



The Hong Kong and China
Gas Company Limited

(Stock Code: 3)

Annual Report



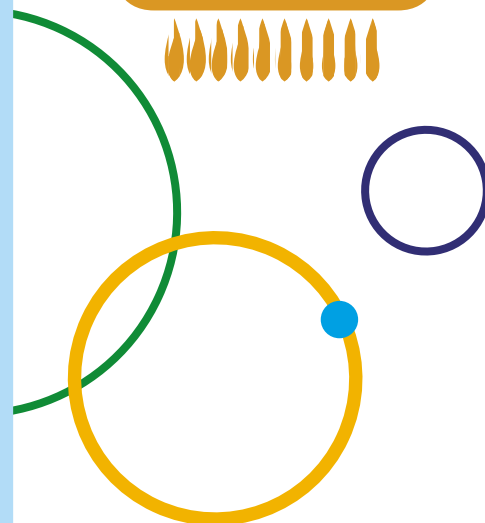
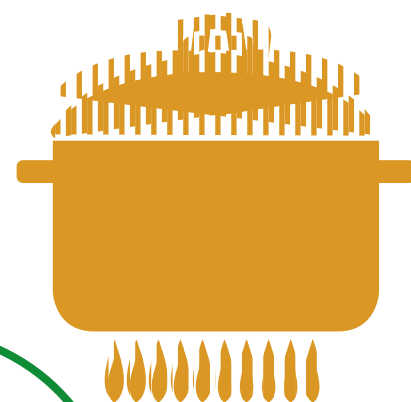
2015

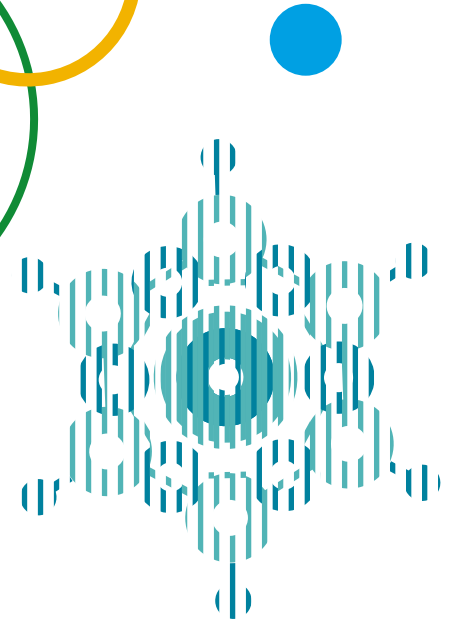
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Slide out
the transparent sheet
to experience
our innovation!

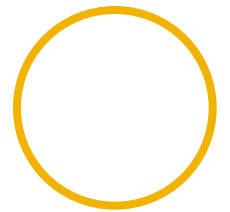
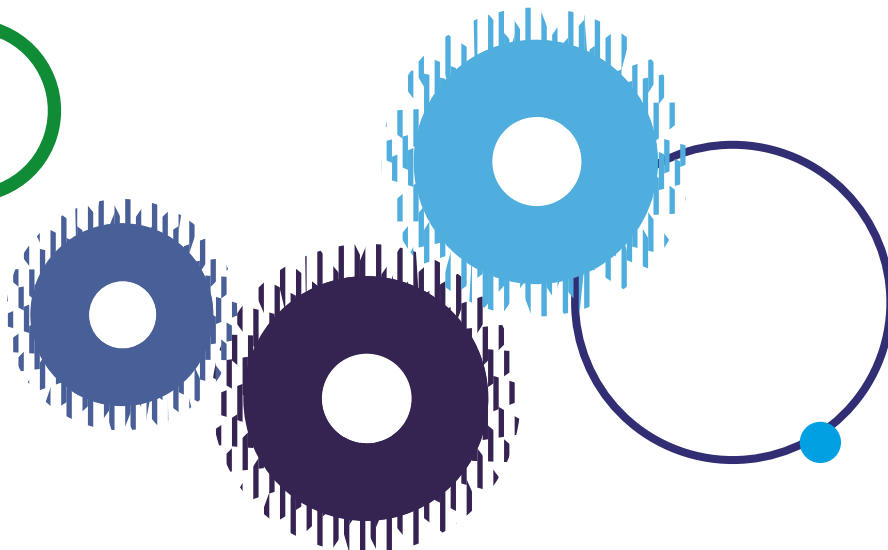
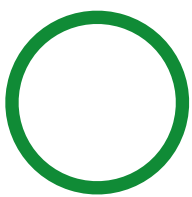




EXPANDING NEW HORIZONS

As Hong Kong's first public utility as well as one of the leading energy providers on the mainland, we understand the importance of innovation. It is the key to our sustaining contribution in a rapidly changing business landscape. New commercial platforms have transformed the face of business, and we continue to revitalise our services and technology not merely to ensure our competitiveness, but also create new markets.

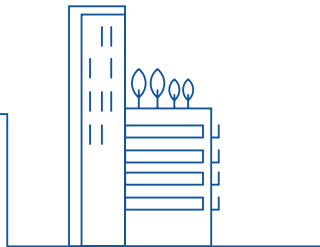
The Group's innovative thinking has the opportunity to bear fruit because the Towngas team is dedicated to recognising bright ideas, refining and implementing them in a manner that achieves its primary goals. This ethos is captured in our company slogan, "**Growth = Innovation x Implementation**", underscoring the commitment to quality and excellence manifested throughout our organisational values.



KEY HIGHLIGHTS OF 2015

We developed a landmark **222 PROJECTS IN MAINLAND CHINA**, mostly joint ventures, spanning upstream, midstream and downstream natural gas sectors, water sectors, environmentally-friendly energy applications, energy resources' exploration and utilisation, as well as telecommunications.

Towngas China (1083.HK) achieved a **CREDIT RATING UPGRADE** to BBB+ with a stable outlook by Standard & Poor's, and Baa1 by Moody's.



We operate **131 CITY-GAS PROJECTS** in 23 provinces, autonomous regions and municipalities, with residential and business accounts exceeding 20 million for the first time, which encompasses a population of around 60 million on the mainland.

The Group's water business celebrated its 10th anniversary this year, and introduced **AQUAJoy**, a high-end bottled purified water product.



2015 AWARDS AND RECOGNITIONS

Global Chinese Business 1000

by Yazhou Zhoukan

The Outstanding Listed Company Award

by the Hong Kong Institute of Financial Analysts and Professional Commentators Limited



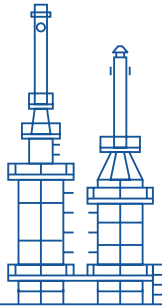
HKMA/TVB Awards for Marketing Excellence – Merit Awards

by the Hong Kong Management Association

China Top CIO Award – China Informatisation Project Award

by IT magazines including CEOCIO

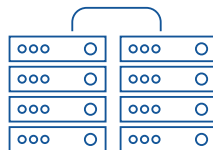




Our proprietary process for **UPGRADING METHANOL INTO NATURAL GASOLINE**

(a gasoline substitute chemical product) is undergoing pilot production at our methanol plant in Inner Mongolia.

We commissioned a **2,000-SERVER-RACK DATA CENTRE**, one of the total five operating in Hong Kong and mainland China, providing cloud computing and co-location services in a strategic location.



We unveiled a wide array of **EXTENDED SERVICE BUSINESSES** including online bill payment, home insurance, kitchen solution as well as stylish household merchandise, opening new business opportunities in mainland China.

With the new technologies for converting **AGRICULTURAL AND FORESTRY WASTE** into natural gas through thermal gasification, we are planning to commence a pilot project in Hebei province.

In collaboration with members of the District Councils, we staged the **GAS APPLIANCE FOR THE COMMUNITY PROGRAMME**, with a target of delivering 10,000 gas hotplates to the needy in Hong Kong.

Constituent Company of the Hang Seng Corporate Sustainability Index Series

by Hang Seng Indexes Company Limited

Safety Management System Award (Other Industries) – Gold Award

by the Hong Kong Occupational Safety and Health Council

Caring Company – Outstanding Partnership Project Award 2014/15

by the Hong Kong Council of Social Service



Tao Zhu Gong Awards – Highly Commended Top Treasury Team of the Year

by EuroFinance

China Corporate Social Responsibility Brand Award – Most Influential Company

by Corporate Citizenship Committee of the China Association of Social Workers, CCTV Business News Channel, and Tencent Charity Foundation

BUSINESS COVERAGE IN 2015

Towngas

(Stock Code: 3)

Piped City-Gas Projects

Guangdong Province

1. Panyu
2. Zhongshan
3. Dongyong
4. Shenzhen
5. Chaoan
6. Chaozhou Raoping

Central China

7. Wuhan
8. Xinmi

Eastern China

9. Yixing
10. Taizhou
11. Zhangjiagang
12. Wujiang
13. Xuzhou
14. Suining
15. Fengxian
16. Peixian
17. Danyang
18. Jintan
19. Tongling
20. Suzhou Industrial Park
21. Changzhou
22. Nanjing
23. Fengcheng
24. Pingxiang
25. Jiangxi
26. Zhangshu
27. Yonganzhou
28. Hangzhou

Shandong Province

29. Jinan East

Northern China

30. Jilin
31. Beijing Economic-technological Development Area
32. Hebei Jingxian

Northwestern China

33. Xi'an

Hainan Province

34. Qionghai

Midstream Projects

35. Guangdong LNG
36. Anhui NG
37. Hebei NG
38. Jilin NG
39. Henan NG
40. Jintan NG

LNG Refilling Station

41. Nanjing (Marine)

Water Projects

42. Wujiang
43. Suzhou Industrial Park

44. Wuhu
45. Suzhou Industrial Park (Industrial Wastewater Treatment)
46. Maanshan
47. Jiangbei

New Energy Projects

Coal Mining

48. Jiangxi Fengcheng
49. Inner Mongolia Erdos Kejian

Coal-based Chemical

50. Jiangxi Fengcheng
51. Inner Mongolia Erdos

CNG/LNG Refilling Stations

52. Shaanxi Xianyang
53. Shaanxi Huitai
54. Shaanxi Lueyang
55. Shaanxi Fengxiang
56. Shaanxi Shenmu
57. Shaanxi Baoji
58. Shanxi Yuanping
59. Shanxi Lingshi
60. Shanxi Pinglu
61. Shandong Chiping
62. Shandong Jining
63. Shandong Dongping
64. Shandong Jiexiang
65. Shandong Weishan
66. Shandong Shanxian
67. Shandong Linqing
68. Shandong Heze
69. Hebei Shijiazhuang
70. Xingtai Ningjin
71. Henan Xinmi
72. Henan Anyang
73. Henan Kaifeng
74. Henan Linzhou
75. Henan Nanyang
76. Inner Mongolia Huhhot
77. Inner Mongolia Wulatezhong Qi
78. Inner Mongolia Xiuzhumuqin Qi
79. Inner Mongolia Chifeng
80. Inner Mongolia Chaha'eryouyiqian Qi
81. Ningxia Guangwuxiang
82. Ningxia Qingtongxia
83. Ningxia Jinyintan
84. Jiangsu Xuzhou
85. Anhui Maanshan
86. Jiangxi Pengze
87. Guangdong Guangzhou

Upstream Projects

88. Shanxi LCBM
89. Jilin Tianyuan
90. Xuzhou COG
91. Heze COG
92. Jiexiu COG

Coal Logistic Project

93. Shandong Jining Jiexianggang Logistic Port

Oilfield Project

94. Phetchabun Province in Thailand

Telecommunication Projects

95. Shandong Jinan
96. Shandong Jinan (Chibo)
97. Shandong Laiyang
98. Suzhou Fengxian
99. Suzhou Peixian
100. Liaoning Dalian (DETA)
101. Liaoning Dalian (Yida)
102. Heilongjiang Harbin
103. Beijing (Zhongjing)
104. Beijing (Chibo)
105. Guangdong Dongguan
106. Guangdong Shenzhen (Qianhai)
107. Guangdong Shenzhen

Other Projects

108. Shenyang Sanquan Construction Supervisory
109. ECO Engineering Management (Xi'an)
110. Suzhou Industrial Park Broad Energy Services
111. GH Yixing Ecology
112. Zhangjiagang (Chemical)
113. Dalian (New Energy Technology)
114. M-Tech
115. GH-Fusion
116. G-Tech
117. Towngas Lifestyle
118. S-Tech (Zhuhai)
119. ECO Engineering Management (Shenzhen)
120. Towngas Lifestyle
121. Towngas Payment Technology (Shenzhen)

Towngas China

(Stock Code: 1083)

Piped City-Gas Projects

Guangdong Province

122. Foshan
123. Shaoguan
124. Qingyuan
125. Yangdong
126. Fengxi

Eastern China

127. Nanjing Gaochun
128. Dafeng
129. Tongshan
130. Maanshan
131. Bowang
132. Zhengpugang Xin Qu Modern Industrial Zone
133. Wuhu Fanchang
134. Bozhou-Wuhu Modern Industrial Zone

135. Wuhu Jiangbei
136. Anqing
137. Chizhou
138. Tunxi
139. Huangshan
140. Huizhou
141. Tongxiang
142. Yuhang
143. Songyang
144. Changjiu
146. Fuzhou
147. Jiujiang
148. Wuning
149. Xiushui
150. Yifeng
151. Changting

Shandong Province

152. Jimo
153. Laoshan
154. Zibo
155. Zibo Lubo
156. Longkou
157. Jinan West
158. Weifang
159. Weihai
160. Taian
161. Chiping
162. Linqu
163. Laiyang
164. Zhaoyuan
165. Pingyin
166. Feicheng
167. Boxing Economic Development Zone
168. Yangxin
169. Wulian

Hunan Province

170. Miluo

Northeastern China

171. Benxi
172. Chaoyang
173. Tieling

174. Fuxin
175. Shenyang Coastal Economic Zone
176. Yingkou
177. Dalian Changxingdao
178. Dalian Economic and Technical Development Zone
179. Anshan
180. Lvshun
181. Kazuo
182. Beipiao
183. Wafangdian
184. Xinqiu
185. Jianping
186. Changchun
187. Gongzhuling
188. Siping
189. Qiqihar

Hebei Province

190. Qinhuangdao
191. Yanshan
192. Cangxian
193. Mengcun
194. Shijiazhuang
195. Baoding

Inner Mongolia

196. Baotou

Southwestern China

197. Ziyang
198. Weiyuan
199. Pengxi
200. Lezhi
201. Pingchang
202. Dayi
203. Yuechi
204. Cangxi
205. Chengdu
206. Zhongjiang
207. Jianyang
208. Pengshan
209. Mianyang
210. Xinjin
211. Xindu
212. Mianzhu
213. Jiajiang
214. Qijiang
215. Guilin
216. Zhongwei (Fusui)
217. Xingyi
218. Luliang

Midstream Projects

219. Xuancheng Huangshan
220. Taian Taigang

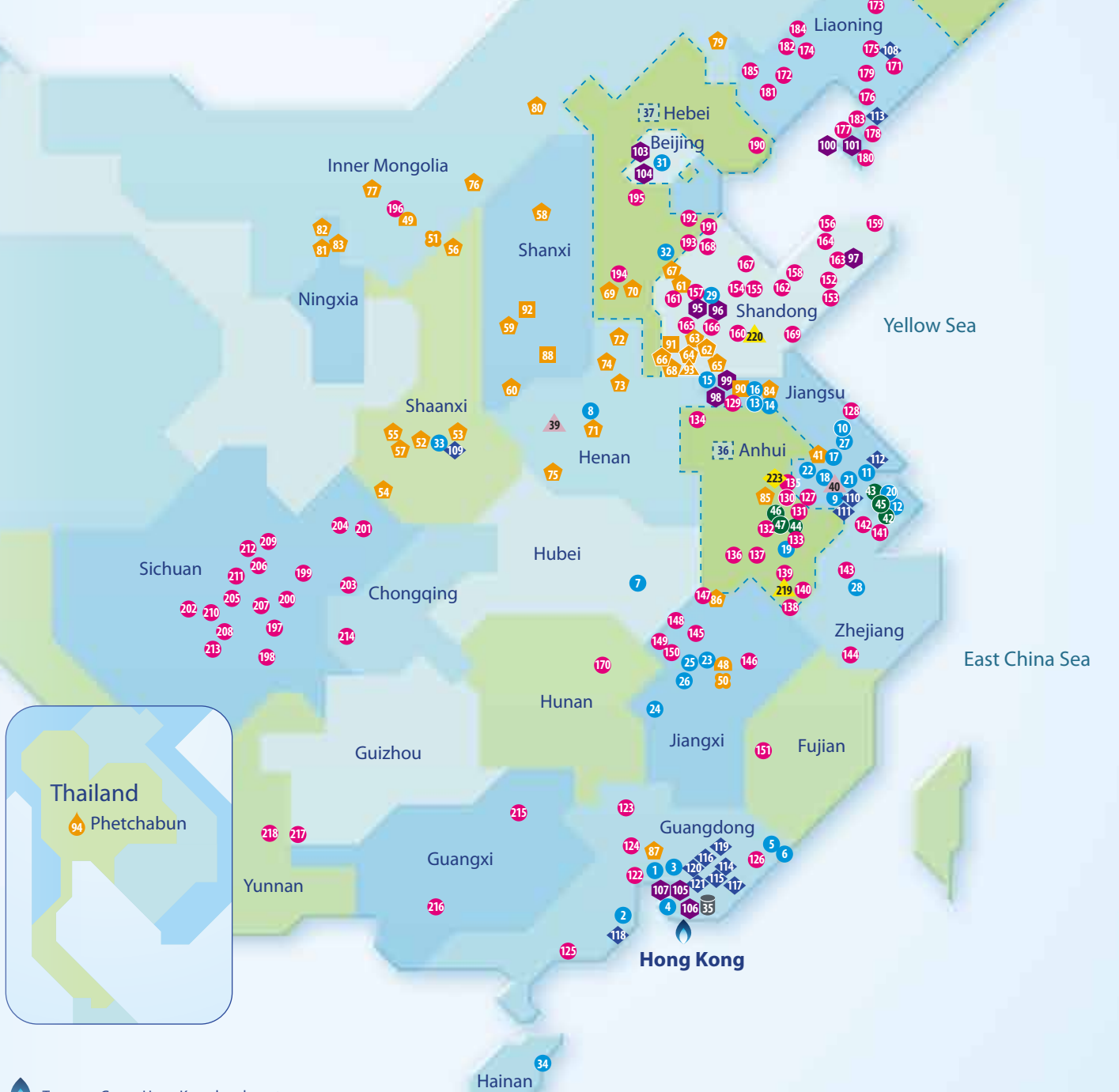
CNG Refilling Stations

221. Qiqihar (Lianfu)
222. Qiqihar (Xingqixiang)

Other Project

223. Zhuojia Public Engineering

Based in Hong Kong, our portfolio currently includes 222 projects in 25 provinces, autonomous regions and municipalities in mainland China, as well as one in Thailand.



