a new piped-gas project in Wulian county, Rizhao city, Shandong province, and two midstream pipeline projects, namely Xuancheng-Huangshan natural gas sub-stream and downstream city-gas project in Anhui province, and Taigang Gas midstream long-haul pipeline project in Taian city, Shandong province.

In June 2015, Standard & Poor's Ratings Services, an international rating agency, raised its long-term corporate credit rating on Towngas China to "BBB+" from "BBB", and maintained its "cnA+" long-term Greater China regional scale credit rating with a "stable" outlook. In July 2015, Moody's Investors Service, another international rating agency, also raised its issuer rating on Towngas China to "Baa1" from "Baa2" with a "stable" outlook. Such ratings demonstrate the rating agencies' recognition of Towngas China's stable financial status and reflect the company's increasing credit strength.

FINANCING PROGRAMMES

In order to tap funding in a timely and flexible manner, the Group established a medium term note programme in 2009 under HKCG (Finance) Limited, a wholly-owned subsidiary of the Group. Taking advantage of low interest rates, medium term notes totaling HK\$972 million with maturity ranging from 10 to 15 years were issued during the first half of 2015. In line with the Group's long-term business investments, the Group had issued, as at 30th June 2015, medium term notes of an aggregate amount equivalent to HK\$11.3 billion with tenors ranging from 5 to 40 years under this programme.

EMPLOYEES AND PRODUCTIVITY

As at 30th June 2015, the number of employees engaged in the town gas business in Hong Kong was 1,971 (30th June 2014: 1,972), the number of customers was 1,828,333, and each employee served the equivalent of 928 customers, slightly up compared to the same period last year. Inclusive of employees engaged in local businesses such as telecommunications, LPG vehicular refilling stations and engineering contractual works, the total number of the Group's employees engaged in businesses in Hong Kong was 2,325 as at the end of June 2015, a similar level to the same period last year. Related manpower costs amounted to HK\$457 million for the first half of 2015, an increase of HK\$19 million compared with the corresponding period in 2014. The Group will continue to offer employees rewarding careers based on their capabilities and performance and arrange a variety of training programmes in order to constantly enhance the quality of the Group's customer services.

Exclusive of businesses in Hong Kong, the total number of the Group's employees in mainland China and other places outside Hong Kong was 44,600 as at the end of June 2015, an increase of approximately 800 compared with the corresponding period in 2014.

DIVIDEND

Your Directors have declared an interim dividend of HK12 cents per share payable to shareholders whose names are on the Register of Members of the Company as at 18th September 2015. To enable our Share Registrar to complete the necessary work associated with this payment, the Register of Members will be closed on Thursday, 17th September 2015 and Friday, 18th September 2015, during which period no share transfers will be effected. Dividend warrants will be posted to shareholders on Friday, 2nd October 2015.

BUSINESS OUTLOOK FOR 2015

The Company predicts steady growth in the number of customers in Hong Kong during 2015. Currently, favourable local employment conditions are helping to stimulate internal demand and consumer spending. As the Government of the Hong Kong Special Administrative Region is also striving to increase land and housing supply, stable growth in the number of gas customers is anticipated. Expansion in the commercial and industrial energy market is also benefiting from the competitiveness of town gas, an energy resource combining both environmental and economic benefits. As international oil prices still remain low following substantial decrease since the second half of 2014, charges for fuel cost adjustment of the gas tariff in Hong Kong have been reduced which is beneficial to customers and to further enhancement of the market competitiveness of town gas. However, increasing local manpower costs and operating expenses have led to rising operating costs for businesses generally in Hong Kong. The Company's increase in the standard gas tariff with effect from 1st August 2015 will help to offset some of the pressure on its own rising operating costs. The Company will, however, continue to enhance its own operational efficiency so as to maintain stable development of its gas business in the territory.

In respect of city-gas businesses in mainland China, slowdown in the real estate market, resulting from the government's related control policies over the past two years, has impacted revenue from connection fees. In addition, growth of gas sales is declining due to an adverse impact on industrial production resulting from a sluggish global economic recovery, while growth of gas consumption in the commercial sector is also slowing due to the mainland government's more cautious approach to official spending. All these factors have created challenges for the overall profit growth of the Group's mainland businesses recently. Nevertheless, there will be a continuing rise in demand for utility services and energy in the long run, resulting from the mainland government's drive to reduce carbon emissions and to encourage the use of clean energy to combat air pollution, both of which are favourable to the development of natural gas, coupled with rapid urbanisation and current abundant upstream gas supply. It is anticipated that natural gas price adjustment this year will lower upstream gas prices which would be favourable to the development of the downstream gas market and the healthy development of the natural gas business sector in general. In respect of emerging environmentally-friendly energy businesses, following the Chinese government's move towards greater energy diversification, environmental protection and the creation of a more circular economy, the Group is continuing to develop and apply new technologies for conserving energy and reducing pollutant emissions. There is also a growing trend for greater use of low-sulfur, high-quality oil and natural gas as fuels for vehicles and vessels to reduce atmospheric pollution. Despite international oil prices remaining low recently, which will impact profit growth and slow down the pace of investment of the Group's emerging environmentally-friendly energy businesses in the short term, the Group will continue to select projects of high quality to invest in. In the long term, emerging environmentally-friendly energy businesses will ignite a new light, illuminating the way for the Group's long-term development and business growth strategy, and lay a solid foundation for the future of the Group.

With the Group's solid foundation in Hong Kong and its diverse business sectors spread across extensive areas on the mainland, together with its successful technical experience, corporate brand names and sales channels built there over 20 years, and mainland society's growing concern over air quality, it is anticipated that there will be ever-rising demand for clean energy. In addition, given that the number of piped-gas customers in Hong Kong and mainland China is increasing, the Group, with a sizeable customer base, foresees better benefits from its new businesses which continue to expand.

Overall, the Group predicts good and broader prospects and an even better future for all its businesses in the years to come.

LEE Shau Kee
Chairman

Hong Kong, 13th August 2015

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 30th June

	Note	2015 HK\$M	2014 HK\$M
Revenue	3	15,083.1	15,808.0
Total operating expenses	4	(11,283.4)	(11,851.9)
		3,799.7	3,956.1
Other gains/(losses), net	5	598.3	(30.5)
Interest expense		(490.6)	(497.6)
Share of results of associates		831.4	948.1
Share of results of joint ventures		938.7	783.3
		5,677.5	5,159.4
Profit before taxation	6	5,677.5	5,159.4
Taxation	7	(952.9)	(963.2)
		4,724.6	4,196.2
Profit for the period		4,724.6	4,196.2
Attributable to:			
Shareholders of the Company		4,197.1	3,726.6
Holder of perpetual capital securities		55.2	47.3
Non-controlling interests		472.3	422.3
		4,724.6	4,196.2
		1,387.6	1,261.9
Dividends	8	1,387.6	1,261.9
		36.3	32.2*
Earnings per share – basic and diluted, HK cents	9	36.3	32.2*

* Adjusted for the bonus issue in 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30th June

	2015 HK\$M	2014 HK\$M
Profit for the period	4,724.6	4,196.2
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Change in value of available-for-sale financial assets	(97.4)	54.4
Change in fair value of cash flow hedges	(75.4)	(40.1)
Share of other comprehensive (loss)/income of an associate	(4.7)	1.8
Recognition of exchange reserve upon disposal of subsidiaries	(83.0)	–
Exchange differences	(67.6)	(729.2)
Other comprehensive loss for the period, net of tax	(328.1)	(713.1)
Total comprehensive income for the period	<u>4,396.5</u>	<u>3,483.1</u>
Total comprehensive income attributable to:		
Shareholders of the Company	3,867.9	3,121.2
Holders of perpetual capital securities	55.2	47.3
Non-controlling interests	473.4	314.6
	<u>4,396.5</u>	<u>3,483.1</u>

CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30th June 2015

	Note	At 30th June 2015 HK\$M	At 31st December 2014 HK\$M
Assets			
Non-current assets			
Property, plant and equipment	10	46,886.1	49,695.0
Investment property		683.0	683.0
Leasehold land		1,876.6	1,658.6
Intangible assets		5,986.2	5,858.5
Associates		18,822.4	17,572.5
Joint ventures		9,456.0	9,033.8
Available-for-sale financial assets		5,397.6	2,599.7
Derivative financial instruments		223.9	266.6
Other non-current assets		2,329.9	2,401.7
		<u>91,661.7</u>	<u>89,769.4</u>
Current assets			
Inventories		2,324.0	2,283.2
Trade and other receivables	11	6,926.5	6,975.7
Loan and other receivables from associates		229.6	115.1
Loan and other receivables from joint ventures		1,183.4	1,239.2
Loan and other receivables from non-controlling shareholders		126.7	153.9
Financial assets at fair value through profit or loss		35.5	718.8
Time deposits over three months		403.8	550.1
Time deposits up to three months, cash and bank balances		13,751.6	12,605.5
		<u>24,981.1</u>	<u>24,641.5</u>
Current liabilities			
Trade and other payables	12	(11,449.1)	(11,942.6)
Amounts due to joint ventures		(548.3)	(677.7)
Loan and other payables to non-controlling shareholders		(199.2)	(213.9)
Provision for taxation		(1,053.7)	(805.7)
Borrowings		(9,702.3)	(7,049.7)
		<u>(22,952.6)</u>	<u>(20,689.6)</u>
Net current assets		<u>2,028.5</u>	<u>3,951.9</u>
Total assets less current liabilities		<u>93,690.2</u>	<u>93,721.3</u>

CONSOLIDATED BALANCE SHEET (UNAUDITED) (continued)

As at 30th June 2015

		At 30th June 2015 HK\$M	At 31st December 2014 HK\$M
Non-current liabilities			
Customers' deposits		(1,263.8)	(1,256.4)
Deferred taxation		(4,865.0)	(5,169.2)
Borrowings		(23,262.0)	(24,484.3)
Loan payables to non-controlling shareholders		(24.5)	(22.3)
Asset retirement obligations		(31.9)	(31.9)
Derivative financial instruments		(621.0)	(527.6)
Retirement benefit liabilities		(5.9)	(5.9)
		<u>(30,074.1)</u>	<u>(31,497.6)</u>
Net assets		<u>63,616.1</u>	<u>62,223.7</u>
Capital and reserves			
Share capital	13	5,474.7	5,474.7
Reserves	16	47,230.4	44,735.7
Proposed dividend	16	1,387.6	2,417.8
		<u>54,092.7</u>	<u>52,628.2</u>
Shareholders' funds		<u>54,092.7</u>	<u>52,628.2</u>
Perpetual capital securities	15	2,353.8	2,353.8
Non-controlling interests		<u>7,169.6</u>	<u>7,241.7</u>
Total equity		<u>63,616.1</u>	<u>62,223.7</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30th June

	Note	2015 HK\$M	2014 HK\$M
Net cash from operating activities		4,117.2	4,022.3
Investing activities			
Purchase of property, plant and equipment		(2,735.2)	(2,428.9)
Consideration paid for acquisition of businesses in prior periods		(112.7)	(241.1)
Acquisition of businesses		(18.2)	(304.5)
Interest received		221.5	171.5
Dividends received from investments in securities		104.0	194.0
Dividends received from associates		332.3	428.1
Dividends received from joint ventures		358.4	250.4
Other cash flows from investing activities		434.1	737.5
Net cash used in investing activities		(1,415.8)	(1,193.0)
Financing activities			
Dividends paid to shareholders of the Company		(2,417.8)	(2,198.7)
Issue of perpetual capital securities	15	–	2,306.8
Interest paid		(619.4)	(636.9)
Interest paid to holders of perpetual capital securities		(55.2)	–
Net borrowings and others		1,515.3	917.9
Net cash (used in)/from financing activities		(1,577.1)	389.1
Increase in cash and cash equivalents		1,124.3	3,218.4
Cash and cash equivalents at 1st January		12,605.5	8,849.0
Effect of foreign exchange rate changes		21.8	(146.8)
Cash and cash equivalents at 30th June		13,751.6	11,920.6
Analysis of balances of cash and cash equivalents			
Cash and bank balances		6,814.2	4,841.8
Time deposits up to three months		6,937.4	7,078.8
		13,751.6	11,920.6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30th June

	Attributable to shareholders of the Company		Holders of perpetual capital securities HK\$M	Non-controlling interests HK\$M	Total HK\$M
	Share capital HK\$M	Reserves HK\$M			
Total equity at 1st January 2015	5,474.7	47,153.5	2,353.8	7,241.7	62,223.7
Profit for the period	–	4,197.1	55.2	472.3	4,724.6
Other comprehensive income:					
Change in value of available-for-sale financial assets	–	(97.4)	–	–	(97.4)
Change in fair value of cash flow hedges	–	(75.7)	–	0.3	(75.4)
Share of other comprehensive loss of an associate	–	(4.7)	–	–	(4.7)
Recognition of exchange reserve upon disposal of subsidiaries	–	(83.0)	–	–	(83.0)
Exchange differences	–	(68.4)	–	0.8	(67.6)
Total comprehensive income for the period	–	3,867.9	55.2	473.4	4,396.5
Capital injection	–	–	–	26.2	26.2
Acquisition of businesses	–	–	–	16.5	16.5
Further acquisition of subsidiaries	–	–	–	(9.4)	(9.4)
Disposal of subsidiaries	–	–	–	(389.2)	(389.2)
Interest paid on perpetual capital securities	–	–	(55.2)	–	(55.2)
Dividends paid to shareholders of the Company	–	(2,417.8)	–	–	(2,417.8)
Dividends paid to non-controlling shareholders	–	–	–	(228.0)	(228.0)
Others	–	14.4	–	38.4	52.8
Total equity at 30th June 2015	5,474.7	48,618.0	2,353.8	7,169.6	63,616.1

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) (continued)

For the six months ended 30th June

	Attributable to shareholders of the Company			Holders of perpetual capital securities HK\$M	Non- controlling interests HK\$M	Total HK\$M
	Share capital HK\$M	Share premium HK\$M	Reserves HK\$M			
Total equity at 1st January 2014	2,389.9	2,861.0	44,616.7	–	6,502.9	56,370.5
Profit for the period	–	–	3,726.6	47.3	422.3	4,196.2
Other comprehensive income:						
Change in value of available-for- sale financial assets	–	–	54.4	–	–	54.4
Change in fair value of cash flow hedges	–	–	(40.6)	–	0.5	(40.1)
Share of other comprehensive income of an associate	–	–	1.8	–	–	1.8
Exchange differences	–	–	(621.0)	–	(108.2)	(729.2)
Total comprehensive income for the period	–	–	3,121.2	47.3	314.6	3,483.1
Transition to no-par value regime on 3rd March 2014	3,084.8	(2,861.0)	(223.8)	–	–	–
Capital injection	–	–	–	–	72.5	72.5
Acquisition of businesses	–	–	–	–	44.7	44.7
Issue of perpetual capital securities	–	–	–	2,306.8	–	2,306.8
Issue of shares of a subsidiary under share option schemes	–	–	–	–	10.2	10.2
Dividends paid to shareholders of the Company	–	–	(2,198.7)	–	–	(2,198.7)
Dividends paid to non-controlling shareholders	–	–	–	–	(192.8)	(192.8)
Total equity at 30th June 2014	<u>5,474.7</u>	<u>–</u>	<u>45,315.4</u>	<u>2,354.1</u>	<u>6,752.1</u>	<u>59,896.3</u>

NOTES TO THE CONDENSED INTERIM ACCOUNTS (UNAUDITED)

1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim accounts, which do not constitute statutory accounts, have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in compliance with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Except as described below, the accounting policies used in the preparation of these unaudited condensed consolidated interim accounts are consistent with those set out in the annual report for the year ended 31st December 2014.

