

CONSOLIDATED INCOME STATEMENT

for the year ended 31st December 2014

	Note	2014 HK\$'M	2013 HK\$'M
Revenue	5	31,614.7	28,245.9
Total operating expenses	6	(24,353.7)	(21,546.3)
		7,261.0	6,699.6
Other gains, net	7	411.9	965.0
Interest expense	9	(1,012.9)	(925.7)
Share of results of associates	22	1,725.1	1,389.1
Share of results of joint ventures	23	1,489.5	1,282.8
Profit before taxation	10	9,874.6	9,410.8
Taxation	13	(1,771.4)	(1,655.2)
Profit for the year		8,103.2	7,755.6
Attributable to:			
Shareholders of the Company		7,109.2	6,853.8
Holders of perpetual capital securities		102.2	–
Non-controlling interests		891.8	901.8
		8,103.2	7,755.6
Dividends	15	3,679.7	3,345.9
Earnings per share – basic and diluted, HK cents	16	67.6	65.2 ¹

¹ Adjusted for the bonus issue in 2014

The notes on pages 88 to 172 form part of these accounts.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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for the year ended 31st December 2014

	2014 HK\$'M	2013 HK\$'M
Profit for the year	8,103.2	7,755.6
Other comprehensive income:		
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Remeasurements of retirement benefit	(63.0)	110.9
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Revaluation surplus/(deficit) of available-for-sale financial assets	59.1	(178.7)
Impairment loss on available-for-sale financial assets transferred to income statement	5.8	66.2
Change in fair value of cash flow hedges	(87.2)	152.6
Share of other comprehensive income/(loss) of an associate	2.6	(1.7)
Exchange differences	(890.0)	892.1
Other comprehensive (loss)/income for the year, net of tax	(972.7)	1,041.4
Total comprehensive income for the year	7,130.5	8,797.0
Total comprehensive income attributable to:		
Shareholders of the Company	6,283.1	7,722.5
Holders of perpetual capital securities	102.2	–
Non-controlling interests	745.2	1,074.5
	7,130.5	8,797.0

The notes on pages 88 to 172 form part of these accounts.

80 CONSOLIDATED BALANCE SHEET

as at 31st December 2014

	Note	2014 HK\$/M	2013 HK\$/M
Assets			
Non-current assets			
Property, plant and equipment	17	49,695.0	45,450.9
Investment property	18	683.0	646.0
Leasehold land	19	1,658.6	1,551.4
Intangible assets	20	5,858.5	5,253.3
Associates	22	17,572.5	17,015.1
Joint ventures	23	9,033.8	8,939.0
Available-for-sale financial assets	24	2,599.7	2,937.3
Derivative financial instruments	35	266.6	421.4
Retirement benefit assets	25	–	66.3
Other non-current assets	26	2,401.7	2,425.8
		89,769.4	84,706.5
Current assets			
Inventories	27	2,283.2	2,383.1
Trade and other receivables	28	6,975.7	6,567.6
Loan and other receivables from associates	22	115.1	116.5
Loan and other receivables from joint ventures	23	1,239.2	1,664.7
Loan and other receivables from non-controlling shareholders		153.9	157.2
Financial assets at fair value through profit or loss	29	718.8	661.3
Time deposits over three months	30	550.1	1,289.3
Time deposits up to three months, cash and bank balances	30	12,605.5	8,849.0
		24,641.5	21,688.7
Current liabilities			
Trade and other payables	31	(11,942.6)	(11,272.3)
Amounts due to joint ventures	23	(677.7)	(596.6)
Loan and other payables to non-controlling shareholders		(213.9)	(274.2)
Provision for taxation		(805.7)	(896.4)
Borrowings	32	(7,049.7)	(6,222.3)
		(20,689.6)	(19,261.8)
Net current assets		3,951.9	2,426.9
Total assets less current liabilities		93,721.3	87,133.4

The notes on pages 88 to 172 form part of these accounts.

CONSOLIDATED BALANCE SHEET (Continued)

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as at 31st December 2014

	Note	2014 HK\$'M	2013 HK\$'M
Non-current liabilities			
Customers' deposits	33	(1,256.4)	(1,233.4)
Deferred taxation	34	(5,169.2)	(4,711.3)
Borrowings	32	(24,484.3)	(24,401.1)
Loan payables to non-controlling shareholders		(22.3)	(22.1)
Asset retirement obligations		(31.9)	(29.2)
Derivative financial instruments	35	(527.6)	(365.8)
Retirement benefit liabilities	25	(5.9)	–
		(31,497.6)	(30,762.9)
Net assets		62,223.7	56,370.5
Capital and reserves			
Share capital	36	5,474.7	2,389.9
Share premium	37	–	2,861.0
Reserves	39	44,735.7	42,418.0
Proposed dividend	39	2,417.8	2,198.7
Shareholders' funds		52,628.2	49,867.6
Perpetual capital securities	38	2,353.8	–
Non-controlling interests		7,241.7	6,502.9
Total equity		62,223.7	56,370.5

Approved by the Board of Directors on 18th March 2015

Lee Chau Kee
Director

David Li Kwok Po
Director

The notes on pages 88 to 172 form part of these accounts.

BALANCE SHEET

as at 31st December 2014

	Note	2014 HK\$'M	2013 HK\$'M
Assets			
Non-current assets			
Property, plant and equipment	17	10,124.3	9,778.2
Leasehold land	19	238.9	245.9
Subsidiaries	21	17,333.5	18,268.6
Joint ventures	23	875.4	910.4
Available-for-sale financial assets	24	47.3	44.5
Retirement benefit assets	25	–	66.3
		28,619.4	29,313.9
Current assets			
Inventories	27	1,161.8	1,198.1
Trade and other receivables	28	1,853.3	1,884.3
Loan receivables from subsidiaries	21	331.6	398.8
Loan and other receivables from associates	22	37.6	36.1
Other receivables from joint ventures	23	11.6	7.6
Time deposits over three months	30	–	219.5
Time deposits up to three months, cash and bank balances	30	2,182.7	1,220.4
		5,578.6	4,964.8
Current liabilities			
Trade and other payables	31	(884.3)	(888.5)
Amounts due to joint ventures	23	(0.6)	(0.6)
Provision for taxation		(154.7)	(168.9)
Borrowings	32	(300.0)	–
		(1,339.6)	(1,058.0)
Net current assets		4,239.0	3,906.8
Total assets less current liabilities		32,858.4	33,220.7

The notes on pages 88 to 172 form part of these accounts.

BALANCE SHEET (Continued)

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as at 31st December 2014

	Note	2014 HK\$'M	2013 HK\$'M
Non-current liabilities			
Loan and other payables to subsidiaries	21	(14,519.4)	(14,416.2)
Customers' deposits	33	(1,246.6)	(1,225.0)
Deferred taxation	34	(1,185.4)	(1,148.9)
Retirement benefit liabilities	25	(5.9)	–
Borrowings	32	–	(300.0)
		(16,957.3)	(17,090.1)
Net assets		15,901.1	16,130.6
Capital and reserves			
Share capital	36	5,474.7	2,389.9
Share premium	37	–	2,861.0
Reserves	39	8,008.6	8,681.0
Proposed dividend	39	2,417.8	2,198.7
		15,901.1	16,130.6

Approved by the Board of Directors on 18th March 2015

Lee Shau Kee
Director

David Li Kwok Po
Director

The notes on pages 88 to 172 form part of these accounts.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31st December 2014

	Note	2014 HK\$'M	2013 HK\$'M
Net cash from operating activities	43	8,179.8	6,992.3
Investing activities			
Receipt from sale of property, plant and equipment		45.0	38.8
Receipt from sale of leasehold land		2.9	2.6
Purchase of property, plant and equipment		(6,250.3)	(5,086.0)
Payment for leasehold land		(114.7)	(207.9)
Increase in investments in associates		(376.7)	(474.7)
Increase in loans to associates		(341.7)	(207.9)
Repayment of loans by associates		605.3	613.8
Decrease/(increase) in investments in joint ventures		374.4	(5.1)
Increase in loans to joint ventures		(33.6)	(290.2)
(Decrease)/increase in loans from joint ventures		(116.4)	148.0
Repayment of loans by joint ventures		428.9	538.2
Consideration paid for acquisition of businesses in prior periods		(449.8)	(347.9)
Deferred consideration received		40.0	40.0
Acquisition of businesses	45	(564.6)	(1,200.3)
Further acquisition of subsidiaries		(15.2)	(115.7)
Disposal of a subsidiary		–	1.8
Sale of financial assets at fair value through profit or loss		172.0	283.3
Sale of available-for-sale financial assets		608.8	44.9
Purchase of available-for-sale financial assets		(134.7)	(90.6)
Purchase of financial assets at fair value through profit or loss		(81.5)	(590.5)
Decrease/(increase) in time deposits over three months		737.1	(968.4)
Interest received		317.4	325.2
Dividends received from investments in securities		243.1	202.7
Dividends received from associates		1,028.9	968.5
Dividends received from joint ventures		1,042.1	643.8
Net cash used in investing activities		(2,833.3)	(5,733.6)

The notes on pages 88 to 172 form part of these accounts.

CONSOLIDATED CASH FLOW STATEMENT (Continued)

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for the year ended 31st December 2014

	Note	2014 HK\$'M	2013 HK\$'M
Financing activities			
Share repurchased		(60.3)	–
Issue of shares of a subsidiary under share option scheme		10.2	9.5
Issue of shares of a subsidiary		–	930.3
Change in loans with non-controlling shareholders		6.0	26.7
Capital injection by non-controlling shareholders		175.3	94.8
Increase in borrowings		7,931.8	4,052.6
Issue of perpetual capital securities		2,306.8	–
Repayment of borrowings		(6,706.3)	(5,102.5)
Interest paid to holders of perpetual capital securities		(55.2)	–
Interest paid		(1,251.7)	(1,205.9)
Dividends paid to shareholders of the Company	39	(3,460.6)	(3,146.0)
Dividends paid to non-controlling shareholders		(340.2)	(335.0)
Net cash used in financing activities		(1,444.2)	(4,675.5)
Increase/(decrease) in cash and cash equivalents		3,902.3	(3,416.8)
Cash and cash equivalents at 1st January		8,849.0	12,186.4
Effect of foreign exchange rate changes		(145.8)	79.4
Cash and cash equivalents at 31st December		12,605.5	8,849.0
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		4,641.1	5,139.4
Time deposits up to three months		7,964.4	3,709.6
		12,605.5	8,849.0

The notes on pages 88 to 172 form part of these accounts.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31st December 2014

	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 as at 1st January 2014	2,389.9	2,861.0	44,616.7	–	6,502.9	56,370.5
Profit for the year	–	–	7,109.2	102.2	891.8	8,103.2
Other comprehensive income:						
Remeasurements of retirement benefit	–	–	(63.0)	–	–	(63.0)
Revaluation surplus of available-for-sale financial assets	–	–	59.1	–	–	59.1
Impairment loss on available-for-sale financial assets transferred to income statement	–	–	5.8	–	–	5.8
Change in fair value of cash flow hedges	–	–	(88.5)	–	1.3	(87.2)
Share of other comprehensive income of an associate	–	–	2.6	–	–	2.6
Exchange differences	–	–	(742.1)	–	(147.9)	(890.0)
Total comprehensive income for the year	–	–	6,283.1	102.2	745.2	7,130.5
Transition to no-par value regime on 3rd March 2014	3,084.8	(2,861.0)	(223.8)	–	–	–
Capital injection	–	–	–	–	175.3	175.3
Acquisition of businesses (Note 45)	–	–	–	–	161.9	161.9
Further acquisition of subsidiaries	–	–	(1.6)	–	(13.6)	(15.2)
Interest paid on perpetual capital securities	–	–	–	(55.2)	–	(55.2)
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	–	–	(3,460.6)	–	–	(3,460.6)
Dividends paid to non-controlling shareholders	–	–	–	–	(340.2)	(340.2)
Shares repurchased	–	–	(60.3)	–	–	(60.3)
Total equity as at 31st December 2014	5,474.7	–	47,153.5	2,353.8	7,241.7	62,223.7

The notes on pages 88 to 172 form part of these accounts.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

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for the year ended 31st December 2014

	Attributable to shareholders of the Company			Non- controlling interests HK\$'M	Total HK\$'M
	Share capital HK\$'M	Share premium HK\$'M	Reserves HK\$'M		
Balance at 1st January 2013, as previously reported	2,172.6	3,078.3	40,067.6	5,148.4	50,466.9
Effect of adoption of HKAS 19 (amendment 2011)	–	–	(116.7)	–	(116.7)
Total equity as at 1st January 2013, as restated	2,172.6	3,078.3	39,950.9	5,148.4	50,350.2
Profit for the year	–	–	6,853.8	901.8	7,755.6
Other comprehensive income:					
Remeasurements of retirement benefit	–	–	110.9	–	110.9
Revaluation deficit of available-for-sale financial assets	–	–	(178.7)	–	(178.7)
Impairment loss on available-for-sale financial assets transferred to income statement	–	–	66.2	–	66.2
Change in fair value of cash flow hedges	–	–	149.3	3.3	152.6
Share of other comprehensive loss of an associate	–	–	(1.7)	–	(1.7)
Exchange differences	–	–	722.7	169.4	892.1
Total comprehensive income for the year	–	–	7,722.5	1,074.5	8,797.0
Capital injection	–	–	–	94.8	94.8
Share of capital reserve of a joint venture	–	–	(155.5)	–	(155.5)
Acquisition of businesses	–	–	–	47.9	47.9
Further acquisition of subsidiaries	–	–	(66.3)	(49.4)	(115.7)
Disposal of a subsidiary	–	–	–	(107.0)	(107.0)
Partial disposal of a subsidiary	–	–	(13.6)	13.6	–
Issue of shares of a subsidiary	–	–	327.0	603.3	930.3
Issue of shares of a subsidiary under share option schemes	–	–	(2.3)	11.8	9.5
Dividends paid to shareholders of the Company	–	–	(3,146.0)	–	(3,146.0)
Dividends paid to non-controlling shareholders	–	–	–	(335.0)	(335.0)
Bonus issue	217.3	(217.3)	–	–	–
Total equity as at 31st December 2013	2,389.9	2,861.0	44,616.7	6,502.9	56,370.5

The notes on pages 88 to 172 form part of these accounts.

NOTES TO THE ACCOUNTS

1 General information

The Hong Kong and China Gas Company Limited (the “Company”) and its subsidiaries (collectively, the “Group”) have been diversified into different fields of businesses and principally engages in the production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses in Hong Kong and the People’s Republic of China (the “PRC”). The Group is also engaged in property development and investment activities in Hong Kong.

The Company is a limited liability company incorporated and domiciled in Hong Kong and listed on The Stock Exchange of Hong Kong Limited. The address of its registered office is 23rd Floor, 363 Java Road, North Point, Hong Kong.

These consolidated accounts have been approved for issue by the Board of Directors on 18th March 2015.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the consolidated accounts are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated accounts of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). They have been prepared under the historical cost convention, as modified by the revaluation of investment property, available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss and derivative financial instruments, which are carried at fair value.

In accordance with the transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), “Accounts and Audit” as set out in sections 76 to 87 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622), the consolidated accounts are prepared in accordance with the applicable requirements of the predecessor Companies Ordinance (Cap. 32) for this financial year and the comparative period.

The preparation of accounts in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated accounts are disclosed in Note 4.

(i) *New or revised standards, interpretations and amendments adopted in 2014*

The Group has adopted the following new or revised standards, interpretations and amendments to standards which are effective for the Group’s financial year beginning 1st January 2014 and relevant to the Group.

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
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
Annual Improvements 2012	Annual Improvements to HKFRSs 2010-2012 Cycle
HK (IFRIC) – Int 21	“Levies”

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

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) *New or revised standards, interpretations and amendments that are not yet effective for the year ended 31st December 2014 but relevant to the Group and have not been early adopted by the Group*

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

The Group has already commenced an assessment of the impact of these new standards, amendments and improvements to standards, certain of which may be relevant to the Group's operations and may give rise to changes in accounting policies, changes in disclosures and remeasurement of certain items in the financial statements. The Group is not yet in a position to ascertain their impact on its results of operations and financial position.

(iii) *New Hong Kong Companies Ordinance (Cap. 622)*

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation as from the Company's first financial year commencing on or after 3rd March 2014 in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of expected impact of the changes in the Companies Ordinance on the consolidated accounts in the period of initial application of Part 9 of the new Hong Kong Companies Ordinance (Cap. 622). So far it has concluded that the impact is unlikely to be significant and only the presentation and the disclosure of information in the consolidated accounts will be affected.

2 Summary of significant accounting policies (Continued)

(b) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December.

(i) *Subsidiaries*

Subsidiaries are entities (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the income statement.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment. Cost also includes direct attributable cost of investment. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(ii) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in the other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in the other comprehensive income are reclassified to the income statement.

2 Summary of significant accounting policies (Continued)

(b) Consolidation (Continued)

(iv) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20 per cent and 50 per cent of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in the other comprehensive income is reclassified to the income statement where appropriate.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in the other comprehensive income is recognised in the other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of results of associates" in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's accounts only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses in associates are recognised in the income statement.

(v) Joint ventures

Joint ventures are joint ventures whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. Investments in joint ventures are accounted for by the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in joint ventures includes goodwill identified on acquisition.

If the ownership interest in a joint venture is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in the other comprehensive income is reclassified to the income statement where appropriate.

The Group's share of its joint ventures' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in the other comprehensive income is recognised in the other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

2 Summary of significant accounting policies (Continued)

(b) Consolidation (Continued)

(v) *Joint ventures* (Continued)

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount adjacent to “share of results of joint ventures” in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its joint venture are recognised in the Group’s accounts only to the extent of unrelated investor’s interests in the joint ventures. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses in joint ventures are recognised in the income statement.

In the Company’s balance sheet, the investments in joint ventures are stated at cost less provision for impairment. The results of joint ventures are accounted for by the Company on the basis of dividend received and receivable.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive committee members that makes strategic decisions.

(d) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the accounts of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated accounts are presented in Hong Kong dollars (“HKD”), which is the Company’s functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale financial assets are analysed between translation differences resulting from changes in the amortised cost of the securities, and other changes in the carrying amount of the securities. Translation differences resulting from changes in the amortised cost of the securities are recognised in the income statement, and other changes in carrying amount are recognised in the other comprehensive income.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in the income statement as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the other comprehensive income.