-  Towngas Group Hong Kong headquarters
-  Piped city-gas projects (Towngas)
-  Piped city-gas projects (Towngas China)
-  City high pressure pipeline network / Underground gas storage (Towngas)
-  City high pressure pipeline network (Towngas China)
-  CNG / LNG refilling stations (Towngas)
-  CNG refilling station (Towngas China)
-  Other projects (Towngas)
-  Other projects (Towngas China)
-  Liquefied natural gas receiving station
-  Provincial natural gas pipeline network
-  Water projects
-  Telecommunication projects
-  Coal mining
-  Coal-based chemical processing
-  Upstream projects
-  Coal logistic project
-  Oilfield project

6 BUSINESS HIGHLIGHTS

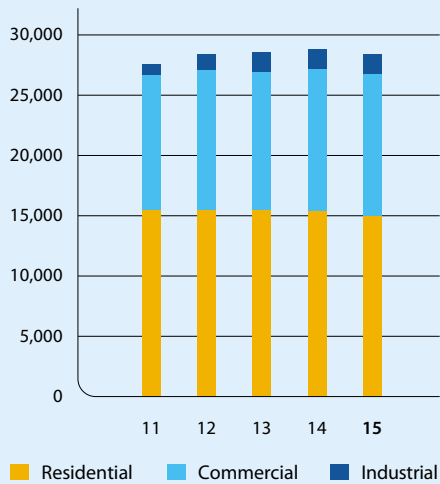
	2015	2014	Change %
Operating (Company)			
Number of Customers as at 31st December	1,839,261	1,819,935	+1
Number of Customers per km of Mains	552	551	–
Installed Capacity, thousand m ³ per hour	525	511	+3
Peak Hourly Demand, thousand m ³	493	511	-4
Town Gas Sales, million MJ	28,404	28,835	-2
Number of Employees as at 31st December	1,999	1,972	+1
Number of Customers per Employee	920	923	–
Financial			
Revenue, HK million dollars	29,591	31,615	-6
Profit Attributable to Shareholders, HK million dollars	7,302	7,109	+3
Dividends, HK million dollars	4,047	3,680	+10
Shareholders			
Issued Shares, million of shares	11,561	10,512	+10
Shareholders' Funds, HK million dollars	52,841	52,628	–
Earnings per Share, HK cents	63.2	61.5*	+3
Dividends per Share, HK cents	35.0	31.8*	+10
Shareholders' Funds, HK dollars per share	4.57	4.55*	–
Number of Shareholders as at 31st December	13,256	12,722	+4

* Adjusted for the bonus issue in 2015

FIVE-YEAR SUMMARY

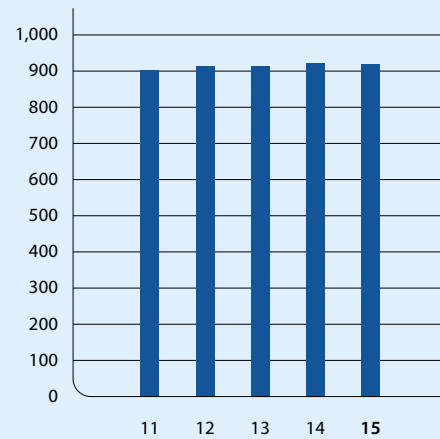
Town Gas Sales

Company (million MJ)



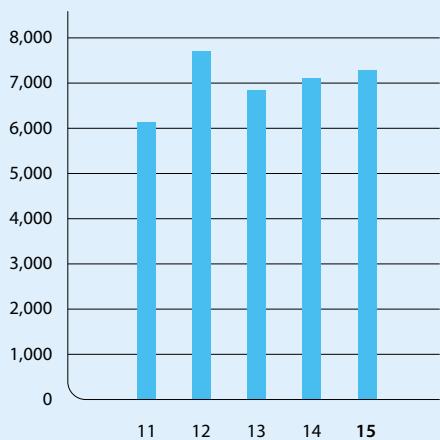
Number of Customers per Employee

Company



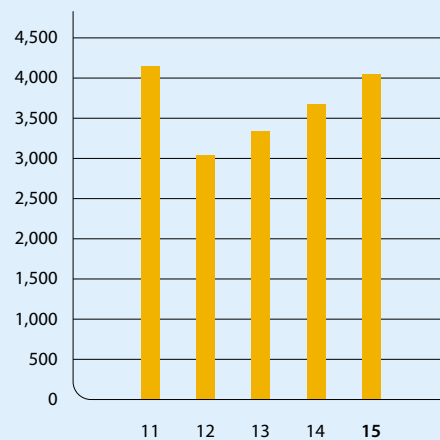
Profit Attributable to Shareholders

(HK\$ million)



Dividends

(HK\$ million)



8 CHAIRMAN'S STATEMENT



The Year's Results

The performance of the Group's town gas business in Hong Kong remained steady in 2015. In comparison, the Group's city-gas businesses in mainland China maintained stable growth; concurrently the Group's emerging environmentally-friendly energy businesses are continually developing. However, given the slowdown in economic growth in mainland China and a drastic fall in international oil prices during the year, the results of the Group's overall recurrent businesses remained stable in 2015.

Profit after taxation attributable to shareholders of the Group for the year increased by approximately 3 per cent to HK\$7,302 million, an increase of HK\$193 million compared to 2014. Earnings per share for the year amounted to HK63.2 cents. During the year, the depreciation of the renminbi affected the performance of the Group's profit. However, there was a rise in the revaluation surplus from an investment property, the International Finance Centre complex, in 2015 compared to 2014, which drove profit growth.

During the year under review, the Group invested HK\$6,356 million in production facilities, pipelines, plants and other fixed assets for the sustainable development of its various existing and new businesses in Hong Kong and mainland China.

Town Gas Business in Hong Kong

The local economy continued to grow modestly in 2015. Favourable overall employment conditions maintained stable growth in local consumer spending. However, gas sales in the hotel sector were

impacted by a decrease in the number of inbound tourists during the second half of 2015. Residential gas sales were also affected as the average temperature in Hong Kong in 2015 reached the highest in local records. Overall, total volume of gas sales in Hong Kong for the year was 28,404 million MJ, a decrease of 1.5 per cent, in contrast to appliance sales revenue which increased by 6.4 per cent with a total of 255,730 sets sold, both compared to 2014.

As at the end of 2015, the number of customers was 1,839,261, an increase of 19,326 compared to 2014, slightly up by 1.1 per cent.

Business Development in Mainland China

The Group's mainland businesses continued to progress steadily in 2015 with stable growth in both the number of projects and profit.

Overall, inclusive of projects of the Group's subsidiary, Towngas China Company Limited ("Towngas China"; stock code: 1083.HK), the Group had 222 projects on the mainland, as at the end of 2015, 20 more than at the end of 2014, spread across 25 provinces, autonomous regions and municipalities. These projects encompass upstream, midstream and downstream natural gas sectors, water sectors, environmentally-friendly energy applications, energy resources' exploration and utilisation, as well as telecommunications.

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

The Group's development of emerging environmentally-friendly energy businesses and related research and development of new technologies, through its wholly-owned subsidiary ECO Environmental Investments Limited and the latter's subsidiaries (collectively known as "ECO"), are progressing steadily forward. With a number of environmentally-friendly and energy conservation projects under construction or already commissioned, and new projects under development, the foundation for long-term growth of the Group's businesses is being continually reinforced. However, the drastic fall in international oil prices in 2015 led to a decline in prices of associated products, and profit was affected.

Utility Businesses in Mainland China

The Group's city-gas businesses are progressing well with a total of four new projects added to its portfolio in 2015. As at the end of 2015, inclusive of Towngas China, the Group had a total of 131 city-gas projects in

mainland cities spread across 23 provinces, autonomous regions and municipalities. The total volume of gas sales for these projects in 2015 was approximately 15.5 billion cubic metres, a slight increase of 2 per cent over 2014. As at the end of 2015, the Group's mainland gas customers stood at approximately 20.9 million, an increase of 10 per cent over 2014. The Group continues to have a good reputation as a large-scale city-gas enterprise with outstanding performance on the mainland.

Despite the impact of a slowdown in global economic growth leading to continuous weak demand for commodities worldwide, the mainland economy continued to grow steadily in 2015 compared to 2014, though the pace was slower. The growth in demand for energy, including electricity, petroleum and natural gas, was noticeably lower across the whole country. However, long-term and steady growth in the demand for natural gas, a major clean energy resource on the mainland, is still anticipated. The mainland government has also formulated a natural gas utilisation policy to strengthen preventative measures to combat air pollution and to minimise the formation of smog. This momentum will benefit the Group's city-gas and natural gas businesses helping to create continuous growth.

The sluggish global economy during 2015 had an adverse impact on industrial gas market demand and,

with low international oil prices, other petroleum fuels gradually became more competitive than piped natural gas. In April 2015, the mainland government aligned its two-tiered natural gas ceiling city-gate prices of "existing" and "incremental" volumes by reducing the ceiling price for "incremental volume" but slightly raising that for "existing volume", both applicable to non-residential users. This was then followed by a further reduction in non-residential natural gas city-gate prices in November 2015. These measures have further promoted market-oriented reform of natural gas prices and enhanced the competitiveness of natural gas relative to other energy. In the medium to long term, natural gas is still projected to be the clean energy of choice for reducing air pollution and improving smoggy atmospheric conditions on the mainland. With gradual commissioning of the country's large-scale natural gas projects, including transmission pipelines from Sichuan province to eastern and southern China and the West-to-East pipeline, and pipeline projects for importing natural gas from Central Asia and Myanmar, together with the signing of piped natural gas supply contracts with Russia, as well as a rise in the quantity of imported liquefied natural gas ("LNG"), supply of natural gas on the mainland is becoming ample, which is beneficial to market development. Thus, with increasing

sources of gas supply, expanding pipeline networks and the public's aspiration for greater environmental protection, the Group anticipates its mainland city-gas businesses will continue to thrive in future.

The Group's midstream natural gas projects are operating smoothly. These include natural gas pipeline projects in Anhui and Hebei provinces; natural gas extension projects in Jilin and Henan provinces; and the Guangdong LNG Receiving Terminal project. In addition, Towngas China added two midstream natural gas projects to its portfolio in 2015 – the Xuancheng-Huangshan natural gas sub-stream and downstream city-gas project in Anhui province, and the Taigang Gas midstream long-haul pipeline project in Taian city, Shandong province. Construction of the Group's gas storage facility in underground salt caverns in Jintan district, Changzhou city, Jiangsu province is in progress. Upon completion, this facility will be the first of its kind developed by any city-gas enterprise on the mainland. The total storage capacity of this facility will be approximately 400 million standard cubic metres. Construction of phase one of this project, with a storage capacity of 130 million standard cubic metres, is expected to be completed during the third quarter of 2016. This facility, which will help the Group supplement and regulate gas supplies during the peak winter

period in eastern China, is in line with the Chinese government's policy of advocating faster development of gas storage capacity. These kinds of midstream projects generate good returns and support the Group's development of its downstream city-gas markets.

The upstream natural gas supply market is also facing reform. The Shanghai Petroleum and Natural Gas Exchange (the "Exchange") launched a pilot operation on 1st July 2015 to further promote a market-oriented pricing mechanism for natural gas. Currently, major products for spot trading in the Exchange are piped natural gas and LNG. With increasing sources of upstream gas supply, the Exchange is able to provide more choices for downstream customers. A number of natural gas pipeline network companies at provincial level are participating in trading on the Exchange. The Exchange comprises ten shareholder companies, including the Group.

The Group's development of natural gas vehicular refilling stations under the brand name "Towngas" is progressing well with a total of approximately 100 stations constructed so far spread across different provinces in mainland China. The Group will continue to develop this type of new energy vehicular refilling station business and actively develop refilling projects for marine vessels in mainland China.

2015 was the 10th anniversary of the Group's entering into the mainland water market under the brand name "Hua Yan Water". The Group has so far invested in, and operates, six water projects, including water supply joint venture projects in Wujiang district, Suzhou city, Jiangsu province and in Wuhu city, Anhui province; wholly-owned water supply projects in Zhengpugang Xin Qu, Maanshan city and in Jiangbei Xin Qu, Wuhu city, both in Anhui province; and an integrated water supply and wastewater treatment joint venture project, together with an integrated wastewater treatment joint venture project for a special industry, both in Suzhou Industrial Park, Suzhou city, Jiangsu province. In 2015, the Group also initiated an interest in the drinking water market on the mainland by launching "AquaJoy", a high-end bottled purified water product, through its project in Wujiang district, Suzhou city, Jiangsu province. With increasing demand for clean water resources across the country, the Group's water projects, supplying water of good quality, are progressing well, maintaining steady growth in volume of water sales. To achieve a healthier development in the water sector, the Group's project companies are now striving for a reasonable increase in the selling price of water.

Operation and management of businesses encompassing city-gas, midstream natural gas and city-water

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

Emerging Environmentally-Friendly Energy Businesses

ECO's major businesses in Hong Kong – an aviation fuel facility, dedicated liquefied petroleum gas ("LPG") vehicular refilling stations and landfill gas utilisation projects – are all operating smoothly. Total turnover for ECO's aviation fuel facility for 2015 was 6.07 million tonnes. The facility provides a safe and reliable fuel supply to Hong Kong International Airport and contributes to ECO's steady profit growth. The LPG refilling station business is progressing steadily, providing a quality and reliable fuel supply to the local taxi and minibus sectors. ECO's landfill gas project in the North East New Territories, after operating for several years, is generating noticeable environmental benefits. On this basis, ECO commenced the development of a South East New Territories landfill gas utilisation project in 2015, with commissioning expected to start in mid-2016, which will further increase the proportion of landfill gas used by the Group and make a further

contribution to energy conservation and emission reduction in Hong Kong.

ECO's oilfield project in Thailand, despite the adverse impact of the continuous fall in international oil prices and a slowdown in the mainland economy, is operating smoothly. With several high-yield wells drilled in 2015, this project recorded an output of 1.86 million barrels of oil during the year, an increase of 36 per cent compared to 2014, though falling international oil prices adversely affected profit growth.

ECO's coalbed methane liquefaction facility, located in Jincheng city, Shanxi province, is operating smoothly. Construction of a project in Xuzhou city, Jiangsu province to produce LNG by methanation of coke oven gas has been largely completed; trial operation is expected in the second quarter of 2016. By then, ECO's capability to produce LNG will be enhanced. In addition, ECO is planning to develop a natural gas liquefaction project in Hohhot city, Inner Mongolia Autonomous Region, to supply LNG for local heavy-duty trucks; commissioning is expected by the end of 2017.

As smog and air pollution on the mainland are now a growing concern, the Chinese government is increasing its efforts to promote the development of refilling station networks supplying LNG as a fuel for

vehicles and vessels. The use of LNG as a gradual replacement for diesel for heavy-duty trucks is an especially important and effective anti-pollution measure. A network of ECO natural gas refilling stations is gradually taking shape in, amongst others, Shaanxi, Shandong, Shanxi, Henan and Liaoning provinces. All in all, ECO currently has 60 refilling stations in operation, under construction or at the planning stage, and as expansion into more provinces progresses, the ECO brand name and its network will gradually become more well-known in the market.

Conversion of biomass into clean energy and chemical products is an important part of ECO's business development trend which is in line with the direction of the country. To this end, ECO is constructing a plant to upgrade low-quality inedible bio-oil. Located in Zhangjiagang city, Jiangsu province, the facility will handle approximately 220,000 tonnes of palm acid oil annually for conversion into high-quality chemical products and low-sulphur fuels; construction is expected to be completed early next year for trial production.

Mainland China, a sizeable agricultural country, generates a large quantity of agricultural waste every year. Apart from a small portion of this used in fields or for power generation, the rest is not fully utilised as effective measures are yet to be put in place, thus creating

a huge source of raw material for potential biomass conversion. ECO has successfully developed new technologies to convert agricultural and forestry waste into natural gas through thermal gasification and methanation, and also to produce levulinic acid, through hydrolysis, which can be used as a raw material for producing clean fuel additives. ECO is planning to start a pilot project in Hebei province using these technologies expecting to produce natural gas early next year, which will then open a further chapter in ECO's new energy businesses.

ECO's coal-based methanol production plant in Inner Mongolia Autonomous Region operated smoothly in 2015. Following the completion of the construction work in mid-2015 to enhance methanol production capacity to over 1,100 tonnes per day, the yield for the whole year rose to over 300,000 tonnes, an increase of 26 per cent compared to 2014. An additional facility to upgrade methanol into natural gasoline (a gasoline substitute chemical product) using self-developed technology is now at the pilot production stage, thus laying a solid foundation for ECO's methanol upgrading business.

ECO is also developing innovative resource conversion technologies for the production of high value-added environmentally-friendly energy. Related research and development has achieved a breakthrough in results, with noticeable economic

and environmental benefits, especially in the areas of conversion of coal tar oil into carbon materials, upgrading and utilisation of oil-rich powder coal and conversion of agricultural waste into natural gas and fuel additives, all of which should also help strengthen ECO's competitive edge in this new energy sector in future.

Towngas China Company Limited (Stock Code: 1083.HK)

The business of Towngas China, a subsidiary of the Group, developed steadily in 2015. Exclusive of unrealised exchange losses on the renminbi and the provision for the disposal of the coke plant of Changchun Gas Company Limited ("Changchun Gas"), Towngas China's profit after taxation attributable to its shareholders for the year amounted to HK\$1,202 million, an increase of approximately 1 per cent compared to 2014. Due to the depreciation of the renminbi during the year, inclusive of the unrealised exchange losses and Changchun Gas' provision for the disposal, Towngas China's profit after taxation attributable to its shareholders for 2015 was HK\$807 million, a decrease of approximately 23 per cent compared to 2014. As at the end of 2015, the Group held approximately 1,666 million shares in Towngas China, representing approximately 62.53 per cent of Towngas China's total issued shares.

Project development is progressing with Towngas China acquiring three new piped-gas projects in 2015, namely in Wulian county, Rizhao city, Shandong province; in Anxin county, Baoding city, Hebei province; and in Jiangbei New District, Wuhu city, Anhui province. In 2015, Towngas China also acquired two midstream pipeline projects and one vehicular refilling station project, namely Xuancheng-Huangshan natural gas sub-stream and downstream city-gas project in Anhui province, Taigang Gas midstream long-haul pipeline project in Taian city, Shandong province, and Xingqixiang vehicular gas refilling station project in Qiqihar city, Heilongjiang province.

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

Financing Programmes

In order to tap funding in a timely and flexible manner, the Group established a medium term note

programme in 2009 under HKCG (Finance) Limited, a wholly-owned subsidiary of the Group. Taking advantage of low interest rates, medium term notes totalling HK\$1,457 million, with maturity ranging from 10 to 15 years, were issued during 2015. In line with the Group's long-term business investments, the Group had issued, as at 31st December 2015, medium term notes of an aggregate amount equivalent to HK\$11.8 billion with tenors ranging from 5 to 40 years, with an average interest rate at fixed rate of 3.47 per cent and an average tenors of 15 years, under this programme.

Employees and Productivity

As at the end of 2015, the number of employees engaged in the town gas business in Hong Kong was 1,999 (2014 year end: 1,972), the number of customers was 1,839,261, and each employee served the equivalent of 920 customers, a similar level to 2014. Inclusive of employees engaged in local businesses such as telecommunications, LPG vehicular refilling stations and engineering contractual works, the total number of the Group's employees engaged in businesses in Hong Kong was 2,380 as at the end of 2015 compared to 2,331 as at the end of 2014. Related manpower costs amounted to HK\$979 million for 2015. In 2015, there was an approximately 5 per cent average increase in

remuneration over 2014. The Group will continue to offer employees rewarding careers based on their capabilities and performance and arrange a variety of training programmes in order to constantly enhance the quality of the Group's customer services.

Exclusive of businesses in Hong Kong, the total number of the Group's employees in mainland China and other places outside Hong Kong was 45,600 as at the end of 2015, an increase of approximately 1,000 compared to 2014.

On behalf of the Board of Directors, I would like to thank all our employees for their dedication and hard work in creating value for shareholders and customers.

Bonus Issue of Shares

The Directors propose to make a bonus issue of one new share for every ten existing shares held by shareholders whose names are on the Register of Members of the Company on 16th June 2016. The necessary resolution will be proposed at the forthcoming Annual General Meeting on 7th June 2016, and if passed, share certificates will be posted on 24th June 2016.

Final Dividend

The Directors are pleased to recommend a final dividend of HK23 cents per share payable to shareholders whose names are on the Register of Members of the

Company as at 16th June 2016. Including the interim dividend of HK12 cents per share paid on 2nd October 2015, the total dividend payout for the whole year shall be HK35 cents per share.

Barring unforeseen circumstances, the forecast dividends per share for 2016 after bonus share issue shall not be less than the interim and final dividends for 2015.

Business Outlook for 2016

The Company predicts steady growth in the number of customers in Hong Kong during 2016. With a weak global economy and slowdown of inbound tourism, the local economy is facing downward pressures. However, favourable local employment conditions are helping to stimulate internal demand and consumer spending. As the Government of the Hong Kong Special Administrative Region is also striving to increase land and housing supply, the Company anticipates stable and good growth in the number of gas customers in the next few years. Expansion in the commercial and industrial energy market is also benefiting from the competitiveness of town gas, an energy resource combining both environmental and economic benefits. As international oil prices have been decreasing substantially for over a year, fuel cost adjustment charges of the gas tariff in Hong Kong have been reduced which is beneficial to customers and to further

enhancement of the competitiveness of town gas, relative to electricity in particular, in the energy market. However, increasing local manpower costs and operating expenses are leading to rising operating costs for businesses generally in Hong Kong. The Company's increase in its standard gas tariff on 1st August 2015 has helped offset some of this pressure on its own rising operating costs. The Company will, however, continue to enhance operational efficiency so as to maintain stable development of its gas business in the territory.

Mainland China's Thirteenth Five-Year Plan commenced in 2016. Currently, given weak global economic growth, continuously low international oil prices, the mainland's marked slowdown in economic growth and decline in the growth of production for export and the domestic market, the volume of gas sales of the Group's city-gas businesses in mainland China is thus slowing. The market is also facing the risk of renminbi depreciation. All these factors are creating challenges for the overall profit growth of the Group's mainland businesses in the near term. Nevertheless, in the long term, promotion of the use of natural gas is benefiting from the mainland government's drive to reduce carbon emissions, to encourage the use of clean energy, and to enforce the Law on the Prevention and Control of Atmospheric Pollution which was revised on 1st January 2016, further

tightening supervision and administration of related measures. All these factors, coupled with rapid urbanisation, will lead to a continuing rise in demand for utility facilities and energy. Natural gas price adjustments in late 2015 have also lowered upstream gas prices substantially, thus enhancing the competitiveness of natural gas. Increasing upstream gas supply and the government's move to reduce carbon emissions and minimise the formation of smog are creating opportunities for natural gas to replace coal in boilers and elsewhere including for power generation, distributed energy projects, household heating, gas hot water heaters and gas dryers. This is favourable to the development of the downstream gas market and the healthy development of the natural gas business sector in general.