The Group has adopted the following amendments to standards and annual improvements which are effective for the Group’s financial year beginning 1st January 2015 and relevant to the Group.

Amendments to HKAS 19 (2011)	Defined Benefit Plans: Employee Contributions
Annual improvements 2012	Annual improvements to HKFRSs 2010-2012 Cycle
Annual improvements 2013	Annual improvements to HKFRSs 2011-2013 Cycle

The adoption of the amendments to standards and annual improvements has no significant impact on the Group’s results and financial position or any substantial changes in Group’s accounting policies.

The HKICPA has issued a number of new or revised standards, interpretations and amendments to standards which are not effective for accounting period beginning 1st January 2015 and the Group has not early adopted the rules.

Except as disclosed in Note 2 to the condensed interim accounts, the critical accounting estimates and judgements used in the preparation of these unaudited condensed consolidated interim accounts are consistent with those set out in the annual report for the year ended 31st December 2014.

2. Financial risk management and fair value estimation of financial instruments

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 30th June 2015 and 31st December 2014.

	Level 1		Level 2		Level 3		Total	
	At 30th June 2015 HK\$M	At 31st December 2014 HK\$M						
Assets								
Financial assets at fair value through profit or loss								
– Debt securities	–	672.7	–	–	–	–	–	672.7
– Equity securities	18.7	34.9	–	–	–	–	18.7	34.9
– Derivative financial instruments	–	–	16.8	11.2	–	–	16.8	11.2
Derivative financial instruments	–	–	223.9	266.6	–	–	223.9	266.6
Available-for-sale financial assets								
– Debt securities	468.3	520.1	–	–	–	–	468.3	520.1
– Equity investment	1,241.7	1,584.1	–	–	3,151.7	–	4,393.4	1,584.1
Total assets	1,728.7	2,811.8	240.7	277.8	3,151.7	–	5,121.1	3,089.6
Liabilities								
Derivative financial instruments	–	–	621.0	527.6	–	–	621.0	527.6

There are no other changes in valuation techniques during the period.

2. Financial risk management and fair value estimation of financial instruments (continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Available-for-sale financial asset in level 3 is an unlisted equity investment. The fair value is determined based on the discounted cash flow model. The significant unobservable inputs include discount rate and expected free cash flows of the investee. The higher the discount rate, the lower the fair value. The higher the expected free cash flows of the investee, the higher the fair value.

Investments in unlisted equity securities

2015
HK\$M

Opening balance at 1st January	–
Acquisition	3,151.7
Closing balance at 30th June	3,151.7

Specific valuation techniques used to value financial instruments includes:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of cross currency swaps is calculated as the present value of the estimated future cash flows based on observable foreign exchange rates and yield curves.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

Critical accounting estimates and judgements used in fair value assessment of available-for-sale financial assets:

The fair value of available-for-sale financial assets that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods (such as discounted cash flow model) and makes assumptions that are mainly based on market conditions existing at each balance sheet date. The key assumptions adopted on projected cash flows are based on managements' best estimates.

3. Segment information

The Group's principal activities are the production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses ("New Energy") in Hong Kong and mainland China. The revenue comprises the following:

	Six months ended 30th June	
	2015	2014
	HK\$M	HK\$M
Gas sales before fuel cost adjustment	10,869.8	11,067.4
Fuel cost adjustment	566.5	980.6
	<hr/>	<hr/>
Gas sales after fuel cost adjustment	11,436.3	12,048.0
Gas connection income	1,260.9	1,210.1
Equipment sales and maintenance services	1,073.8	994.7
Water and related sales	562.0	500.0
Oil and coal related sales	313.1	672.2
Other sales	437.0	383.0
	<hr/>	<hr/>
	15,083.1	15,808.0
	<hr/> <hr/>	<hr/> <hr/>

The chief operating decision-maker has been identified as the executive committee members (the "ECM") of the Company. The ECM reviews the Group's internal reporting in order to assess performance and allocate resources. The ECM considers the business from both a product and geographical perspective. From a product perspective, management assesses the performance of (a) gas, water and related businesses; (b) New Energy and (c) property business. Gas, water and related businesses are further evaluated on a geographic basis (Hong Kong and Mainland China).

The ECM assesses the performance of the operating segments based on a measure of adjusted profit before interest, tax, depreciation and amortisation (the "adjusted EBITDA"). Other information provided, except as noted below, to the ECM is measured in a manner consistent with that in the accounts.

3. Segment information (continued)

The segment information for the six months ended 30th June 2015 and 2014 provided to the ECM for the reportable segments is as follows:

	<u>Gas, water and related businesses</u>		<u>New Energy</u>	<u>Property</u>	<u>Other segments</u>	<u>Total</u>
	<u>Hong Kong</u>	<u>Mainland China</u>				
	<u>HK\$M</u>	<u>HK\$M</u>	<u>HK\$M</u>	<u>HK\$M</u>	<u>HK\$M</u>	<u>HK\$M</u>
2015						
Revenue	<u>4,826.6</u>	<u>8,948.2</u>	<u>1,054.3</u>	<u>29.5</u>	<u>224.5</u>	<u>15,083.1</u>
Adjusted EBITDA	2,371.4	2,245.4	407.8	17.8	35.1	5,077.5
Depreciation and amortisation	(336.7)	(482.8)	(165.7)	-	(30.7)	(1,015.9)
Unallocated expenses						(261.9)
						<u>3,799.7</u>
Other gains, net						598.3
Interest expense						(490.6)
Share of results of associates	-	404.6	(0.3)	427.6	(0.5)	831.4
Share of results of joint ventures	-	934.8	1.0	2.9	-	938.7
						<u>5,677.5</u>
Profit before taxation						(952.9)
Taxation						
Profit for the period						<u>4,724.6</u>

Share of results of associates includes HK\$178.0 million (2014: HK\$257.6 million) being the Group's share of change in valuation of investment properties at the International Finance Centre (the "IFC") complex for the period.

3. Segment information (continued)

	<u>Gas, water and related businesses</u>		<u>New Energy</u>	<u>Property</u>	<u>Other segments</u>	<u>Total</u>
	<u>Hong Kong</u>	<u>Mainland China</u>				
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
2014						
Revenue	<u>5,240.3</u>	<u>8,787.8</u>	<u>1,577.1</u>	<u>24.2</u>	<u>178.6</u>	<u>15,808.0</u>
Adjusted EBITDA	2,446.9	2,119.0	544.7	14.1	37.3	5,162.0
Depreciation and amortisation	(325.1)	(423.7)	(168.3)	–	(24.4)	(941.5)
Unallocated expenses						<u>(264.4)</u>
						3,956.1
Other losses, net						(30.5)
Interest expense						(497.6)
Share of results of associates	–	451.6	(0.6)	497.2	(0.1)	948.1
Share of results of joint ventures	–	779.8	0.9	2.6	–	<u>783.3</u>
Profit before taxation						5,159.4
Taxation						<u>(963.2)</u>
Profit for the period						<u><u>4,196.2</u></u>

The segment assets at 30th June 2015 and 31st December 2014 are as follows:

	<u>Gas, water and related businesses</u>		<u>New Energy</u>	<u>Property</u>	<u>Other segments</u>	<u>Total</u>
	<u>Hong Kong</u>	<u>Mainland China</u>				
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
30th June 2015						
Segment assets	<u>15,406.0</u>	<u>57,822.2</u>	<u>16,717.8</u>	<u>10,583.7</u>	<u>2,245.0</u>	<u>102,774.7</u>
Unallocated assets:						
Available-for-sale financial assets						5,397.6
Financial assets at fair value through profit or loss						35.5
Time deposits, cash and bank balances excluded from segment assets						7,751.4
Others (Note)						<u>683.6</u>
Total assets	<u><u>15,406.0</u></u>	<u><u>57,822.2</u></u>	<u><u>16,717.8</u></u>	<u><u>10,583.7</u></u>	<u><u>2,245.0</u></u>	<u><u>116,642.8</u></u>

Note

Other unallocated assets mainly include derivative financial instruments, loan and other receivables from non-controlling shareholders and other receivables other than those included under segment assets.