2 Summary of significant accounting policies (Continued)

(d) Foreign currency translation (Continued)

(iii) Group companies

The results and financial position of all the Group entities, including associates and joint ventures, (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in the other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, are taken to the other comprehensive income. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Exploration and evaluation expenditure

Exploration and evaluation expenditure comprises costs which are directly attributable to: researching and analysing historical exploration data; conducting geological studies, exploratory drilling and sampling; examining and testing extraction and treatment methods; and compiling pre-feasibility and feasibility studies. Exploration and evaluation expenditure also includes the costs incurred in acquiring mining and oil properties, the entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

During the initial stage of a project, exploration and evaluation costs, other than costs incurred in acquiring land use right and mining and oil properties, are expensed as incurred. Expenditure on a project after it has reached a stage at which there is a high degree of confidence in its viability is capitalised and transferred to property, plant and equipment if the project proceeds. If a project does not prove viable, all irrecoverable costs associated with the project are expensed in the income statement.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment. The capitalised costs in respect of capital work in progress include direct materials, direct labour costs, subcontracting costs, capitalised borrowing costs and other direct overheads. Capital work in progress is transferred to relevant categories of property, plant and equipment upon completion of their respective work.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance incurred in restoring property, plant and equipment to their normal working condition are charged to the income statement.

2 Summary of significant accounting policies (Continued)

(f) Property, plant and equipment (Continued)

Depreciation of property, plant and equipment is calculated on a straight-line basis to allocate the cost less accumulated impairment of each component of the asset to its residual value over its estimated useful life as follows:

Production plant and related equipment	10 – 40 years
Vehicles, office furniture and equipment	5 – 15 years
Gas mains and risers	25 – 40 years
Water mains	30 – 50 years
Gasholders, office, store and buildings	20 – 40 years
Meters and installations	5 – 30 years
Mining and oil properties	Based on the units of production method utilising only recoverable coal and oil reserves as the depletion base
Others	5 – 30 years
Capital work in progress	No depreciation

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains or losses on disposal of a property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset and is recognised in the income statement.

(g) Deferred overburden removal costs

Mining structures include deferred stripping costs and mining related property, plant and equipment. When proven and probable coal reserves have been determined, stripping costs incurred to develop coal mines are capitalised as part of the cost of the mining structures. Stripping costs incurred during the production phase are variable production costs that are included in the costs of inventory produced during the period that the stripping costs are incurred, unless the stripping activity can be shown to give rise to future benefits from the mineral properties, in which case the stripping costs would be capitalised into property, plant and equipment as mining structures. Future benefits arise when stripping activity increases the future output of the mine by providing access to a new ore body.

Mining structures are depreciated on the unit-of-production method utilising only proven and probable coal reserves in the depletion base, or based on the useful lives of respective items of property, plant and equipment, whichever is appropriate.

(h) Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. In such cases, the operating leases concerned are accounted for as if it were finance leases.

2 Summary of significant accounting policies (Continued)

(h) Investment property (Continued)

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market value, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors ("HKIS"). These valuations are reviewed annually by qualified valuers. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the income statement.

Property that is being constructed or developed for future use as investment property is classified as investment properties and measured at fair value unless fair value cannot be reliably determined. Any difference between the fair value of the property at that date and its previous carrying amount is recognised in the income statement.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment, the gain is recognised in the income statement.

(i) Leases

(i) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged in the income statement on a straight-line basis over the period of the lease.

(ii) Finance leases

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is recognised in the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases are carried at cost less accumulated depreciation and impairment. They are depreciated over the shorter of the useful life of the assets and the lease term.

2 Summary of significant accounting policies (Continued)

(j) Intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries, associates and joint ventures at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in "intangible assets". Goodwill arising on an acquisition of an associate or joint venture is included in the cost of the investment of the relevant associate or joint venture. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on separately recognised goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Separately recognised goodwill is allocated to cash-generating units, primarily individual projects, for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Other intangible asset is carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost over the period of the relevant right from 15 years to 50 years.

(k) Impairment of investments in subsidiaries, associates, joint ventures and non-financial assets

Goodwill that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than separately recognised goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(l) Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets.

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and with no intention of trading the receivables. They are included in the current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

2 Summary of significant accounting policies (Continued)

(I) Financial assets (Continued)

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investments within 12 months of the balance sheet date.

The unlisted equity securities are carried at cost less impairment when these investments do not have a quoted market price and range of reasonable fair value estimate is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably.

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. 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 stated at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition. Loans and receivables are carried at amortised cost using effective interest method.

Gains and losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” category are presented in the income statement within “other gains, net”, in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of “other gains, net” when the Group’s right to receive payment is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the securities and other changes in the carrying amount of the securities. Translation differences resulting from changes in the amortised cost of the securities are recognised in the income statement, and other changes in the carrying amount are recognised in the other comprehensive income.

When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses on disposal of available-for-sale financial assets under “other gains, net”.

Interest on available-for-sale financial assets calculated using the effective interest method is recognised in the income statement as part of “other gains, net”. Dividends on available-for-sale equity instruments are recognised in the income statement as part of “other gains, net” when the Group’s right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques including the use of recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group may choose to reclassify a non-derivative trading financial asset out of the financial assets at fair value through profit or loss category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the financial assets at fair value through profit or loss category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term.

2 Summary of significant accounting policies (Continued)

(l) Financial assets (Continued)

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

(m) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of the derivative instruments used for hedging purposes are disclosed in Note 35. Movements on the hedging reserve in shareholders' equity are shown in Note 39. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within "other gains, net".

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of changes in the fair value of derivatives is recognised in the income statement within "interest expense". The gain or loss relating to the ineffective portion is recognised in the income statement within "other gains, net". However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or property, plant and equipment), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in case of inventory or in depreciation in the case of property, plant and equipment.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within "other gains, net".

(n) Inventories

Inventories comprise coal and oil, stores and materials and work in progress and are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, comprises materials, direct labour and an appropriate proportion of overheads. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

2 Summary of significant accounting policies (Continued)

(o) Construction contracts

Contract costs are recognised as expenses in the period in which they are incurred.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer and are capable of being reliably measured.

The Group uses the “percentage of completion method” to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion.

(p) Trade and other receivables

Trade and other receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using effective interest method, less provision for impairment.

(q) Impairment of financial assets

(i) *Assets carried at amortised cost*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower’s financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) adverse changes in the payment status of borrowers in the portfolio;
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

2 Summary of significant accounting policies (Continued)

(q) Impairment of financial assets (Continued)

(i) *Assets carried at amortised cost* (Continued)

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the 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. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

(ii) *Assets classified as available-for-sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to (i) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

(r) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, cash and cash equivalents are presented as time deposits up to three months, cash and bank balances in current assets and bank overdrafts are included in borrowings in current liabilities.

(s) Trade payables and customers' deposits

Trade payables and customers' deposits are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(t) Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2 Summary of significant accounting policies (Continued)

(t) Borrowings and borrowing costs (Continued)

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after balance sheet date.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the income statement in the year in which they are incurred.

(u) Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in the other comprehensive income or directly in equity. In this case, the tax is also recognised in the other comprehensive income or directly in equity.

The current taxation is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company, its subsidiaries, associates and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxation is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated accounts. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, deferred taxation is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred taxation is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(v) Revenue and income recognition

- (i) Gas sales – based on gas consumption derived from meter readings.
- (ii) Water sales – based on water consumption derived from meter readings.
- (iii) Liquefied petroleum gas sales – upon completion of the gas filling transaction.
- (iv) Equipment sales – upon completion of installation work or when equipment, materials and parts are delivered to customers and title has passed.
- (v) Oil and coal related sales – upon completion of delivery and title has passed.
- (vi) Maintenance and service charges – when services are provided.
- (vii) Interest income – recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.
- (viii) Dividend income – recognised when the right to receive payment is established.
- (ix) Rental income – recognised on a straight-line accrual basis over the terms of lease agreements.
- (x) Construction and gas connection income – recognised under percentage of completion method.

2 Summary of significant accounting policies (Continued)

(w) **Employee benefits**

Salaries, bonuses and paid annual leave are accrued in the year in which the associated services are rendered by employees to the Group.

The Group operates a number of defined contribution and one defined benefit retirement schemes and the assets of the schemes are held separately from those of the Group in independently administered funds. The retirement schemes are funded by payments from employees and by the Group, taking into account the recommendations of independent qualified actuaries.

(i) **Defined contribution retirement schemes**

The Group contributes to defined contribution retirement schemes and Mandatory Provident Fund schemes which are available to salaried employees in Hong Kong. The Group's contributions to these retirement schemes are calculated as a percentage of the employees' basic salaries or relevant income and are expensed as incurred. No forfeited contributions have been utilised by the Group to reduce the existing contributions.

For employees in mainland China, the Group contributes on a monthly basis to various defined contribution plans organised by the relevant municipal and provincial government in the PRC based on a certain percentage of the relevant employees' monthly salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees under these plans and the Group has no further constructive obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred.

(ii) **Defined benefit retirement scheme**

The Group also operates a defined benefit retirement scheme, namely the Workmen Retirement Scheme, in Hong Kong. The scheme provides benefit to employees based on final salary. The Group's net obligation in respect of the defined benefit retirement scheme is calculated separately for the scheme using the projected unit credit method. The benefit obligation is measured as the present value of the estimated future benefit that employees have earned for their service in the current and prior years using interest rates of government bonds which have terms to maturity approximating the terms of the related liability.

The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in income statement.

(x) **Provisions and contingencies**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset when the reimbursement is virtually certain.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

2 Summary of significant accounting policies (Continued)

(x) Provisions and contingencies (Continued)

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

Asset retirement obligations which meet the criteria of provisions are recognised as provisions and the amount recognised is the present value of the estimated future expenditure determined in accordance with local conditions and requirements, while a corresponding addition to the related oil properties of an amount equivalent to the provision is also created. This is subsequently depleted as part of the costs of the oil properties. Interest expenses from the assets retirement obligations for each period are recognised with the effective interest method during the useful life of the related oil properties.

If the conditions for the recognition of the provisions are not met, the expenditures for the decommissioning, removal and site cleaning will be expensed in the income statement when occurred.

3 Financial risk management

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to manage and reduce certain risk exposures.

Risk management is carried out by treasury and investment departments (Group Treasury) under policies approved by the Treasury Committee, comprising all the executive directors of the Company. Group Treasury identifies, evaluates and manages financial risks in close co-operation with the Group's operating units. The Treasury Committee provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group operates in Hong Kong, mainland China and Thailand and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollars ("USD"), Renminbi ("RMB") and Thailand Baht ("THB"). Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

To manage the foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Group uses forward contracts. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group has also entered into cross currency swap contracts to manage its exposure to foreign exchange risk from recognised liabilities. Group Treasury is responsible for managing the net position in each foreign currency by using external forward currency contracts and other suitable financial instruments.

3 Financial risk management (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

Transactions denominated in the USD mainly arise from the Group's operation in Hong Kong. Pursuant to Hong Kong's Linked Exchange Rate System under which HKD is pegged to the USD, management considers there are no significant foreign exchange risks with respect to the USD. Furthermore, there are no significant transactions and recognised assets and liabilities of the Thailand business in currency other than THB. Management considers there is no significant foreign exchange risk from the Thailand business.

At 31st December 2014, if the RMB had weakened/strengthened by 2 per cent (2013: 2 per cent) against HKD with all other variables held constant, pre-tax profit for the year would have been HK\$284.4 million (2013: HK\$244.8 million) lower/higher.

(ii) Price risk

The Group is exposed to equity securities price risk for the listed equity investments held by the Group which are classified as available-for-sale financial assets and financial assets at fair value through profit or loss of HK\$1,388.8 million (2013: HK\$1,353.8 million) and HK\$34.9 million (2013: HK\$42.5 million) respectively.

The Group also held unlisted equity investments which are classified as available-for-sale financial assets of HK\$212.7 million (2013: HK\$352.1 million). The underlyings of the investments are listed equity securities, which making them subject to equity securities price risk.

It is the Group's policy to maintain a well-diversified portfolio of investments to minimise impact of price risk.

Majority of the Group's equity securities are publicly traded and are included in one of the following indexes: Hang Seng Index, S&P 500 Index, Financial Times Stock Exchange ("FTSE") 100 Index and MSCI AC Asia Pacific excluding Japan ("MSCI Asia Pacific ex-Japan") Index.

The table below summarises the impact of increases/decreases of the following indexes on the Group's pre-tax profit for the year and on equity. The analysis is based on the assumption that the indexes had increased/decreased by 10 per cent with all other variables held constant and all the Group's equity securities moved according to the historical correlation with the indexes.

	Group			
	Impact on pre-tax profit		Impact on equity	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
Hang Seng Index	2.7	3.0	133.2	127.1
S&P 500 Index	1.2	0.3	2.8	7.6
FTSE 100 Index	–	0.5	7.8	9.7
MSCI Asia Pacific ex-Japan Index	–	–	20.3	37.5

Pre-tax profit for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss. Equity would increase/decrease as a result of gains/losses on equity securities classified as available-for-sale.

The Company has no significant equity securities and the Company's financial results are not significantly affected by equity securities price risk.

3 Financial risk management (Continued)

(a) Market risk (Continued)

(iii) Cash flow and fair value interest rate risk

The Group

Financial instruments at fixed and variable rates expose the Group to fair value interest rate risk and cash flow interest rate risk respectively. The Group's interest-bearing assets mainly comprise floating and fixed rate bank deposits of HK\$13,155.6 million (2013: HK\$10,138.3 million). The Group's interest bearing liabilities mainly comprises floating rate borrowings of HK\$12,785.1 million (2013: HK\$11,810.9 million), fixed rate borrowings of HK\$18,748.9 million (2013: HK\$18,812.5 million) and floating rate deposits received from customers of HK\$1,256.4 million (2013: HK\$1,233.4 million).

At 31st December 2014, if market interest rates on bank deposits had been 100 basis points (2013: 100 basis points) higher/lower with all other variables held constant, pre-tax profit for the year would have been HK\$140.7 million (2013: HK\$128.0 million) higher/lower, mainly as a result of higher/lower interest income on floating rate bank deposits.

At 31st December 2014, if market interest rates on borrowings and customers' deposits had been 100 basis points (2013: 100 basis points) higher/lower with all other variables held constant, pre-tax profit for the year would have been HK\$157.0 million (2013: HK\$152.1 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings and customers' deposits.

The Company

The Company's interest bearing assets mainly comprise floating and fixed rates bank deposits of HK\$2,182.7 million (2013: HK\$1,439.9 million). The Company's interest rate risk arises from floating rate borrowings of HK\$300.0 million (2013: HK\$300.0 million) and floating rate deposits received from customers of HK\$1,246.6 million (2013: HK\$1,225.0 million).

At 31st December 2014, if market interest rates on bank deposits had been 100 basis points (2013: 100 basis points) higher/lower with all other variables held constant, pre-tax profit for the year would have been HK\$16.0 million (2013: HK\$13.4 million) higher/lower, mainly as a result of higher/lower bank deposits interest income on floating rate bank deposits.

At 31st December 2014, if market interest rates on borrowings and customers' deposits had been 100 basis points (2013: 100 basis points) higher/lower with all other variables held constant, pre-tax profit for the year would have been HK\$15.3 million (2013: HK\$21.1 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings and customers' deposits.

3 Financial risk management (Continued)

(b) Credit risk

Credit risk of the Group and Company mainly arises from:

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
Cash and bank deposits	13,155.6	10,138.3	2,182.7	1,439.9
Debt securities and derivative financial instruments	1,470.6	1,786.5	–	–
Trade receivables	3,640.9	3,517.3	1,658.8	1,707.7
Other receivables	1,339.3	1,286.7	183.4	171.4
Loan and other receivables from joint ventures	1,699.8	2,066.6	36.2	67.2
Loan and other receivables from associates	900.3	1,163.3	37.6	36.1
Loan and other receivables from non-controlling interests	153.9	157.2	–	–
Loan and other receivables from subsidiaries	–	–	17,325.9	18,328.2
Other non-current assets	2,401.7	2,425.8	–	–

The Group has no significant concentrations of credit risk. The Group has credit policy to handle credit risk of customers. There is no significant concentration of sales to any individual customer. The top five largest customers account for less than 30 per cent of the total revenues. Furthermore, security deposits are required for gas customers. This also applies to the PRC joint ventures where there is no significant concentration of sales to any individual customer. Other non-current assets mainly represent aviation fuel facility construction receivable. Management considered that counter party default risk is low and there is no history of default in repayment. Debt securities, derivative financial instruments and cash transactions counter parties are with good credit rating of investment grade or above. The Group has policies that limit the amount of credit exposure to any one financial institution.

The Group and Company monitor the exposure to credit risk in respect of the financial assistance provided to its subsidiaries, joint ventures and associates through exercising control or influence over their financial and operating policy decisions and reviewing their financial positions on a regular basis.

3 Financial risk management (Continued)

(b) Credit risk (Continued)

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates is as follows:

	Group		Company	
	2014 %	2013 %	2014 %	2013 %
Cash and bank deposits				
AA	14.0	8.0	2.8	36.2
A	61.6	58.4	96.9	62.8
BBB	18.4	23.9	0.3	1.0
BB	1.3	2.6	–	–
Unrated	4.7	7.1	–	–
	100.0	100.0	100.0	100.0
Debt securities and derivative financial instruments				
AA	14.2	14.7	N/A	N/A
A	51.3	41.7	N/A	N/A
BBB	10.8	5.8	N/A	N/A
Unrated	23.7	37.8	N/A	N/A
	100.0	100.0	N/A	N/A

Credit ratings are quoted from Bloomberg.

Credit quality of loan and other receivables from subsidiaries, loan and other receivables from associates, loan and other receivables from joint ventures, other non-current assets and trade and other receivables are disclosed in Notes 21, 22, 23, 26 and 28 respectively to the accounts. None of the financial assets that are fully performing has been renegotiated during the year.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping adequate free cash and credit lines available.

The Group determines that there is no significant liquidity risk in view of our adequate and stable sources of funds and unutilised banking facilities.