In respect of emerging environmentally-friendly energy businesses, following the Chinese government's move towards greater energy diversification, environmental protection and the creation of a more circular economy, the Group is continuing to develop and apply new technologies for conserving energy and reducing pollutant emissions. There is also a growing trend for greater use of low-sulfur, high-quality oil, electricity and natural gas, etc. as fuels for vehicles and vessels to reduce atmospheric pollution. Despite international oil prices hitting record lows recently, which will impact profit growth and slow down

the pace of investment of the Group's emerging environmentally-friendly energy businesses in the short term, ECO will now increasingly move towards production of high-quality chemical products which are less sensitive to international oil prices, taking this as a guide for future project investments. Furthermore, as self-developed research and developments achieve ever more sophisticated results, emerging environmentally-friendly energy businesses will ignite a new light for the Group, illuminating the way for long-term development and business growth strategy.

With the Group's solid foundation in Hong Kong and its diverse business sectors spread across extensive areas on the mainland, together with its successful technical experience, corporate brand names and sales channels built there over 20 years, and mainland society's growing concern over air quality, it is anticipated that there will be ever-rising demand for clean energy. According to the Thirteenth Five-Year Plan, the share of natural gas in the country's total energy mix is set to increase from 6 per cent currently to 10 per cent by the year 2020, thus creating huge market potential. In addition, given that the number of piped-gas customers in Hong Kong and mainland China is increasing, the Group, with its sizeable customer base, foresees better benefits from its expanding new businesses.

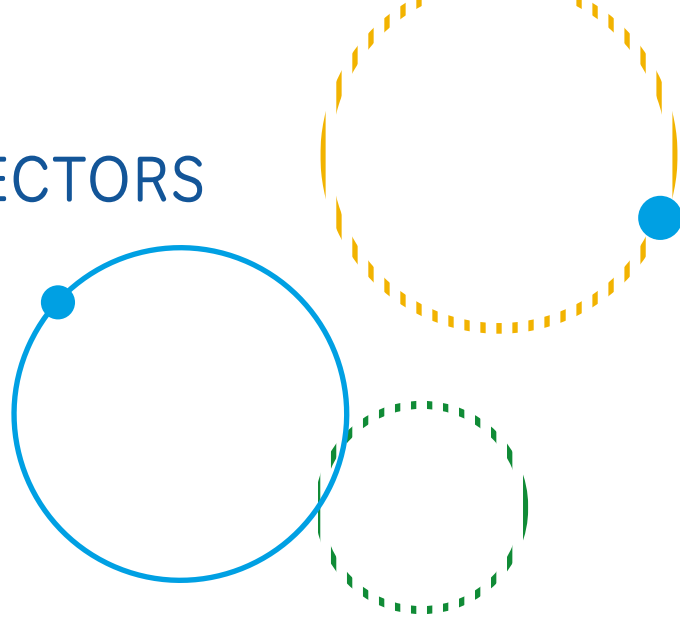
Despite the various challenges resulting from the slowdown in economic growth on the mainland, the Group has formulated, and is gradually implementing, development plans for different businesses in accordance with the energy and environmental policy of mainland China. Overall, with increasing demand for natural gas and renewable energy, and the society's growing concern for more environmental protection, the Group anticipates its development in the years to come will be even broader and better.

LEE Shau Kee

Chairman

Hong Kong, 18th March 2016

BOARD OF DIRECTORS



From left to right

Front Row

David Li Kwok Po

Lee Shau Kee

Chairman

Poon Chung Kwong

Back Row

Peter Wong Wai Yee

Lee Ka Kit

Alfred Chan Wing Kin

Leung Hay Man

Colin Lam Ko Yin

Lee Ka Shing

BIOGRAPHICAL DETAILS OF DIRECTORS

Dr. the Hon. LEE Shau Kee

G.B.M., D.B.A. (Hon.), D.S.Sc. (Hon.), LL.D. (Hon.),
Chairman & Non-executive Director

Aged 87. Dr. Lee was appointed to the Board of Directors of the Company in 1978 and subsequently appointed Chairman in 1983. He has been engaged in property development in Hong Kong for more than 60 years. Dr. Lee is the Chairman and Managing Director of Henderson Land Development Company Limited ("Henderson Land Development") and an Executive Director of Henderson Investment Limited. Dr. Lee is also a Vice Chairman of Sun Hung Kai Properties Limited as well as a Non-executive Director of Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited. He was previously an Independent Non-executive Director of The Bank of East Asia, Limited. All the above companies are listed public companies. Dr. Lee is also a Director of Henderson Development Limited ("Henderson Development"), Hopkins (Cayman) Limited ("Hopkins"), Rimmer (Cayman) Limited ("Rimmer"), Riddick (Cayman) Limited ("Riddick"), Timpani Investments Limited ("Timpani Investments"), Disralei Investment Limited ("Disralei Investment"), Medley Investment Limited ("Medley Investment") and Macrostar Investment Limited ("Macrostar Investment"). Henderson Land Development, Henderson Development, Hopkins, Rimmer, Riddick, Timpani Investments,

Disralei Investment, Medley Investment and Macrostar Investment have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance (please refer to the notes on "Substantial Shareholders and Others" on page 68 of this Annual Report for details). Dr. Lee was awarded the Grand Bauhinia Medal by the Government of the Hong Kong Special Administrative Region in 2007. Dr. Lee is the father of Dr. Lee Ka Kit and Mr. Lee Ka Shing, Non-executive Directors of the Company.

Mr. LEUNG Hay Man

F.R.I.C.S., F.C.I.Arb., F.H.K.I.S.,
Independent Non-executive Director

Aged 81. Mr. Leung was appointed to the Board of Directors of the Company in 1981. He is an Independent Non-executive Director of Henderson Land Development Company Limited ("Henderson Land Development"), Henderson Investment Limited and Hong Kong Ferry (Holdings) Company Limited, all of which are listed public companies. Henderson Land Development has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance (please refer to the notes on "Substantial Shareholders and Others" on page 68 of this Annual Report for details). Mr. Leung is a Fellow of the Royal Institute of Chartered Surveyors, Fellow of the Chartered Institute of Arbitrators and Fellow of the Hong Kong Institute of Surveyors.

Dr. Colin LAM Ko Yin

F.C.I.L.T., F.H.K.I.o.D., D.B. (Hon.),
Non-executive Director

Aged 64. Dr. Lam was appointed to the Board of Directors of the Company in 1983. He has more than 42 years' experience in banking and property development. He is the Deputy Chairman of The University of Hong Kong Foundation for Educational Development and Research and a Director of Fudan University Education Development Foundation. Dr. Lam was awarded an Honorary University Fellowship by The University of Hong Kong in 2008, and was conferred a degree of Doctor of Business (Honoris Causa) by Macquarie University in 2015. He is a Fellow of The Chartered Institute of Logistics and Transport in Hong Kong and a Fellow of The Hong Kong Institute of Directors. Dr. Lam is a Vice Chairman of Henderson Land Development Company Limited ("Henderson Land Development") and Henderson Investment Limited, the Chairman of Hong Kong Ferry (Holdings) Company Limited, and an Executive Director of Miramar Hotel and Investment Company, Limited, all of which are listed public companies. Dr. Lam is a Director of Henderson Development Limited ("Henderson Development"), Hopkins (Cayman) Limited ("Hopkins"), Rimmer (Cayman) Limited ("Rimmer"), Riddick (Cayman) Limited ("Riddick"), Disralei Investment Limited ("Disralei Investment"), Medley Investment Limited ("Medley Investment") and Macrostar Investment Limited

("Macrostar Investment"). Henderson Land Development, Henderson Development, Hopkins, Rimmer, Riddick, Disraleei Investment, Medley Investment and Macrostar Investment have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance (please refer to the notes on "Substantial Shareholders and Others" on page 68 of this Annual Report for details).

Dr. the Hon. David Li Kwok Po

GBM, GBS, OBE, JP, MA Cantab. (Economics & Law), Hon. LLD (Cantab), Hon. DSc. (Imperial), Hon. LLD (Warwick), Hon. DBA (Edinburgh Napier), Hon. D.Hum.Litt. (Trinity, USA), Hon. LLD (Hong Kong), Hon. DSocSc (Lingnan), Hon. D.Litt. (Macquarie), Hon. DSocSc (CUHK), FCA, FCPA, FCPA (Aust.), FCIB, FHKIB, FBCS, CITP, FCIArb, Officier de l'Ordre de la Couronne, Grand Officer of the Order of the Star of Italian Solidarity, The Order of the Rising Sun, Gold Rays with Neck Ribbon, Commandeur dans l'Ordre National de la Légion d'Honneur, **Independent Non-executive Director**

Aged 77. Dr. Li was appointed to the Board of Directors of the Company in 1984. He is the Chairman and Chief Executive of The Bank of East Asia, Limited. Dr. Li is an Independent Non-executive Director of Guangdong Investment Limited, The Hongkong and Shanghai Hotels, Limited, PCCW Limited, San Miguel Brewery Hong Kong Limited, SCMP Group Limited and Vitasoy International Holdings Limited, all being companies listed

in Hong Kong. He was previously a Director of CaixaBank, S.A., a Non-independent Non-executive Director of AFFIN Holdings Berhad, and an Independent Non-executive Director of China Overseas Land & Investment Limited. Dr. Li is the Chairman of The Chinese Banks' Association Limited and a Member of the Council of the Treasury Markets Association. He was a Member of the Legislative Council of the Hong Kong Special Administrative Region from 1985 until 2012. Dr. Li was awarded the Grand Bauhinia Medal by the Government of the Hong Kong Special Administrative Region in 2007. He received the Business Person of the Year Award in the Hong Kong Business Awards 2006. Dr. Li is a Fellow of Hong Kong Institute of Certified Public Accountants, Fellow of Institute of Chartered Accountants in England and Wales, Fellow of The Australian Society of Certified Practising Accountants, Fellow of Chartered Institute of Bankers, Fellow of The Hong Kong Institute of Bankers, Chartered Fellow of British Computer Society, Chartered IT Professional, Fellow of Chartered Institute of Arbitrators in England, an Honorary Fellow of the School of Accountancy, Central University of Finance and Economics and a Companion of the Chartered Management Institute.

Dr. LEE Ka Kit

G.B.S., J.P., D.B.A. (Hon.),
Non-executive Director

Aged 52. Dr. Lee was appointed to the Board of Directors of the Company in 1990. He was educated in the United Kingdom. He is a Vice Chairman of Henderson Land Development Company Limited ("Henderson Land Development") and Henderson Investment Limited as well as a Non-executive Director of The Bank of East Asia, Limited. He was previously a Non-executive Director of Intime Department Store (Group) Company Limited (now known as Intime Retail (Group) Company Limited). All the above companies are listed public companies. He is also a Vice Chairman of Henderson Development Limited ("Henderson Development"). Henderson Land Development and Henderson Development have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance (please refer to the notes on "Substantial Shareholders and Others" on page 68 of this Annual Report for details). Dr. Lee is a Member of the Standing Committee of the 12th National Committee of the Chinese People's Political Consultative Conference. He has been appointed as a Council Member of the Hong Kong Trade Development Council for two years from 2016. He was appointed as a Justice of the Peace by the

Government of the Hong Kong Special Administrative Region (the "HKSAR") in 2009, and was awarded the Gold Bauhinia Star by the Government of the HKSAR in 2015. Dr. Lee was awarded an Honorary University Fellowship by The University of Hong Kong in 2009, and was also awarded an Honorary Degree of Doctor of Business Administration by Edinburgh Napier University in 2014. He is the son of Dr. Lee Shau Kee, the Chairman of the Company and the brother of Mr. Lee Ka Shing, a Non-executive Director of the Company.

Mr. LEE Ka Shing

Non-executive Director

Aged 44. Mr. Lee was appointed to the Board of Directors of the Company in 1999. He was educated in Canada. He is a Vice Chairman of Henderson Land Development Company Limited ("Henderson Land Development"), the Chairman and Managing Director of Henderson Investment Limited and the Chairman and Chief Executive Officer of Miramar Hotel and Investment Company, Limited, all of which are listed public companies. Mr. Lee is also a Vice Chairman of Henderson Development Limited ("Henderson Development") and a Director of Disralei Investment Limited ("Disralei Investment"), Medley Investment Limited ("Medley Investment"), Faxson Investment Limited ("Faxson Investment"),

Chelco Investment Limited ("Chelco Investment") and Macrostar Investment Limited ("Macrostar Investment"). Henderson Land Development, Henderson Development, Disralei Investment, Medley Investment, Faxson Investment, Chelco Investment and Macrostar Investment have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance (please refer to the notes on "Substantial Shareholders and Others" on page 68 of this Annual Report for details). Mr. Lee is a Member of The Court of The Hong Kong Polytechnic University. He is also a Member of the 12th Beijing Committee, and was previously a Member of the 10th Guangxi Zhuangzu Zizhiqu Committee and of the 10th Foshan Committee, of the Chinese People's Political Consultative Conference. Mr. Lee is the son of Dr. Lee Shau Kee, the Chairman of the Company and the brother of Dr. Lee Ka Kit, a Non-executive Director of the Company.

Professor POON Chung Kwong

G.B.S., J.P., Ph.D., D.Sc.,

Independent Non-executive Director

Aged 76. Professor Poon was appointed to the Board of Directors of the Company in 2009. Professor Poon is currently the Chairman of Virya Foundation Limited (a registered non-profit charitable organisation). Professor Poon is an Emeritus Professor and the President

Emeritus of The Hong Kong Polytechnic University. He had devoted 40 years of his life to advancing university education in Hong Kong before he retired in January 2009 from his 18-year presidency at The Hong Kong Polytechnic University. Professor Poon is a Non-executive Director of Lee & Man Paper Manufacturing Limited and an Independent Non-executive Director of Henderson Land Development Company Limited ("Henderson Land Development"), Chevalier International Holdings Limited and Hopewell Highway Infrastructure Limited. He was previously an Independent Non-executive Director of K. Wah International Holdings Limited. All the above companies are listed public companies. Henderson Land Development has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance (please refer to the notes on "Substantial Shareholders and Others" on page 68 of this Annual Report for details). Professor Poon was appointed as a non-official Justice of the Peace in 1989 and received the OBE award in 1991, the Gold Bauhinia Star award in 2002 and also the "Leader of the Year Awards 2008 (Education)". In addition, he was appointed as a member of the Legislative Council (1985 – 1991) and a member of the National Committee of the Chinese People's Political Consultative

Conference (1998 – 2013). Professor Poon obtained a Bachelor of Science (Honours) Degree from The University of Hong Kong, a Doctor of Philosophy Degree and a Higher Doctor of Science Degree from the University of London. He was a Postdoctoral Fellow at the California Institute of Technology and University of Southern California. He also held the Honorary Degree of Doctor of Humanities from The Hong Kong Polytechnic University in 2009.

Mr. Alfred CHAN Wing Kin

B.B.S., C.Eng., F.H.K.I.E., F.I.Mech.E., F.I.G.E.M., F.E.I., M.Sc. (Eng), B.Sc. (Eng), Managing Director

Aged 65. Mr. Chan joined the Company as the General Manager – Marketing in 1992 and was appointed as the General Manager – Marketing & Customer Service in 1995. He was appointed to the Board of Directors of the Company in January 1997 and as the Managing Director in May 1997. Mr. Chan is a director of major local and overseas subsidiary companies of the Group. He is also the Chairman and President of Hong Kong & China Gas Investment Limited, the Group's investment holding company in mainland China and chairman, vice chairman or a director of a number of the Group's project companies in mainland China. Mr. Chan is the Chairman of Towngas China Company Limited and the Vice Chairman of Shenzhen Gas Corporation Ltd., both of which are listed public companies. Mr. Chan is the Chairman of The Hong Kong

Management Association and a Vice Chairman of China Gas Association. He was appointed as a Member of the Standing Committee on Judicial Salaries and Conditions of Service by the Government of the Hong Kong Special Administrative Region for two years with effect from 1st January 2016. Mr. Chan received the Executive Award under the DHL/SCMP Hong Kong Business Awards 2005, the Director of the Year Awards – Listed Companies (SEHK – Hang Seng Index Constituents) Executive Directors from The Hong Kong Institute of Directors in 2006, the Leadership Award in Gas Industry Award 2015 from the Institution of Gas Engineers & Managers and the Energy and Utilities Alliance of the United Kingdom, and was named as one of "The 100 Best-Performing CEOs in the World" by Harvard Business Review in 2015. He was conferred as an Honorary Fellowship by The Hong Kong Institute of Education in April 2016. Mr. Chan is a Chartered Engineer, Fellow of The Hong Kong Institution of Engineers; Fellow of The Institution of Mechanical Engineers, Fellow of the Institution of Gas Engineers & Managers and Fellow of The Energy Institute of the United Kingdom.

Mr. Peter WONG Wai Yee

C.P.A. (CANADA), C.M.A., A.C.I.S., A.C.S., F.I.G.E.M., F.H.K.I.o.D., M.B.A., Executive Director and Chief Operating Officer – Utilities Business

Aged 64. Mr. Wong joined the Group in 1997, initially as its Financial Controller. Since 2002, he has been

deeply involved in the development of the Group's mainland utilities business, operating from its headquarters in Shenzhen, China. Mr. Wong was appointed to the Board of Directors of the Company in February 2013. Mr. Wong is currently the Executive Director and Chief Operating Officer of the Utilities Business and also holds directorships in various subsidiaries of the Group. He is also an Executive Director and the Chief Executive Officer of Towngas China Company Limited and a director of Shenzhen Gas Corporation Ltd., both of which are listed public companies. Mr. Wong was named consecutively as one of "The Best CEO of Chinese Listed Companies" by Forbes in 2012 and 2013. He is a chartered professional accountant of Canada and a chartered company secretary both in Hong Kong and the United Kingdom. Mr. Wong is a Fellow of the Institution of Gas Engineers & Managers of the United Kingdom. He completed the Advanced Management Program from Harvard Business School in the United States. Mr. Wong was formerly a director of the Certified Management Accountants Society of British Columbia, Canada and the president of its Hong Kong branch. He is a member of the Advisory Board of the Department of Accounting of Hong Kong Shue Yan University. Mr. Wong has over 39 years of experience in corporate finance, management and international working experience.