3. Segment information (continued)

	<u>Gas, water and related businesses</u>		<u>New Energy</u>	<u>Property</u>	<u>Other segments</u>	<u>Total</u>
	<u>Hong Kong</u> HK\$M	<u>Mainland China</u> HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
31st December 2014						
Segment assets	16,143.1	54,524.1	20,716.2	10,360.2	2,130.5	103,874.1
Unallocated assets:						
Available-for-sale financial assets						2,599.7
Financial assets at fair value through profit or loss						718.8
Time deposits, cash and bank balances excluded from segment assets						6,674.8
Others (Note)						543.5
Total assets	<u>16,143.1</u>	<u>54,524.1</u>	<u>20,716.2</u>	<u>10,360.2</u>	<u>2,130.5</u>	<u>114,410.9</u>

The Company is domiciled in Hong Kong. The Group's revenue from external customers in Hong Kong for the six months ended 30th June 2015 is HK\$5,393.8 million (2014: HK\$5,866.2 million), and the revenue from external customers in other geographical locations is HK\$9,689.3 million (2014: HK\$9,941.8 million).

At 30th June 2015, the total of non-current assets other than financial instruments located in Hong Kong and other geographical locations are HK\$22,496.6 million and HK\$61,213.7 million (At 31st December 2014: HK\$21,828.5 million and HK\$62,672.9 million) respectively.

4. Total operating expenses

	Six months ended 30th June	
	2015 HK\$M	2014 HK\$M
Stores and materials used	7,396.9	8,246.1
Manpower costs	1,318.2	1,159.6
Depreciation and amortisation	1,023.0	948.7
Other operating items	1,545.3	1,497.5
	<u>11,283.4</u>	<u>11,851.9</u>

5. Other gains/(losses), net

	Six months ended 30th June	
	2015 HK\$M	2014 HK\$M
Net investment gains/(losses)	618.7	(13.1)
Project research and development costs	(19.6)	(20.3)
Others	(0.8)	2.9
	<u>598.3</u>	<u>(30.5)</u>

6. Profit before taxation

Profit before taxation is stated after charging cost of inventories sold of HK\$8,364.3 million (2014: HK\$9,020.9 million).

7. Taxation

	Six months ended 30th June	
	2015 HK\$M	2014 HK\$M
Current taxation	814.7	762.7
Deferred taxation relating to the origination and reversal of temporary differences and withholding tax	138.2	200.5
	<u>952.9</u>	<u>963.2</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the period. Other countries profits tax has been calculated on the estimated assessable profits for the period at the rates prevailing in the respective jurisdictions.

8. Dividends

	Six months ended 30th June	
	2015 HK\$M	2014 HK\$M
2014 Final, paid, of HK23 cents per ordinary share (2013 Final: HK23 cents per ordinary share)	2,417.8	2,198.7
2015 Interim, proposed, of HK12 cents per ordinary share (2014 Interim: HK12 cents per ordinary share)	1,387.6	1,261.9
	<u>3,805.4</u>	<u>3,460.6</u>

9. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$4,197.1 million (2014: HK\$3,726.6 million) and the weighted average of 11,563,298,508 shares (2014: 11,566,846,508 shares*) in issue during the period.

As the impact of diluted potential ordinary shares of a subsidiary is insignificant during the reporting periods of 2015 and 2014, the diluted earnings per share for the period ended 30th June 2015 and 2014 are approximately the same as the basic earnings per share.

* Adjusted for the bonus issue in 2015.

10. Property, plant and equipment

	Buildings, plant, mains, mining and oil properties and other equipment HK\$M
Cost	
At 1st January 2015	64,562.5
Additions	2,940.7
Acquisition of businesses (Note 21)	34.0
Disposals of subsidiaries	(4,715.4)
Disposals/write off	(116.0)
Exchange differences	(125.1)
	<hr/>
At 30th June 2015	62,580.7
	<hr/>
Accumulated depreciation	
At 1st January 2015	14,867.5
Charge for the period	1,050.9
Disposals of subsidiaries	(139.8)
Disposals/write off	(82.2)
Exchange differences	(1.8)
	<hr/>
At 30th June 2015	15,694.6
	<hr/>
Net book value	
At 30th June 2015	46,886.1
	<hr/> <hr/>
At 31st December 2014	49,695.0
	<hr/> <hr/>

10. Property, plant and equipment (continued)

	Buildings, plant, mains, mining and oil properties and other equipment HK\$M
Cost	
At 1st January 2014	58,739.6
Additions	2,596.1
Acquisition of businesses	318.5
Disposals/write off	(99.1)
Exchange differences	(856.8)
	<u>60,698.3</u>
At 30th June 2014	
Accumulated depreciation	
At 1st January 2014	13,288.7
Charge for the period	946.4
Disposals/write off	(72.2)
Exchange differences	(115.6)
	<u>14,047.3</u>
At 30th June 2014	
Net book value	
At 30th June 2014	<u><u>46,651.0</u></u>
At 31st December 2013	<u><u>45,450.9</u></u>

11. Trade and other receivables

	At 30th June 2015 HK\$M	At 31st December 2014 HK\$M
Trade receivables (Note)	3,458.0	3,640.9
Payments in advance	1,860.3	1,995.5
Other receivables	1,608.2	1,339.3
	<u><u>6,926.5</u></u>	<u><u>6,975.7</u></u>

The Group recognised a loss of HK\$3.2 million (2014: HK\$5.6 million) for the impairment of its trade and other receivables during the period. The impairment has been included in other operating items (Note 4).

11. Trade and other receivables (continued)

Note

The Group has established credit policies for different types of customers. The credit period offered for trade receivables, which subject to periodic review by management, ranges from 30 to 60 days except for gas receivables of the Company which are due by 8 working days after billing date. At 30th June 2015, the aging analysis of the trade receivables, net of impairment provision, is as follows:

	At 30th June 2015 HK\$M	At 31st December 2014 HK\$M
0 – 30 days	2,977.4	3,097.6
31 – 60 days	107.2	99.3
61 – 90 days	66.0	97.3
Over 90 days	307.4	346.7
	<u>3,458.0</u>	<u>3,640.9</u>

12. Trade and other payables

	At 30th June 2015 HK\$M	At 31st December 2014 HK\$M
Trade payables (Note a)	2,690.2	3,168.0
Other payables and accruals (Note b)	8,758.9	8,774.6
	<u>11,449.1</u>	<u>11,942.6</u>

Notes

(a) The aging analysis of the trade payables is as follows:

	At 30th June 2015 HK\$M	At 31st December 2014 HK\$M
0 – 30 days	1,266.7	1,404.8
31 – 60 days	208.0	323.9
61 – 90 days	369.3	335.9
Over 90 days	846.2	1,103.4
	<u>2,690.2</u>	<u>3,168.0</u>

(b) The balance includes an amount of approximately HK\$45.7 million (At 31st December 2014: HK\$45.7 million) payable to Henderson Land Development Company Limited in relation to its entitlement to 27 per cent of the net sales proceeds generated from the sales of residential units of Grand Waterfront. Remaining balances mainly represents advance received from customers for construction works and accrual for services or goods received from suppliers.