The table below analyses the Group's and the Company's major financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

3 Financial risk management (Continued)

(c) Liquidity risk (Continued)

	Less than 1 year HK\$'M	Between 1 and 2 years HK\$'M	Between 2 and 5 years HK\$'M	Over 5 years HK\$'M
Group				
At 31st December 2014				
Trade and other payables	9,420.9	–	–	–
Amounts due to joint ventures	677.7	–	–	–
Loan and other payables to non-controlling shareholders	213.9	–	22.3	–
Borrowings	8,034.2	6,328.7	12,856.7	11,870.2
Derivative financial instruments	4.2	6.6	–	517.2
At 31st December 2013				
Trade and other payables	8,788.5	–	–	–
Amounts due to joint ventures	596.6	–	–	–
Loan and other payables to non-controlling shareholders	274.2	–	22.1	–
Borrowings	7,215.5	3,178.0	15,671.9	11,923.6
Derivative financial instruments	4.0	–	7.1	355.5
Company				
At 31st December 2014				
Trade and other payables	666.1	–	–	–
Borrowings	302.3	–	–	–
At 31st December 2013				
Trade and other payables	656.4	–	–	–
Borrowings	2.4	302.3	–	–

The customers' deposits are not presented in the above liquidity analysis as management considers it is not practical to allocate the deposits into maturity groupings and the movement in customers' deposits is not significant based on past experience.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, repurchase existing shares, drawdown and repay borrowings, issue and redeem perpetual capital securities, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net borrowing divided by shareholders' funds plus perpetual capital securities and net borrowing. Net borrowing is calculated as total borrowings, less time deposits, cash and bank deposits as shown in the consolidated balance sheet.

3 Financial risk management (Continued)

Capital risk management (Continued)

The gearing ratios at 31st December 2014 and 2013 are as follows:

	2014 HK\$'M	2013 HK\$'M
Total borrowings	(31,534.0)	(30,623.4)
Less: Time deposits, cash and bank deposits	13,155.6	10,138.3
Net borrowing	(18,378.4)	(20,485.1)
Shareholders' funds	(52,628.2)	(49,867.6)
Perpetual capital securities	(2,353.8)	–
	(73,360.4)	(70,352.7)
Gearing ratio	25%	29%

Fair value estimation

The Group's financial instruments are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- 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 that are measured at fair value at 31st December 2014 and 2013. See Note 18 for disclosures of the investment properties that are measured at fair value.

	Level 1		Level 2		Total	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
Assets						
Financial assets at fair value through profit or loss						
– Debt securities	672.7	618.8	–	–	672.7	618.8
– Equity securities	34.9	42.5	–	–	34.9	42.5
– Derivative financial instruments	–	–	11.2	–	11.2	–
Derivative financial instruments	–	–	266.6	421.4	266.6	421.4
Available-for-sale financial assets						
– Debt securities	520.1	746.3	–	–	520.1	746.3
– Equity securities	1,584.1	1,705.9	–	–	1,584.1	1,705.9
Total assets	2,811.8	3,113.5	277.8	421.4	3,089.6	3,534.9
Liabilities						
Derivative financial instruments	–	–	527.6	365.8	527.6	365.8

3 Financial risk management (Continued)

Fair value estimation (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. As at 31st December 2014, the Group did not have financial instruments under this category.

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 forward 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.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated by management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions 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.

(a) Estimated impairment of assets

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in the accounts Note 2(k). Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amounts of cash-generating units have been determined based on the higher of fair value less cost of disposal and value-in-use calculations. These value-in-use calculations require the use of estimates.

(b) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovation. Management will change the depreciation charge where useful lives are different from the previously estimated lives. It will also write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

4 Critical accounting estimates and judgements (Continued)

(c) Estimate of fair value of investment property

The valuation of investment properties (including those held by an associate) are performed in accordance with the “The HKIS Valuation Standards on Properties (2012 Edition)” published by the Hong Kong Institute of Surveyors and the ‘International Valuation Standards’ published by the International Valuation Standards Committee. The valuation is reviewed annually by qualified valuers by considering the information from a variety of sources including:

- current prices in an active market for properties of different nature, condition or location, adjusted to reflect those differences;
- recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- rental income derived from the terms of any existing lease and other contracts, and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using capitalisation rates that reflect current market assessments of the uncertainty in the amount and timing of the rental income.

If information on current or recent prices of investment properties is not available, the fair values of investment properties are mainly determined using income capitalisation valuation techniques. The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

The principal assumptions underlying management’s estimation of fair value are those related to the capitalisation rate and market rentals. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market.

(d) Estimate of gas and water consumption

Revenue for gas and water supply may include an estimation of the gas and water supplied to the customers of which actual meter reading is not available. The estimation is done mainly based on the past consumption records and recent consumption pattern of individual customers. As of the year-end date, the overall billed gas and water sales are in line with the gas and water supplied to the customers.

(e) Reserve estimates

Reserves are estimates of the amount of product that can be economically and legally extracted from the Group’s mining and oil properties for coal mines in mainland China and oil concession in Thailand. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand and commodity prices.

Estimating the quantity and/or grade of reserves requires the size, shape and depth of ore bodies or fields to be determined by analysing geological data such as drilling samples. This process may require complex and difficult geological judgements and calculations to interpret the data.

Because the economic assumptions used to estimate reserves changes from period to period, and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Group’s financial results and financial position in a number of ways, including the following:

- Asset carrying values may be affected due to changes in estimated future cash flows.
- Depreciation charged in the income statement may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.
- Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities.

5 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:

	2014 HK\$'M	2013 HK\$'M
Gas sales before fuel cost adjustment	21,841.0	19,445.6
Fuel cost adjustment	1,726.6	1,961.9
Gas sales after fuel cost adjustment	23,567.6	21,407.5
Gas connection income	2,797.7	2,370.9
Equipment sales and maintenance services	2,040.6	1,716.0
Water and related sales	1,095.5	978.7
Oil and coal related sales	1,219.7	746.9
Other sales	893.6	1,025.9
	31,614.7	28,245.9

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 is 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.

The segment information provided to the ECM for the reportable segments is as follows:

2014 in HK\$'M	Gas, water and related businesses		New Energy	Property	Other segments	Total
	Hong Kong	Mainland China				
Revenue	9,600.2	18,373.9	3,112.1	52.4	476.1	31,614.7
Adjusted EBITDA	4,282.7	4,288.4	1,061.1	28.2	101.9	9,762.3
Depreciation and amortisation	(657.2)	(885.6)	(345.1)	–	(47.7)	(1,935.6)
Unallocated expenses						(565.7)
						7,261.0
Other gains, net						411.9
Interest expense						(1,012.9)
Share of results of associates	–	841.1	(1.6)	883.1	2.5	1,725.1
Share of results of joint ventures	–	1,485.2	1.3	3.0	–	1,489.5
Profit before taxation						9,874.6
Taxation						(1,771.4)
Profit for the year						8,103.2

Share of results of associates includes HK\$384.9 million (2013: HK\$126.6 million) being the Group's share of change in valuation of investment properties at the International Finance Centre (the "IFC") complex for the year.

5 Segment information (Continued)

2013 in HK\$'M	Gas, water and related businesses		New Energy	Property	Other segments	Total
	Hong Kong	Mainland China				
Revenue	9,619.7	15,738.5	2,423.1	42.3	422.3	28,245.9
Adjusted EBITDA	4,207.8	3,716.9	856.3	22.4	75.2	8,878.6
Depreciation and amortisation	(639.3)	(751.6)	(210.0)	–	(36.8)	(1,637.7)
Unallocated expenses						(541.3)
						6,699.6
Other gains, net						965.0
Interest expense						(925.7)
Share of results of associates	–	806.3	(1.5)	580.3	4.0	1,389.1
Share of results of joint ventures	–	1,276.0	1.4	5.4	–	1,282.8
Profit before taxation						9,410.8
Taxation						(1,655.2)
Profit for the year						7,755.6

The segment assets at 31st December 2014 and 2013 are as follows:

2014 in HK\$'M	Gas, water and related businesses		New Energy	Property	Other segments	Total
	Hong Kong	Mainland China				
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	16,143.1	54,524.1	20,716.2	10,360.2	2,130.5	114,410.9

Note

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

5 Segment information (Continued)

2013 in HK\$'M	Gas, water and related businesses		New Energy	Property	Other segments	Total
	Hong Kong	Mainland China				
Segment assets	16,042.2	51,507.3	19,489.8	10,562.7	1,521.2	99,123.2
Unallocated assets:						
Available-for-sale financial assets						2,937.3
Financial assets at fair value through profit or loss						661.3
Time deposits, cash and bank balances excluded from segment assets						2,777.2
Others						896.2
Total assets	16,042.2	51,507.3	19,489.8	10,562.7	1,521.2	106,395.2

The Company is domiciled in Hong Kong. The Group's revenue from external customers in Hong Kong for the year ended 31st December 2014 is HK\$10,929.6 million (2013: HK\$10,926.0 million), and the revenue from external customers in other geographical locations is HK\$20,685.1 million (2013: HK\$17,319.9 million).

At 31st December 2014, the total of non-current assets other than financial instruments and retirement benefit assets located in Hong Kong and other geographical locations are HK\$21,828.5 million and HK\$62,672.9 million (2013: HK\$21,662.7 million and HK\$57,193.0 million) respectively.

For the years ended 31st December 2014 and 2013, the percentage of revenues attributable to the Group's five largest customers is less than 30 per cent.

6 Total operating expenses

	Group	
	2014 HK\$'M	2013 HK\$'M
Stores and materials used	16,298.4	14,721.8
Manpower costs (Note 11)	2,706.2	2,281.7
Depreciation and amortisation	1,951.5	1,649.3
Other operating items	3,397.6	2,893.5
	24,353.7	21,546.3

7 Other gains, net

	Group	
	2014 HK\$'M	2013 HK\$'M
Net investment gains (Note 8)	443.7	937.6
Fair value gain on investment property (Note 18)	34.3	106.0
Loss on disposal of a subsidiary	–	(34.7)
Impairment for a loan to a joint venture	(25.0)	–
Project research and development costs	(40.9)	(39.8)
Others	(0.2)	(4.1)
	411.9	965.0

8 Net investment gains

	Group	
	2014 HK\$'M	2013 HK\$'M
(a) Interest income		
Bank deposits	259.7	177.9
Listed available-for-sale financial assets	16.9	18.5
Unlisted available-for-sale financial assets	–	0.5
Loans to associates and joint ventures	26.7	103.3
Others	25.0	26.5
	328.3	326.7
(b) Net realised and unrealised gains/(losses) and interest income on financial assets at fair value through profit or loss and derivative financial instruments		
Listed securities	134.9	16.7
Unlisted securities	(27.0)	61.3
Exchange differences	3.2	4.7
	111.1	82.7
(c) Net realised gains/(losses) on available-for-sale financial assets		
Listed securities	14.6	(61.7)
Unlisted securities	66.5	–
Exchange differences	(0.5)	1.6
	80.6	(60.1)
(d) Dividend income		
Listed available-for-sale financial assets	92.5	93.1
Unlisted available-for-sale financial assets	150.1	108.5
Listed financial assets at fair value through profit or loss	0.5	1.1
	243.1	202.7
(e) Other investment and exchange (losses)/gains		
	(319.4)	385.6
	443.7	937.6

9 Interest expense

	Group	
	2014 HK\$'M	2013 HK\$'M
Interest on bank loans and overdrafts wholly repayable within five years	509.3	462.9
Interest on guaranteed notes wholly repayable within five years	448.6	455.3
Interest on guaranteed notes not wholly repayable within five years	347.4	351.2
	1,305.3	1,269.4
Less: Amount capitalised	(292.4)	(343.7)
	1,012.9	925.7

The interest expense is capitalised at average rates from 3.30 per cent to 7.80 per cent (2013: 3.50 per cent to 7.68 per cent) per annum.

10 Profit before taxation

Profit before taxation is stated after charging and (crediting) the following:

	Group	
	2014 HK\$'M	2013 HK\$'M
Cost of inventories sold	18,061.3	15,834.9
Depreciation and amortisation	1,951.5	1,649.3
Loss on disposal/write off of property, plant and equipment	23.0	35.2
Loss on disposal of leasehold land	4.3	4.8
Impairment loss of trade receivables	10.0	31.0
Impairment loss of available-for-sale financial assets	5.8	66.2
Operating lease rentals		
– land and buildings	116.7	98.4
– plant and equipment	11.3	11.0
Rental income from investment property		
– gross rental income	(52.4)	(42.3)
– outgoing expenses	21.4	19.7
Auditors' remuneration	21.8	23.0
Net loss on residential maintenance (Note)	36.5	19.3
Note		
Analysis of net loss on residential maintenance:		
Residential maintenance revenue	(196.9)	(194.0)
Less expenses:		
Manpower costs	128.9	117.1
Other operating and administrative expenses	104.5	96.2
Net loss	36.5	19.3

11 Manpower costs

	Group	
	2014 HK\$'M	2013 HK\$'M
Salaries and wages	2,370.8	1,986.5
Pension costs – defined contribution retirement schemes	321.5	276.1
Pension costs – defined benefit retirement scheme (Note 25)	13.9	19.1
	2,706.2	2,281.7

12 Directors' and senior management's emoluments

(a) Directors' emoluments

The remuneration paid to every director for the year ended 31st December 2014 for their service on the Board of the Company is set out below:

Name of director	Fees HK\$'M	Salary, allowances and benefits in kind HK\$'M	Performance bonus HK\$'M	Contributions to retirement scheme HK\$'M	Total HK\$'M
Alfred Chan Wing Kin (Note)	0.2	5.8	26.2	5.4	37.6
Peter Wong Wai Yee (Note)	0.2	2.7	3.0	2.8	8.7
Lee Shau Kee	0.6	0.2	–	–	0.8
Leung Hay Man	0.5	–	–	–	0.5
Colin Lam Ko Yin	0.2	0.1	–	–	0.3
Lee Ka Kit	0.2	–	–	–	0.2
Lee Ka Shing	0.2	–	–	–	0.2
David Li Kwok Po	0.6	0.1	–	–	0.7
Poon Chung Kwong	0.6	–	–	–	0.6
	3.3	8.9	29.2	8.2	49.6

Note

Mr. Alfred Chan Wing Kin and Mr. Peter Wong Wai Yee are also directors of Towngas China Company Limited ("Towngas China"), a significant subsidiary of the Group. In this connection, Mr. Alfred Chan Wing Kin and Mr. Peter Wong Wai Yee each received directors' emoluments of HK\$0.2 million and HK\$5.4 million (2013: HK\$0.2 million and HK\$5.0 million) respectively, and no share-based payments were received during the year and 2013.

12 Directors' and senior management's emoluments (Continued)

(a) Directors' emoluments (Continued)

The remuneration paid to every director for the year ended 31st December 2013 for their service on the Board of the Company is set out below:

Name of director	Fees HK\$/M	Salary, allowances and benefits in kind HK\$/M	Performance bonus HK\$/M	Contributions to retirement scheme HK\$/M	Total HK\$/M
Alfred Chan Wing Kin (Note)	0.2	5.6	25.7	5.2	36.7
Peter Wong Wai Yee (Note)	0.1	2.5	2.0	2.8	7.4
Lee Shau Kee	0.3	0.2	–	–	0.5
Leung Hay Man	0.3	–	–	–	0.3
Colin Lam Ko Yin	0.2	–	–	–	0.2
Lee Ka Kit	0.2	–	–	–	0.2
Lee Ka Shing	0.2	–	–	–	0.2
David Li Kwok Po	0.3	0.1	–	–	0.4
Poon Chung Kwong	0.3	–	–	–	0.3
James Kwan Yuk Choi	–	1.5	0.8	0.3	2.6
	2.1	9.9	28.5	8.3	48.8

The above remuneration paid to directors of the Company also represents the amount of short-term employee benefits of HK\$41.4 million (2013: HK\$40.5 million) and post-employment benefits of HK\$8.2 million (2013: HK\$8.3 million) paid to the Group's senior management during the year ended 31st December 2014. There were no other long-term benefits, termination benefits and share-based payment paid to the Group's senior management during the year (2013: nil).

(b) Five highest paid individuals

The above analysis includes two (2013: two) individuals whose emoluments were among the five highest in the Group. Details of the emoluments payable to the remaining three (2013: three) individuals are as follows:

	Group	
	2014 HK\$/M	2013 HK\$/M
Fee, salaries, allowances and benefits in kind	8.2	8.0
Performance bonus	12.3	11.7
Contributions to retirement scheme	2.9	2.8
	23.4	22.5

12 Directors' and senior management's emoluments (Continued)

(b) Five highest paid individuals (Continued)

Number of individuals whose emoluments fell within:

Emoluments band (HK\$'M)	2014	2013
9.0 – 10.0	1	–
8.0 – 9.0	–	1
7.0 – 8.0	1	1
6.0 – 7.0	1	–
5.0 – 6.0	–	1

(c) Emoluments of senior management

Senior management for the years ended 31st December 2014 and 2013 were all executive directors of the Company whose emoluments have been shown in directors' emoluments above.

13 Taxation

The amount of taxation charged to the income statement represents:

	Group	
	2014 HK\$'M	2013 HK\$'M
Current taxation – provision for Hong Kong Profits Tax at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the year	640.6	636.2
Current taxation – provision for other countries income tax at the prevailing rates on the estimated assessable profits for the year	762.9	640.4
Current taxation – over provision in prior years	(15.4)	(2.1)
Deferred taxation – origination and reversal of temporary differences	252.1	249.1
Withholding tax	131.2	131.6
	1,771.4	1,655.2

13 Taxation (Continued)

The taxation on the Group's profit before taxation differs from the theoretical amount that would arise using the taxation rate of Hong Kong as follows:

	Group	
	2014 HK\$'M	2013 HK\$'M
Profit before taxation	9,874.6	9,410.8
Less: Share of results of associates	(1,725.1)	(1,389.1)
Share of results of joint ventures	(1,489.5)	(1,282.8)
	6,660.0	6,738.9
Calculated at a tax rate of 16.5% (2013: 16.5%)	1,098.9	1,111.9
Effect of different tax rates in other countries	350.7	301.2
Income not subject to taxation	(125.8)	(142.1)
Expenses not deductible for taxation purposes	224.8	224.1
Utilisation of previously unrecognised tax losses	(2.3)	(7.1)
Over provision in prior years	(15.4)	(2.1)
Withholding tax	131.2	131.6
Others	109.3	37.7
	1,771.4	1,655.2

Share of associates' taxation for the year ended 31st December 2014 of HK\$398.6 million (2013: HK\$400.1 million) is included in the income statement as share of results of associates.

Share of joint ventures' taxation for the year ended 31st December 2014 of HK\$549.1 million (2013: HK\$604.5 million) is included in the income statement as share of results of joint ventures.

14 Profit attributable to shareholders of the Company

Profit attributable to shareholders of the Company is dealt with in the accounts of the Company to the extent of HK\$3,351.7 million (2013: HK\$3,280.9 million).