EXECUTIVE COMMITTEE

From left to right

Peter Wong Lam Sang

Head of Commercial –
Hong Kong Utilities

Fan Kit Yee

Head of Corporate Human
Resources

Peter Wong Wai Yee

Executive Director and
Chief Operating Officer – Utilities Business

Alfred Chan Wing Kin

Managing Director

John Ho Hon Ming

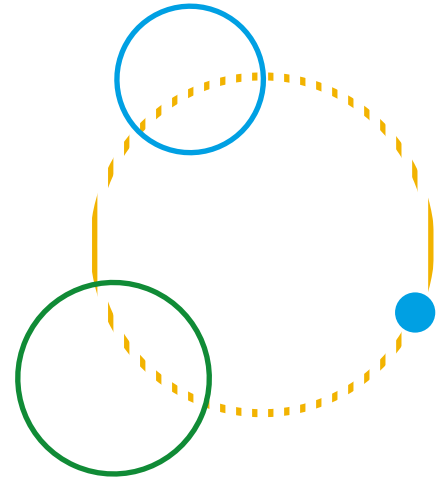
Chief Financial Officer and
Company Secretary

Simon Ngo Siu Hing

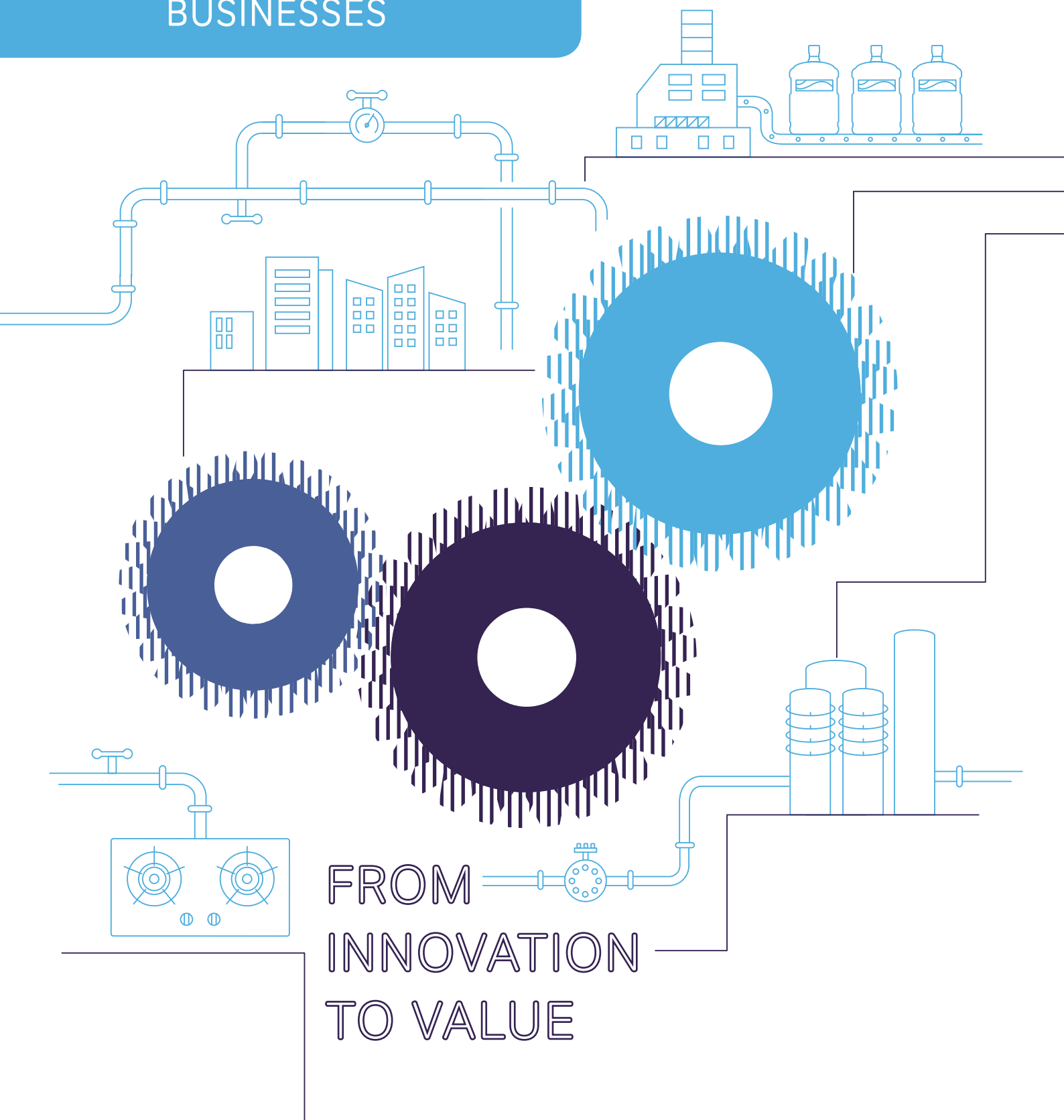
Head of Engineering –
Hong Kong Utilities

Philip Siu Kam Shing


Chief Operating Officer –
New Energy Business



MAINLAND UTILITY BUSINESSES



FROM INNOVATION
TO VALUE



Our 131 city-gas projects serve approximately 20.9 million accounts, encompassing around 60 million people

Hua Yan Water began offering high-end bottled purified water product treated by ultra-filtration processes in Suzhou, Jiangsu province

Bauhinia celebrated its 10th anniversary in 2015, selling around 760,000 units during the year and 3.68 million units to date

MAINLAND UTILITY BUSINESSES



Since the establishment of our first joint venture in Guangdong province in 1994, Towngas has experienced great success on the mainland across the scope and breadth of our activities. In line with the mainland government's clean energy policies, the consumption of natural gas is expected to continue on a significant upward trajectory in the coming years, opening up valuable opportunities for growth across the various markets in which we operate.

City-gas Operations

Our portfolio of city-gas ventures continued to thrive in 2015. Adding 4 new city-gas projects, the Group operated 131 city-gas projects across mainland China, covering 23 provinces, autonomous regions and municipalities and serving around 20.9 million residential and business accounts. Despite a slow economy and a difficult environment for the manufacturing industry, we recorded a 2 per cent growth in total gas sales volume to 15.5 billion cubic metres for the year, which accounts for 10 per cent of the national city-gas market.

A sluggish economy in 2015 affected business performance worldwide. China's GDP growth continued its downward trend, dropping down to 6.9 per cent in a 25-year record low, and low international oil prices made piped natural gas less competitive.



A combined cooling, heat and power system fuelled by natural gas is installed at a data centre in Nanjing, Jiangsu province to enhance energy efficiency.

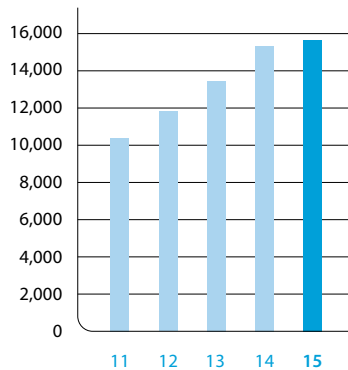
Retail consumption weakened while industrial activity and exports came down, impacting our city-gas business in the industrial sector.

In spite of these formidable challenges, we succeeded in boosting residential and commercial gas sales in 2015. Our strategic marketing initiatives,

total-solution services and environmentally-friendly applications facilitated the expansion of our catering business market, particularly our drive to promote natural gas as a replacement for liquefied petroleum gas among small restaurants. Overall gas sales in the catering sector rose



**China Joint Ventures
Gas Sales** (million m³)



by 12 per cent, while the quantity of new installations increased by 33 per cent.

During the year, our efforts to promote distributed energy systems yielded encouraging results,

particularly among data centres and commercial complexes. These gas-fuelled cooling, heating and power generating systems not only reduce greenhouse gas emissions, but also generate waste heat that can be used for a wide variety of applications, making natural gas an environmentally-friendly and economical solution.

Echoing national air quality policies targeted at curbing the prevalence of coal-fired steam or hot water boilers, we devoted significant effort to promoting high-efficiency natural gas boilers, recording a 40 per cent increment in new installations.

On a national level, natural gas consumption has been forecasted to rise significantly in the coming years. At the 2015 United Nations Climate Change Conference in Paris, China pledged that by 2030, it will reduce carbon emission intensity by

60 to 65 per cent compared to levels in 2005 while capping further emissions. As such, the nation's city-gas demand is expected to undergo significant growth in the coming years, with the mainland government driving a shift towards cleaner fuels like natural gas, which produces lower carbon emissions than other fossil fuels like coal and petroleum.

Great reform marked the natural gas pricing mechanism in 2015. The Shanghai Petroleum and Natural Gas Exchange, of which we are a shareholder and co-founder, launched a pilot operation on 1st July. Promoting market-oriented pricing, this trading platform is conducive to the healthy development of a wholesale mechanism for natural gas, paving the way for the further broadening of the upstream market. In November, the National Development and



Stenter machines heated up by natural gas are used at a textile mill in Suzhou, Jiangsu province.



Reform Commission announced a RMB0.7 drop in non-residential natural gas city-gate prices, representing a substantial step towards restoring the economic competitiveness of natural gas. As favourable gas utilisation policies and pricing reforms continue to take root, along with a more abundant upstream supply even in winter – making gas space heating possible – we expect to see significant growth in natural gas demand in the coming years. This will provide us with immense opportunities to capture the clean energy market and continue contributing to a safer and more reliable gas supply and services on the mainland.

Midstream Facilities

Generating promising returns, our midstream natural gas businesses operated smoothly in 2015. During the year, Towngas China acquired two midstream natural gas projects – the Xuancheng-Huangshan natural gas sub-stream and downstream city-gas project in Anhui province, and the Taigang Gas midstream long-haul pipeline project in Taian, Shandong province.

The construction of a natural gas storage facility in underground salt caverns in Jintan, Jiangsu province showed satisfactory progress. Phase

one of the facility accommodates a storage capacity of 130 million cubic metres, and is expected to be completed in the third quarter of 2016. By reducing supply bottlenecks during peak seasons, we will be able to manage our gas inventory more effectively and to further develop the winter load markets.

Taking into consideration our natural gas pipeline projects in Anhui and Hebei provinces, our natural gas extension projects in Jilin and Henan provinces, our Guangdong LNG Receiving Terminal project, as well as the natural gas storage project in Jintan, Jiangsu province, our midstream projects totalled 8, underpinning the development of our downstream city-gas markets.

Water Supply and Wastewater Operations

Gas, water supply and wastewater operations are closely related. They serve the same customers and utilise similar technology and management patterns. This makes the Group ideally placed to leverage our existing customer base, know-how and social capital to capture the many opportunities opening up in this area of business.

Through Hong Kong & China Water Limited (Hua Yan Water), the Group currently operates six water projects in mainland China, which serve more than 1.1 million customers in the residential, industrial and commercial sectors. Despite industrial consumption being slightly down, overall water



Customers can enjoy high-quality Aquajoy purified water produced with ultra-filtration processes.

business sales are on the rise at a steady pace of 2.3 per cent for the year, for a total of 433 million tonnes during the year.

Our projects include water supply projects in Suzhou, Jiangsu province and in Wuhu and Maanshan, Anhui province; and an integrated water supply and wastewater treatment joint venture project together with an integrated wastewater treatment joint venture project for a special industry, both in Suzhou Industrial Park, Jiangsu province.

China is becoming the world's largest consumer of bottled water. Capitalising on this market trend, Hua Yan Water introduced the Aquajoy brand in September 2015, employing state-of-the-art ultra-filtration processes to offer 18.9 litre bottles of drinking water to schools, hospitals, offices and residential markets. Located in Wujiang, Suzhou, the first production line has a capacity of 3 million bottles per year. This is expected to be a promising line of business, and plans are in place to increase production in the years to come.

Extended Service Businesses

Further capitalising on the well-established Towngas brand name, we began to unveil a number of flagship offerings for our mainland customers. These innovative new products and services aim to promote a modern lifestyle for the



We launched our high-end kitchen solutions brand, Mia Cucina, to cater to a growing market in mainland China.

20.9 million customers that use our city-gas services on a daily basis, while creating greater customer value and generating additional business for our utility companies. We are also seeking to advance to a digital platform for gas bill and internet purchase settlements in order to seize the unrivalled opportunities presented by the Internet Plus movement in mainland China.

In 2015, riding on the success of the Total Kitchen Solution service in Hong Kong, we began offering premium kitchenware, appliances as well as other household goods. The

market response among property developers in Eastern China has been promising. The expansion of further market locations will begin in 2016. Mia Cucina, our popular range of premium kitchen cabinets, was introduced to the mainland market for the first time in 2015. Combining superb workmanship with innovative design, followed by unflinching after-sales service, these European-style cabinets are not only aesthetically pleasing, but have also proven to address the practical needs of Chinese household kitchens well. Incorporating high-quality materials and rigorous construction,



The Bauhinia National Cooking Competition for Secondary and Primary Students was organised in mainland China to promote the culture of cooking for love.

they offer a high load capacity and excellent durability, while special ergonomic features and automatic functions enhance user experience.

Also launched in 2015 was our household gas insurance policy programme. In partnership with Ping An Property and Casualty Insurance Company of China, Ltd and Huatai Property Insurance Company Ltd, we offer the market's most competitive insurance products for gas incident induced losses and damages. As at the end of the year, we have achieved total sales of RMB30 million through a pilot run across 16 of our city-gas projects.

Bauhinia, our flagship brand of safe and high-quality integrated gas appliances, celebrated its 10th anniversary in 2015. Aided by the appeal of our creative marketing strategies, the brand has gained

high customer satisfaction on the mainland, selling around 760,000 units during the year and accumulating sales of 3.68 million units since its launch. Each of these quality appliances sold results in the safer daily use of gas among household customers.

The reliability and high quality of Bauhinia appliances have been recognised through numerous awards both on the mainland and in Hong Kong. These include Annual China Outstanding Marketing Award 2014-15, Top Ten Unit in the National After-sales Service Industry, and Certificate of National Outstanding Enterprise with Excellent Quality, Service and Integrity.

Leveraging the success of gas clothes dryers in Hong Kong, we are seeing high potential for the household product in parts of the mainland, and

are planning to introduce these Japan-made appliances in the market under the Bauhinia brand in 2016.

Serving Our Customers

"Customer focus" is our guiding principle, the basis of our success and the driving force behind our ongoing efforts to enhance customer value and service delivery. To this end, we expanded our network of customer centres, bringing the total to 231 outlets across 79 mainland cities, each offering customers a one-stop experience that complements our overall dedication to service excellence. During the year, we introduced eService platforms that support online payment, service appointments, gas usage readings and more in order to provide our customers with value-added convenience.

Innovation and technology are major drivers of our customer service delivery. Our advanced customer information system, a unified and standardised data platform for our mainland ventures, enables us to better manage customer data and billing across a cloud computing platform.

Ensuring the safety of our customers is a paramount directive throughout the Group's businesses. We take a proactive stance, conducting regular safety inspections to ensure that pipes and appliances remain in good working order. Our inspection personnel also take the opportunity to educate customers on gas safety. A number of other initiatives also educate customers and raise general awareness, including radio and television ads, flyers, community exhibits, student visits, safety talks and other special events.

Enhancing Safety

For Towngas, safety and risk management are group-wide concerns. Even as our customer base has increased substantially over the past five years, serious gas-related accidents leading to injuries and fatalities have dropped by more than half. As one of the mainland's most trusted gas companies, we work proactively to maintain this

downward trajectory, treating the safety of our customers, our colleagues and the general public with the utmost diligence.

Beginning in 2008, we rolled out safety inspections conducted by corporate senior management across our city-gas businesses on the mainland. Together with a series of safety enhancement measures in practice, we have succeeded in implementing more rigorous safety and quality standards, stepping up inspections and maintenance, enhancing the reliability of the gas infrastructure, educating our stakeholders as well as nurturing a corporate culture of responsibility.

Regular safety and risk audits are conducted to cover our mainland city-gas and water businesses. A new round of audits for the 2015/16 period is progressing well, with 52 companies having undergone inspections so far.

In 2015, we expanded the scope of our safety directive from Safety Solutions to Total Quality Management. This takes a more holistic approach to managing risk, quality and reliability at the corporate level, addressing organisational values and emphasising customer experience. Efforts to promote these standards will continue in 2016.



Continuing to enhance service quality amongst our staff, we organised the Service with a Smile Ambassadors campaign.



Utility Businesses in Mainland China in 2015

TOWNGAS PIPED CITY-GAS PROJECTS

Guangdong Province

	Year of Establishment	Project Investment Rmb M	Registered Capital Rmb M	Equity Share %
Panyu	1994	260	105	80%
Zhongshan	1995	240	96	70%
Dongyong	1998	178	75	82.6%
Shenzhen	2004	-	2,178	26.9%
Chaoan	2007	185	99	60%
Chaozhou Raoping	2011	189	106	60%

Central China

Wuhan	2003	1,200	420	49%
Xinmi	2009	205	85	100%

Eastern China

Yixing	2001	246	124	80%
Taizhou	2002	200	83	65%
Zhangjiagang	2003	200	100	50%
Wujiang	2003	150	60	80%
Xuzhou	2004	245	125	80%
Suining	2009	85	34	100%
Fengxian	2009	60	31	100%
Peixian	2015	300	100	100%
Danyang	2004	150	60	80%
Jintan	2006	150	60	60%
Tongling	2006	240	100	70%
Suzhou Industrial Park	2001	600	200	55%
Changzhou	2003	248	166	50%
Nanjing	2003	1,200	700	49%
Fengcheng	2007	206	88	55%
Pingxiang	2009	297	105	100%
Jiangxi	2009	52	26	56%
Zhangshu	2009	86	34	100%
Yonganzhou	2010	100	68	93.9%
Hangzhou	2013	2,988	1,195	24%

Shandong Province

Jinan East	2003	610	470	49%
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Northern China

Jilin	2005	247	100	63%
Beijing Economic-technological Development Area	2005	111	44	50%
Hebei Jingxian	2011	186	79	81%

Northwestern China

Xi'an	2006	1,668	1,000	49%
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Hainan Province

Qionghai	2008	110	50	49%
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MIDSTREAM PROJECTS

	Year of Establishment	Project Investment Rmb M	Registered Capital Rmb M	Equity Share %
Guangdong LNG	2004	8,595	2,578	3%
Anhui NG	2005	750	252	27.5%
Hebei NG	2005	2,760	920	43%
Jilin NG	2007	360	220	49%
Henan NG	2012	125	50	49%
Jintan NG	2013	180	100	64%

LNG REFILLING STATION

Nanjing (Marine)	2014	600	204	39.9%
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WATER PROJECTS

Wujiang	2005	2,450	860	80%
Suzhou Industrial Park	2005	4,705	1,597	50%
Wuhu	2005	1,000	400	75%
Suzhou Industrial Park (Industrial Wastewater Treatment)	2011	550	185	49%
Maanshan	2013	157	63	100%
Jiangbei	2013	1,049	374	100%

TOWNGAS CHINA PIPED CITY-GAS PROJECTS

Guangdong Province

Foshan
Shaoguan
Qingyuan
Yangdong
Fengxi

Eastern China

Nanjing Gaochun
Dafeng
Tongshan
Maanshan
Bowang
Zhengpugang Xin Qu
Modern Industrial Zone
Wuhu Fanchang
Bozhou-Wuhu Modern
Industrial Zone
Wuhu Jiangbei
Anqing
Chizhou
Tunxi
Huangshan
Huizhou
Tongxiang

Huzhou
Yuhang
Songyang
Changjiu
Fuzhou
Jiujiang
Wuning
Xiushui
Yifeng
Changting

Shandong Province

Jimo
Laoshan
Zibo
Zibo Lubo
Longkou
Jinan West
Weifang
Weihai
Taian
Chiping
Linqu
Laiyang

Zhaoyuan
Pingyin
Feicheng
Boxing Economic
Development Zone
Yangxin
Wulian

Hunan Province

Miluo

Northeastern China

Benxi
Chaoyang
Tieling
Fuxin
Shenyang Coastal
Economic Zone
Yingkou
Dalian Changxingdao
Dalian Economic and
Technical
Development Zone

Anshan
Lvshun
Kazuo
Beipiao
Wafangdian
Xinqiu
Jianping
Changchun
Gongzhuling
Siping
Qiqihar

Hebei Province

Qinhuangdao
Yanshan
Cangxian
Mengcun
Shijiazhuang
Baoding

Inner Mongolia

Baotou

Southwestern China

Ziyang
Weiyuan
Pengxi
Lezhi
Pingchang
Dayi
Yuechi
Cangxi
Chengdu
Zhongjiang
Jianyang
Pengshan
Mianyang
Xinjin
Xindu
Mianzhu
Jiajiang
Qijiang
Guilin
Zhongwei (Fusui)
Xingyi
Luliang

MIDSTREAM PROJECTS

Xuancheng Huangshan
Taian Taigang

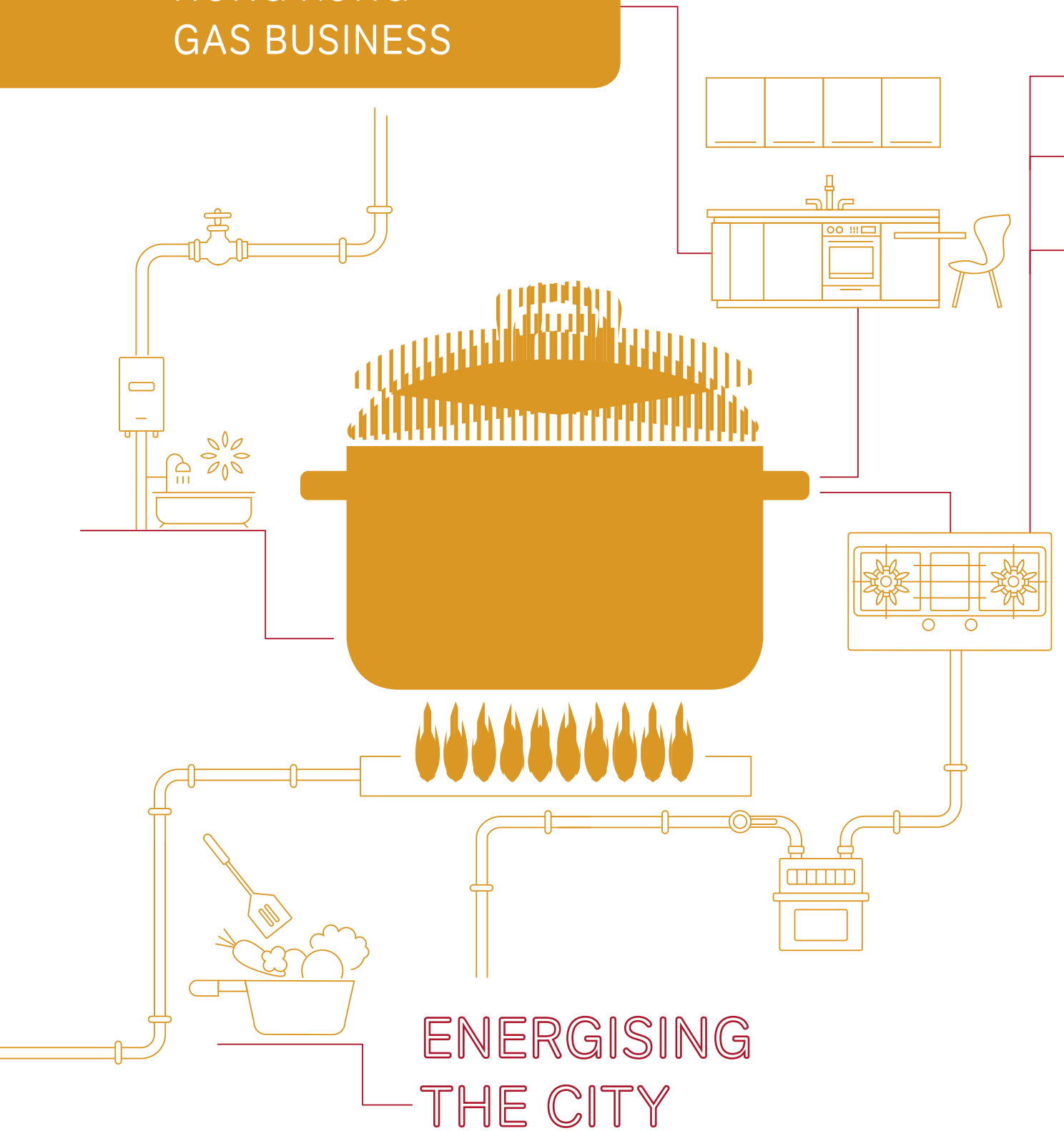
CNG REFILLING STATIONS

Qiqihar (Lianfu)
Qiqihar (Xingqixiang)

OTHER PROJECT

Zhuojia Public Engineering

HONG KONG GAS BUSINESS



ENERGISING
THE CITY

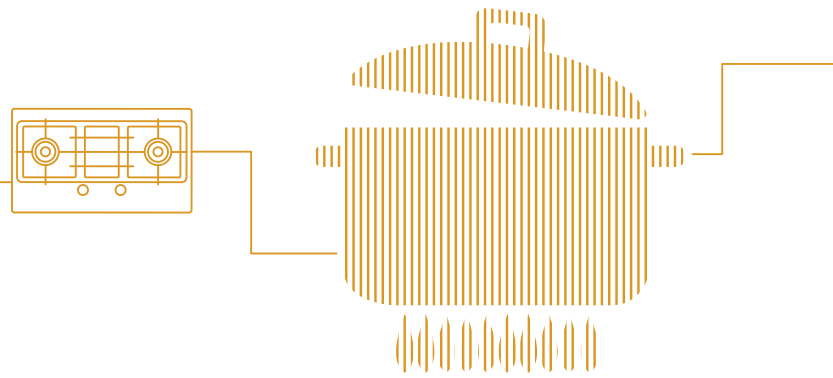
We expanded our B2B business with Total Kitchen Solution, selling more than 4,000 installations to property developers for new homes

Our gas clothes dryer celebrated its 20th anniversary since its debut, with accumulated sales of up to 154,870 units

Both Cook For Love and Total Kitchen Solution campaigns won HKMA/TVB Awards for Marketing Excellence 2015 – Merit Awards



HONG KONG GAS BUSINESS



As Hong Kong's first utility company, we remain foremost in the industry by continually re-evaluating our thinking. Our focus has been on growth, which we have achieved by crossing innovative thinking with prudent implementation. Even so, our foremost concern remains unchanged: providing safe and reliable gas supply as well as high quality products and services to our customers, year after year.