13. Share capital

	Number of Shares		Share Capital	
	At 30th June 2015	At 31st December 2014	At 30th June 2015 HK\$M	At 31st December 2014 HK\$M
Issued and fully paid:				
At beginning of period/ year	10,512,089,553	9,559,670,503	5,474.7	2,389.9
Transition to no-par value regime on 3rd March 2014 (Note a)	–	–	–	3,084.8
Bonus shares	1,051,208,955	955,967,050	–	–
Share repurchased	–	(3,548,000)	–	–
At end of period/year	11,563,298,508	10,512,089,553	5,474.7	5,474.7

Note

- (a) In accordance with the transitional provisions set out in section 37 of Schedule 11 to Hong Kong Companies Ordinance (Cap.622), on 3rd March 2014, any amount standing to the credit of the share premium account and capital redemption reserve have become part of the Company's share capital.

14. Share premium

	At 30th June 2015 HK\$M	At 31st December 2014 HK\$M
At beginning of period/year	–	2,861.0
Transition to no-par value regime on 3rd March 2014 (Note 13)	–	(2,861.0)
At end of period/year	–	–

15. Perpetual capital securities

In January 2014, the Group issued its first perpetual subordinated guaranteed capital securities (the “Perpetual Capital Securities”), amounting to US\$300 million through, Towngas (Finance) Limited, a wholly-owned subsidiary for cash.

The Perpetual Capital Securities are guaranteed by the Company, bear distribution at a rate of 4.75 per cent per annum for the first five years and thereafter will have a floating distribution rate. The Perpetual Capital Securities are perpetual and are redeemable, at the option of the Group, in January 2019 or thereafter every six months on the distribution payment date. The distribution payment can be deferred at the discretion of the Group. Therefore, they are classified as equity instruments, and recorded in equity in the consolidated balance sheet.

16. Reserves

	Investment revaluation reserve HK\$M	Hedging reserve HK\$M	Other reserve HK\$M	Exchange reserve HK\$M	Unappro- priated profits HK\$M	Total HK\$M
At 1st January 2015	431.8	290.1	(14.4)	3,113.3	40,914.9	44,735.7
Profit attributable to shareholders	-	-	-	-	4,197.1	4,197.1
Other comprehensive income:						
Change in value of available-for-sale financial assets	(97.4)	-	-	-	-	(97.4)
Change in fair value of cash flow hedges	-	(75.7)	-	-	-	(75.7)
Share of other comprehensive loss of an associate	-	(4.7)	-	-	-	(4.7)
Disposal of subsidiaries	-	-	-	(83.0)	-	(83.0)
Exchange differences	-	-	-	(68.4)	-	(68.4)
Total comprehensive income for the period	(97.4)	(80.4)	-	(151.4)	4,197.1	3,867.9
2014 final dividend proposed	-	-	-	-	2,417.8	2,417.8
2014 final dividend paid	-	-	-	-	(2,417.8)	(2,417.8)
Others	-	-	14.4	-	-	14.4
At 30th June 2015	<u>334.4</u>	<u>209.7</u>	<u>-</u>	<u>2,961.9</u>	<u>45,112.0</u>	<u>48,618.0</u>
Balance after 2015 interim dividend proposed	334.4	209.7	-	2,961.9	43,724.4	47,230.4
2015 interim dividend proposed	-	-	-	-	1,387.6	1,387.6
	<u>334.4</u>	<u>209.7</u>	<u>-</u>	<u>2,961.9</u>	<u>45,112.0</u>	<u>48,618.0</u>

16. Reserves (continued)

	Investment revaluation reserve HK\$M	Capital redemption reserve HK\$M	Hedging reserve HK\$M	Other reserve HK\$M	Exchange reserve HK\$M	Unappro- priated profits HK\$M	Total HK\$M
At 1st January 2014	366.9	223.8	376.0	(14.4)	3,855.4	37,610.3	42,418.0
Profit attributable to shareholders	-	-	-	-	-	3,726.6	3,726.6
Other comprehensive income:							
Change in value of available-for-sale financial assets	54.4	-	-	-	-	-	54.4
Change in fair value of cash flow hedges	-	-	(40.6)	-	-	-	(40.6)
Share of other comprehensive income of an associate	-	-	1.8	-	-	-	1.8
Exchange differences	-	-	-	-	(621.0)	-	(621.0)
Total comprehensive income for the period	54.4	-	(38.8)	-	(621.0)	3,726.6	3,121.2
Transition to no-par value regime on 3rd March 2014 (Note 13)	-	(223.8)	-	-	-	-	(223.8)
2013 final dividend proposed	-	-	-	-	-	2,198.7	2,198.7
2013 final dividend paid	-	-	-	-	-	(2,198.7)	(2,198.7)
At 30th June 2014	<u>421.3</u>	<u>-</u>	<u>337.2</u>	<u>(14.4)</u>	<u>3,234.4</u>	<u>41,336.9</u>	<u>45,315.4</u>
Balance after 2014 interim dividend proposed	421.3	-	337.2	(14.4)	3,234.4	40,075.0	44,053.5
2014 interim dividend proposed	-	-	-	-	-	1,261.9	1,261.9
	<u>421.3</u>	<u>-</u>	<u>337.2</u>	<u>(14.4)</u>	<u>3,234.4</u>	<u>41,336.9</u>	<u>45,315.4</u>

17. Contingent liabilities

The Group did not have any material contingent liabilities at 30th June 2015 and 31st December 2014.

18. Commitments

(a) Capital expenditures for property, plant and equipment

	At 30th June 2015 HK\$M	At 31st December 2014 HK\$M
Authorised but not brought into the accounts	<u><u>3,100.1</u></u>	<u><u>3,466.6</u></u>
Of which, contracts had been entered into	<u><u>2,991.1</u></u>	<u><u>3,445.0</u></u>

(b) Share of capital expenditures for property, plant and equipment of joint ventures

	At 30th June 2015 HK\$M	At 31st December 2014 HK\$M
Authorised but not brought into the accounts	<u><u>2,222.9</u></u>	<u><u>2,391.0</u></u>
Of which, contracts had been entered into	<u><u>1,995.0</u></u>	<u><u>2,171.4</u></u>

(c) The Group has committed to provide sufficient funds in the forms of capital and loan contributions to finance or to invest in certain gas and New Energy projects under various contracts in mainland China. The directors of the Company estimate that at 30th June 2015, the Group's commitments to these projects were approximately HK\$1,708.4 million (At 31st December 2014: HK\$1,012.6 million).

(d) Lease commitments

Lessee

At 30th June 2015, future aggregate minimum lease payments of land, buildings, plant and equipment under non-cancellable operating leases are as follows:

	At 30th June 2015 HK\$M	At 31st December 2014 HK\$M
Not later than 1 year	<u>111.3</u>	113.4
Later than 1 year and not later than 5 years	<u>186.9</u>	147.4
Later than 5 years	<u>204.2</u>	<u>224.3</u>
	<u><u>502.4</u></u>	<u><u>485.1</u></u>

18. Commitments (continued)

(d) Lease commitments (continued)

Lessor

The Group leases out the building facilities of the commercial complex and car parks of Grand Waterfront and rental of server and equipment under operating leases. Except for certain car parks are rented out on an hourly or a monthly basis, these leases typically run for a period of 2 to 10 years. Future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	At 30th June 2015 HK\$M	At 31st December 2014 HK\$M
Not later than 1 year	77.8	76.6
Later than 1 year and not later than 5 years	244.9	203.9
Later than 5 years	225.7	251.7
	<hr/> 548.4 <hr/>	<hr/> 532.2 <hr/>

19. Related party transactions

Save as disclosed elsewhere in the accounts, no significant related party transactions were undertaken by the Group at any time during the period.