15 Dividends

	Company	
	2014 HK\$'M	2013 HK\$'M
Interim, paid of HK12 cents per ordinary share (2013: HK12 cents per ordinary share)	1,261.9	1,147.2
Final, proposed of HK23 cents per ordinary share (2013: HK23 cents per ordinary share)	2,417.8	2,198.7
	3,679.7	3,345.9

15 Dividends (Continued)

At a meeting held on 18th March 2015, the directors of the Company declared a final dividend of HK23 cents per ordinary share for the year ended 31st December 2014. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ended 31st December 2014.

16 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$7,109.2 million (2013: HK\$6,853.8 million) and the weighted average 10,514,750,553 shares (2013: 10,515,637,553 shares¹) in issue after adjusting for the shares repurchased during the year.

As the impact of diluted potential ordinary shares of a subsidiary is insignificant during the years 2014 and 2013, the diluted earnings per share for the years ended 31st December 2014 and 2013 are approximately the same as the basic earnings per share.

¹ Adjusted for the bonus issue in 2014

17 Property, plant and equipment

	Buildings, plant and equipment HK\$'M	Mains and risers HK\$'M	Meters and installations HK\$'M	Mining and oil properties HK\$'M	Others HK\$'M	Capital work in progress HK\$'M	Total HK\$'M
Group							
Cost							
At 1st January 2014	15,868.8	25,448.7	3,046.3	5,860.2	870.3	7,645.3	58,739.6
Additions	580.0	418.2	278.3	179.4	20.4	5,269.0	6,745.3
Acquisition of businesses (Note 45)	83.1	234.1	–	–	–	20.9	338.1
Transfers from capital work in progress	648.8	2,368.9	0.4	16.5	–	(3,034.6)	–
Disposals/write off	(166.1)	(39.5)	(97.4)	(0.7)	(7.8)	–	(311.5)
Exchange differences	(286.4)	(407.9)	(3.1)	(88.3)	(21.6)	(141.7)	(949.0)
At 31st December 2014	16,728.2	28,022.5	3,224.5	5,967.1	861.3	9,758.9	64,562.5
Accumulated depreciation							
At 1st January 2014	5,449.9	5,501.0	2,041.0	200.1	96.7	–	13,288.7
Charge for the year	812.2	699.4	236.1	174.7	16.6	–	1,939.0
Disposals/write off	(133.8)	(18.2)	(83.5)	(0.2)	(0.2)	–	(235.9)
Exchange differences	(54.7)	(58.6)	(1.7)	(6.3)	(3.0)	–	(124.3)
At 31st December 2014	6,073.6	6,123.6	2,191.9	368.3	110.1	–	14,867.5
Net book value							
At 31st December 2014	10,654.6	21,898.9	1,032.6	5,598.8	751.2	9,758.9	49,695.0
At 31st December 2013	10,418.9	19,947.7	1,005.3	5,660.1	773.6	7,645.3	45,450.9

17 Property, plant and equipment (Continued)

	Buildings, plant and equipment HK\$'M	Mains and risers HK\$'M	Meters and installations HK\$'M	Capital work in progress HK\$'M	Total HK\$'M
Company					
Cost					
At 1st January 2014	4,573.2	9,661.3	2,922.8	1,645.7	18,803.0
Additions	97.7	–	280.6	648.5	1,026.8
Transfers from capital work in progress	0.3	740.1	–	(740.4)	–
Disposals/write off	(44.9)	(31.1)	(87.9)	–	(163.9)
At 31st December 2014	4,626.3	10,370.3	3,115.5	1,553.8	19,665.9
Accumulated depreciation					
At 1st January 2014	3,403.7	3,649.2	1,971.9	–	9,024.8
Charge for the year	168.4	251.9	230.2	–	650.5
Disposals/write off	(42.8)	(15.7)	(75.2)	–	(133.7)
At 31st December 2014	3,529.3	3,885.4	2,126.9	–	9,541.6
Net book value					
At 31st December 2014	1,097.0	6,484.9	988.6	1,553.8	10,124.3
At 31st December 2013	1,169.5	6,012.1	950.9	1,645.7	9,778.2

17 Property, plant and equipment (Continued)

	Buildings, plant and equipment HK\$'M	Mains and risers HK\$'M	Meters and installations HK\$'M	Mining and oil properties HK\$'M	Others HK\$'M	Capital work in progress HK\$'M	Total HK\$'M
Group							
Cost							
At 1st January 2013	11,505.7	22,322.7	2,880.0	5,836.1	798.4	8,968.4	52,311.3
Additions	408.0	461.2	220.7	147.9	42.4	4,496.3	5,776.5
Acquisition of businesses	90.4	159.6	–	–	–	67.3	317.3
Disposal of a subsidiary	(71.7)	(124.6)	–	–	–	(36.0)	(232.3)
Transfers from capital work in progress	3,926.8	2,202.7	0.3	–	–	(6,129.8)	–
Disposals/write off	(162.2)	(39.7)	(59.6)	(2.4)	–	(2.5)	(266.4)
Exchange differences	171.8	466.8	4.9	(121.4)	29.5	281.6	833.2
At 31st December 2013	15,868.8	25,448.7	3,046.3	5,860.2	870.3	7,645.3	58,739.6
Accumulated depreciation							
At 1st January 2013	4,894.9	4,843.9	1,848.6	108.0	65.9	–	11,761.3
Charge for the year	670.7	628.8	231.9	90.9	27.5	–	1,649.8
Disposal of a subsidiary	(32.2)	(16.6)	–	–	–	–	(48.8)
Disposals/write off	(129.9)	(20.4)	(41.9)	(0.2)	–	–	(192.4)
Exchange differences	46.4	65.3	2.4	1.4	3.3	–	118.8
At 31st December 2013	5,449.9	5,501.0	2,041.0	200.1	96.7	–	13,288.7
Net book value							
At 31st December 2013	10,418.9	19,947.7	1,005.3	5,660.1	773.6	7,645.3	45,450.9
At 31st December 2012	6,610.8	17,478.8	1,031.4	5,728.1	732.5	8,968.4	40,550.0

17 Property, plant and equipment (Continued)

	Buildings, plant and equipment HK\$'M	Mains and risers HK\$'M	Meters and installations HK\$'M	Capital work in progress HK\$'M	Total HK\$'M
Company					
Cost					
At 1st January 2013	4,512.6	9,543.6	2,759.2	1,180.6	17,996.0
Additions	122.1	–	219.6	603.3	945.0
Transfers from capital work in progress	–	138.0	0.2	(138.2)	–
Disposals/write off	(61.5)	(20.3)	(56.2)	–	(138.0)
At 31st December 2013	4,573.2	9,661.3	2,922.8	1,645.7	18,803.0
Accumulated depreciation					
At 1st January 2013	3,299.1	3,420.7	1,785.7	–	8,505.5
Charge for the year	166.1	241.7	225.5	–	633.3
Disposals/write off	(61.5)	(13.2)	(39.3)	–	(114.0)
At 31st December 2013	3,403.7	3,649.2	1,971.9	–	9,024.8
Net book value					
At 31st December 2013	1,169.5	6,012.1	950.9	1,645.7	9,778.2
At 31st December 2012	1,213.5	6,122.9	973.5	1,180.6	9,490.5

18 Investment property

	Group	
	2014 HK\$'M	2013 HK\$'M
At 1st January	646.0	540.0
Fair value gain (Note 7)	34.3	106.0
Others	2.7	–
At 31st December	683.0	646.0

The Group's interest in the commercial investment property is located in Hong Kong under a land lease of over 50 years. The investment property was revalued at 31st December 2014 by an independent professionally qualified valuer, Knight Frank Petty Limited, which conforms to the The HKIS Valuation Standards on Properties (2012 Edition) shown in Note 4 (c).

Fair value measurements using significant unobservable inputs

Fair value of completed commercial property in Hong Kong is generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the net income and reversionary income potential by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuer's interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to valuer's view of recent lettings, within the subject properties and other comparable properties.

Information about fair value measurements using significant unobservable inputs is as follows:

Unobservable inputs	Commercial complex	Car park	Relationship of unobservable inputs to fair value
Capitalisation rate	5.4%	9.0%	The higher the capitalisation rate, the lower the fair value
Monthly rent	HK\$16.5/sq.ft.	N/A	The higher the market rent, the higher the fair value

Valuation processes of the Group

The Group's finance division includes a team that reviews and analyses the valuation performed by the independent valuer for financial reporting purposes. At each financial year end the finance division:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuation movements when compared with the prior year valuation report;
- Holds discussions with the independent valuer.

19 Leasehold land

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments and their net book values are analysed as follows:

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
Held in Hong Kong:				
Leases of 10 to 50 years	325.0	334.6	238.9	245.9
Held outside Hong Kong:				
Leases of 10 to 50 years	1,333.6	1,216.8	–	–
	1,658.6	1,551.4	238.9	245.9

The Group's interests in leasehold land and land use rights movements during the year are analysed as follows:

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
At 1st January	1,551.4	1,364.1	245.9	218.8
Additions	114.7	207.9	–	33.4
Acquisition of businesses (Note 45)	70.5	17.3	–	–
Disposals	(7.2)	(34.5)	–	–
Amortisation	(41.9)	(41.5)	(7.0)	(6.3)
Exchange differences	(28.9)	38.1	–	–
At 31st December	1,658.6	1,551.4	238.9	245.9

20 Intangible assets

	Group	
	2014 HK\$'M	2013 HK\$'M
(a) Goodwill		
At 1st January	5,183.2	3,769.7
Acquisition of businesses (Note 45)	244.9	1,359.6
Exchange differences	(79.8)	53.9
At 31st December	5,348.3	5,183.2
(b) Other intangible asset		
Cost		
At 1st January	83.1	83.1
Acquisition of businesses (Note 45)	458.8	–
At 31st December	541.9	83.1
Accumulated amortisation		
At 1st January	(13.0)	(7.4)
Amortisation	(18.7)	(5.6)
At 31st December	(31.7)	(13.0)
Net book value		
At 31st December	510.2	70.1
Total intangible assets	5,858.5	5,253.3

Goodwill is allocated to cash-generating units that are expected to benefit from the business combination in which the goodwill arose, majority related to segment – gas, water and related businesses in mainland China. The Group tests goodwill annually for impairment, or more frequently if there are indications that it might be impaired. For the purpose of impairment test, the recoverable amount of the cash-generating units is determined based on either fair value less costs of disposal or value in use calculations. The fair value less costs of disposal is by referencing to an active market. The value in use calculations are derived from cash flow projections based on the most recent financial budget for the next five years approved by management. Cash flows beyond five year period have been extrapolated using growth rates from 0.0 per cent to 15.0 per cent (2013: 0.0 per cent to 15.0 per cent) per annum which are determined by considering both internal and external factors relating to the cash-generating units. Discount rate used of 7.6 per cent or 10.0 per cent (2013: 7.6 per cent or 10.0 per cent) is adopted to reflect specific risks relating to the relevant cash-generating units. Based on impairment tests prepared, there is no impairment for intangible assets as at 31st December 2014 and 2013.

Assuming growth rate decreased by 25 basis points or discount rate increased by 25 basis points, there is still adequate headroom and no impairment charge is required.

21 Subsidiaries

	Company	
	2014 HK\$'M	2013 HK\$'M
Investments in subsidiaries	339.2	339.2
Loan and other receivables from subsidiaries – non-current	16,994.3	17,929.4
	17,333.5	18,268.6
Loan receivables from subsidiaries – current	331.6	398.8
Loan and other payables to subsidiaries – non-current	(14,519.4)	(14,416.2)

Loan and other receivables from/(payables to) subsidiaries are analysed below:

- (i) Loan receivables from subsidiaries in Hong Kong of HK\$2,254.1 million (2013: HK\$2,428.7 million) with effective interest rate ranging from 1.88 per cent to 3.86 per cent per annum (2013: 2.38 per cent to 3.86 per cent per annum) are unsecured. Except for HK\$1,260.3 million (2013: HK\$1,434.9 million) with no fixed term of repayment, remaining balance is fully repayable in 2016 to 2018 (2013: 2016 to 2018).
- (ii) Loan receivables from subsidiaries in the PRC of HK\$331.6 million (2013: HK\$398.8 million) are denominated in USD, unsecured and repayable in 2015. They bear interest at the fixed rate of 7.5 per cent or the prevailing lending rate quoted by The People's Bank of China Rate in both years.
- (iii) Loan payable to a subsidiary in Hong Kong of HK\$1,350 million (2013: HK\$1,350.0 million) with fixed interest rate of 6 per cent per annum (2013: 6 per cent) is unsecured and have no fixed terms of repayment.
- (iv) The net remaining balances are unsecured, interest free and have no fixed terms of repayment.

Loan and other payables to subsidiaries denominated in the following currencies:

	Company	
	2014 HK\$'M	2013 HK\$'M
HKD	7,755.8	7,819.5
USD	5,530.8	5,386.7
RMB	1,232.1	1,201.9
Others	0.7	8.1
	14,519.4	14,416.2

Other receivables from subsidiaries are neither past due nor impaired and there is no history of default. The principal subsidiaries of the Company are shown on pages 164 to 172 of the accounts.

Towngas China is a company listed in The Stock Exchange of Hong Kong Limited. The market value of the Group's investment in Towngas China amounted to HK\$12,910.0 million as at 31st December 2014 (2013: HK\$14,637.3 million).

21 Subsidiaries (Continued)

Material non-controlling interests

The total non-controlling interest as at 31st December 2014 is HK\$7,241.7 million (2013: HK\$6,502.9 million) of which HK\$4,717.4 million (2013: HK\$4,176.9 million) is attributable to Towngas China and for the non-controlling interest in respect of other individual subsidiaries of the Group is not material.

Set out below are the summarised financial information of Towngas China. The information below is the amount before inter-company eliminations.

	Towngas China	
	2014 HK\$'M	2013 HK\$'M
Summarised balance sheet		
Assets		
Non-current assets	19,121.7	16,631.6
Current assets	4,360.9	5,042.1
	23,482.6	21,673.7
Liabilities		
Non-current liabilities	(5,832.7)	(4,994.2)
Current liabilities	(7,081.8)	(7,162.8)
	(12,914.5)	(12,157.0)
Net assets	10,568.1	9,516.7
	Towngas China	
	2014 HK\$'M	2013 HK\$'M
Summarised income statement and comprehensive income statement		
Revenue	7,881.8	6,715.7
Profit before taxation	1,531.1	1,608.8
Taxation	(350.1)	(382.5)
Profit for the year	1,181.0	1,226.3
Other comprehensive income	(334.3)	302.7
Total comprehensive income	846.7	1,529.0
Total comprehensive income attributable to non-controlling interests	80.5	144.2
Dividend paid to non-controlling shareholders	66.9	34.4

21 Subsidiaries (Continued)

Summarised cash flows	Towngas China	
	2014 HK\$'M	2013 HK\$'M
Net cash generated from operating activities	1,258.3	1,050.5
Net cash used in investing activities	(2,595.0)	(2,983.2)
Net cash inflow from financing activities	642.8	1,607.0
Net decrease in cash and cash equivalents	(693.9)	(325.7)
Cash and cash equivalents at beginning of year	2,230.4	2,479.5
Effect of foreign exchange rate changes	(84.8)	76.6
Cash and cash equivalents at end of year	1,451.7	2,230.4

22 Associates

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
Investments in associates, including goodwill	16,787.3	15,968.3	–	–
Loans to associates – non-current	785.2	1,046.8	–	–
	17,572.5	17,015.1	–	–
Loan and other receivables from associates – current	115.1	116.5	37.6	36.1

Loan and other receivables from associates are analysed below:

- (i) Loans to associates in mainland China of HK\$794.3 million (2013: HK\$506.9 million) with effective interest rates ranging from 6.00 per cent to 6.65 per cent per annum (2013: 6.55 per cent to 7.26 per cent per annum) are unsecured and fully repayable in 2015 to 2017 (2013: 2014 to 2017).
- (ii) The remaining balances are unsecured, interest free and have no fixed terms of repayment.
- (iii) Loan and other receivables from associates are neither past due nor impaired and there is no history of default.
- (iv) Loan and other receivables are denominated in the following currencies:

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
HKD	–	559.1	–	–
USD	516.8	487.7	37.6	36.1
RMB	383.5	116.5	–	–
	900.3	1,163.3	37.6	36.1

22 Associates (Continued)

Particulars of the principal associates as at 31st December 2014 are listed below:

Name	Note	Issued share capital/registered capital	Percentage of the Group's equity interest	Place of incorporation/operation	Principal activity
Fengcheng Xingao Coking Co., Ltd.		RMB350.0 million	40	PRC	Chemical business
Jiangxi Feng Long Mining Company Limited		RMB236.1 million	25	PRC	Coal related businesses
China-Singapore Suzhou Industrial Park Broad Energy Services Co. Ltd.		RMB71.1 million	25	PRC	Cooling and heating system business
Hainan Petrochina Kunlun Hong Kong & China Gas Company Limited		RMB50.4 million	49	PRC	Gas sales and related businesses
Shenzhen Gas Corporation Limited	(ii)	RMB1,980.5 million	26.8	PRC	Gas sales and related businesses
港華儲氣有限公司		RMB100 million	64	PRC	Gas storage project
Central Waterfront Property Investment Holdings Limited	(i)	100 shares of US\$1 each	15.8	British Virgin Islands/ Hong Kong	Investment holding
GH-Fusion Limited		200 shares of US\$1 each	50	British Virgin Islands	Investment holding
¹ 江蘇海企港華燃氣發展有限公司		RMB204.0 million	35	PRC	LNG refilling station for vessels
Hangzhou Natural Gas Company Limited		RMB1,195.0 million	24	PRC	Mid-stream natural gas and piped city-gas project
Anhui Province Natural Gas Development Company Limited		RMB252.0 million	27.5	PRC	Mid-stream natural gas project
Hebei Natural Gas Company Limited		RMB920.0 million	45	PRC	Mid-stream natural gas project
河南省中原石油天然氣管網有限公司		RMB50.0 million	49	PRC	Mid-stream natural gas project
Lane Success Development Limited		HK\$10,000	45	Hong Kong	Property development
Towngas DETA Telecom (Dalian) Co., Ltd.		RMB10.0 million	49	PRC	Telecommunications business
² 中經名氣網絡技術(北京)有限公司		RMB10.0 million	49	PRC	Telecommunications business
Shanxi Yuanping Guoxin Compressed Natural Gas Co. Limited		RMB20.0 million	42	PRC	Vehicular fuel refilling station
中新蘇州工業園區環保技術有限公司		RMB185.0 million	49	PRC	Water treatment project

¹ Newly acquired during the year

² Newly formed during the year

22 Associates (Continued)

Particulars of the principal associates as at 31st December 2014 are listed below:

Name	Note	Issued share capital/registered capital	Percentage of the Group's equity interest	Place of incorporation/operation	Principal activity
Held by Towngas China					
Bozhou WanHua Gas Company Ltd.		RMB30.0 million	49	PRC	Gas sales and related businesses
Changchun Gas Company Limited		RMB529.6 million	25	PRC	Gas sales and related businesses
Dalian DETA Hong Kong and China Gas Co., Ltd.		RMB137.2 million	40	PRC	Gas sales and related businesses
Foshan Gas Group Ltd.		RMB500.0 million	43	PRC	Gas sales and related businesses
Fuzhou Fubei Natural Gas Co., Ltd.		RMB16.0 million	40	PRC	Gas sales and related businesses
Linqu Hong Kong & China Gas Company Limited		US\$5.7 million	42.4	PRC	Gas sales and related businesses
Shandong Jihua Gas Co., Ltd.		RMB400.0 million	49	PRC	Gas sales and related businesses
Shijiazhuang Huabo Gas Co., Ltd.		RMB5.0 million	45	PRC	Gas sales and related businesses
Zibo Lubo Gas Company Ltd.		RMB100.0 million	27	PRC	Gas sales and related businesses

Notes

- (i) The Group has an effective interest of approximately 15.8 per cent in the IFC complex through its interest in Central Waterfront Property Investment Holdings Limited ("CWPI"). With the Group's presence on the board of directors of CWPI and participation in the financial and operating policies of the IFC complex, the Group could exercise significant influence over CWPI and accordingly the investment is accounted for as an associate.
- (ii) Shenzhen Gas Corporation Limited ("SGCL") is a listed Company on the Shanghai Stock Exchange. As at 31st December 2014, the Group held 531,341,235 shares (2013: 531,341,235 shares) of SGCL or approximately 26.8 per cent equity interest of SGCL. The carrying value and the market value of the Group's investment as at 31st December 2014 in SGCL amounted to HK\$1,716.0 million (2013: HK\$1,656.8 million) and HK\$5,478.1 million (2013: HK\$5,381.0 million) respectively.