Residential and Commercial Activities

Affected by a decrease in the number of inbound tourists as well as an unseasonably warm year in Hong Kong, total volume of gas sales for the year was 28,404 million MJ, a decrease of 1.5 per cent. As at the end of 2015, our customer base further expanded to a total of 1,839,261 accounts, an increase of 19,326 over the previous year.

To help offset increasing manpower and operating costs, we raised the gas tariff by 3.5 per cent in August 2015. With 470,000 new residential units due to come into the market in the next 10 years, we foresee sales picking up significantly in the coming years.



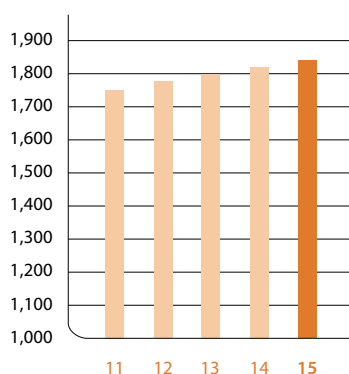
Despite the dip in inbound tourism in 2015, our commercial business performed well through our efforts to cultivate new gas applications. Hong Kong's two theme parks are diversifying their energy sources,

Ocean Park's Adventures in Australia utilises gas-powered Direct Fired Absorption Chiller/Heater in its central air conditioning system to maintain constant indoor temperature.



Number of Customers

Company (Thousand)



using gas to power air conditioning, dehumidifying and other applications as a more economical, environmentally-friendly and reliable alternative. Considered together with on-site catering services, we saw a strong increase of 36 per cent in gas sales within the parks.

Our business in the restaurant trade enjoyed stable growth with the introduction of tailor-made high-efficiency products. Our innovative range of automated cooking appliances has been well received in the commercial catering industry. Featuring waste-heat recovery functions together with automatic wok-tossing, smart flame timers and programmable jet oven features, these gas-powered appliances not only save energy and lower operating costs, they also allow for

a more consistent standard in cooking quality and help lower the risk of repetitive stress injury for employees.

During the year, we secured two new conversion-to-gas projects for the benefit of the environment – a laundry factory in Tuen Mun and a hospital in Wanchai operated by the Hospital Authority. It is expected that the switch of their diesel equipment to dual-fuel, allowing for the use of town gas, will be completed in 2016.

We will also be supplying landfill gas to generate electricity, which presents the added benefit of reducing carbon emissions and transforming waste into useful energy. Once construction is complete, a new generator located in the North East New Territories will annually supply 20 million MJ of electricity to the

Alice Ho Miu Ling Nethersole Hospital. As a combined heat and power system, the generator produces thermal by-products that will also be harnessed to produce steam and hot water for use in the hospital. The new system is due to come into operation in mid-2016.

We always strive to promote home cooking and family dining as a way to foster synergy amongst our residential projects and to transform our image beyond that of a traditional utility company. In 2015, our marketing campaigns – Cook For Love and Total Kitchen Solution, aiming at fostering family closeness through home cooking and a modern lifestyle respectively – were ranked among the top 10 in the HKMA/TVB Awards for Marketing Excellence 2015, taking home two Merit Awards.



The Mia Cucina Curva series embraces the curved lines of its cabinets to create a stylish kitchen.



Disciples Escoffier Diploma in Culinary Arts, a culinary course co-organised with Disciples Escoffier, received enthusiastic response.

In 2015, a total of 255,730 sets of appliances were sold with an increase of sales revenue by 6.4 per cent, compared to 2014. Through Total Kitchen Solution, we expanded our B2B business in the high-end retail and property development markets. Packaging our Mia Cucina kitchen cabinets with our TGC and Scholtès gas appliances, we offered a one-stop kitchen package to both the retail consumer and commercial developer markets. Fulfilling emerging needs for premium designs in compact kitchens, these packaged solutions are high in demand among Hong Kong's top developers. More than 4,000 kitchen solution installations were sold in 2015 alone. Our new Inner Pantry cabinets were also introduced this year, specially catering to the latest designs for studio flats. We are confident that they will quickly gain

popularity among Hong Kong's new generation of homeowners.

2015 marked the 20th anniversary since the debut of our popular gas clothes dryers in Hong Kong. To celebrate the success of this gas application, we launched an array of promotions to highlight the advantages of indoor gas clothes drying.

A Commitment to Customer Service

We are committed not only to high standards of quality in our products and services, but also to the safety and convenience of our customers. As evidenced by the 6,766 compliment letters that we received in 2015, our efforts are well appreciated by our customers.

For the past 20 years, we have carried out regular gas safety inspections every 18 months, keeping our

incident rates at record lows. Inspections are also good chances for our frontline staff to engage with customers, impart gas safety tips and address concerns directly.

Our customer engagement endeavours reaped tremendous rewards in 2015. We received the Sing Tao Service Awards – After Sales Service for the seventh consecutive year, East Week's Hong Kong Service Awards – Public Utilities for the fifth year running, and Ming Pao Weekly's Ming Pao Elite Awards – Public Utilities for the first time.

Our customer service hotline, powered by a state-of-the-art call management system, has enabled us to embrace an array of innovative service enhancements. These earned us the Mystery Caller Assessment (Phone-in) Gold Award, the Inbound Contact Centre Team Leader of the Year Gold Award, and the Inbound

RESULTS OF TOWNGAS SERVICE PLEDGE 2015

RELIABILITY



Uninterrupted gas supply (over 99.99%)
99.992%

3 days prior notification in case of supply interruption on account of maintenance or engineering work
100%

Restoration of gas supply within 12 hours
100%

SAFETY



Emergency Team average arrival time (within 25 minutes)

Average 20.96 minutes



SERVICE QUALITY

Efficiency*
8.85

Courteous and friendly attitude*
8.86

APPOINTMENTS



Availability of maintenance and installation services within 2 working days

Average 1.12 days

HANDLING SUGGESTIONS



Reply within 3 working days
100%

Resolution, or a statement of when the matter will be resolved, within 2 weeks
100%

SPEED AND CONVENIENCE



Customer Service Hotline (calls answered within 4 rings)
93.21%

Connect or disconnect gas supply within one working day
100% upon customer's request

Deposit refunded at Customer Centres (2 hours after disconnection of gas supply)
100% upon customer's request

* The result was based on surveys conducted by an independent research company. Our target is to exceed a score of 8 out of 10.



Our revamped mobile app provides a comprehensive range of services to enhance customer communication.

Contact Centre of the Year (over 50 seats) Bronze Award, organised by the Hong Kong Call Centre Association.

During the year, we revamped our mobile application for access to a wider range of online services, cooking recipes and green tips. Payments may now be settled at convenience stores anytime, simply by providing the in-app QR code.



A commemorative pattern created by over 1,000 Towngas employees and contractors during an event celebrating the 20th anniversary of the Regular Safety Inspection programme.

Gas Infrastructure

The year 2015 saw a continuation of our efforts to expand and upgrade our piped-gas network and infrastructure in Hong Kong, serving our customers and enhancing supply reliability.

Modifications to our Ma Tau Kok plant have been completed, allowing for natural gas to completely replace naphtha as the feedstock for the production of town gas. Not only will this further reduce NO_x emissions in the process, it will bring numerous economic benefits as well. As part of our ongoing efforts to enhance gas safety, we strengthened our trench inspection measures, engaged in more rigorous leakage surveys and conducted regular upgrades to aging pipes. These efforts have paid off, enabling us to realise the lowest numbers of both third-party damage incidents and network leakages. Moreover, our ongoing replacement

of medium pressure ductile iron pipes in our gas network is now approaching its final stages.

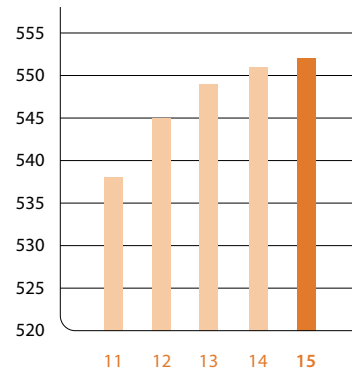
To enhance supply security for the residential sector in the North West New Territories, we are laying a looped pipeline 9 km in length along Castle Peak Road from the Tai Lam Station to the Tuen Mun North Station, and modifying these gas stations to support the added capacity. Pipelaying work is expected to be completed in 2017.

Another way to enhance supply security is developing new technology to improve our inspection and maintenance procedures. We use wireless quadcopters to conduct our riser inspections and detect gas leaks, greatly enhancing operation efficiency. Similarly, our Laparobot, a small robot designed to move within our network of pipes to detect and rectify abnormalities,

eliminates the need to dig up the pavement. Another invention is our Aquashield, which automatically seals off pipes compromised by water ingress in order to protect our underground networks from becoming inundated by water mains burst in the close vicinity.










Number of Customers per km of Mains Company



Towngas Network in Hong Kong



						
Existing areas of supply	Planned new areas of supply	Planned high pressure or intermediate pressure pipelines	High pressure or intermediate pressure pipelines under construction	Completed high pressure pipelines	Completed intermediate pressure pipelines	Completed submarine pipeline from Guangdong LNG Terminal to Tai Po plant

NEW ENERGY AND DIVERSIFIED BUSINESSES



CREATING
OPPORTUNITIES
FOR GROWTH

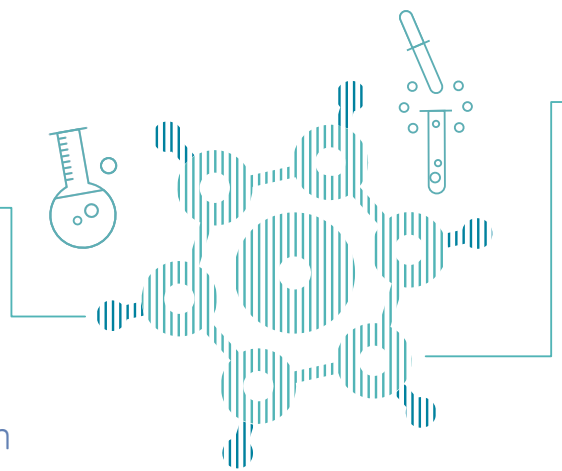
Construction work has been completed at our Inner Mongolia methanol plant, increasing its output capacity to 300,000 tonnes per annum

Towngas Telecom is currently running two data centres in Hong Kong and three on the mainland, with another under construction, having a total capacity of 15,000 server racks

Our oilfield in Thailand increased their annual output up to 1.86 million barrels, representing a remarkable 36 per cent increase in production



NEW ENERGY AND DIVERSIFIED BUSINESSES



Falling crude oil and natural gas prices present an unprecedented challenge to our new energy projects that output substitute fuels for crude. Yet our research and development initiatives in technologies that transform industrial and agricultural waste into cleaner fuels and valuable chemicals and materials are bound to bring the Group to another stage of business development. Moreover, the advent of the Big Data Era is setting the scene for the rapid expansion of our telecommunications business, positioning us to flourish in a changing economic and technological landscape.

New ECO Energy

ECO Environmental Investments Limited (ECO) is the Group's new energy platform and a world-class pioneer in alternative energy. With a strong focus on innovation, ECO has been successful in introducing clean and renewable fuels and their application through a number of projects in mainland China and overseas, bringing the Group closer to its new energy vision and commitment to environmental protection.

In 2015, the mainland government continued to progress towards energy diversification and the reduction of carbon emissions. As such, we expect to see a growing demand for clean automobile and marine vessel fuels, and a strong

potential for recycling industrial and agricultural waste. As a leader in clean energy, we have strategically invested in exploring commercially viable ways to turn low value feedstock into high value energy, allowing us to address environmental concerns as well as to meet the energy needs of the country.

To secure our supply of liquefied natural gas (LNG), we are building a diverse energy portfolio using different types of feedstock. One of these is coalbed methane, which we have been converting to LNG at our coalbed methane liquefaction facility in Jincheng, Shanxi province. Commissioned in late 2008, the facility has a production capacity exceeding 250 million cubic metres per annum.



Our coke oven gas plant in Xuzhou, Jiangsu province is expected to undergo operational trials in mid-2016, with an annual output capacity of 110 million cubic metres of LNG.

Another resource for the production of LNG is coke oven gas, which is a by-product of the coke-making process. We are currently constructing a plant in Xuzhou, Jiangsu province to convert coke oven gas into methane, then LNG. Trial operation is expected to commence in the second quarter of 2016, further enhancing ECO's LNG production capability.

ECO has also placed significant effort in converting biomass into clean energy and chemical products. A plant to upgrade low-quality inedible bio-oil is now under construction in Zhangjiagang, Jiangsu province. Upon completion, the facility will process approximately 220,000 tonnes of palm acid oil per year for conversion into high-quality chemical products and low-sulphur fuels. The construction work is expected to complete in early 2017 for trial production.

Agricultural waste, which is abundantly available on the mainland, also provides raw material for biomass conversion – an area showing high potential for development. Agricultural waste was traditionally burned on-site to make way for the next crop, forming a major cause of the severe smog pollution during harvest seasons. Through our research and development efforts, we have succeeded in developing new technology to convert agricultural and forestry waste into natural gas



ECO has developed innovative technologies to convert agricultural waste into multi-purpose energy.

through thermal gasification and methanation, and to produce levulinic acid through hydrolysis, which can be used as a raw material for producing clean fuel additives. We are planning to commence a pilot project in Hebei province, which is expected to generate natural gas output by early 2017. This project will be the first large-scale operation of its kind and will have important implications for the future development of renewable energy.

Our coal-based methanol plant in Inner Mongolia employs clean coal technology to generate syngas, which is then synthesised into methanol. In mid-2015, we completed the construction work to enhance its daily production capacity to over 1,100 tonnes. The yield for the whole year rose to over 300,000 tonnes, representing an increase of 26 per cent compared to 2014. Moreover, we have developed technology to upgrade methanol into natural gasoline, a gasoline substitute chemical product. The upgraded facility is now at the pilot production stage.

On the demand side of our LNG value chain, our network of refilling stations on the mainland is growing apace with this prospering market. As part of its green policies, the mainland government is promoting more stringent emissions standards and providing incentives for natural gas vehicles. Moreover, natural gas prices have dropped at the wholesale level, making it a competitive fuel alternative, even at a time of low oil prices.

With the aim of displacing the heavy reliance on diesel in the commercial and logistics market, we located our compressed natural gas (CNG) and LNG refilling stations along major transportation routes and ports, where they supply clean fuel to heavy commercial trucks as well as marine vessels. We currently possess 60 refilling stations that are in operation, under construction or at the planning stage, covering Shaanxi, Shandong, Shanxi, Henan and Liaoning provinces, among others. Moreover, over 100 new sites have been earmarked for development in the coming years, ensuring that we



do not lose momentum on this important endeavour. By expanding our network of refilling stations, we hope to help drive the uptake of clean fleets across the mainland.

In Hong Kong, ECO continued to perform well in 2015. ECO Aviation Fuel Facility supplies safe and reliable fuel to the Hong Kong International Airport and continues to contribute steadily growing returns on investment. During the year, the total turnover was 6.07 million tonnes.

Our liquefied petroleum gas (LPG) refilling station business, a fixture in Hong Kong since 2000, experienced a growth in sales volume by 3 per cent in 2015. It provides 65,000 tonnes of LPG per annum, accounting for approximately 30 per cent of Hong Kong's auto LPG market.

Despite the impact of falling international crude prices on our upstream oil business, we hit several high-yield wells in 2015 in our onshore oilfield in Thailand, bringing annual production up to 1.86 million barrels, which represents a remarkable 36 per cent increase in yield. This achievement accentuated the value of this asset as well as our ability to deliver on this new frontier through our extensive engineering capabilities, even under harsh market conditions.

Telecommunications

Currently running two data centres in Hong Kong and three on the mainland with another under construction, having a total capacity of 15,000 server racks, Towngas Telecommunications



Equipped with TIA-942 Tier 3+ facilities, the TGT Tseung Kwan O Data Centre 2 is fully operational, providing world-class professional services to clients.

Company Limited (TGT) demonstrated sustained business growth, with an impressive 39 per cent increase of revenue in 2015. The business provides data transmission and cloud computing services to clients ranging from large corporations to SMEs, as well as telecommunications carriers and international network service providers in the region.

At the 10th China Internet Data Centre Conference held in Beijing, TGT was honoured with the 2015 China IDC Industry – Excellent Carrier-Neutral Data Centre Award, which represents the highest accolade in the IDC industry on the mainland, underscoring TGT's position as a trusted data centre services partner.

With a growing presence in the telecommunications market, TGT is well positioned to capitalise on the coming Big Data Era. Massive transmissions of data are expected to

mark the coming years, to be used to unlock new value.

It is a market that is expected to grow rapidly in the coming years as China shifts focus from heavy industry to the service sector. With ready access to the Group's resources, TGT is ideally placed to fill this emerging need.

Information Technology

S-Tech Technology Holding Limited (S-Tech) is a wholly-owned subsidiary of Towngas, responsible for product development, solution implementation and system integration. Since its inception, S-Tech has successfully launched a series of products that have enhanced service quality and efficiency for the Group. We developed three internal mobile applications to facilitate regular safety inspections, meter reading and maintenance appointments for customers on the mainland. We also introduced an advanced customer

service system, enabling our businesses in mainland China to better manage customer data and billing across a cloud computing platform. In addition, S-Tech provides consulting services and other cloud computing applications as well as IT products to companies both inside and outside of the Group.

Civil and Building Services Engineering

U-Tech Engineering Company Limited (U-Tech) is our wholly-owned subsidiary that provides consultancy and engineering contractor services in Hong Kong and Macau. It specialises in utilities installation, infrastructure construction, and civil and building services engineering for public and private projects.

U-Tech enjoyed an excellent year in 2015 through the acquisition of various new contracts encompassing electrical and air conditioning installation, underground sewer inspection, and the installation of underground water mains and chilled water pipelines. U-Tech is also seeking opportunities in projects such as the construction and installation of a pedestrian lift next to a light rail station.