20. Major non-cash transaction/disposal of subsidiaries

On 30th June 2015, the Group disposed its wholly-owned subsidiary, Prominent Wealth Investments Limited which mainly held 70.1 per cent equity interest in Inner Mongolia SanWei Resource Group Xiao Yu Gou Coal Company Limited to Elegant Spread Limited and settled in return of 15 per cent equity interest in China Sanwei Energy Resources Company Limited. The new investment was accounted for as available-for-sale financial asset since the completion of transaction. Since the Group lost control on the subsidiary, relevant assets and liabilities were derecognised from the Group's consolidated accounts. There is not any significant impact in the Group's profit or loss for the period due to the disposal.

21. Business combinations

- (a) Business combinations under the Group's new energy business

For the period ended 30th June 2015, the Group acquired the following businesses:

	Percentage of registered capital acquired	Purchase consideration HK\$M
Business combinations in:		
Hebei ECO Hua Tong Clean Energy Co., Ltd	80%	9.2
Xuzhou ECO Energy Co., Ltd	80%	24.8
神木易高耀清能源有限公司	90%	32.9

The inclusion of the acquired businesses does not have a significant impact of the Group's turnover and profit for the period.

The details of provisional fair value of net identifiable assets acquired and provisional goodwill are as follows:

	Acquirees' provisional fair value at acquisition date HK\$M
Property, plant and equipment (Note 10)	29.0
Leasehold land	7.1
Trade and other receivables	1.1
Cash and bank balances	9.9
Trade and other payables	(0.3)
Net assets	46.8
Non-controlling interests	(6.6)
Net identifiable assets acquired	40.2
Provisional goodwill	26.7
Purchase consideration	66.9

The goodwill is attributable to the future profitability of the acquired businesses and the synergies expected to arise after the Group's acquisitions.

21. Business combinations (continued)

- (a) Business combinations under the Group's new energy business (continued)

Net cash flow arising on acquisitions:

	HK\$M
Purchase consideration for acquisition of businesses, settle in cash	32.8
Cash and cash equivalents in businesses acquired	(9.9)
	<hr/>
Cash outflow on acquisition of businesses	22.9
	<hr/> <hr/>

At 30th June 2015, purchase consideration of HK\$34.1 million remained unpaid and included in trade and other payables.

- (b) Business combinations under Towngas China

For the period ended 30th June 2015, Towngas China acquired the following businesses:

	Percentage of registered capital acquired	Purchase consideration HK\$M
Business combinations in:		
Yangxin Hong Kong & China Gas Company Limited	51%	11.4
Wulian Hong Kong & China Gas Company Limited	70%	110.0

The inclusion of the acquired businesses does not have a significant impact of the Group's turnover and profit for the period.

21. Business combinations (continued)

(b) Business combinations under Towngas China (continued)

The details of provisional fair value of net identifiable assets acquired and provisional goodwill are as follows:

	Acquirees' provisional fair value at acquisition date HK\$M
Property, plant and equipment (Note 10)	5.0
Trade and other receivables	2.3
Cash and bank balances	16.1
Trade and other payables	(2.2)
	<hr/>
Net assets	21.2
Non-controlling interests	(9.8)
	<hr/>
Net identifiable assets acquired	11.4
Provisional goodwill	110.0
	<hr/>
Purchase consideration	121.4
	<hr/> <hr/>

The goodwill is attributable to the future profitability of the acquired businesses and the synergies expected to arise after the Group's acquisitions.

Net cash flow arising on acquisitions:

	HK\$M
Purchase consideration for acquisition of businesses, settle in cash	11.4
Cash and cash equivalents in businesses acquired	(16.1)
	<hr/>
Cash inflow on acquisition of businesses	(4.7)
	<hr/> <hr/>

At 30th June 2015, purchase consideration of HK\$34.6 million and HK\$75.4 million remained unpaid and included in trade and other payables and loan and other payables to non-controlling shareholders respectively.

FINANCIAL RESOURCES REVIEW

Liquidity and capital resources

As at 30th June 2015, the Group had a net current deposits position of HK\$4,453 million (31st December 2014: HK\$6,106 million) and long-term borrowings of HK\$23,262 million (31st December 2014: HK\$24,484 million). In addition, banking facilities available for use amounted to HK\$12,700 million (31st December 2014: HK\$11,400 million).

The operating and capital expenditures of the Group are funded by cash flow from operations, internal liquidity, banking facilities, debt and equity financing. The Group has adequate and stable sources of funds and unutilised banking facilities to meet its future capital expenditures and working capital requirements.

Financing structure

In May 2009, the Group established a US\$1 billion Medium Term Note Programme (the "Programme") which gives the Group the flexibility to issue notes at favorable terms and timing under the Programme. In May 2012, the Programme was updated with the size increased to US\$2 billion. Up to 30th June 2015, the Group issued notes in the total amount of HK\$11,332 million (31st December 2014: HK\$10,360 million) with maturity terms of 5 years, 10 years, 12 years, 15 years, 30 years and 40 years in Renminbi, Australian dollar, Japanese yen and Hong Kong dollar under the Programme (the "MTNs"). The carrying value of the issued MTNs as at 30th June 2015 was HK\$10,646 million (31st December 2014: HK\$9,748 million).

As at 30th June 2015, the outstanding principal amount of the 10-year US dollar Guaranteed Notes (the "Guaranteed Notes") issued in August 2008 at a fixed coupon rate of 6.25 per cent per annum was US\$995 million (31st December 2014: US\$995 million) and the carrying value was HK\$7,679 million (31st December 2014: HK\$7,675 million).

As at 30th June 2015, the Group's borrowings amounted to HK\$32,964 million (31st December 2014: HK\$31,534 million). While the Notes mentioned above together with the bank and other loans of HK\$1,441 million (31st December 2014: HK\$1,326 million) had fixed interest rate and were unsecured, the remaining bank and other loans were unsecured and had a floating interest rate, of which HK\$5,559 million (31st December 2014: HK\$6,446 million) were long-term bank loans and HK\$7,639 million (31st December 2014: HK\$6,339 million) had maturities within one year on revolving credit or term loan facilities. As at 30th June 2015, the maturity profile of the Group's borrowings was 29 per cent within 1 year, 7 per cent within 1 to 2 years, 37 per cent within 2 to 5 years and 27 per cent over 5 years (31st December 2014: 22 per cent within 1 year, 17 per cent within 1 to 2 years, 35 per cent within 2 to 5 years and 26 per cent over 5 years).

The US dollar Guaranteed Notes, the RMB Note, AUD Note and JPY Note issued, and a bank loan of RMB500 million raised in Hong Kong are hedged to Hong Kong dollars by currency swaps and the Group's borrowings are primarily denominated in Hong Kong dollars and Renminbi; thus, the Group has no significant exposure to foreign exchange risk.

In January 2014, the Group issued its first Perpetual Subordinated Guaranteed Capital Securities (the "Perpetual Capital Securities") amounting to US\$300 million with distribution rate of 4.75 per cent per annum for the first five years and thereafter at floating distribution rate. With no fixed maturity and the distribution payment can be deferred at the discretion of the Group, the Perpetual Capital Securities are redeemable at the Group's option on or after 28th January 2019 and are accounted for as equity in the financial statements. The Perpetual Capital Securities are guaranteed by the Company. The issuance helps strengthen the Group's balance sheet, improve its financing maturity profile and diversify its funding sources.

The gearing ratio net borrowing/(shareholders' funds + perpetual capital securities + net borrowing) for the Group as at 30th June 2015 remained healthy at 25 per cent (31st December 2014: 25 per cent).

Contingent liabilities

As at 30th June 2015 and 31st December 2014, the Group did not provide any guarantee in respect of bank borrowing facilities made available to any associates, joint ventures or third parties.

Currency profile

The Group's operations and activities are predominantly based in Hong Kong and mainland China. As such, its cash, cash equivalents or borrowings are mainly denominated in Hong Kong dollars, Renminbi or United States dollars, whereas borrowings for the Group's subsidiaries, associates and joint ventures in mainland China are predominantly denominated in the local currency, Renminbi, in order to provide natural hedging for the investment there.