22 Associates (Continued)

The following amounts represent the Group's share of income and results of the associates and are included in the consolidated income statement and comprehensive income statement:

	Group	
	2014 HK\$'M	2013 HK\$'M
Income	11,295.9	10,030.2
Expenses, including taxation	(9,570.8)	(8,641.1)
Profit after taxation	1,725.1	1,389.1
Other comprehensive income/(loss)	2.6	(1.7)
Total comprehensive income	1,727.7	1,387.4

Set out below are the summarised financial information of CWPI which is considered to be the only material associate in the Group and it is accounted for using the equity method. CWPI holds IFC complex as the commercial investment property for rental income in Hong Kong.

Summarised Balance Sheet	CWPI	
	2014 HK\$'M	2013 HK\$'M
Assets		
Non-current assets	79,801.1	77,349.3
Current assets	866.6	1,019.2
	80,667.7	78,368.5
Liabilities		
Non-current liabilities	(18,204.8)	(18,236.6)
Current liabilities	(1,960.3)	(1,744.8)
	(20,165.1)	(19,981.4)
Net assets	60,502.6	58,387.1

Summarised income statement and comprehensive income statement	CWPI	
	2014 HK\$'M	2013 HK\$'M
Income	8,215.2	6,222.9
Expenses, including taxation	(2,616.3)	(2,525.4)
Profit after taxation	5,598.9	3,697.5
Other comprehensive loss	16.6	(10.7)
Total comprehensive income	5,615.5	3,686.8
Dividend received from the associate	552.7	484.8

The information above reflects the amounts presented in the financial statements of the associate adjusted for differences in accounting policies between the Group and the associate.

22 Associates (Continued)

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the associate:

	CWPI	
	2014 HK\$'M	2013 HK\$'M
Net assets		
At 1st January	58,387.1	57,770.3
Profit for the year	5,598.9	3,697.5
Other comprehensive loss	16.6	(10.7)
Dividend paid	(3,500.0)	(3,070.0)
At 31st December	60,502.6	58,387.1
	Group	
	2014 HK\$'M	2013 HK\$'M
Carrying value		
Interest in associate (15.79%)	9,553.4	9,219.3

23 Joint ventures

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
Investments in joint ventures, including goodwill	8,573.2	8,537.1	850.8	850.8
Loans to joint ventures – non-current	460.6	401.9	24.6	59.6
	9,033.8	8,939.0	875.4	910.4
Loan and other receivables from joint ventures – current	1,239.2	1,664.7	11.6	7.6
Amounts due to joint ventures – current	(677.7)	(596.6)	(0.6)	(0.6)

Loan and other receivables from joint ventures are analysed below:

- (i) Loans to joint ventures in mainland China of HK\$731.0 million (2013: HK\$1,197.6 million) with effective interest rates ranging from 3.06 per cent to 7.08 per cent per annum (2013: 2.88 per cent to 7.87 per cent per annum) are unsecured and fully repayable in 2015 to 2017 (2013: 2014 to 2016).
- (ii) Loans to a joint venture in Hong Kong of HK\$77.5 million (2013: HK\$97.0 million) with effective interest rates of 2.8 per cent per annum (2013: 2.8 per cent per annum) is unsecured and have no fixed terms of repayment.
- (iii) The remaining balances are unsecured, interest free and with no fixed terms of repayment.
- (iv) Loan and other receivables from joint ventures are neither past due nor impaired and there is no history of default.

23 Joint ventures (Continued)

- (v) Loans and other receivables are denominated in the following currencies:

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
HKD	103.9	156.5	36.2	67.2
USD	142.7	173.3	–	–
RMB	1,453.2	1,736.8	–	–
	1,699.8	2,066.6	36.2	67.2

Amounts due to joint ventures are analysed below:

- (i) Amount due to a joint venture of HK\$380.0 million (2013: HK\$260.0 million) with effective interest rate of 6.12 per cent per annum (2013: 6.12 per cent per annum) is unsecured and repayable in 2015.
- (ii) Amounts due to joint ventures of HK\$275.0 million (2013: HK\$265.7 million) with effective interest rate of 3.60 per cent per annum (2013: 3.60 per cent per annum) are unsecured and have no fixed terms of repayment.
- (iii) The remaining balances are unsecured, interest free and with no fixed terms of repayment.
- (iv) Amounts due to joint ventures are denominated in RMB (2013: denominated in RMB).

Particulars of the principal joint ventures as at 31st December 2014 are listed below:

Name	Issued share capital/ registered capital	Percentage of the Group's equity interest	Place of incorporation/ operation	Principal activity
# Beijing Beiran & HKCG Gas Company Limited	RMB44.4 million	50	PRC	Gas sales and related businesses
Changzhou Hong Kong and China Gas Company Limited	RMB166.0 million	50	PRC	Gas sales and related businesses
Jinan Hong Kong and China Gas Company Limited	RMB470.0 million	49	PRC	Gas sales and related businesses
Nanjing Hong Kong and China Gas Company Limited	RMB600.0 million	50	PRC	Gas sales and related businesses
Suzhou Hong Kong and China Gas Company Limited	RMB200.0 million	55	PRC	Gas sales and related businesses
# Tongling Hong Kong and China Gas Company Limited	RMB100.0 million	70	PRC	Gas sales and related businesses
Wuhan Natural Gas Company Limited	RMB420.0 million	49	PRC	Gas sales and related businesses
# Xian Qinhua Natural Gas Company Limited	RMB1,000.0 million	49	PRC	Gas sales and related businesses

Direct joint ventures of the Company

23 Joint ventures (Continued)

Name	Issued share capital/ registered capital	Percentage of the Group's equity interest	Place of incorporation/ operation	Principal activity
Zhangjiagang Hong Kong and China Gas Company Limited	RMB100.0 million	50	PRC	Gas sales and related businesses
Jilin Province Natural Gas Limited Company	RMB220.0 million	49	PRC	Mid-stream natural gas project
Yieldway International Limited	HK\$2	50	Hong Kong	Property development
Maanshan ECO Auto Fuel Company Limited	RMB10.5 million	30	PRC	Vehicular fuel refilling station
Suzhou Industrial Park Qingyuan Hong Kong & China Water Company Limited	RMB1,597.0 million	50	PRC	Water supply and sewage treatment
Held by Towngas China				
Anqing Hong Kong and China Gas Company Limited	RMB73.0 million	50	PRC	Gas sales and related businesses
Chongqing Hong Kong and China Gas Company Limited	RMB20.0 million	50	PRC	Gas sales and related businesses
Hangzhou Hong Kong and China Gas Company Limited	US\$20.0 million	50	PRC	Gas sales and related businesses
Maanshan Hong Kong and China Gas Company Limited	US\$13.0 million	50	PRC	Gas sales and related businesses
Taian Taishan Hong Kong and China Gas Company Limited	RMB80.0 million	50	PRC	Gas sales and related businesses
Weifang Hong Kong and China Gas Company Limited	US\$16.9 million	50	PRC	Gas sales and related businesses
Weihai Hong Kong and China Gas Company Limited	RMB99.2 million	50	PRC	Gas sales and related businesses
Wuhu Hong Kong & China Gas Company Limited	RMB52.8 million	50	PRC	Gas sales and related businesses
Zibo Hong Kong and China Gas Company Limited	RMB56.0 million	50	PRC	Gas sales and related businesses

The following amounts represent the Group's share of income and results of the joint ventures and are included in the consolidated income statement and comprehensive income statement:

	Group	
	2014 HK\$'M	2013 HK\$'M
Income	12,631.3	11,173.6
Expenses, including taxation	(11,141.8)	(9,890.8)
Profit after taxation and total comprehensive income	1,489.5	1,282.8

No individual joint ventures are considered to be material in the Group.

24 Available-for-sale financial assets

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
Debt securities (Note (a))	520.1	746.3	–	–
Equity securities (Note (b))	2,079.6	2,191.0	47.3	44.5
	2,599.7	2,937.3	47.3	44.5
Market value of listed investments	1,908.9	2,100.1	47.3	44.5

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
Notes				
(a) Debt securities				
Listed – Hong Kong	206.6	147.3	–	–
Listed – overseas	313.5	599.0	–	–
	520.1	746.3	–	–
(b) Equity securities				
Listed – Hong Kong	1,260.9	1,169.4	47.3	44.5
Listed – overseas	127.9	184.4	–	–
Unlisted (Note (c))	690.8	837.2	–	–
	2,079.6	2,191.0	47.3	44.5

- (c) Included in the unlisted equity securities of HK\$478.1 million (2013: HK\$485.1 million) are carried at cost less impairment as these investments do not have a quoted market price and range of reasonable fair value estimate is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably.
- (d) In 2008 under a rare circumstance, the Group reclassified debt and equity securities that are no longer held for the purpose of selling in the near term out of the financial assets at fair value through profit or loss category into available-for-sale category.

As at 31st December 2014, the fair values of debt and equity securities assets reclassified during 2008 are HK\$22.2 million (2013: HK\$37.2 million).

If the Group had not reclassified the debt and equity securities during 2008, fair value gain recognised for the year in the income statement will be decreased by HK\$1.3 million (2013: decreased by HK\$6.7 million).

24 Available-for-sale financial assets (Continued)

Notes (Continued)

(e) Available-for-sale financial assets are denominated in the following currencies:

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
HKD	1,260.9	1,169.4	47.3	44.5
USD	736.5	1,219.9	–	–
RMB	595.8	525.8	–	–
Others	6.5	22.2	–	–
	2,599.7	2,937.3	47.3	44.5

25 Retirement benefit (liabilities)/assets

	Group and Company	
	2014 HK\$'M	2013 HK\$'M
At 31st December	(5.9)	66.3

The Group operates a defined benefit retirement scheme in Hong Kong, namely the Workmen Retirement Scheme which is a final salary defined benefit scheme.

The amounts recognised in the balance sheet are shown as follows:

	Group and Company	
	2014 HK\$'M	2013 HK\$'M
Fair value of plan assets	538.7	529.9
Present value of funded obligations	(544.6)	(463.6)
Net (liabilities)/assets in the balance sheet	(5.9)	66.3

The plan assets did not include any ordinary shares of the Company as at 31st December 2014 (2013: nil).

The cost of the defined benefit retirement scheme recognised in the income statement is as follows:

	Group and Company	
	2014 HK\$'M	2013 HK\$'M
Current service cost	15.7	18.8
Net interest (income)/cost	(1.9)	0.2
Administrative expenses	0.1	0.1
Total (Note 11)	13.9	19.1

25 Retirement benefit (liabilities)/assets (Continued)

The amounts recognised in the other comprehensive income are as follows:

	Group and Company	
	2014 HK\$'M	2013 HK\$'M
Actuarial loss due to liability experience	5.5	7.6
Actuarial loss/(gain) due to financial assumption changes	63.2	(86.9)
Actuarial losses/(gains)	68.7	(79.3)
Return on plan assets, excluding amounts included in interest income	(5.7)	(31.6)
Total	63.0	(110.9)

The movements in the defined benefit obligations are as follows:

	Group and Company	
	2014 HK\$'M	2013 HK\$'M
At 1st January	463.6	538.2
Current service cost	15.7	18.8
Interest cost	11.7	4.2
Benefits paid	(15.1)	(18.3)
Actuarial losses/(gains)	68.7	(79.3)
At 31st December	544.6	463.6

The movements in the fair value of plan assets are as follows:

	Group and Company	
	2014 HK\$'M	2013 HK\$'M
At 1st January	529.9	508.0
Return on plan assets, excluding amounts included in interest income	5.7	31.6
Interest income recognised in income statement	13.6	4.0
Contribution paid by employer	4.7	4.7
Benefits paid	(15.1)	(18.3)
Administrative expenses	(0.1)	(0.1)
At 31st December	538.7	529.9

25 Retirement benefit (liabilities)/assets (Continued)

The movements in the (liabilities)/assets recognised in the balance sheet are as follows:

	Group and Company	
	2014 HK\$'M	2013 HK\$'M
At 1st January	66.3	(30.2)
Remeasurement effects recognised in other comprehensive income	(63.0)	110.9
Total cost of defined benefit retirement scheme (Note 11)	(13.9)	(19.1)
Contribution paid by employer	4.7	4.7
At 31st December	(5.9)	66.3

The major categories of plan assets as a percentage of total plan assets are as follows:

	Group and Company	
	2014 %	2013 %
Equity securities	77.0	78.0
Debt securities	17.0	15.0
Cash	6.0	7.0

The principal actuarial assumptions used are as follows:

	Group and Company	
	2014 %	2013 %
Discount rate	2.1	2.6
Expected rate of future salary increases	4.5	4.0

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 3.2%	Increase by 3.3%
Maximum salary scale increase rate	0.25%	Increase by 2.0%	Decrease by 2.4%

25 Retirement benefit (liabilities)/assets (Continued)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

Expected contributions to the scheme for the year ending 31st December 2015 are HK\$4.6 million.

Through its defined benefit pension plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

Investment Risk	Strong investment returns tend to increase the fair value of scheme assets and therefore improve the scheme's financial position as measured by the net defined benefit liability/asset, whilst poor or negative investment returns tend to weaken the position. The scheme assets are invested in a diversified portfolio of equities, bonds and cash, covering major geographical locations around the world. The diversification of asset classes and geographical locations helps to reduce the concentration of risk associated with the scheme investments.
Interest rate risk	The defined benefit obligation (the "DBO") is calculated using a discount rate based on market bond yields. A decrease in the bond yields will increase the DBO.
Salary risk	The DBO is calculated with reference to the future salaries of members because the scheme's benefits are salary-related. Salary increases that are higher than expected will increase the DBO.

The weighted average duration of the benefit obligation is 12.7 years. Expected maturity analysis of benefit undiscounted payments:

	Within 5 years HK\$'M	Beyond 5 years but within 10 years HK\$'M	Beyond 10 years HK\$'M
As 31st December 2014			
Expected benefit payments	97.1	140.9	835.9

26 Other non-current assets

	Group	
	2014 HK\$'M	2013 HK\$'M
Second mortgage loans receivable (Note (a))	9.7	12.6
Deferred consideration receivable (Note (b))	–	123.0
Aviation fuel facility construction receivable (Note (c))	2,239.7	2,133.6
Other receivables	152.3	156.6
	2,401.7	2,425.8

Notes

- (a) Balance represents non-current portion of second mortgage loans to buyers of the Grand Waterfront developed by the Group which are denominated in HKD. Second mortgage loans are secured by the mortgaged properties, bear interest at prime rate and are repayable by instalments in periods ranging from 15 to 25 years from the dates of drawdown.
- (b) The balance represents consideration receivable in relation to disposal of certain subsidiaries of Towngas China in June 2009 for HK\$379.0 million which is to be settled in cash by the purchaser under five annual instalments of HK\$40.0 million each commencing from June 2010 for five years, and a balancing sum of HK\$179.0 million in June 2015. The amount is secured against the entire share capital of the holding company of the disposed subsidiaries 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 3.0 per cent per annum. The carrying value of the loan balance approximates the fair value as the impact of discount is not significant. The carrying amounts are analysed for reporting purpose as follows:

	2014 HK\$'M	2013 HK\$'M
Non-current assets	–	123.0
Current assets (included in trade and other receivables)	112.0	39.3
	112.0	162.3

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 sound financial position.

- (c) Aviation fuel facility construction receivable is denominated in HKD, unsecured and will be recovered by monthly instalments up to 2047.

27 Inventories

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
Coal and oil	100.3	185.6	–	–
Stores and materials	1,517.1	1,638.2	517.9	655.3
Work in progress	665.8	559.3	643.9	542.8
	2,283.2	2,383.1	1,161.8	1,198.1

The Group wrote down the carrying value of inventories by HK\$37.4 million (2013: wrote down by HK\$15.1 million) to its net realisable value during the year.