In recognition of its high standards of quality and safety, U-Tech was awarded the Safety Performance Award – Construction from the Occupational Safety and Health Council, the Outstanding Contractor Award – Electrical Installation from Henderson Land Development Company Limited, as well as the Safety Merit Award from the Hong Kong Construction Association.

Manufacturing Businesses

To ensure the highest standards of quality across the supply chain, we manufacture critical materials and devices such as polyethylene (PE) piping and jointing parts systems, as well as gas meters. With the steadfast shift to natural gas in mainland China, abundant opportunities are opening up for Towngas to contribute to a safer and more reliable gas infrastructure on the mainland.

G-Tech Piping System (Zhongshan) Company Limited (G-Tech), the Group's wholly-owned subsidiary, is a supplier of high-quality PE pipes, supported by GH-Fusion Corporation Limited, our joint venture with the United Kingdom-based Fusion Group, which specialises in PE fittings.

Reinforced by steadily increasing export opportunities despite the relatively weak export climate

prevailing in mainland China, the PE piping business expanded rapidly in 2015, supplying about one quarter of the Group's mainland markets. To capture these opportunities, G-Tech commissioned its fourth PE pipe production line in Zhongshan in early 2015 and GH-Fusion also developed a number of new PE fittings to address the needs of the market. A second G-Tech PE pipe factory will come into operation in Maanshan, Anhui province in mid-2016, doubling its total production capacity and enabling its businesses to further broaden its market reach on the mainland.

M-Tech Metering Solutions Company Limited (M-Tech) develops and markets proprietary smart gas meter solutions. Incorporating Micro-Electro-Mechanical Systems technology, the accuracy of these new generations of gas meters



The construction of an underground seawater cooling system and associated works in the Kai Tak Development Area by U-Tech is progressing well.



G-Tech supplies high-quality PE pipes to piped-gas operators.

is not affected by the temperature or pressure of the gas they measure, providing a more accurate measure of gas consumption. We are planning

to supply these solutions to all of our city-gas businesses, as well as others in mainland China and overseas.

To meet the requirement for tier tariffs on the mainland, in 2015 M-Tech developed a new generation of Near Field Communication (NFC) residential gas meters, which allow for tariff payment, monthly tier tariff settings and gas consumption records to avoid conflict during tariff adjustment. These meters also contain several gas safety features such as regular safety inspection alerts, excess flow cut-off as well as external interference alarms.

New Energy and Other Projects in 2015

NEW ENERGY PROJECTS

Coal Mining

Jiangxi Fengcheng
Inner Mongolia Erdos Kejian

Coal-based Chemical

Jiangxi Fengcheng
Inner Mongolia Erdos

CNG/LNG Refilling Stations

Shaanxi Xianyang
Shaanxi Huitai
Shaanxi Lueyang
Shaanxi Fengxiang
Shaanxi Shenmu
Shaanxi Baoji
Shanxi Yuanping
Shanxi Lingshi
Shanxi Pinglu
Shandong Chiping
Shandong Jining
Shandong Dongping
Shandong Jiexiang
Shandong Weishan
Shandong Shanxian
Shandong Linqing
Shandong Heze
Hebei Shijiazhuang

Year of Establishment	Project Investment Rmb M	Registered Capital Rmb M	Equity Share %
2008	1,100	236	25%
2011	450	150	100%
2009	1,250	350	40%
2009	1,170	400	100%
2008	12	12	100%
2010	54	27	100%
2014	21	13	100%
2014	30	15	100%
2015	26	22	90%
2015	28	14	100%
2008	40	20	42%
2013	25	20	75%
2014	27	14	100%
2010	30	15	100%
2010	11	8	100%
2010	43	26	91%
2012	50	28	70%
2014	58	29	100%
2014	28	14	100%
2014	22	13	100%
2015	23	13	90%
2014	65	31	80%

NEW ENERGY PROJECTS

CNG/LNG Refilling Stations

	Year of Establishment	Project Investment Rmb M	Registered Capital Rmb M	Equity Share %
Xingtai Ningjin	2014	20	17	80%
Henan Xinmi	2010	29	15	100%
Henan Anyang	2012	29	14	100%
Henan Kaifeng	2013	29	15	100%
Henan Linzhou	2013	30	20	100%
Henan Nanyang	2015	14	10	100%
Inner Mongolia Huhhot	2014	28	14	90%
Inner Mongolia Wulatezhong Qi	2015	11	8	100%
Inner Mongolia Xiuzhumuqin Qi	2015	30	15	100%
Inner Mongolia Chifeng	2015	30	15	100%
Inner Mongolia Chaha'eryouyiqian Qi	2015	30	15	90%
Ningxia Guangwuxian	2015	15	11	100%
Ningxia Qingtongxia	2015	21	13	100%
Ningxia Jinyintan	2015	28	14	100%
Jiangxu Xuzhou	2015	40	20	80%
Anhui Maanshan	2006	15	11	30%
Jiangxi Pengze	2015	45	30	70%
Guangdong Guangzhou	2013	26	13	100%

Upstream Projects

Shanxi LCBM	2006	600	200	70%
Jilin Tianyuan	2007	140	5	50%
Xuzhou COG	2014	453	151	80%
Heze COG	2014	450	150	90%
Jiexiu COG	2014	480	250	60%

Coal Logistic Project

Shandong Jining Jiexianggang Logistic Port	2011	540	180	55%
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Oilfield Project

Phetchabun Province in Thailand	2012	USD 181M	USD 12,000	100%
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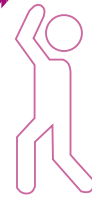
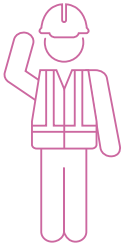
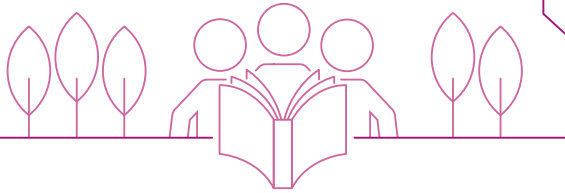
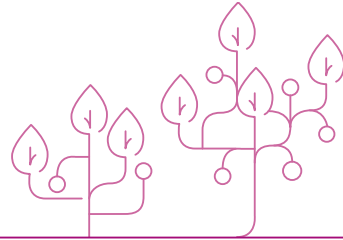
TELECOMMUNICATION PROJECTS

Shandong Jinan	2008	80	40	90.1%
Shandong Jinan (Chibo)	2009	170	68	65.5%
Shandong Laiyang	2011	14	10	90%
Suzhou Fengxian	2011	11	8	100%
Suzhou Peixian	2012	13	9	100%
Liaoning Dalian (DETA)	2010	14	10	49%
Liaoning Dalian (Yida)	2011	190	76	90%
Heilongjiang Harbin	2013	158	63	80%
Beijing (Zhongjing)	2014	14	10	49%
Beijing (Chibo)	2014	14	10	97%
Guangdong Dongguan	2013	240	80	60%
Guangdong Shenzhen (Qianhai)	2014	59	29.5	100%
Guangdong Shenzhen	2015	99	40	30%

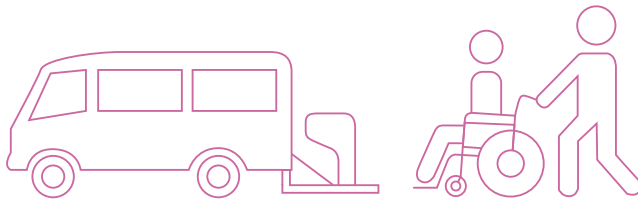
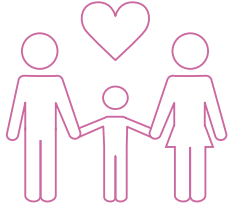
OTHER PROJECTS

Shenyang Sanquan Construction Supervisory	2011	4	3	60%
ECO Engineering Management (Xi'an)	2014	13	9	100%
Suzhou Industrial Park Broad Energy Services	2012	170	71	25%
GH Yixing Ecology	2013	184	184	100%
Zhangjiagang (Chemical)	2014	610	205	100%
Dalian (New Energy Technology)	2015	USD 4.75M	USD 4.75M	100%
M-Tech	2011	30	30	100%
GH-Fusion	2001	87	43	50%
G-Tech	2012	77.5	31	100%
Towngas Technology	2011	30	21	100%
S-Tech (Zhuhai)	2014	7	5	100%
ECO Engineering Management (Shenzhen)	2014	30	15	100%
Towngas Lifestyle	2015	7	5	100%
Towngas Payment Technology (Shenzhen)	2015	50	28	100%

CORPORATE SOCIAL RESPONSIBILITY



CREATING
A BETTER
TOMORROW



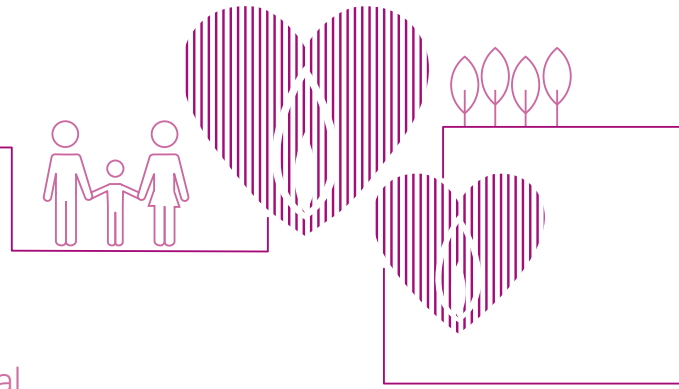
Launched Green Towngas China, an environmental protection project, planting over 7,400 trees

Kicked off a range of wellness programmes under our Fun Living Series to enhance positivity in the workplace

Organised the Gas Appliances for the Community programme celebrating the 15th anniversary of the District Council Focus Teams



CORPORATE SOCIAL RESPONSIBILITY



We recognise the importance of environmental stewardship and aim to incorporate sustainability into every facet of our business. While seeking green solutions to the energy challenges of the future, we also partner with employees, customers, associates and the public in philanthropic initiatives in order to build a better environment for the next generation.

Caring for the Environment

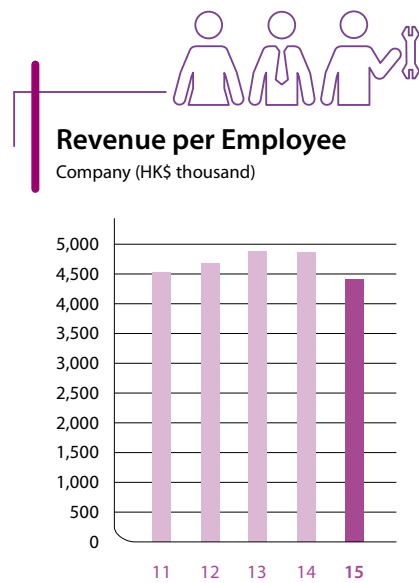
Knowing our legacy as Hong Kong’s first utility company is rooted in the communities we serve, we brought fulfilment and convenience to customers, while building our identity as a socially responsible company. We pledge to make every effort to protect the environment and ensure sustainable development. This green policy guides our operations at all levels.

Throughout 2015, we achieved numerous milestones and participated in many events and programmes centred on our role as an environmental leader and advocator.

In mainland China, we sought to drive a shift from the use of

traditional coal, heavy fuels and liquefied petroleum gas to natural gas as it is a safer and cleaner alternative. To this end, we engaged a number of partners to help us develop technology to enhance the efficiency of natural gas as an energy source. One of our initiatives involved the conversion of supply systems from coal gas to natural gas among our city-gas projects, which was completed in October 2015, marking the end of the coal gas era and embracing the sole supply of natural gas for our residential markets across the Group.

In Hong Kong, construction on the South East New Territories (SENT) Landfill Gas Utilisation project showed satisfactory progress. The new facility will utilise advanced





We joined hands with Greeners Action to launch the Zero Food Waste@Campus campaign and over 10,000 students participated to collect 2,360 kg of food waste for recycling into fertilisers.

technology to convert landfill gas into synthetic natural gas, which will be transported through a 12-km-long pipeline to Tseng Lan Shue and integrated into the gas supply network there. The project is expected to reduce carbon emissions by around 56,000 tonnes per year.

Through energy-saving initiatives designed to reduce electricity consumption, our headquarter building in North Point, Hong Kong attained the Final Platinum rating under the BEAM Plus Existing Buildings V1.2 in 2015. Initiatives included the installation of an oil-free variable speed water-cooled chiller in our air conditioning system that reduces energy consumption while eliminating thermal waste and oil contamination. In addition, we signed the Energy Saving Charter, through which we committed to a room

temperature of 24°C to 26°C from June to September. We also pursue a paperless approach to business with the use of tablets and mobile devices. Handling such matters digitally saves time and natural resources while improving customer service and relations.

Public education is another significant component of our environmental initiatives. We promoted different ways to live green to our employees, contractors and suppliers as well as the general public, focusing on impactful changes to daily life.

We supported environmental programmes calling attention to Hong Kong's struggle with food waste, which adds over 3,000 tonnes of refuse to landfills every day. In 2015, we worked with Friends of

the Earth (HK) through the Cherish Food Reward Scheme, providing discounts and vouchers to patrons at over 130 restaurants in exchange for ordering less rice and leaving no food behind. We also sponsored Greeners Action's Leftover Cooking Contest to encourage the public to cherish food by using leftovers as ingredients for cooking.

During the year, we also actively participated in environmental campaigns organised by green groups in Hong Kong. Under the Lai See Recycling Programme by Greeners Action, for instance, over 120 kg of red envelopes were collected in our offices, encouraging an eco-friendly Chinese New Year. In March, we took part in WWF's Earth Hour by turning off lights at our facilities in Hong Kong and mainland China for an evening to raise public awareness of climate change. Moreover, we supported the Clean Air Network's Airmazing Race 2015, joining the fight against air pollution.

Working with the Conservancy Association, we held the fifth annual Green Leaders Bloc programme, which nurtures students to become future environmental leaders through a series of training programmes. Participants also planned campaigns for promoting green living whilst raising awareness of carbon emissions. Over 100 young people have taken part since the first intake in 2011.



Towngas employees combined exercise with charity, raising money and awareness of pressing environmental issues. Employees and their families joined the Green Power Hike and the Green Sense Charity Hike, raising funds for good causes while learning about Hong Kong's environment.

On the mainland, we organised an annual carbon reduction competition that has seen the creation of 167 projects since 2010. Through this programme, carbon emissions were reduced by about 94,000 tonnes per year.

This year also saw the launch of an environmental protection project, Green Towngas China. Together with customers, volunteers and local media, we planted over 7,400 trees, creating a green area of nearly 20,000 square metres.

Our green performance earned us the Best Enterprise for Corporate

Social Responsibility Award 2015 organised by China Environment News, the Ministry of Environmental Protection, China.

Supporting Our Communities

We maintain a tradition of reaching out to local communities, making a difference in the lives of children, senior citizens and other people in need. Various initiatives saw the Company supporting non-profit organisations, education and social welfare while our employees generously volunteered their time to contribute to a warmer society.

In Hong Kong, we took a multifaceted approach to improving the lives of senior citizens, providing them with helpful services and social engagement. During festivals, which can be a particularly lonely time for the elderly, we provided them with festive food in celebration. In 2015, we distributed over 330,000 rice

dumplings and 100,000 mooncakes to needy families and elderly people, with an accumulated total of 2,415,000 rice dumplings and 1,720,930 mooncakes donated since the programmes were first rolled out.

Additionally, we continued installing toilet washlets in elderly care centres. Bringing the current total to over 180 units, this programme not only improves the lives of the elderly, but also offers help to their caretakers.

We carried on with the Warmth and Care Fresh Food Aid programme in 2015 to provide single-parent and low-income families with fresh and healthy food. A total of 46,800 food packs have been delivered, benefiting 450 families since 2013.

Established in 2000, our District Council Focus Teams have been developing strong bonds with local communities. By working directly with District Council members, we gain a better understanding of



Partnering with local district councillors, we launched the Gas Appliances for the Community programme.

social needs and expectations while improving our ability to participate in the community. In celebration of the 15th anniversary of the District Council Focus Teams, we launched the Gas Appliances for the Community programme in 2015. Partnering with local district councillors, we set out to distribute 10,000 gas appliances to elderly people, as well as families in need, improving the convenience of their daily lives.

In parallel with our businesses expansion on the mainland, we share our community values and caring ambitions. Under the Gentle Breeze Movement, we help needy communities and schools via various programmes, including direct aid for those affected by poverty. Since 2013, this initiative has donated over RMB2.4 million to education projects. A total of 29 schools in the provinces of Jiangxi, Anhui, Jiangsu, Shandong, Guizhou and Shaanxi renovated their premises and introduced new learning tools such as computer labs, teaching aids and sports equipment, enhancing the quality of education for students.

Our mainland volunteers also supported the Guangcai Loving Home – Home of Happiness and Peace, a public welfare project launched by the China Guangcai Programme Foundation and Beijing Global Village. During this six-month programme, volunteers travelled to mountain areas of Chongqing to take care of children whose parents



Towngas China's Gentle Breeze Movement was rolled out to provide students with a better learning environment.

work far from home, helping them with schoolwork while organising additional extracurricular activities.

This year also saw us continuing our support towards the Shanghai Soong Ching Ling Foundation – BEA Charity Fund to set up a Firefly Centre in Yantai, Shandong province. Computers, projectors, furniture, books and other stationery, valued at more than HK\$200,000 were donated to over 600 students.

Echoing the annual Towngas Rice Dumplings for the Community campaign in Hong Kong, over 1,000 dedicated volunteers on the mainland donated 4,200 hours to distribute over 35,000 rice dumplings and festive gifts valued at RMB183,000 to around 12,000 needy people. Their generosity made a lasting impression on local mainland communities.

Caring for the Well-being of Our Employees

We treasure employees as our valued resource. Together, at all levels, they make Towngas a leader in energy by bringing about new innovations, serving customers, running plants and doing everything required to continue our success. When called upon to aid their communities, they respond with passion and dedication, serving as an example for all to follow. To improve our employees' work satisfaction and well-being, we consistently organise different kinds of activities to enhance their physical and mental health.

As a socially responsible company seeking to offer opportunities to individuals with disabilities, we improved facilities for those working at our hotline centre. Workstations have been redesigned



ergonomically, the main entrance has been refitted with an automatic door, and barrier-free facilities have been installed in the washroom.

In 2015, we continued with the Fun Living Series programme as the theme of our wellness programme in Hong Kong. Seminars focused on parenting, marital harmony and elderly care improved the personal lives of employees through education.

Through the Employee Caring programme, our mainland employees learned to balance work and life with activities focused on four topics: Living with Positive Energy, My Healthy Life, My Low Carbon Life and My Happiness. These courses can help encourage our staff to bring the positivity of a healthy and happy home life to the workplace for stronger performance.

Our contractors constantly exhibit active engagement and we value them with the same commitment as

Towngas employees. In Hong Kong, we offer our contractors competitive compensation packages, including life protection plan, placing us among the first few utility companies to provide such scheme to contract staff. We not only organise a wide range of activities for our contractors, such as workshops, visits, tours, etc. but also set up incentive schemes and awards and invite them to participate in our major activities.

Developing Our People

Investing in employees is on the top of the priority list at Towngas. Throughout 2015, we focused our development programmes on leadership, management and technical training, allowing colleagues to enhance their skills and abilities.

We offered opportunities for career enhancement and progression. Towngas Engineering Academy (TEA) organises a wide variety of technical training programmes for our employees so that they can acquire the academic and professional qualifications for advancement. Launched in July, our new e-Learning platform was designed to provide employees with the opportunity to learn at their own pace, as well as to refresh their knowledge on the go.

TEA is also committed to raising the professional standards of service for

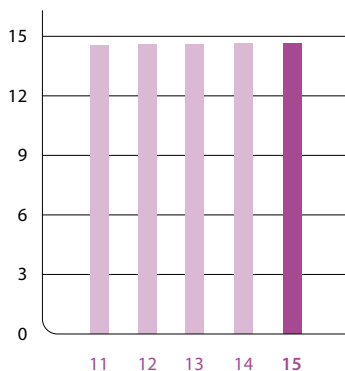


We implemented the Total Quality Management programme to uplift our product quality and service standards in mainland China.

engineering personnel in mainland China, with the aim of building a stronger professional team. In 2013 and 2014, the Group became the first and only gas company in mainland China accredited by the Hong Kong Institute of Engineers and the Institution of Gas Engineers and Managers to organise dedicated training programmes for gas engineers on the mainland. Upon completing the programmes and accumulating sufficient working experience, trainees will gain a fast track to register as chartered engineers. The first cohort of trainees completed the programme in 2015.



Town Gas Sales per Employee Company (million MJ)



Over the course of the year, a total of 200,011 training hours were offered through TEA in Hong Kong and mainland China.