Group's financial investments in securities

Under the guidance of the Group's Treasury Committee, financial investments have been made in equity and debt securities. As at 30th June 2015, the investments in securities amounted to HK\$1,745 million (31st December 2014: HK\$2,150 million). The performance of the Group's financial investments in securities was satisfactory.

OTHER INFORMATION

Corporate governance

During the six months ended 30th June 2015, the Company had complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Model code for dealing in securities by Directors

The Company has adopted the model code as set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the Directors (the "Model Code"). Following specific enquiries by the Company, all Directors have confirmed that they have fully complied with the required standard set out in the Model Code throughout the six months ended 30th June 2015.

Audit committee

An audit committee was formed in May 1996 to review and supervise the financial reporting process and internal controls of the Group. An audit committee meeting was held in August 2015 to review the unaudited interim accounts for the six months ended 30th June 2015. PricewaterhouseCoopers, the Group's external auditor, carried out a review of the unaudited interim accounts for the six months ended 30th June 2015 in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. An unmodified review report was issued subsequent to the review.

Purchase, sale or redemption of the Company's listed securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June 2015.

Disclosure of interests

A. Directors

As at 30th June 2015, the interests and short positions of each Director of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Shares and underlying shares (Long positions)

Name of company	Name of director	Interest in shares			Aggregate interests	%*
		Personal interests	Corporate interests	Other interests		
The Hong Kong and China Gas Company Limited	Dr. the Hon. Lee Shau Kee		4,800,418,503 (Note 3)		4,800,418,503	41.51
	Dr. the Hon. David Li Kwok Po	32,242,410			32,242,410	0.28
	Dr. Lee Ka Kit			4,800,418,503 (Note 2)	4,800,418,503	41.51
	Mr. Alfred Chan Wing Kin	220,408 (Note 5)			220,408	0.00
	Mr. Lee Ka Shing			4,800,418,503 (Note 2)	4,800,418,503	41.51
	Professor Poon Chung Kwong	150,596 (Note 4)			150,596	0.00
Lane Success Development Limited	Dr. the Hon. Lee Shau Kee		9,500 (Note 6)		9,500	95
	Dr. Lee Ka Kit			9,500 (Note 6)	9,500	95
	Mr. Lee Ka Shing			9,500 (Note 6)	9,500	95
Yieldway International Limited	Dr. the Hon. Lee Shau Kee		2 (Note 7)		2	100
	Dr. Lee Ka Kit			2 (Note 7)	2	100
	Mr. Lee Ka Shing			2 (Note 7)	2	100
Towngas China Company Limited (“Towngas China”)	Dr. the Hon. Lee Shau Kee		1,663,541,813 (Note 8)		1,663,541,813	62.94
	Dr. Lee Ka Kit			1,663,541,813 (Note 8)	1,663,541,813	62.94
	Mr. Lee Ka Shing			1,663,541,813 (Note 8)	1,663,541,813	62.94
	Mr. Alfred Chan Wing Kin	3,618,000			3,618,000	0.14
	Mr. Peter Wong Wai Yee	3,015,000			3,015,000	0.11

* Percentage which the aggregate long position in the shares or underlying shares represents to the number of issued shares of the Company or any of its associated corporations.

Options to subscribe for shares of Towngas China (Long positions)

Pursuant to the share option scheme of Towngas China, a subsidiary of the Company, certain Directors of the Company have been granted options to subscribe for the shares of Towngas China, details of which as at 30th June 2015 were as follows:

Name of company	Name of director	Date of grant	Exercise period	Exercise price (HK\$)	Number of shares of Towngas China subject to outstanding options as at 01.01.2015*	Number of shares of Towngas China subject to outstanding options as at 30.06.2015*
Towngas China	Mr. Alfred Chan Wing Kin	16.03.2007	16.03.2008 – 27.11.2015	3.811	1,085,400	–
		16.03.2007	16.03.2009 – 27.11.2015	3.811	1,085,400	–
		16.03.2007	16.03.2010 – 27.11.2015	3.811	1,447,200	–
	Total				3,618,000	–
	Mr. Peter Wong Wai Yee	16.03.2007	16.03.2008 – 27.11.2015	3.811	904,500	–
		16.03.2007	16.03.2009 – 27.11.2015	3.811	904,500	–
		16.03.2007	16.03.2010 – 27.11.2015	3.811	1,206,000	–
	Total				3,015,000	–

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

Save as mentioned above, as at 30th June 2015, there were no other interests or short positions of the Directors of the Company 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 Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

B. Substantial shareholders and others (Long positions)

As at 30th June 2015, the interests and short positions of every person, other than the Directors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

	Name of company	No. of shares in which interested	%*
Substantial shareholders (a person who is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting)	Disralei Investment Limited (Note 1)	2,672,405,723	23.11
	Timpani Investments Limited (Note 1)	3,710,385,009	32.09
	Faxson Investment Limited (Note 1)	4,800,418,503	41.51
	Henderson Land Development Company Limited (Note 1)	4,800,418,503	41.51
	Henderson Development Limited (Note 1)	4,800,418,503	41.51
	Hopkins (Cayman) Limited (Note 2)	4,800,418,503	41.51
	Riddick (Cayman) Limited (Note 2)	4,800,418,503	41.51
	Rimmer (Cayman) Limited (Note 2)	4,800,418,503	41.51
Persons other than substantial shareholders	Macrostar Investment Limited (Note 1)	1,090,033,494	9.43
	Chelco Investment Limited (Note 1)	1,090,033,494	9.43
	Medley Investment Limited (Note 1)	1,037,979,286	8.98
	Commonwealth Bank of Australia (Note 9)	615,615,931	5.32

* Percentage which the aggregate long position in the shares represents to the number of issued shares of the Company.

Save as mentioned above, as at 30th June 2015, the register maintained by the Company pursuant to section 336 of the SFO recorded no other interests or short positions in shares and underlying shares of the Company.

Notes:

- These 4,800,418,503 shares were beneficially owned by Macrostar Investment Limited ("Macrostar"), Medley Investment Limited ("Medley") and Disralei Investment Limited ("Disralei"). Macrostar was a wholly-owned subsidiary of Chelco Investment Limited, which was in turn, a wholly-owned subsidiary of Faxson Investment Limited ("FIL"). Medley and Disralei were wholly-owned subsidiaries of Timpani Investments Limited, which was in turn, a wholly-owned subsidiary of FIL. FIL was a wholly-owned subsidiary of Henderson Land Development Company Limited ("HLD"). Henderson Development Limited ("HD") was entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of HLD.
- These 4,800,418,503 shares are duplicated in the interests described in Note 1. Hopkins (Cayman) Limited ("Hopkins") owned all the issued ordinary shares which carry the voting rights in the share capital of HD as trustee of a unit trust ("Unit Trust"). Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"), as trustees of the respective discretionary trusts, held units in the Unit Trust. Dr. Lee Ka Kit and Mr. Lee Ka Shing, as discretionary beneficiaries of the discretionary trusts, were taken to have duties of disclosure in relation to these shares by virtue of Part XV of the SFO.
- These 4,800,418,503 shares are duplicated in the interests described in Notes 1 and 2. Dr. the Hon. Lee Shau Kee beneficially owned all the issued shares in Rimmer, Riddick and Hopkins and was taken to be interested in these shares by virtue of Part XV of the SFO.
- These 150,596 shares were jointly held by Professor Poon Chung Kwong and his spouse.
- These 220,408 shares were jointly held by Mr. Alfred Chan Wing Kin and his spouse.