28 Trade and other receivables

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
Trade receivables (Note (a))	3,640.9	3,517.3	1,658.8	1,707.7
Payments in advance (Note (b))	1,995.5	1,763.6	3.4	5.2
Other receivables	1,339.3	1,286.7	191.1	171.4
	6,975.7	6,567.6	1,853.3	1,884.3

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
RMB	4,189.3	3,954.8	27.0	1.1
HKD	2,657.1	2,483.0	1,825.8	1,882.7
USD	115.2	126.8	0.3	0.1
Others	14.1	3.0	0.2	0.4
	6,975.7	6,567.6	1,853.3	1,884.3

28 Trade and other receivables (Continued)

Notes

- (a) The Group has established credit policies for different types of customers. The credit periods offered for trade receivables, which are subject to periodic review by management, range from 30 to 60 days except for gas receivables of the Company which are due by 8 working days after billing date. As at 31st December 2014, the aging analysis of the trade receivables, net of impairment provision, is as follows:

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
0 – 30 days	3,097.6	3,067.8	1,455.0	1,556.4
31 – 60 days	99.3	80.7	44.9	41.2
61 – 90 days	97.3	37.9	50.1	18.6
Over 90 days	346.7	330.9	108.8	91.5
	3,640.9	3,517.3	1,658.8	1,707.7

- (i) At 31st December 2014, trade receivables of the Group and the Company that were neither past due nor impaired amounted to HK\$2,780.5 million (2013: HK\$2,666.4 million) and HK\$1,300.8 million (2013: HK\$1,384.6 million) respectively. These balances mainly relate to individuals or companies that have been the Group's or the Company's customers for more than 6 months and with no history of default in the past.
- (ii) Receivables that were past due but not impaired relate to a wide range of customers and management believes that no impairment provision is necessary as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The aging analysis of trade receivables that were past due but not impaired is as follows:

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
0 – 30 days	317.1	401.4	154.2	171.8
31 – 60 days	99.3	80.7	44.9	41.2
61 – 90 days	97.3	37.9	50.1	18.6
Over 90 days	346.7	330.9	108.8	91.5
	860.4	850.9	358.0	323.1

28 Trade and other receivables (Continued)

Notes (Continued)

(a) (Continued)

- (iii) As at 31st December 2014, trade receivables of the Group and the Company amounting to HK\$84.0 million (2013: HK\$84.7 million) and HK\$40.7 million (2013: HK\$41.7 million) respectively were impaired, all of which are aged over 90 days. The individually impaired receivables mainly relate to customers that have either been placed under liquidation or in severe financial difficulties.

The movements in the provision for impairment of trade receivables are as follows:

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
At 1st January	84.7	60.7	41.7	39.6
Impairment loss recognised	9.9	31.0	9.0	9.5
Uncollectible amounts written off	(10.3)	(7.4)	(10.0)	(7.4)
Exchange differences	(0.3)	0.4	–	–
At 31st December	84.0	84.7	40.7	41.7

- (b) Balance mainly represents prepayment for purchase of material and services in relation to the Group's gas and New Energy businesses in Hong Kong and mainland China. As at 31st December 2014, the directors of the Company reviewed the composition of the balance and considered the amount is recoverable.

29 Financial assets at fair value through profit or loss

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
Debt securities (Note (a))	672.7	618.8	–	–
Equity securities (Note (b))	34.9	42.5	–	–
Derivative financial instruments (Note 35)	11.2	–	–	–
	718.8	661.3	–	–
Market value of listed investments	707.6	661.3	–	–

29 Financial assets at fair value through profit or loss (Continued)

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
Notes				
(a) Debt securities				
Listed – Hong Kong	–	74.8	–	–
Listed – overseas	672.7	544.0	–	–
	672.7	618.8	–	–
(b) Equity securities				
Listed – Hong Kong	23.7	36.0	–	–
Listed – overseas	11.2	6.5	–	–
	34.9	42.5	–	–

Financial assets at fair value through profit or loss are denominated in the following currencies:

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
RMB	683.9	544.0	–	–
HKD	23.7	110.8	–	–
USD	11.2	6.5	–	–
	718.8	661.3	–	–

30 Time deposits, cash and bank balances

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
Time deposits over three months	550.1	1,289.3	–	219.5
Time deposits up to three months	7,964.4	3,709.6	2,051.5	1,010.1
Cash and bank balances	4,641.1	5,139.4	131.2	210.3
	12,605.5	8,849.0	2,182.7	1,220.4

30 Time deposits, cash and bank balances (Continued)

The effective interest rates on time deposits in Hong Kong and mainland China are 3.31 per cent and 2.63 per cent per annum respectively (2013: 2.45 per cent and 2.37 per cent per annum). These deposits have average maturity dates within 92 days (2013: 60 days).

Time deposits, cash and bank balances are denominated in the following currencies:

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
HKD	2,429.2	992.9	386.4	154.2
USD	1,025.0	206.6	620.7	32.7
RMB	9,534.3	8,869.2	1,161.0	1,246.7
THB	149.8	57.9	–	–
Others	17.3	11.7	14.6	6.3
	13,155.6	10,138.3	2,182.7	1,439.9

31 Trade and other payables

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
Trade payables (Note (a))	3,168.0	2,622.5	123.4	256.6
Other payables and accruals (Note (b))	8,774.6	8,649.8	760.9	631.9
	11,942.6	11,272.3	884.3	888.5

Notes

- (a) At 31st December 2014, the aging analysis of the trade payables is as follows:

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
0 – 30 days	1,404.8	1,384.2	118.3	256.1
31 – 60 days	323.9	197.4	5.1	0.5
61 – 90 days	335.9	252.9	–	–
Over 90 days	1,103.4	788.0	–	–
	3,168.0	2,622.5	123.4	256.6

- (b) The balance includes an amount of approximately HK\$45.7 million (2013: 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.

31 Trade and other payables (Continued)

Notes (Continued)

(c) Trade and other payables are denominated in the following currencies:

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
HKD	1,399.0	1,249.0	803.3	695.6
USD	61.9	179.2	31.9	151.5
RMB	10,443.8	9,818.0	33.7	23.1
Others	37.9	26.1	15.4	18.3
	11,942.6	11,272.3	884.3	888.5

32 Borrowings

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
Non-current				
Bank and other loans	7,061.2	6,949.0	–	300.0
Guaranteed notes (Note (a))	17,423.1	17,452.1	–	–
	24,484.3	24,401.1	–	300.0
Current				
Bank and other loans	7,049.7	6,222.3	300.0	–
Total borrowings	31,534.0	30,623.4	300.0	300.0

Notes

(a) Guaranteed notes comprise:

- (i) The US\$1 billion guaranteed notes were issued by HKCG (Finance) Limited, a wholly-owned subsidiary of the Company, on 7th August 2008. The notes are unsecured and guaranteed by the Company as to repayment, carry a fixed coupon rate of 6.25 per cent per annum payable semi-annually in arrear and have a maturity term of 10 years. The notes are listed on The Stock Exchange of Hong Kong Limited. At 31st December 2014, notes with a principal amount of US\$995.0 million (2013: US\$995.0 million), which is equivalent to HK\$7,716.2 million (2013: HK\$7,715.2 million), are outstanding in the market and the market value of the notes was HK\$8,803.1 million (2013: HK\$8,837.7 million).
- (ii) The HK\$10,360.2 million (2013: HK\$10,210.2 million) guaranteed notes were issued by HKCG (Finance) Limited, a wholly-owned subsidiary of the Company, between 2nd June 2009 and 18th December 2014. The notes are unsecured and guaranteed by the Company as to repayment, carry fixed coupon rates ranging from 1.19 per cent to 6.43 per cent per annum payable quarterly, half-yearly or annually in arrear and have maturity terms between 5 to 40 years.

32 Borrowings (Continued)

Notes (Continued)

(b) The maturity of borrowings is as follows:

	Group				Company	
	Bank and other loans		Guarantee notes		Bank loans	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
Within 1 year	7,049.7	6,222.3	–	–	300.0	–
Between 1 and 2 years	4,219.0	2,305.4	1,248.1	–	–	300.0
Between 2 and 5 years	2,814.2	4,610.7	8,168.2	8,935.6	–	–
Wholly repayable within 5 years	14,082.9	13,138.4	9,416.3	8,935.6	300.0	300.0
Wholly repayable over 5 years	28.0	32.9	8,006.8	8,516.5	–	–

(c) The exposure of the Group's and Company's borrowings to interest rate changes and the contractual repricing dates are all within 6 months from the balance sheet date, except for guaranteed notes and some bank loans as they are subjected to fixed interest rate and with maturity date ranged from 2 to 40 years. The Company provided guarantees to the banks in respect of the banking facilities provided to certain subsidiaries of HK\$5,694.7 million (2013: HK\$6,734.7 million). The effective interest rates of the Group's borrowings at the balance sheet date are as follows:

	Group									
	2014					2013				
	HKD	USD	RMB	AUD	JPY	HKD	USD	RMB	AUD	JPY
Bank and other loans	1.2%	0.9%	5.4%	N/A	1.2%	1.2%	0.8%	5.4%	N/A	1.2%
Guaranteed notes	3.9%	5.4%	1.6%	3.2%	3.4%	3.9%	5.4%	1.6%	3.2%	3.4%

(d) Saved as disclosed above, carrying value of borrowings approximate their fair value as the balances either at variable rates or the impact of discounting is not significant.

(e) The carrying amounts of the borrowings are denominated in the following currencies:

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
HKD	15,010.3	13,864.4	300.0	300.0
USD	7,690.7	7,680.0	–	–
RMB	7,303.7	7,378.2	–	–
AUD	861.9	939.6	–	–
JPY	667.4	761.2	–	–
	31,534.0	30,623.4	300.0	300.0

33 Customers' deposits

Customers' deposits mainly represent deposits received from customers pursuant to gas supply contracts agreed with customers and are repayable upon termination of gas supply contracts. The carrying values of the deposits approximate the fair value as the impact of discount is not significant.

The balances are denominated in HKD and bear interest at bank savings rate.

34 Deferred taxation

The movements in the deferred taxation are as follows:

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
At 1st January	4,711.3	4,446.2	1,148.9	1,121.3
Charged to income statement (Note 13)	383.3	380.7	39.3	27.6
Acquisition of businesses (Note 45)	141.5	7.1	–	–
Disposal of a subsidiary	–	(6.0)	–	–
Withholding tax	(24.6)	(48.4)	(2.8)	–
Exchange differences	(42.3)	(68.3)	–	–
At 31st December	5,169.2	4,711.3	1,185.4	1,148.9

Prior to offsetting of balances within the same taxation jurisdiction, the movements in deferred tax liabilities and assets during the year are as follows:

Group

	Accelerated tax depreciation		Mining and oil properties		Others		Total	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
Deferred tax liabilities								
At 1st January	1,960.4	1,692.4	2,167.7	2,263.9	602.3	509.0	4,730.4	4,465.3
Charged/(credited) to income statement	239.0	251.3	17.1	(0.1)	127.2	129.5	383.3	380.7
Acquisition of businesses	141.2	7.1	–	–	0.3	–	141.5	7.1
Disposal of a subsidiary	–	(6.0)	–	–	–	–	–	(6.0)
Withholding tax	–	–	–	–	(24.6)	(48.4)	(24.6)	(48.4)
Exchange differences	(12.4)	15.6	(23.0)	(96.1)	(6.9)	12.2	(42.3)	(68.3)
At 31st December	2,328.2	1,960.4	2,161.8	2,167.7	698.3	602.3	5,188.3	4,730.4

	Provisions		Tax losses		Total	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
Deferred tax assets						
At 1st January and 31st December	(8.3)	(8.3)	(10.8)	(10.8)	(19.1)	(19.1)
Net deferred tax liabilities at 31st December					5,169.2	4,711.3

34 Deferred taxation (Continued)

Company

	Accelerated tax depreciation	
	2014 HK\$'M	2013 HK\$'M
Deferred tax liabilities		
At 1st January	1,157.1	1,129.5
Charged to income statement	39.3	27.6
Withholding tax	(2.8)	–
At 31st December	1,193.6	1,157.1
	Provisions	
	2014 HK\$'M	2013 HK\$'M
Deferred tax assets		
At 1st January and 31st December	(8.2)	(8.2)
Net deferred tax liabilities at 31st December	1,185.4	1,148.9

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of HK\$315.6 million (2013: HK\$222.4 million) in respect of losses amounting to HK\$1,408.7 million (2013: HK\$1,007.8 million) that can be carried forward and set off against future taxable income. These tax losses have no expiry dates except for the tax losses of HK\$670.8 million (2013: HK\$526.8 million) which will expire at various dates up to and including 2019 (2013: 2018).

35 Derivative financial instruments

	Group			
	2014		2013	
	HK\$'M Assets	HK\$'M Liabilities	HK\$'M Assets	HK\$'M Liabilities
Cross currency swap and interest rate swap contracts – cash flow hedges (Note)	266.5	(485.8)	405.9	(328.6)
Interest rate swap contracts – held-for-trading	0.1	(41.8)	15.5	(37.2)
	266.6	(527.6)	421.4	(365.8)

Note

The fair value of hedging derivatives is classified as current assets when the remaining maturity of the hedged item is less than 12 months and disclosed in Note 29.

The fair values of hedging derivatives are classified as non-current assets or liabilities when the remaining maturity of the hedged items is more than 12 months.

The ineffective portion recognised in the income statement that arises from cash flow hedges amounts to a loss of HK\$1.9 million (2013: a gain of HK\$0.9 million).

35 Derivative financial instruments (Continued)

Note (Continued)

The major terms of the outstanding cross currency swap and interest rate swap contracts at 31st December 2014 and 2013 are as follows:

Notional Amount	Maturity	Forward contract rate	Interest rate (per annum)		Exchange Frequency	
			Receive	Pay	Receive	Pay
Cross currency swap contract						
RMB500 million	2015	RMB1 to HKD1.21	2.20%	1.14%	Quarterly	Quarterly
RMB1 billion	2016	RMB1 to HKD1.21	1.40%	1.57% – 1.60%	Semi-annually	Semi-annually
USD1 billion	2018	USD1 to HKD7.8	6.25%	5.20% – 5.66%	Semi-annually	Quarterly or semi-annually
AUD50 million	2021	AUD1 to HKD7.78	6.43%	3.42%	Semi-annually	Semi-annually
AUD86 million	2022	AUD1 to HKD7.90 – HKD8.21	5.37% – 5.85%	2.75% – 3.42%	Semi-annually or annually	Semi-annually or annually
JPY10 billion	2022	JPY100 to HKD9.705 – HKD9.897	1.19% – 1.36%	3.33% – 3.46%	Semi-annually	Semi-annually
Interest rate swap contract						
HKD350 million	2016	N/A	HIBOR	1.98%	Quarterly	Quarterly

Gains and losses recognised in the hedging reserve in equity (Note 39) on the swaps as of 31st December 2014 will be continuously released to the income statement until the repayment of relevant borrowings.

36 Share capital

	Group and Company			
	Number of Shares		Share Capital	
	2014	2013	2014 HK\$'M	HK\$0.25 each 2013 HK\$'M
Authorised: (Note (a))				
Ordinary shares (Note (b))	–	10,000,000,000	–	2,500.0
Issued and fully paid:				
At beginning of year	9,559,670,503	8,690,609,549	2,389.9	2,172.6
Transition to no-par value regime on 3rd March 2014 (Note (c))	–	–	3,084.8	–
Bonus shares	955,967,050	869,060,954	–	217.3
Shares repurchased	(3,548,000)	–	–	–
At end of year	10,512,089,553	9,559,670,503	5,474.7	2,389.9

During the year, 3,548,000 ordinary shares of the Company were repurchased at a total consideration of HK\$60.3 million, including transaction cost of HK\$0.1 million, at the price per share between HK\$16.88 and HK\$17.02. All of the repurchased shares have been cancelled.

36 Share capital (Continued)

Notes

- (a) Under the Hong Kong Companies Ordinance (Cap.622), which commenced operation on 3rd March 2014, the concept of authorised share capital no longer exists.
- (b) In accordance with section 135 of the Hong Kong Companies Ordinance (Cap.622), the Company's shares no longer have a par or nominal value with effect from 3rd March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.
- (c) 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.

37 Share premium

	2014 HK\$'M	2013 HK\$'M
At beginning of year	2,861.0	3,078.3
Transition to no-par value regime on 3rd March (Note 36)	(2,861.0)	–
Less: Bonus issue	–	(217.3)
At end of year	–	2,861.0

38 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.