We set up the Towngas Hall of Innovation exhibition at our Hong Kong headquarters to showcase innovations that have led to significant improvements in workflow, safety and productivity. These exhibits provide inspiration while recognising the talent and efforts of their inventors. We also issued a periodical, "Innovation Headlines",

featuring creative ideas and practices to encourage employees to approach their work with an open mind and to think outside the box.

Emphasising innovation and implementation as well as the "Three Courtesies", the Total Quality Management programme was introduced in mainland China to motivate employees in their pursuit of quality, excellence and comprehensive care as they work together to create value and foster growth for the Group.

Comprehensive training programmes and courses enabled colleagues to enhance their abilities in various fields. In 2015, over 640 mainland employees joined exchange learning trips to Hong Kong, including 220 from our mainland utilities businesses who attended specific training programmes provided at our headquarters. Topics included customer service, purchasing procedures and warehouse management, empowering participants to acquire an understanding of good practices in Hong Kong for implementation at their home companies.

ENVIRONMENTAL PERFORMANCE TABLE 2015 (HONG KONG)



OZONE LAYER PROTECTION

- ▶ All of our vehicle air conditioning systems now operate with refrigerant R134A.
- ▶ All BCF portable fire extinguishers have been replaced by dry powder extinguishers.

- ▶ All legal requirements relating to environmental protection were fully complied with.



AIR QUALITY

- ▶ Total NOx output was 3.84 kg/TJ of town gas.
- ▶ Total SOx output was 0.02 kg/TJ of town gas.
- ▶ Total CO₂ output was 11.8 metric tonnes/TJ of town gas.



GREENHOUSE GAS EMISSION

- ▶ Greenhouse gas emissions from major gas production equipment was 357,845 metric tonnes in terms of CO₂ equivalent.

WATER QUALITY

- ▶ Total waste water output was 3.77 m³/TJ of town gas.

CHEMICAL WASTE

- ▶ Total chemical waste output was 0.64 kg/TJ of town gas.



NOISE

- ▶ All installations and operations complied with the statutory requirements.
- ▶ No noise abatement notice has ever been received.



We continued to implement internship programmes, graduate and management training, and career development schemes. For instance, 24 colleagues from Hong Kong participated in short-term mobility assignments in mainland China over the year, immersing themselves in the local working culture. These programmes build our talent pool and increase employee competencies, ensuring smooth operations as the Group magnifies its expansion.

Supplier Relationship

Towngas is committed to reliable long-term business relationships with business partners through fair and ethical purchasing practices. As such, we have established careful policies and procedures to select and assess our suppliers. Responsible operating

practices are emphasised in regards to supplier identification, management, communications and engagement.

Through robust supply chain management, essential to operational efficiency, we work closely with suppliers and contractors to meet customer needs in an effective and efficient manner. In addition to the Environmental Purchasing Policy, we launched the CSR Code of Practice for Suppliers concerning business ethics, workplace operations and environmental undertakings and carried out regular audits on their compliance with the code and quality requirements.

Meetings and conferences were also organised to encourage participation and communication about their materials and service performance.

In addition to offering them incentive programmes, we invited our business partners to join our company events, including our Health, Safety and Environment (HSE) day, Quality Day and annual dinner.

Putting Safety First

In everything we do, safety comes first. Teaming with employees and seeking new ways to improve workplace and personal safety is integral to how Towngas conducts business. Furthermore, we aim to make sure safety is always in the minds of our colleagues and their families.

The Occupational Health Campaign 2015 educated employees about healthy work practices through workshops and seminars on what constitutes a proper diet, musculoskeletal disorders and more. Exhibition boards and mini-games regarding occupational health provided new and helpful information at a glance.

With the support of our employees, HSE performance remained at high levels. During the 2015 HSE Day, employees, contractors and their families visited information booths,



On 2015 HSE Day, Wong Kam Sing, Secretary for the Environment (left) and Alfred Chan, Managing Director, rode the bicycle-powered mixers to make healthy fruit juices.

engaged in educational games, participated in competitions, and attended an awards ceremony promoting workplace safety.

Feedback from the HSE Climate Index Survey also helped us devise innovative practices and solutions, including the creation of HSE programmes, workshops and emergency plans. The efforts of our colleagues and contractors led to Towngas receiving multiple honours, including the Safety Management System (Other Industries) Gold Award and Safety Performance Award at the 14th Hong Kong Occupational Safety & Health Award.

Driving Growth and Building Long-Term Value

Guided by sound business ethics principles, we implement good

corporate governance and business practices to achieve sustainable growth. During the year, we complied with laws and regulations with significant impact on the Company.

As we look towards the future, we reflect upon the way we are seen by our customers and colleagues – as a compassionate, skilled and efficient company upholding the highest standards. Our brand is associated with peerless customer service, safety and reliability even in times of difficulty, as well as care for our communities. We strive to realise our mission to protect the environment whilst enjoying the respect of those with whom we work, whether in our offices or the world at large.

With our hope for the future embodied by the management theme “Expanding New Horizons”,

we are moving in new and exciting directions on all fronts. Encouraging innovation and bringing pioneering ideas to fruition through shrewd execution is vital to sustainability. During the year, we advocated a formula – “Growth = Innovation x Implementation” – within the Group, and implemented the Total Quality Management programme in mainland China to bolster our corporate values of quality and innovation.

We continued to be inspired by new technology and green innovations, incorporating them into our business to accomplish goals both financial and personal. By investing in new projects and business opportunities over the coming years, we aim to reaffirm our reputation as a caring leader in utilities and energy while offering the best to customers and our corporate family.



RISK FACTORS

As Towngas continues to expand across Hong Kong and mainland China, changes in the global economy, environmental events and other considerations require creative thinking, ground-breaking solutions and the will to succeed under difficult circumstances. To ensure growth, Towngas constantly analyses the risks we face every day, allowing us to prepare for whatever we may face while maintaining our dedication to sustainable and environmentally sound practices.

Economic Environment

The global economy is in a holding pattern with fragile recovery among developed countries. In particular, China's economy has moved from a rapid growth rate to a more moderate pace as a result of contracting exports, weak industrial output and a sluggish property market, which may lower the regional energy demand. However, the rising need to mitigate air pollution through clean energy will continue.

Hong Kong tourism is slowing down, possibly due to local currency appreciation and reduced popularity amongst travellers from mainland China. This trend may adversely affect the restaurant and hotel sectors, thus lessening their gas consumption.

To address these economic uncertainties, Towngas maintains prudence in capital expenditure investments whilst enhancing productivity and cost effectiveness in all aspects of our operations.

Reliability of Town Gas Supply in Hong Kong

To ensure supply reliability, Towngas has secured multiple sources of feedstock for town gas production: natural gas, which is transmitted through dedicated pipelines connecting the liquefied natural gas (LNG) receiving terminal at Shenzhen and our Tai Po gas production plant; naphtha, which is imported from Southeast Asian countries, Australia as well as the Middle East; and treated landfill gas, which is harnessed at local landfill sites.

Interruption to the feedstock supply for natural gas may result from inclement weather causing delay to the LNG tankers, possible problems happening in the LNG production plant in Australia as well as unforeseen damage to the twin submarine pipelines. To address these issues and ensure supply integrity, Towngas has adopted a diversified strategy for production, wherein the Tai Po plant possesses the capability of switching between natural gas and naphtha for feedstock during the course of town gas production.

Other measures by which we diminish supply risk address potential risk factors within our facilities and operations. Measures include conducting regular maintenance, carrying out continuous upgrades to gas-supply facilities, and administering regular enhancements to preventative measures such as the strategic optimisation of our naphtha inventory. We also maintain a network of vendors across various regions as a means of diversifying risk, with supervision through stringent asset management systems.

Safe network operation is achieved through a sophisticated Supervisory Control and Data Acquisition (SCADA) system, which monitors and controls our network and all pressure-regulating stations. Contingency plans, with regular practice drills, prepare us for events impacting customers and the public.

Health and Safety Risks

Minimising occupational health and safety risks is crucial to the operation of Towngas. Incidents such as serious accidents or the outbreak of a communicable disease could cause injury, loss of life and operational disruption, resulting in huge recovery costs, litigation and reputational damage.

To mitigate and contain those risks that are either directly or indirectly under our control, we actively encourage the reporting and monitoring of hazards and potential problems at all levels.

Comprehensive guidelines and established measures ensure that the safety performance of Towngas conforms to the highest industry standards, whilst our thorough safety management system, certified for compliance with international standards, is reviewed and updated regularly to ensure that the relevant issues are properly managed. Moreover, to maintain a perpetual, comprehensive and effective culture of safety, Towngas provides staff and contractors alike with systematic professional, technical and safety related training.

Global Warming Effect

Global warming and rising temperatures may gradually reduce gas demand for the purposes of water and space heating in winter. In some regions, gas production, transmission and distribution systems may be subject to the effects of extreme weather events, including storms and rising sea levels. To stimulate gas consumption, Towngas is continually exploring new applications for gas and seeking opportunities to expand our market. Recent focus has been on gas cooling and gas dehumidification systems.

Severe typhoons, flooding, landslides resulting from torrential rain, storm surges, and other extreme weather events caused by climate change can also generate negative impact or even lead to the physical destruction of our investments, resulting in huge financial losses. In the event that our gas production facilities, underground pipelines and other related infrastructure suffer physical damage, the resulting gas interruption and service disruption can increase our recovery costs as well as the investment needed to adapt to changing weather patterns. To mitigate these risks, we conduct regular reviews of our operating procedures and implement strategies tailored to addressing such risks.

Furthermore, we also maintain insurance cover against property loss and its consequential loss. Therefore, in the event of major damage to our property, financial loss can be mitigated.

Liquidity and Capital Resources

As at 31st December 2015, the Group had a net current deposits position of HK\$3,541 million (31st December 2014: HK\$6,106 million) and long-term borrowings of HK\$23,363 million (31st December 2014: HK\$24,484 million). In addition, banking facilities available for use amounted to HK\$13,000 million (31st December 2014: HK\$11,400 million).

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

Financing Structure

In May 2009, the Group established a US\$1 billion Medium Term Note Programme (the "Programme") which gives the Group the flexibility to issue notes at favourable terms and timing under the Programme. In May 2012, the Programme was updated with the size increased to US\$2 billion. Up to 31st December 2015, the Group issued notes in the total amount of HK\$11,818 million (31st December 2014: HK\$10,360 million) with maturity terms of 5 years, 10 years, 12 years, 15 years, 30 years and 40 years in Renminbi, Australian dollar, Japanese yen and Hong Kong dollar under the Programme (the "MTNs"). The carrying value of the issued MTNs as at 31st December 2015 was HK\$11,055 million (31st December 2014: HK\$9,748 million).

As at 31st December 2015, the outstanding principal amount of the 10-year US dollar Guaranteed Notes (the "Guaranteed Notes") issued in August 2008 at a fixed coupon rate of 6.25 per cent per annum was US\$995 million (31st December 2014: US\$995

million) and the carrying value was HK\$7,682 million (31st December 2014: HK\$7,675 million).

As at 31st December 2015, the Group's borrowings amounted to HK\$33,076 million (31st December 2014: HK\$31,534 million). While the Notes mentioned above together with the bank and other loans of HK\$1,684 million (31st December 2014: HK\$1,326 million) had fixed interest rate and were unsecured, the remaining bank and other loans were unsecured and had a floating interest rate, of which HK\$5,582 million (31st December 2014: HK\$6,446 million) were long-term bank loans and HK\$7,073 million (31st December 2014: HK\$6,339 million) had maturities within one year on revolving credit or term loan facilities. As at 31st December 2015, the maturity profile of the Group's borrowings was 29 per cent within 1 year, 5 per cent within 1 to 2 years, 37 per cent within 2 to 5 years and 29 per cent over 5 years (31st December 2014: 22 per cent within 1 year, 17 per cent within 1 to 2 years, 35 per cent within 2 to 5 years and 26 per cent over 5 years).

The US dollar Guaranteed Notes, the RMB Note, AUD Note and JPY Note issued are hedged to Hong Kong dollars by currency swaps. The Group's borrowings are primarily denominated in Hong Kong dollars and local currency of subsidiaries in mainland China. The Group therefore has no significant exposure to foreign exchange risk except for some borrowings of certain subsidiaries which are denominated in currency other than their functional currency.

In January 2014, the Group issued its first Perpetual Subordinated Guaranteed Capital Securities (the "Perpetual Capital Securities") amounting to US\$300 million with distribution rate of 4.75 per cent per annum for the first five years and thereafter at floating distribution rate. With no fixed maturity and the distribution payment can be deferred at

the discretion of the Group, the Perpetual Capital Securities are redeemable at the Group's option on or after 28th January 2019 and are accounted for as equity in the financial statements. The Perpetual Capital Securities are guaranteed by the Company. The issuance helps strengthen the Group's financial position, improve its financing maturity profile and diversify its funding sources.

The gearing ratio [net borrowing / (shareholders' funds + perpetual capital securities + net borrowing)] for the Group as at 31st December 2015 remained healthy at 26 per cent (31st December 2014: 25 per cent).

Contingent Liabilities

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

Currency Profile

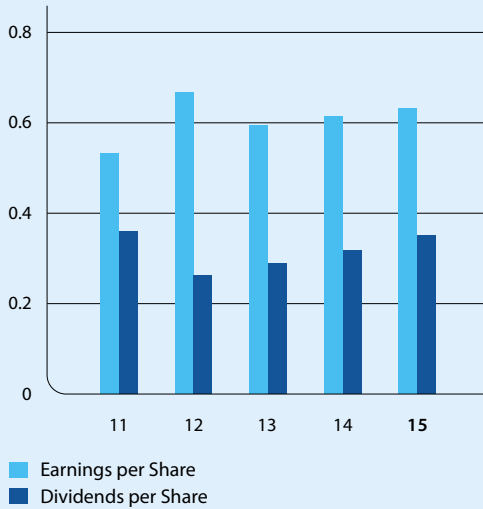
The Group's operations and activities are predominantly based in Hong Kong and mainland China. As such, its cash, cash equivalents or borrowings are mainly denominated in Hong Kong dollars, Renminbi or United States dollars, whereas borrowings of the Group's subsidiaries, associates and joint ventures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

Group's Financial Investments in Securities

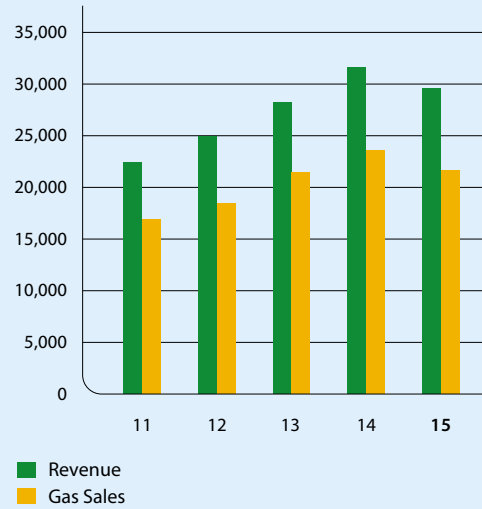
Under the guidance of the Group's Treasury Committee, financial investments have been made in equity and debt securities. As at 31st December 2015, the investments in securities amounted to HK\$1,646 million (31st December 2014: HK\$2,150 million). The performance of the Group's financial investments in securities was satisfactory.

FIVE-YEAR FINANCIAL STATISTICS

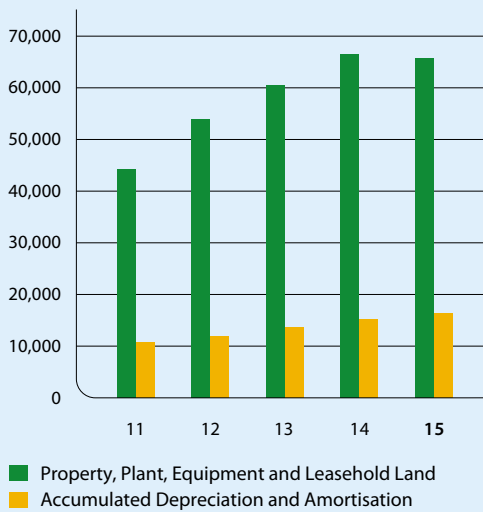
Earnings and Dividends per Share (HK\$)



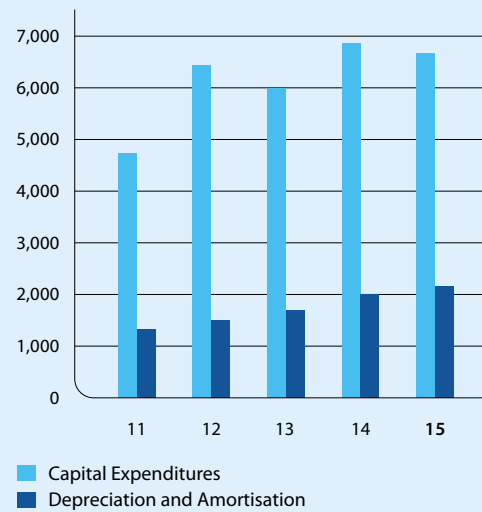
Revenue and Gas Sales (HK\$ million)

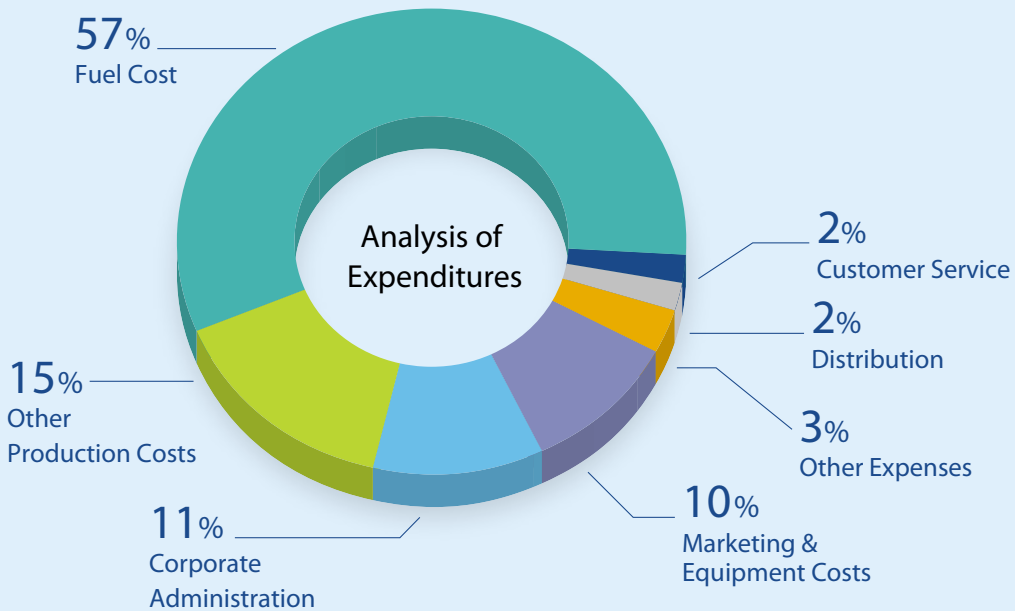
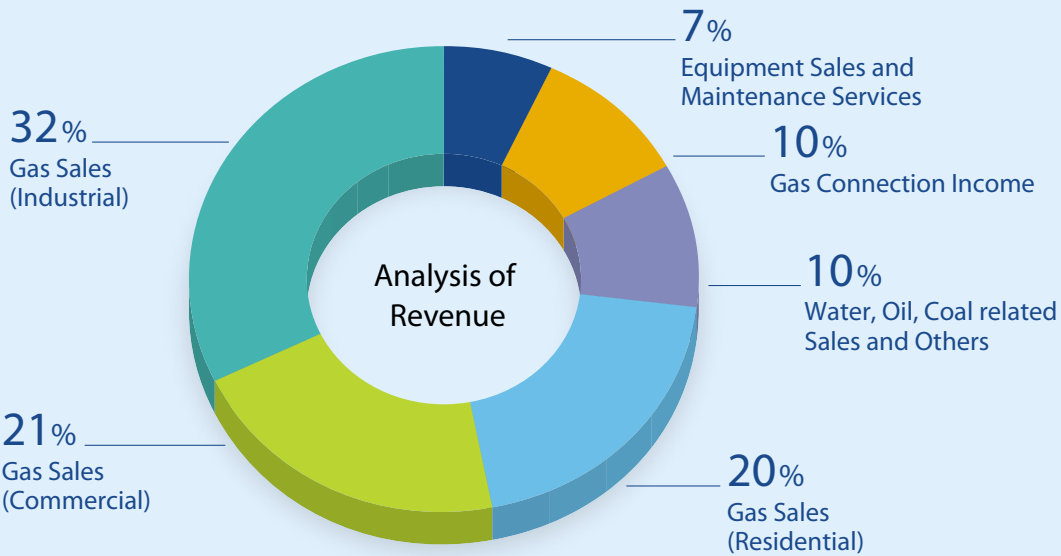


Property, Plant, Equipment and Leasehold Land (HK\$ million)



Capital Expenditures (HK\$ million)