6. These 9,500 shares in Lane Success Development Limited were beneficially owned by a wholly-owned subsidiary of the Company (as to 4,500 shares) and a wholly-owned subsidiary of HLD (as to 5,000 shares). Dr. the Hon. Lee Shau Kee, Dr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in HLD and the Company as set out in Notes 1 to 3 by virtue of Part XV of the SFO.
7. These 2 shares in Yieldway International Limited were beneficially owned by a wholly-owned subsidiary of the Company (as to 1 share) and a wholly-owned subsidiary of HLD (as to 1 share). Dr. the Hon. Lee Shau Kee, Dr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in HLD and the Company as set out in Notes 1 to 3 by virtue of Part XV of the SFO.
8. These 1,663,541,813 shares in Towngas China representing 62.94% of the total issued shares in Towngas China were taken to be interested by Hong Kong & China Gas (China) Limited (“HK&CG (China)”) (as to 1,619,638,376 shares), Planwise Properties Limited (“Planwise”) (as to 41,349,131 shares) and Superfun Enterprises Limited (“Superfun”) (as to 2,554,306 shares), wholly-owned subsidiaries of the Company, upon their submission of election forms with Towngas China electing to receive new shares in Towngas China in lieu of cash dividend pursuant to Towngas China’s scrip dividend scheme on 26th June 2015. Subsequent to the allotment of new shares (including, *inter alia*, a total of 21,052,159 new shares allotted to HK&CG (China), Planwise and Superfun) by Towngas China on 10th July 2015, the said percentage figure of interest in Towngas China’s shares was adjusted to 62.44% as at 10th July 2015. Dr. the Hon. Lee Shau Kee, Dr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in the Company as set out in Notes 1 to 3 by virtue of Part XV of the SFO.
9. The Company has been notified that Commonwealth Bank of Australia (“Commonwealth Bank”) was taken to be interested in these 615,615,931 shares which were held by indirect wholly-owned subsidiaries of Commonwealth Bank as at 30th June 2015. Referring to their previous notice dated 5th March 2014 of holding 479,526,700 shares as recorded in the Company’s register, such increase in shareholding was not required to be disclosed under Part XV of the SFO.

Share option scheme of Towngas China

Towngas China operates a share option scheme (“2005 Main Board Scheme”) under which the board of Towngas China may, at its discretion, offer any employee (including any director) of Towngas China or its subsidiaries options to subscribe for shares in Towngas China subject to the terms and conditions stipulated in the above scheme. The 2005 Main Board Scheme was approved by its shareholders on 28th November 2005 and has a life of 10 years until 27th November 2015.

Details of specific categories of options of Towngas China 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

The following table discloses movements in the share options of Towngas China during the period:

	Option types	Date of grant	Exercise period	Exercise price (HK\$)	Number of shares of Towngas China subject to outstanding options as at 01.01.2015	Exercised during the period	Number of shares of Towngas China subject to outstanding options as at 30.06.2015	Weighted average closing price of shares of Towngas China immediately before the date(s) on which options were exercised (HK\$)
Category 1: Directors of Towngas China								
Mr. Alfred Chan Wing Kin	2007 Options	16.03.2007	16.03.2008 – 27.11.2015	3.811	1,085,400	1,085,400	–	8.73
		16.03.2007	16.03.2009 – 27.11.2015	3.811	1,085,400	1,085,400	–	8.73
		16.03.2007	16.03.2010 – 27.11.2015	3.811	1,447,200	1,447,200	–	8.73
Mr. Peter Wong Wai Yee	2007 Options	16.03.2007	16.03.2008 – 27.11.2015	3.811	904,500	904,500	–	8.54
		16.03.2007	16.03.2009 – 27.11.2015	3.811	904,500	904,500	–	8.54
		16.03.2007	16.03.2010 – 27.11.2015	3.811	1,206,000	1,206,000	–	8.54
A director of Towngas China	2007 Options	16.03.2007	16.03.2008 – 27.11.2015	3.811	904,500	904,500	–	8.54
		16.03.2007	16.03.2009 – 27.11.2015	3.811	904,500	904,500	–	8.54
		16.03.2007	16.03.2010 – 27.11.2015	3.811	1,206,000	1,206,000	–	8.54
Total for Category 1					9,648,000	9,648,000	–	
Category 2: Employees of Towngas China								
	2006 Options	03.10.2006	04.10.2007 – 27.11.2015	2.796	120,600	120,600	–	6.92
		03.10.2006	04.04.2008 – 27.11.2015	2.796	523,600	241,200	282,400	8.13
		03.10.2006	04.10.2008 – 27.11.2015	2.796	723,600	241,200	482,400	8.73
Total for Category 2					1,367,800	603,000	764,800	
All categories					11,015,800	10,251,000	764,800	

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 period, no share option was cancelled or had lapsed.
3. During the period, no new option was granted.

Arrangements to purchase shares or debentures

Other than the share option scheme of Towngas China disclosed above, at no time during the period was the Company or any of its subsidiary companies or fellow subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Changes in the information of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the information of Directors of the Company required to be disclosed are shown as follows:

- 1) **Dr. the Hon. LEE Shau Kee** G.B.M., D.B.A. (Hon.), D.S.Sc. (Hon.), LL.D. (Hon.),
Chairman & Non-executive Director

Dr. Lee stepped down from the positions of the Chairman and Managing Director of Henderson Investment Limited (“Henderson Investment”) and remains as an Executive Director of Henderson Investment on 1st July 2015.

- 2) **Dr. Colin LAM Ko Yin** F.C.I.L.T., F.H.K.I.o.D., D.B. (Hon.),
Non-executive Director

Dr. Lam was conferred a degree of Doctor of Business (Honoris Causa) by Macquarie University on 8th April 2015.

- 3) **Dr. LEE Ka Kit** G.B.S., J.P., D.B.A. (Hon.),
Non-executive Director

Dr. Lee was awarded the Gold Bauhinia Star by the Government of the Hong Kong Special Administrative Region on 1st July 2015.

- 4) **Mr. Alfred CHAN Wing Kin** 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),
Managing Director

(i) Mr. Chan was honoured with the Leadership Award in Gas Industry Award 2015 from the Institution of Gas Engineers & Managers and the Energy and Utilities Alliance of the United Kingdom on 14th May 2015.

(ii) Mr. Chan resigned as an Independent Non-executive Director of Standard Chartered Bank (Hong Kong) Limited on 17th July 2015.

- 5) **Mr. LEE Ka Shing**
Non-executive Director

Mr. Lee was re-designated as the Chairman and Managing Director of Henderson Investment on 1st July 2015.

- 6) **Professor POON Chung Kwong** G.B.S., J.P., Ph.D., D.Sc.,
Independent Non-executive Director

Professor Poon resigned as an Independent Non-executive Director of K. Wah International Holdings Limited on 31st July 2015.

CORPORATE INFORMATION

Board of directors

As at the date of this report, the board of directors of the Company comprises Dr. the Hon. Lee Shau Kee (Chairman), Mr. Leung Hay Man*, Dr. Colin Lam Ko Yin, Dr. the Hon. David Li Kwok Po*, Dr. Lee Ka Kit, Mr. Alfred Chan Wing Kin, Mr. Lee Ka Shing, Professor Poon Chung Kwong* and Mr. Peter Wong Wai Yee.

* *Independent Non-executive Director*

Registered office

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

Company's website

www.towngas.com

Share registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong
Telephone number: 2862 8555
Fax number: 2865 0990

Investor relations

Corporate Investment and Investor Relations Department
Telephone number: 2963 3189
Fax number: 2911 9005
E-mail address: invrelation@towngas.com

Corporate Communications Department

Telephone number: 2963 3493
Fax number: 2516 7368
E-mail address: ccd@towngas.com

Company Secretarial Department

Telephone number: 2963 3292
Fax number: 2562 6682
E-mail address: compsec@towngas.com

A printed version of this Interim Report is available on request from the Company and the Company's Share Registrar free of charge. The website version of this Interim Report is also available on the Company's website.