39 Reserves

	Investment revaluation reserve HK\$'M	Capital redemption reserve HK\$'M	Hedging reserve HK\$'M	Other reserve HK\$'M	Exchange reserve HK\$'M	Unappropriated profits HK\$'M	Total HK\$'M
Group							
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	–	–	–	–	–	7,109.2	7,109.2
Other comprehensive income:							
Remeasurements of retirement benefit	–	–	–	–	–	(63.0)	(63.0)
Revaluation surplus of available-for-sale financial assets	59.1	–	–	–	–	–	59.1
Impairment loss on available-for-sale financial assets transferred to income statement	5.8	–	–	–	–	–	5.8
Change in fair value of cash flow hedges	–	–	(88.5)	–	–	–	(88.5)
Share of comprehensive income of an associate	–	–	2.6	–	–	–	2.6
Exchange differences	–	–	–	–	(742.1)	–	(742.1)
Total comprehensive income for the year	64.9	–	(85.9)	–	(742.1)	7,046.2	6,283.1
Transition to no-par value regime on 3rd March 2014 (Note 36)	–	(223.8)	–	–	–	–	(223.8)
Further acquisition of subsidiaries	–	–	–	–	–	(1.6)	(1.6)
2013 final dividend proposed	–	–	–	–	–	2,198.7	2,198.7
2013 final dividend paid	–	–	–	–	–	(2,198.7)	(2,198.7)
2014 interim dividend paid	–	–	–	–	–	(1,261.9)	(1,261.9)
Share repurchased	–	–	–	–	–	(60.3)	(60.3)
At 31st December 2014	431.8	–	290.1	(14.4)	3,113.3	43,332.7	47,153.5
Balance after 2014 final dividend proposed	431.8	–	290.1	(14.4)	3,113.3	40,914.9	44,735.7
2014 final dividend proposed	–	–	–	–	–	2,417.8	2,417.8
	431.8	–	290.1	(14.4)	3,113.3	43,332.7	47,153.5

39 Reserves (Continued)

	Investment revaluation reserve HK\$'M	Capital redemption reserve HK\$'M	Unappropriated profits HK\$'M	Total HK\$'M
Company				
At 1st January 2014	11.1	223.8	8,446.1	8,681.0
Profit attributable to shareholders	–	–	3,351.7	3,351.7
Other comprehensive income:				
Remeasurements of retirement benefit	–	–	(63.0)	(63.0)
Revaluation surplus of available-for-sale financial assets	2.7	–	–	2.7
Total comprehensive income for the year	2.7	–	3,288.7	3,291.4
Transition to no-par value regime on 3rd March 2014 (Note 36)	–	(223.8)	–	(223.8)
2013 final dividend proposed	–	–	2,198.7	2,198.7
2013 final dividend paid	–	–	(2,198.7)	(2,198.7)
2014 interim dividend paid	–	–	(1,261.9)	(1,261.9)
Shares repurchased	–	–	(60.3)	(60.3)
At 31st December 2014	13.8	–	10,412.6	10,426.4
Balance after 2014 final dividend proposed	13.8	–	7,994.8	8,008.6
2014 final dividend proposed	–	–	2,417.8	2,417.8
	13.8	–	10,412.6	10,426.4

39 Reserves (Continued)

	Investment revaluation reserve HK\$'M	Capital redemption reserve HK\$'M	Hedging reserve HK\$'M	Capital reserve HK\$'M	Other reserve HK\$'M	Exchange reserve HK\$'M	Unappropriated profits HK\$'M	Total HK\$'M
Group								
At 1st January 2013 as previously reported	479.4	223.8	228.4	155.5	(12.1)	3,132.7	33,861.1	38,068.8
Effect of adoption of HKAS 19 (amendment 2011)	–	–	–	–	–	–	(116.7)	(116.7)
At 1st January 2013, as restated	479.4	223.8	228.4	155.5	(12.1)	3,132.7	33,744.4	37,952.1
Profit attributable to shareholders	–	–	–	–	–	–	6,853.8	6,853.8
Other comprehensive income:								
Remeasurements of retirement benefit	–	–	–	–	–	–	110.9	110.9
Revaluation deficit of available-for-sale financial assets	(178.7)	–	–	–	–	–	–	(178.7)
Impairment loss on available-for-sale financial assets transferred to income statement	66.2	–	–	–	–	–	–	66.2
Change in fair value of cash flow hedges	–	–	149.3	–	–	–	–	149.3
Share of comprehensive loss of an associate	–	–	(1.7)	–	–	–	–	(1.7)
Exchange differences	–	–	–	–	–	722.7	–	722.7
Total comprehensive income for the year	(112.5)	–	147.6	–	–	722.7	6,964.7	7,722.5
Share of capital reserve of a joint venture	–	–	–	(155.5)	–	–	–	(155.5)
Further acquisition of subsidiaries	–	–	–	–	–	–	(66.3)	(66.3)
Partial disposal of a subsidiary	–	–	–	–	–	–	(13.6)	(13.6)
Issue of shares of a subsidiary	–	–	–	–	–	–	327.0	327.0
Issue of shares of a subsidiary under share option schemes	–	–	–	–	(2.3)	–	–	(2.3)
2012 final dividend proposed	–	–	–	–	–	–	1,998.8	1,998.8
2012 final dividend paid	–	–	–	–	–	–	(1,998.8)	(1,998.8)
2013 interim dividend paid	–	–	–	–	–	–	(1,147.2)	(1,147.2)
At 31st December 2013	366.9	223.8	376.0	–	(14.4)	3,855.4	39,809.0	44,616.7
Balance after 2013 final dividend proposed	366.9	223.8	376.0	–	(14.4)	3,855.4	37,610.3	42,418.0
2013 final dividend proposed	–	–	–	–	–	–	2,198.7	2,198.7
	366.9	223.8	376.0	–	(14.4)	3,855.4	39,809.0	44,616.7

39 Reserves (Continued)

	Investment revaluation reserve HK\$/M	Capital redemption reserve HK\$/M	Unappropriated profits HK\$/M	Total HK\$/M
Company				
At 1st January 2013 as previously reported	11.4	223.8	8,516.9	8,752.1
Effect of adoption of HKAS 19 (amendment 2011)	–	–	(116.7)	(116.7)
At 1st January 2013, as restated	11.4	223.8	8,400.2	8,635.4
Profit attributable to shareholders	–	–	3,280.9	3,280.9
Other comprehensive income:				
Remeasurements of retirement benefit	–	–	110.9	110.9
Revaluation deficit of available-for-sale financial assets	(7.2)	–	–	(7.2)
Impairment loss on available-for-sale financial assets transferred to income statement	6.9	–	–	6.9
Total comprehensive income for the year	(0.3)	–	3,391.8	3,391.5
2012 final dividend proposed	–	–	1,998.8	1,998.8
2012 final dividend paid	–	–	(1,998.8)	(1,998.8)
2013 interim dividend paid	–	–	(1,147.2)	(1,147.2)
At 31st December 2013	11.1	223.8	10,644.8	10,879.7
Balance after 2013 final dividend proposed	11.1	223.8	8,446.1	8,681.0
2013 final dividend proposed	–	–	2,198.7	2,198.7
	11.1	223.8	10,644.8	10,879.7

40 Contingent liabilities

The Company and the Group did not have any material contingent liabilities as at 31st December 2014 and 2013.

41 Commitments

(a) Capital expenditures for property, plant and equipment

	Group		Company	
	2014 HK\$/M	2013 HK\$/M	2014 HK\$/M	2013 HK\$/M
Authorised but not brought into the accounts at 31st December	3,466.6	3,408.5	869.2	759.2
Of which, contracts had been entered into at 31st December	3,445.0	3,355.1	869.2	759.2

41 Commitments (Continued)

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

	Group	
	2014 HK\$'M	2013 HK\$'M
Authorised but not brought into the accounts at 31st December	2,391.0	2,356.1
Of which, contracts had been entered into at 31st December	2,171.4	1,975.2

- (c) The Group has committed to provide sufficient funds in the forms of capital and loan contributions to finance certain gas and New Energy projects under various contracts in mainland China. The directors of the Company estimate that as at 31st December 2014, the Group's commitments to these projects were approximately HK\$1,012.6 million (2013: HK\$2,029.0 million).

(d) Lease commitments

Lessee

At 31st December 2014, future aggregate minimum lease payments of land, buildings, plant and equipment under non-cancellable operating leases are as follows:

	Group		Company	
	2014 HK\$'M	2013 HK\$'M	2014 HK\$'M	2013 HK\$'M
Not later than 1 year	113.4	105.1	17.4	19.4
Later than 1 year and not later than 5 years	147.4	151.1	38.8	44.0
Later than 5 years	224.3	212.5	114.7	124.0
	485.1	468.7	170.9	187.4

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 rented out on an hourly or a monthly basis, these leases typically run for an initial period of 2 to 10 years. Further details of the carrying value of the property are contained in Note 18. At 31st December 2014, future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	Group	
	2014 HK\$'M	2013 HK\$'M
Not later than 1 year	76.6	44.2
Later than 1 year and not later than 5 years	203.9	165.7
Later than 5 years	251.7	282.5
	532.2	492.4

42 Related party transactions

Henderson Land Development Company Limited ("Henderson") is a related party of the Group by virtue of its significant interest in and influence over the Group. Other related parties include subsidiaries of Henderson and two banks with common directors with the Company during the year. During the year, the transactions carried out and year end balances with the associates, joint ventures and other related parties are shown as follows:

(a) Interest income and sales of goods and services

	Group	
	2014 HK\$'M	2013 HK\$'M
Associates		
Sale of goods and services (Note (i))	16.3	7.0
Loan interest income (Note (ii))	49.9	39.9
Joint ventures		
Sale of goods and services (Note (i))	81.1	66.0
Loan interest income (Note (ii))	33.8	63.4
Other related parties		
Sale of goods and services (Note (i))	99.6	133.9
Interest income from bank deposits (Note (i))	26.1	14.9

(b) Interest expense and purchase of goods and services

	Group	
	2014 HK\$'M	2013 HK\$'M
Associates		
Purchase of goods and services (Note (i))	190.0	187.7
Joint ventures		
Purchase of goods and services (Note (i))	27.7	40.0
Other related parties		
Purchase of goods and services (Note (i))	16.5	15.5
Interest expense on bank loans (Note (i))	112.2	112.1

Notes

- (i) These related party transactions were conducted at prices and terms as agreed by parties involved.
- (ii) For the terms and year end balances of loans, please refer to Notes 22 and 23.

42 Related party transactions (Continued)

- (c) Year end balances arising from interest income, interest expense and sale or purchase of goods and services from other related parties

	Group	
	2014 HK\$'M	2013 HK\$'M
Time deposits and interest receivables	1,893.5	906.0
Bank loans and interest payables	1,833.0	1,864.4
Trade receivables	28.4	35.4
Trade payables	0.5	0.6

- (d) Other related party transactions are also disclosed in Notes 12, 22, 23, 28 and 31.

43 Notes to consolidated cash flow statement

Reconciliation of profit before taxation to net cash from operating activities

	Group	
	2014 HK\$'M	2013 HK\$'M
Profit before taxation	9,874.6	9,410.8
Share of results of associates	(1,725.1)	(1,389.1)
Share of results of joint ventures	(1,489.5)	(1,282.8)
Loss on disposal of a subsidiary	–	34.7
Fair value gain on investment property	(34.3)	(106.0)
Provision for investment in joint venture	25.0	–
Ineffective portion on cash flow hedges	1.9	(0.9)
Unhedged portion on cash flow hedges	(1.7)	(0.1)
Interest income	(328.3)	(327.0)
Interest expense	1,012.9	925.7
Dividend income from investments in securities	(243.1)	(202.7)
Depreciation and amortisation	1,951.5	1,649.3
Loss on disposal/write off of property, plant and equipment	23.0	35.2
Loss on disposal of leasehold land	4.3	4.8
(Gain)/loss on disposal of available-for-sale financial assets	(80.6)	61.7
Net realised and unrealised gain on investments in financial assets at fair value through profit or loss and derivative financial instruments	(111.1)	(82.3)
Tax paid	(1,468.2)	(1,300.6)
Exchange differences	319.4	(387.3)
Changes in working capital		
Increase in customers' deposits	23.0	28.3
Decrease/(increase) in inventories	64.5	(476.0)
Increase in trade and other receivables	(429.0)	(758.1)
Increase in trade and other payables	778.7	1,189.1
Increase/(decrease) in asset retirement obligations	2.7	(48.8)
Changes in retirement benefit assets	9.2	14.4
Net cash from operating activities	8,179.8	6,992.3

44 Share option scheme

Pursuant to share option scheme (the “Share Option Scheme”) adopted by the shareholders of Towngas China on 28th November 2005, Towngas China may grant options to the directors or employees of Towngas China and its subsidiaries for the recognition of their contributions to the Towngas China. Share options granted must be taken up within 28 days from the date of grant, upon payment of HK\$1 per option and the vesting period of share options is from the date of grant until the commencement of the exercisable period. Share options granted are exercisable in accordance with the terms of the Share Option Scheme at any time for a period to be determined by the directors of Towngas China, which shall not be more than 10 years after the date of grant.

As at 31st December 2014, total number of outstanding and exercisable share options is 11,015,800 (2013: 13,735,800). The weighted average exercise price for the outstanding and exercisable share options is HK\$3.7 (2013: HK\$3.7). Had all the outstanding vested share options been exercised on 31st December 2014, the Group would have received cash proceeds of approximately HK\$40.6 million (2013: HK\$50.7 million).

45 Business combinations

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

In October 2014, the Group acquired 80 per cent of 邢台市易高港興清潔能源有限公司 (“Xingtai”) for cash consideration of approximately HK\$22.8 million.

The inclusion of the acquired business does not have a significant impact of the Group’s turnover and profit for the year.

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

	HK\$’M
Purchase consideration	22.8
Fair value of net identifiable assets acquired (see below)	(18.1)
Goodwill (Note 20)	4.7

The goodwill is attributable to the future profitability of the acquired business of Xingtai and the synergies expected to arise after the Group’s acquisitions.

45 Business combinations (Continued)

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

The fair value of identifiable assets and liabilities arising from the acquisition are as follows:

	Acquirees' fair value at acquisition date HK\$'M
Property, plant and equipment (Note 17)	19.6
Trade and other receivables	3.0
Bank balances and cash	0.3
Deferred taxation (Note 34)	(0.3)
Net assets	22.6
Non-controlling interests	(4.5)
Net identifiable assets acquired	18.1

Net cash outflow arising on acquisitions:

	HK\$'M
Purchase consideration for acquisition of a business, settled in cash	20.3
Cash and cash equivalents in a business acquired	(0.3)
Cash outflow on acquisition of a business	20.0

As at 31st December 2014, purchase considerations of HK\$2.5 million remained unpaid and included in trade and other payables.

(b) Business combinations under Towngas China

For the year ended 31st December 2014, Towngas China acquired the following businesses:

	Percentage of registered capital acquired	Purchase consideration HK\$'M
Xingyi Hong Kong & China Gas Company Limited	70%	118.4
Jiajiang Hong Kong & China Gas Company Limited	70%	66.4
Songyang Hong Kong & China Gas Company Limited	51%	56.8
Siping Hong Kong & China Gas Company Limited	80%	61.4
Baotou Hong Kong & China Gas Company Limited	85%	227.2
Qianxinanzhou Ruiyang Compressed Natural Gas Company Limited	70%	26.3
Luliang Hong Kong & China Gas Company Limited	—*	116.0

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

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

45 Business combinations (Continued)

(b) Business combinations under Towngas China (Continued)

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

	Acquirees' fair value at acquisition date HK\$/M
Property, plant and equipment (Note 17)	318.5
Leasehold land (Note 19)	70.5
Other intangible assets (Note 20)	458.8
Inventories	8.8
Trade and other receivables	44.3
Cash and bank balances	17.8
Trade and other payables	(164.2)
Taxation	(0.7)
Borrowings	(22.9)
Deferred taxation (Note 34)	(141.2)
Net assets	589.7
Non-controlling interests	(157.4)
Net identifiable assets acquired	432.3
Goodwill (Note 20)	240.2
Purchase consideration	672.5

The other intangible assets represent distribution network for piped city gas. 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 outflow arising on acquisitions:

	HK\$/M
Purchase consideration for acquisition of businesses, settled in cash	562.4
Cash and cash equivalents in businesses acquired	(17.8)
Cash outflow on acquisition of businesses	544.6

As at 31st December 2014, purchase consideration of HK\$51.1 million and HK\$59.0 million remained unpaid and included in trade and other payables and loan and other payables to non-controlling shareholders respectively.

(c) Apart from the above, there were no other material acquisitions during the year ended 31st December 2014.

Subsidiaries

The following is a list of the principal subsidiaries as at 31st December 2014:

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
Gas and related businesses in Hong Kong				
# Quality Testing Services Limited	HK\$10,000	100	Hong Kong	Appliance testing
Summit Result Developments Limited	HK\$100	100	Hong Kong	Customers Centre
Towngas Enterprise Limited	HK\$2	100	Hong Kong	Café, restaurant and retail sales
Uticom Limited	HK\$100	100	Hong Kong	Development of automatic meter reading system
Gas, water and related businesses in Mainland China				
Chaozhou Hong Kong and China Gas Company Limited	HK\$100.0 million	60	PRC	Gas sales and related businesses
Danyang Hong Kong and China Gas Company Limited	RMB60.0 million	80	PRC	Gas sales and related businesses
Fengcheng Hong Kong and China Gas Company Limited	RMB88.0 million	55	PRC	Gas sales and related businesses
Guangzhou Dongyong Hong Kong & China Gas Limited	HK\$71.3 million	82.6	PRC	Gas sales and related businesses
Guangzhou Hong Kong and China Gas Company Limited	RMB105.0 million	80	PRC	Gas sales and related businesses
Jiangxi Hong Kong and China Gas Company Limited	RMB25.9 million	56	PRC	Gas sales and related businesses
Jilin Hong Kong and China Gas Company Limited	RMB100.0 million	63	PRC	Gas sales and related businesses
Jintan Hong Kong and China Gas Company Limited	RMB60.0 million	60	PRC	Gas sales and related businesses
† Pingxiang Hong Kong & China Gas Company Limited	US\$5.1 million	100	PRC	Gas sales and related businesses
† Suining Hong Kong and China Gas Company Limited	US\$5.0 million	100	PRC	Gas sales and related businesses
Taizhou Hong Kong and China Gas Company Limited	RMB83.0 million	65	PRC	Gas sales and related businesses
景縣港華燃氣有限公司	RMB79.0 million	81	PRC	Gas sales and related businesses
† 豐縣港華燃氣有限公司	US\$4.5 million	100	PRC	Gas sales and related businesses
饒平港華燃氣有限公司	HK\$126.0 million	60	PRC	Gas sales and related businesses
瀋陽三全工程監理諮詢有限公司	RMB3.0 million	60	PRC	Project management
† Maanshan Hong Kong and China Water Company Limited	US\$10.0 million	100	PRC	Water supply and related businesses
# Wuhu Hong Kong and China Water Company Limited	RMB400.0 million	75	PRC	Water supply and related businesses
Wujiang Hong Kong and China Water Company Limited	RMB860.0 million	80	PRC	Water supply and related businesses
安徽省江北華衍水務有限公司	US\$12.2 million	100	PRC	Water supply and related businesses
† Hong Kong & China Gas Investment Limited	US\$75.0 million	100	PRC	Investment holding
* Towngas China Company Limited	2,632,657,769 shares of HK\$0.1 each	62.3	Cayman Island/ PRC	Investment holding

Direct subsidiaries of the Company

† Wholly foreign-owned enterprises

* A listed company in The Stock Exchange of Hong Kong Limited

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2014:

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
Gas, water and related businesses in Mainland China (Continued)				
The following subsidiaries engaged in gas businesses are held by Towngas China Company Limited (TCCL) and the respective equity interest held by TCCL is shown accordingly.				
[†] An Shan Hong Kong and China Gas Company Limited	US\$20.0 million	100	PRC	Gas sales and related businesses
Beipiao Hong Kong and China Gas Company Limited	RMB56.0 million	80	PRC	Gas sales and related businesses
Benxi Hong Kong and China Gas Company Limited	RMB310.0 million	80	PRC	Gas sales and related businesses
Boxing Hong Kong & China Gas Co., Ltd	RMB40.0 million	65	PRC	Gas sales and related businesses
[†] Cangxi Hong Kong and China Gas Company Limited	RMB20.0 million	100	PRC	Gas sales and related businesses
Cangxian Hong Kong and China Gas Co., Ltd.	RMB10.0 million	90	PRC	Gas sales and related businesses
Changting Hong Kong and China Gas Company Limited	RMB22.0 million	90	PRC	Gas sales and related businesses
Chaoyang Hong Kong and China Gas Co., Ltd.	US\$10.8 million	90	PRC	Gas sales and related businesses
Chaozhou Fengxi Hong Kong and China Gas Co., Ltd.	RMB60.0 million	60	PRC	Gas sales and related businesses
Chi Ping Hong Kong & China Gas Co., Ltd.	RMB40.0 million	85	PRC	Gas sales and related businesses
[†] Chizhou Hong Kong and China Gas Company Limited	RMB20.0 million	100	PRC	Gas sales and related businesses
Dafeng Hong Kong and China Gas Company Limited	RMB60.0 million	51	PRC	Gas sales and related businesses
[†] Dalian Changxing Hong Kong and China Gas Co., Ltd.	US\$14.0 million	100	PRC	Gas sales and related businesses
[†] Dalian Lvshun Hong Kong and China Gas Co., Ltd.	US\$15.0 million	100	PRC	Gas sales and related businesses
[†] Dayi Hong Kong and China Gas Co., Ltd.	RMB20.0 million	100	PRC	Gas sales and related businesses
[†] Feicheng Hong Kong and China Gas Company Limited	RMB32.0 million	100	PRC	Gas sales and related businesses
[†] Fuxin Dali Gas Company Limited	RMB13.9 million	100	PRC	Gas sales and related businesses
Fuxin Hong Kong and China Gas Company Limited	RMB77.2 million	90	PRC	Gas sales and related businesses
[†] Fuxin Xinqiu Hong Kong and China Gas Company Limited	RMB34.0 million	100	PRC	Gas sales and related businesses
[†] Gao Chun Hong Kong and China Gas Co., Ltd.	US\$4.0 million	100	PRC	Gas sales and related businesses
[†] Gongzhuling Hong Kong and China Gas Company Limited	RMB53.0 million	100	PRC	Gas sales and related businesses
[†] Guangxi Zhongwei Pipeline Gas Development Group Co., Ltd.	RMB30.0 million	100	PRC	Gas sales and related businesses
Guilin Hong Kong and China Gas Co., Ltd.	RMB30.0 million	100	PRC	Gas sales and related businesses
[†] Huangshan Hong Kong and China Gas Co., Ltd.	RMB40.0 million	100	PRC	Gas sales and related businesses

[†] Wholly foreign-owned enterprises

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2014:

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
Gas, water and related businesses in Mainland China (Continued)				
† Huangshan Huizhou Hong Kong and China Gas Co., Ltd.	US\$2.1 million	100	PRC	Gas sales and related businesses
† Huangshan Taiping Hong Kong and China Gas Co., Ltd.	US\$3.5 million	100	PRC	Gas sales and related businesses
Huzhou Hong Kong and China Gas Company Limited	US\$10.5 million	98.9	PRC	Gas sales and related businesses
Jianping Hong Kong and China Gas Company Limited	RMB58.0 million	80	PRC	Gas sales and related businesses
Jianyang Hong Kong and China Gas Company Limited	RMB30.0 million	100	PRC	Gas sales and related businesses
Jinan Pingyin Hong Kong and China Gas Company Limited	RMB100.0 million	82.5	PRC	Gas sales and related businesses
Jiujiang Hong Kong and China Gas Co., Ltd.	RMB10.0 million	60	PRC	Gas sales and related businesses
† Kazuo Hong Kong and China Gas Co., Ltd.	US\$6.4 million	100	PRC	Gas sales and related businesses
† Laiyang Hong Kong and China Gas Co., Ltd.	US\$5.4 million	100	PRC	Gas sales and related businesses
† Lezhi Hong Kong and China Gas Company Limited	RMB30.0 million	100	PRC	Gas sales and related businesses
† Longkou Hong Kong and China Gas Co., Ltd.	US\$7.1 million	100	PRC	Gas sales and related businesses
Maanshan Bowang Hong Kong and China Gas Co., Ltd.	US\$10.0 million	75.1	PRC	Gas sales and related businesses
† Maanshan Jiangbei Hong Kong & China Gas Company Limited	US\$10.0 million	100	PRC	Gas sales and related businesses
Mengcun Hong Kong & China Gas Co., Ltd.	RMB10.0 million	90	PRC	Gas sales and related businesses
† Mianyang Hong Kong and China Gas Company Limited	RMB90.0 million	100	PRC	Gas sales and related businesses
Mianyang Heqing Hong Kong and China Gas Co., Ltd.	RMB1.0 million	80	PRC	Gas sales and related businesses
Mianzhu Xinxin Natural Gas Co., Ltd.	RMB1.0 million	80	PRC	Gas sales and related businesses
Miluo Hong Kong and China Gas Company Limited	RMB50.0 million	70	PRC	Gas sales and related businesses
Pengshan Hong Kong and China Gas Company Limited	RMB20.0 million	70	PRC	Gas sales and related businesses
Pengxi Hong Kong and China Gas Company Limited	RMB16.6 million	100	PRC	Gas sales and related businesses
Pingchang Hong Kong and China Gas Company Limited	RMB20.0 million	90	PRC	Gas sales and related businesses
Qingdao Dong Yi Hong Kong and China Gas Co., Ltd.	RMB30.0 million	60	PRC	Gas sales and related businesses
Qingdao Zhongji Hong Kong and China Gas Co., Ltd.	RMB73.5 million	90	PRC	Gas sales and related businesses

† Wholly foreign-owned enterprises

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2014:

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
Gas, water and related businesses in Mainland China (Continued)				
Qing Yuan Hong Kong and China Gas Company Limited	RMB50.0 million	80	PRC	Gas sales and related businesses
Qinhuangdao Hong Kong and China Gas Co., Ltd.	RMB15.0 million	51	PRC	Gas sales and related businesses
Qiqihar Hong Kong and China Gas Company Limited	RMB128.6 million	61.7	PRC	Gas sales and related businesses
Shao Guan Hong Kong and China Gas Co., Ltd.	RMB20.0 million	100	PRC	Gas sales and related businesses
[†] Shenyang Hong Kong and China Gas Company Limited	US\$24.5 million	100	PRC	Gas sales and related businesses
Sichuan Quanxin Gas Co., Ltd.	RMB12.0 million	80	PRC	Gas sales and related businesses
Tieling Hong Kong and China Gas Company Limited	RMB233.0 million	80	PRC	Gas sales and related businesses
Tongxiang Hong Kong and China Gas Company Limited	US\$7.0 million	76	PRC	Gas sales and related businesses
Weiyuan Hong Kong and China Gas Company Limited	RMB30.0 million	100	PRC	Gas sales and related businesses
Wuning Hong Kong and China Gas Company Limited	RMB25.0 million	100	PRC	Gas sales and related businesses
Xin Du Hong Kong and China Gas Company Limited, Cheng Du	RMB30.0 million	100	PRC	Gas sales and related businesses
Xin Jin Hong Kong and China Gas Company Limited	RMB20.0 million	60	PRC	Gas sales and related businesses
Xin Jin Yong Shuang Hong Kong and China Gas Company Limited	RMB20.0 million	60	PRC	Gas sales and related businesses
Xiushui Hong Kong and China Gas Company Limited	RMB30.0 million	80	PRC	Gas sales and related businesses
[†] Yang Jiang Hong Kong and China Gas Company Limited	RMB50.0 million	100	PRC	Gas sales and related businesses
Yanshan Hong Kong & China Gas Co., Ltd.	RMB10.0 million	90	PRC	Gas sales and related businesses
[†] Yifeng Hong Kong and China Gas Co., Ltd.	RMB32.0 million	100	PRC	Gas sales and related businesses
[†] Yingkou Hong Kong and China Gas Company Limited	US\$9.4 million	100	PRC	Gas sales and related businesses
Yuechi Hong Kong and China Gas Company Limited	RMB30.0 million	90	PRC	Gas sales and related businesses
[†] Zhaoyuan Hong Kong and China Gas Company Limited	RMB22.0 million	100	PRC	Gas sales and related businesses
[†] Zhongjiang Hong Kong and China Gas Company Limited	RMB30.0 million	100	PRC	Gas sales and related businesses
Ziyang Hong Kong and China Gas Company Limited	RMB30.0 million	90	PRC	Gas sales and related businesses
大連瓦房店金宇港華燃氣有限公司	RMB40.0 million	60	PRC	Gas sales and related businesses
[†] Towngas Investments Limited	US\$200.0 million	100	PRC	Investment holding

[†] Wholly foreign-owned enterprises

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2014:

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
New Energy businesses				
ECO Aviation Fuel Development Limited	HK\$2	100	Hong Kong	Aviation fuel facility
ECO Aviation Fuel Services Limited	HK\$10,000	100	Hong Kong	Aviation fuel facility
ECO Landfill Gas (NENT) Limited	HK\$100	100	Hong Kong	Landfill gas project
P-Tech Landfill Gas (SENT) Company Limited	HK\$100	100	Hong Kong	Landfill gas project
¹ ECO Biochemical Technology (Zhangjiagang) Company Limited	US\$33.3 million	100	PRC	Chemical business
Inner Mongolia SanWei Coal Chemical Technology Company Limited	RMB400.0 million	70.1	PRC	Chemical business
Inner Mongolia ECO Ke Jian Coal Company Limited	RMB150.0 million	100	PRC	Coal related businesses
Inner Mongolia SanWei Resource Group Xiao Yu Gou Coal Company Limited	RMB120.0 million	70.1	PRC	Coal related businesses
Dandong YiYuan Trade Co., Ltd.	US\$66.0 million	100	PRC	Coal related businesses
Qinhuangdao YiTeng Trade Co. Ltd.	US\$20.0 million	100	PRC	Coal related businesses
¹ 易高能源工程管理諮詢服務(西安)有限公司	US\$1.5 million	100	PRC	Engineering services
¹ 易高新能源工程管理服务(深圳)有限公司	RMB15.0 million	100	PRC	Engineering services
Shanxi ECO Coalbed Methane Co. Ltd.	RMB200.0 million	70	PRC	LNG business
¹ Shandong ECO Juming Energy Co., Ltd.	RMB150.0 million	70	PRC	LNG business
¹ 徐州易高中泰新能源有限公司	US\$24.5 million	80	PRC	LNG business
嘉祥縣恒生貿易有限公司	RMB180.0 million	55	PRC	Logistics business
ECO Orient Resources (Thailand) Ltd.	THB 425,000,000 divided into 17,000,000 shares of THB25 each	100	Thailand	Oil business
[†] ECO Services Management Company Limited	RMB80.0 million	100	PRC	Project management
Anyang ECO Clean Energy Co., Ltd.	US\$2.25 million	100	PRC	Vehicular fuel refilling station
Chiping ECO Yi Yun Gas Co. Ltd.	RMB15.0 million	100	PRC	Vehicular fuel refilling station
Dong Ping ECO Energy Co. Ltd.	RMB25.5 million	91	PRC	Vehicular fuel refilling station
[†] Henan ECO Clean Energy Co. Ltd.	US\$2.22 million	100	PRC	Vehicular fuel refilling station
Jiaxiang ECO Energy Co. Ltd.	RMB28.0 million	70	PRC	Vehicular fuel refilling station
Jining ECO Energy Co., Ltd.	RMB7.7 million	100	PRC	Vehicular fuel refilling station
¹ Liaocheng ECO Clean Energy Co. Ltd.	USD\$2.1 million	100	PRC	Vehicular fuel refilling station
Xian ECO Yida Clean Energy Co., Ltd.	RMB12.0 million	100	PRC	Vehicular fuel refilling station
¹ 內蒙古易高清潔能源有限公司	RMB14.0 million	90	PRC	Vehicular fuel refilling station
¹ 單縣易高清潔能源有限公司	US\$2.3 million	100	PRC	Vehicular fuel refilling station
山西易高天星清潔能源有限公司	RMB20.0 million	75	PRC	Vehicular fuel refilling station

[†] Wholly foreign-owned enterprises

¹ Newly formed during the year

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2014:

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
New Energy businesses (Continued)				
廣州易高環保能源有限公司	US\$2.1 million	100	PRC	Vehicular fuel refilling station
¹ 微山易高能源有限公司	US\$4.7 million	100	PRC	Vehicular fuel refilling station
林州市易高清潔能源有限公司	US\$3.3 million	100	PRC	Vehicular fuel refilling station
¹ 漢中易高清潔能源有限公司	US\$2.1 million	100	PRC	Vehicular fuel refilling station
¹ 邢台市易高港興清潔能源有限公司	RMB17.1 million	80	PRC	Vehicular fuel refilling station
開封易高清潔能源有限公司	US\$2.4 million	100	PRC	Vehicular fuel refilling station
[†] 陝西易高清潔能源有限公司	RMB27.0 million	100	PRC	Vehicular fuel refilling station
¹ 鳳翔易高清潔能源有限責任公司	RMB15.0 million	100	PRC	Vehicular fuel refilling station
ECO Environmental Investments Limited	HK\$2	100	Hong Kong	Investment holding
[†] ECO Environmental Energy Investments Limited	US\$100.0 million	100	PRC	Investment holding
[†] ECO Environmental Resources Investments Limited	US\$299.0 million	100	PRC	Investment holding
Other businesses				
HDC Data Centre Limited	HK\$100	100	Hong Kong	Telecommunications business
Towngas Telecommunications Fixed Network Limited	HK\$35,000,000	100	Hong Kong	Telecommunications business
[†] Towngas Telecom (Fengxian) Company Limited	RMB7.5 million	100	PRC	Telecommunications business
[†] Towngas Telecom (Peixian) Company Limited	RMB9.0 million	100	PRC	Telecommunications business
Towngas Telecom (Shandong) Company Limited	RMB40.0 million	90.1	PRC	Telecommunications business
Towngas Chibo Data Service (Jinan) Co., Ltd.	RMB68.0 million	65	PRC	Telecommunications business
[†] Towngas Telecommunications (Shenzhen) Limited	RMB6.0 million	100	PRC	Telecommunications business
TGT China Cloud Data Services (Harbin) Co., Ltd.	RMB63.0 million	80	PRC	Telecommunications business
TGT Union Financial Data Services (Dongguan) Co., Ltd.	RMB80.0 million	60	PRC	Telecommunications business
¹ 大連億達名氣通數據有限公司	RMB76.0 million	90	PRC	Telecommunications business
¹ 北京馳波名氣通數據服務有限公司	RMB10.0 million	100	PRC	Telecommunications business
¹ 名氣通網絡(深圳)有限公司	RMB29.5 million	100	PRC	Telecommunications business
萊陽名氣通電訊有限公司	RMB10.0 million	90	PRC	Telecommunications business
Hong Kong and China Technology (Wuhan) Company Limited	RMB21.2 million	90.1	PRC	System Development & Consulting Services
¹ 珠海卓銳高科信息技術有限公司	RMB4.9 million	100	PRC	System Development & Consulting Services

[†] Wholly foreign-owned enterprises

¹ Newly formed during the year

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2014:

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
Other businesses (Continued)				
M-Tech Instrument (Hong Kong) Limited	HK\$100	100	Hong Kong	Gas meter and related businesses
† 卓通管道系統（中山）有限公司	RMB13.5 million	100	PRC	PE piping system business
† 卓度計量技術（深圳）有限公司	RMB30.0 million	100	PRC	Gas meter and related businesses
U-Tech Engineering Company Limited	HK\$14,800,000	100	Hong Kong	Engineering and related businesses
P-Tech Engineering Company Limited	HK\$2	100	Hong Kong	Engineering and related businesses
Starmax Assets Limited	90 million ordinary shares of HK\$1 each	100	British Virgin Islands/ Hong Kong	Property development
Financing & securities investments				
# Eagle Legend International Limited	HK\$100	100	Hong Kong	Financing
HKCG (Finance) Limited	HK\$100	100	Hong Kong	Financing
TCCL (Finance) Limited	HK\$1	62.3	Hong Kong	Financing
Towngas (Finance) Limited	100 ordinary shares of HK\$1 each	100	British Virgin Islands	Financing
Barnaby Assets Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Securities investment
Danetop Services Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Securities investment
Investstar Limited	HK\$100	100	Hong Kong	Securities investment
Superfun Enterprises Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Securities investment
Upwind International Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Securities investment
Investment holding				
Apex Time Holdings Limited	HK\$100	100	Hong Kong	Investment holding
ECO Environmental Energy (China) Ltd.	HK\$100	100	Hong Kong	Investment holding
ECO Environmental Investments (China) Limited	HK\$100	100	Hong Kong	Investment holding
ECO Natural Gas (China) Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
ECO Natural Gas (Xian) Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
ECO Orient Energy (Thailand) Ltd.	US\$12,000 divided into 12,000 ordinary shares of US\$1 each	100	Bermuda	Investment holding
Fanico Investments Limited	HK\$1	100	Hong Kong	Investment holding

Direct subsidiaries of the Company

† Wholly foreign-owned enterprises

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2014:

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
Investment holding (Continued)				
G-Tech Piping Technologies Limited	HK\$100	100	Hong Kong	Investment holding
Hong Kong & China Gas (Anhui) Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Changzhou) Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Chaozhou) Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (China) Limited	10,000 ordinary shares of HK\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Danyang) Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Fengcheng) Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Guangzhou) Limited	1,000 ordinary shares of HK\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Hebei) Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Jilin Province) Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Jinan) Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Jintan) Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Nanjing) Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Panyu) Limited	1,000 ordinary shares of HK\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Suzhou) Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Taizhou) Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Wuhan) Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Wujiang) Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Xuzhou) Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Yixing) Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Zhangjiagang) Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2014:

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
Investment holding (Continued)				
Hong Kong & China Gas (Zhongshan) Limited	1,000 ordinary shares of HK\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Water (Maanshan) Limited	HK\$100	100	Hong Kong	Investment holding
Hong Kong & China Water (Suzhou) Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Water (Wujiang) Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Water Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong and China Gas (Hainan) Limited	HK\$100	100	Hong Kong	Investment holding
Hong Kong and China Gas (Jiangxi) Limited	HK\$100	100	Hong Kong	Investment holding
Hong Kong and China Gas (Jingxian) Limited	HK\$100	100	Hong Kong	Investment holding
Hong Kong and China Gas (Xinmi) Limited	HK\$100	100	Hong Kong	Investment holding
Hong Kong and China Gas (Zhangshu) Limited	HK\$100	100	Hong Kong	Investment holding
Hong Kong and China Gas (Zhengzhou) Limited	HK\$100	100	Hong Kong	Investment holding
Hong Kong and China Water (Anhui Jiangbei) Limited	HK\$100	100	Hong Kong	Investment holding
M-Tech Instrument Corporation (Holding) Limited	HK\$119	100	Hong Kong	Investment holding
Sky Global Limited	100 ordinary shares of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
TGT Destic Company Limited	HK\$100	100	Hong Kong	Investment holding
# Towngas International Company Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
# Towngas Investment Company Limited	HK\$2	100	Hong Kong	Investment holding
Towngas Telecommunications (China) Limited	50,000 shares of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding

Direct subsidiaries of the Company

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