COMPARISON OF TEN-YEAR RESULTS

	2015	2014	2013
Highlights (Company)			
Number of Customers as at 31st December	1,839,261	1,819,935	1,798,731
Town Gas Sales, million MJ	28,404	28,835	28,556
Installed Capacity, thousand m ³ per day	12,596	12,260	12,260
Maximum Daily Demand, thousand m ³	6,172	6,571	6,283
Revenue and Profit	HK\$'M	HK\$'M	HK\$'M
Revenue	29,591.3	31,614.7	28,245.9
Profit before Taxation	9,906.0	9,874.6	9,410.8
Taxation	(1,726.7)	(1,771.4)	(1,655.2)
Profit after Taxation	8,179.3	8,103.2	7,755.6
Holders of Perpetual Capital Securities	(110.5)	(102.2)	–
Non-controlling Interests	(766.8)	(891.8)	(901.8)
Profit Attributable to Shareholders	7,302.0	7,109.2	6,853.8
Dividends	4,046.6	3,679.7	3,345.9
Assets and Liabilities			
Property, Plant, Equipment and Leasehold Land	49,417.5	51,353.6	47,002.3
Investment Property	713.0	683.0	646.0
Intangible Assets	5,819.5	5,858.5	5,253.3
Associates	19,591.9	17,572.5	17,015.1
Joint Ventures	9,288.2	9,033.8	8,939.0
Available-for-sale Financial Assets	4,567.0	2,599.7	2,937.3
Other Non-current Assets	2,533.3	2,668.3	2,913.5
Current Assets	23,632.9	24,641.5	21,688.7
Current Liabilities	(23,180.6)	(20,689.6)	(19,261.8)
Non-current Liabilities	(30,269.8)	(31,497.6)	(30,762.9)
Net Assets	62,112.9	62,223.7	56,370.5
Capital and Reserves			
Share Capital	5,474.7	5,474.7	2,389.9
Share Premium	–	–	2,861.0
Reserves	44,707.7	44,735.7	42,418.0
Proposed Dividend	2,659.0	2,417.8	2,198.7
Shareholders' Funds	52,841.4	52,628.2	49,867.6
Perpetual Capital Securities	2,353.8	2,353.8	–
Non-controlling Interests	6,917.7	7,241.7	6,502.9
Total Equity	62,112.9	62,223.7	56,370.5
Earnings per Share, HK Dollar *	0.63	0.62	0.59
Dividends per Share, HK Dollar *	0.35	0.32	0.29
Dividend Cover	1.80	1.93	2.05

* Adjusted for the bonus issue in 2015

	2012	2011	2010	2009	2008	2007	2006
	1,776,360	1,750,553	1,724,316	1,698,723	1,672,084	1,646,492	1,622,648
	28,360	28,147	27,578	27,274	27,583	27,041	27,034
	12,260	12,260	12,260	12,260	12,260	12,260	12,260
	6,403	6,742	6,191	6,621	7,158	5,806	6,279
	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M
	24,922.5	22,426.8	19,375.4	12,351.8	12,352.2	14,225.5	13,465.3
	9,885.6	8,068.7	7,086.7	6,159.9	5,189.6	10,577.3	6,986.4
	(1,484.6)	(1,344.0)	(1,038.8)	(750.6)	(546.3)	(933.8)	(914.6)
	8,401.0	6,724.7	6,047.9	5,409.3	4,643.3	9,643.5	6,071.8
	-	-	-	-	-	-	-
	(688.9)	(575.1)	(463.1)	(134.2)	(92.3)	(64.1)	(27.0)
	7,712.1	6,149.6	5,584.8	5,275.1	4,551.0	9,579.4	6,044.8
	3,041.7	4,147.8	2,513.8	2,285.3	2,333.0	2,120.9	1,928.1
	41,914.1	33,606.3	27,825.8	24,452.6	15,638.0	13,585.7	12,864.7
	540.0	518.0	501.0	501.0	523.0	410.0	-
	3,845.4	3,434.8	2,575.6	2,461.7	196.4	185.1	48.6
	16,307.1	12,706.8	10,802.2	9,304.0	11,327.7	9,016.6	3,817.8
	9,103.6	8,964.7	7,768.8	7,011.2	6,164.0	6,501.7	5,815.0
	3,078.6	3,110.6	3,441.2	2,996.0	1,105.2	1,066.9	848.5
	2,710.6	2,734.5	2,791.9	722.7	153.8	148.0	100.7
	21,437.8	19,955.1	16,957.6	19,622.3	17,708.2	12,961.2	13,028.2
	(17,252.9)	(13,403.4)	(16,523.4)	(10,628.8)	(5,407.7)	(7,188.3)	(7,141.0)
	(31,334.1)	(25,353.3)	(14,932.1)	(18,635.4)	(14,989.7)	(6,517.0)	(7,803.5)
	50,350.2	46,274.1	41,208.6	37,807.3	32,418.9	30,169.9	21,579.0
	2,172.6	1,975.1	1,795.6	1,632.3	1,666.4	1,514.9	1,377.2
	3,078.3	3,275.8	3,455.3	3,618.6	3,618.6	3,770.1	3,907.8
	37,952.1	33,075.4	30,561.3	27,112.3	24,752.6	22,769.1	14,502.5
	1,998.8	3,199.7	1,651.9	1,501.8	1,533.1	1,393.7	1,267.0
	45,201.8	41,526.0	37,464.1	33,865.0	31,570.7	29,447.8	21,054.5
	-	-	-	-	-	-	-
	5,148.4	4,748.1	3,744.5	3,942.3	848.2	722.1	524.5
	50,350.2	46,274.1	41,208.6	37,807.3	32,418.9	30,169.9	21,579.0
	0.67	0.53	0.48	0.45	0.39	0.82	0.52
	0.26	0.36	0.22	0.20	0.20	0.18	0.16
	2.54	1.48	2.22	2.31	1.95	4.52	3.14

The Directors have pleasure in submitting to shareholders their Report and the audited financial statements for the year ended 31st December 2015 which are to be presented at the Annual General Meeting to be held at Meeting Room N101 (Expo Drive Entrance), Hong Kong Convention and Exhibition Centre, Wanchai, Hong Kong on Tuesday, 7th June 2016.

Principal Activities

The principal activities of the Company and its subsidiaries (collectively, the “Group”) are the production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses in Hong Kong and mainland China. Particulars of the principal subsidiaries of the Company are shown from pages 170 to 180 of this Annual Report. Revenue and contribution to operating profit are mainly derived from activities carried out in Hong Kong and mainland China.

Results and Appropriations

The results of the Group for the year ended 31st December 2015 are set out in the consolidated income statement and the consolidated statement of comprehensive income on pages 86 and 87 of this Annual Report respectively.

An interim dividend of HK12 cents per share was paid to shareholders on 2nd October 2015 and the Directors recommend a final dividend of HK23 cents per share payable on 24th June 2016 to shareholders whose names are on the register of members of the Company on 16th June 2016.

Bonus Issue of Shares

The Directors recommend a bonus issue of shares on the basis of one bonus share for every ten existing shares held by shareholders whose names are on the register of members of the Company on 16th June 2016. The bonus issue is subject to the conditions and trading arrangements set out in the circular despatched together with this Annual Report.

Business Review

A review of the business of the Group during the year, an analysis of the Group’s performance using financial key performance indicators and a discussion on the Group’s future business development are provided from pages 6 to 63 of this Annual Report. Description of the possible risks and uncertainties facing the Group can be found on page 58. Also, the financial risk management of the Group can be found in Note 3 to the consolidated financial statements. In addition, discussions on the Group’s relationships with its key stakeholders, environmental policies and performance, and compliance with relevant laws and regulations which have a significant impact on the Group can be found from pages 22 to 57 and pages 74 to 84.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last nine financial years is set out on pages 62 and 63 of this Annual Report.

Distributable Reserves

The distributable reserves of the Company as at 31st December 2015 amounted to HK\$12,830,500,000 (2014: HK\$10,412,600,000) before the proposed final dividend for the year ended 31st December 2015.

Shares Issued

During the year, the Company issued 1,051,208,955 bonus shares without consideration on the basis of one bonus share for every ten shares held.

Details of the shares issued by the Company during the year are set out in Note 35 to the consolidated financial statements.

Charitable Donations

During the year, the Group made charitable donations amounting to approximately HK\$7,100,000 (2014: HK\$34,200,000).

Directors

The Directors of the Company during the year and up to the date of this report are:

Non-executive Directors

Dr. the Hon. LEE Shau Kee (Chairman)
 Dr. Colin LAM Ko Yin
 Dr. LEE Ka Kit
 Mr. LEE Ka Shing

Independent Non-executive Directors

Mr. LEUNG Hay Man
 Dr. the Hon. David LI Kwok Po
 Professor POON Chung Kwong

Executive Directors

Mr. Alfred CHAN Wing Kin
 Mr. Peter WONG Wai Yee

At the annual general meeting held on 1st June 2015 (the "2015 AGM"), Dr. the Hon. Lee Shau Kee, Professor Poon Chung Kwong and Mr. Alfred Chan Wing Kin were re-elected as Directors of the Company. Mr. Leung Hay Man, Dr. Colin Lam Ko Yin, Dr. the Hon. David Li Kwok Po, Dr. Lee Ka Kit, Mr. Lee Ka Shing and Mr. Peter Wong Wai Yee held office throughout the year.

According to the Articles of Association of the Company (the "Articles of Association"), one-third of all the directors are subject to retirement by rotation at every annual general meeting. Pursuant to Article 97 of the Articles of Association, Mr. Leung Hay Man, Dr. Colin Lam Ko Yin and Mr. Lee Ka Shing are due to retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment. Details of these directors proposed for re-election are set out in the circular sent together with this Annual Report.

A list of directors who have served on the boards of the subsidiaries of the Company during the year and up to the date of this report is available on the Company's website (www.towngas.com/Eng/Corp/IR/CorpGovn/DirectorsList.aspx).

Biographical Details of Directors

The biographical details of Directors and senior management who are also executive directors are set out from pages 17 to 20 of this Annual Report.

Disclosure of Interests

A. Directors

As at 31st December 2015, the interests and short positions of each Director of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Shares and Underlying Shares (Long Positions)

Name of Company	Name of Director	Interest in Shares			Aggregate Interests	%*
		Personal Interests	Corporate Interests	Other Interests		
The Hong Kong and China Gas Company Limited	Dr. the Hon. Lee Shau Kee		4,800,418,503 (Note 3)		4,800,418,503	41.52
	Dr. the Hon. David Li Kwok Po	32,242,410			32,242,410	0.28
	Dr. Lee Ka Kit			4,800,418,503 (Note 2)	4,800,418,503	41.52
	Mr. Alfred Chan Wing Kin	220,408 (Note 5)			220,408	0.00
	Mr. Lee Ka Shing			4,800,418,503 (Note 2)	4,800,418,503	41.52
	Professor Poon Chung Kwong	150,596 (Note 4)			150,596	0.00
Lane Success Development Limited	Dr. the Hon. Lee Shau Kee		9,500 (Note 6)		9,500	95
	Dr. Lee Ka Kit			9,500 (Note 6)	9,500	95
	Mr. Lee Ka Shing			9,500 (Note 6)	9,500	95
Yieldway International Limited	Dr. the Hon. Lee Shau Kee		2 (Note 7)		2	100
	Dr. Lee Ka Kit			2 (Note 7)	2	100
	Mr. Lee Ka Shing			2 (Note 7)	2	100
Towngas China Company Limited ("Towngas China")	Dr. the Hon. Lee Shau Kee		1,666,590,813 (Note 8)		1,666,590,813	62.53
	Dr. Lee Ka Kit			1,666,590,813 (Note 8)	1,666,590,813	62.53
	Mr. Lee Ka Shing			1,666,590,813 (Note 8)	1,666,590,813	62.53
	Mr. Alfred Chan Wing Kin	3,618,000			3,618,000	0.14
	Mr. Peter Wong Wai Yee	3,015,000			3,015,000	0.11

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

Disclosure of Interests (Continued)

A. Directors (Continued)

Options to Subscribe for Shares of Towngas China (Long Positions)

Pursuant to the share option scheme of Towngas China, a subsidiary of the Company, certain Directors of the Company have been granted options to subscribe for the shares of Towngas China, details of which as at 31st December 2015 were as follows:

Name of Company	Name of Director	Date of Grant	Exercise Period	Exercise Price (HK\$)	Number of Shares of Towngas China Subject to Outstanding Options as at 01.01.2015*	Number of Shares of Towngas China Subject to Outstanding Options as at 31.12.2015*
Towngas China	Mr. Alfred Chan Wing Kin	16.03.2007	16.03.2008 – 27.11.2015	3.811	1,085,400	–
		16.03.2007	16.03.2009 – 27.11.2015	3.811	1,085,400	–
		16.03.2007	16.03.2010 – 27.11.2015	3.811	1,447,200	–
	Total				3,618,000	–
	Mr. Peter Wong Wai Yee	16.03.2007	16.03.2008 – 27.11.2015	3.811	904,500	–
		16.03.2007	16.03.2009 – 27.11.2015	3.811	904,500	–
16.03.2007		16.03.2010 – 27.11.2015	3.811	1,206,000	–	
Total				3,015,000	–	

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

Save as mentioned above, as at 31st December 2015, there were no other interests or short positions of the Directors of the Company in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Disclosure of Interests (Continued)

B. Substantial Shareholders and Others (Long Positions)

As at 31st December 2015, the interests and short positions of every person, other than the Directors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

	Name of Company	No. of Shares in which Interested	%*
Substantial Shareholders (a person who is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting)	Disralei Investment Limited (Note 1)	2,672,405,723	23.12
	Timpani Investments Limited (Note 1)	3,710,385,009	32.09
	Faxson Investment Limited (Note 1)	4,800,418,503	41.52
	Henderson Land Development Company Limited (Note 1)	4,800,418,503	41.52
	Henderson Development Limited (Note 1)	4,800,418,503	41.52
	Hopkins (Cayman) Limited (Note 2)	4,800,418,503	41.52
	Riddick (Cayman) Limited (Note 2)	4,800,418,503	41.52
	Rimmer (Cayman) Limited (Note 2)	4,800,418,503	41.52
Persons other than Substantial Shareholders	Macrostar Investment Limited (Note 1)	1,090,033,494	9.43
	Chelco Investment Limited (Note 1)	1,090,033,494	9.43
	Medley Investment Limited (Note 1)	1,037,979,286	8.98

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

Save as mentioned above, as at 31st December 2015, the register maintained by the Company pursuant to section 336 of the SFO recorded no other interests or short positions in shares and underlying shares of the Company.

Notes:

- These 4,800,418,503 shares were beneficially owned by Macrostar Investment Limited ("Macrostar"), Medley Investment Limited ("Medley") and Disralei Investment Limited ("Disralei"). Macrostar was a wholly-owned subsidiary of Chelco Investment Limited, which was in turn, a wholly-owned subsidiary of Faxson Investment Limited ("FIL"). Medley and Disralei were wholly-owned subsidiaries of Timpani Investments Limited, which was in turn, a wholly-owned subsidiary of FIL. FIL was a wholly-owned subsidiary of Henderson Land Development Company Limited ("HLD"). Henderson Development Limited ("HD") was entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of HLD.
- These 4,800,418,503 shares are duplicated in the interests described in Note 1. Hopkins (Cayman) Limited ("Hopkins") owned all the issued ordinary shares which carry the voting rights in the share capital of HD as trustee of a unit trust ("Unit Trust"). Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"), as trustees of the respective discretionary trusts, held units in the Unit Trust. Dr. Lee Ka Kit and Mr. Lee Ka Shing, as discretionary beneficiaries of the discretionary trusts, were taken to have duties of disclosure in relation to these shares by virtue of Part XV of the SFO.
- These 4,800,418,503 shares are duplicated in the interests described in Notes 1 and 2. Dr. the Hon. Lee Chau Kee beneficially owned all the issued shares in Rimmer, Riddick and Hopkins and was taken to be interested in these shares by virtue of Part XV of the SFO.
- These 150,596 shares were jointly held by Professor Poon Chung Kwong and his spouse.
- These 220,408 shares were jointly held by Mr. Alfred Chan Wing Kin and his spouse.
- These 9,500 shares in Lane Success Development Limited were beneficially owned by a wholly-owned subsidiary of the Company (as to 4,500 shares) and a wholly-owned subsidiary of HLD (as to 5,000 shares). Dr. the Hon. Lee Chau Kee, Dr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in HLD and the Company as set out in Notes 1 to 3 by virtue of Part XV of the SFO.
- These 2 shares in Yieldway International Limited were beneficially owned by a wholly-owned subsidiary of the Company (as to 1 share) and a wholly-owned subsidiary of HLD (as to 1 share). Dr. the Hon. Lee Chau Kee, Dr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in HLD and the Company as set out in Notes 1 to 3 by virtue of Part XV of the SFO.
- These 1,666,590,813 shares in Towngas China representing 62.53% of the total issued shares in Towngas China were beneficially owned by Hong Kong & China Gas (China) Limited (as to 1,619,638,376 shares), Planwise Properties Limited (as to 44,398,131 shares) and Superfun Enterprises Limited (as to 2,554,306 shares), wholly-owned subsidiaries of the Company. Dr. the Hon. Lee Chau Kee, Dr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in the Company as set out in Notes 1 to 3 by virtue of Part XV of the SFO.

Share Option Scheme of Towngas China

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

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

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

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

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

The 2005 Main Board Scheme ended on 27th November 2015, and no further options would be offered or granted after that date. As at the date of this report, no share of Towngas China in respect of which options had been granted under the 2005 Main Board Scheme was outstanding (2014: 11,015,800), representing 0% (2014: approximately 0.42%) of the total number of issued shares of Towngas China as at the date of this report.

Details of specific categories of options of Towngas China are as follows:

Option Types	Date of Grant	Exercise Period	Exercise Price (HK\$)
2005 Main Board Scheme:			
2006 Options	03.10.2006	04.10.2007 – 27.11.2015	2.796
	03.10.2006	04.04.2008 – 27.11.2015	2.796
	03.10.2006	04.10.2008 – 27.11.2015	2.796
2007 Options	16.03.2007	16.03.2008 – 27.11.2015	3.811
	16.03.2007	16.03.2009 – 27.11.2015	3.811
	16.03.2007	16.03.2010 – 27.11.2015	3.811

Share Option Scheme of Towngas China (Continued)

The details of movements in the share options of Towngas China during the year are as follows:

	Option Types	Date of Grant	Exercise Period	Exercise Price (HK\$)	Number of Shares of Towngas China Subject to Outstanding Options as at 01.01.2015	Exercised during the Year	Number of Shares of Towngas China Subject to Outstanding Options as at 31.12.2015	Weighted Average Closing Price of Shares of Towngas China Immediately before the Date(s) on which Options were Exercised (HK\$)
Category 1:								
Directors of Towngas China								
Mr. Alfred Chan Wing Kin	Options	2007 16.03.2007	16.03.2008 – 27.11.2015	3.811	1,085,400	1,085,400	–	8.73
		16.03.2007	16.03.2009 – 27.11.2015	3.811	1,085,400	1,085,400	–	8.73
		16.03.2007	16.03.2010 – 27.11.2015	3.811	1,447,200	1,447,200	–	8.73
Mr. Peter Wong Wai Yee	Options	2007 16.03.2007	16.03.2008 – 27.11.2015	3.811	904,500	904,500	–	8.54
		16.03.2007	16.03.2009 – 27.11.2015	3.811	904,500	904,500	–	8.54
		16.03.2007	16.03.2010 – 27.11.2015	3.811	1,206,000	1,206,000	–	8.54
A director of Towngas China	Options	2007 16.03.2007	16.03.2008 – 27.11.2015	3.811	904,500	904,500	–	8.54
		16.03.2007	16.03.2009 – 27.11.2015	3.811	904,500	904,500	–	8.54
		16.03.2007	16.03.2010 – 27.11.2015	3.811	1,206,000	1,206,000	–	8.54
Total for Category 1					9,648,000	9,648,000	–	
Category 2:								
Employees of Towngas China								
Options	2006 03.10.2006	04.10.2007 – 27.11.2015	2.796	120,600	120,600	–	6.92	
	03.10.2006	04.04.2008 – 27.11.2015	2.796	523,600	523,600	–	6.48	
	03.10.2006	04.10.2008 – 27.11.2015	2.796	723,600	723,600	–	6.49	
Total for Category 2					1,367,800	1,367,800	–	
All categories					11,015,800	11,015,800	–	

Notes:

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

Equity-linked Agreements

Other than the share option scheme of Towngas China as disclosed above, no equity-linked agreements were entered into by the Group during the year or subsisted at the end of the year.

Arrangements to Purchase Shares or Debentures

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

Directors' Interests in Competing Businesses

Pursuant to Rule 8.10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the interests of Directors of the Company in businesses which might compete with the Group during the year ended 31st December 2015 and as at 31st December 2015 were as follows:

Mr. Alfred Chan Wing Kin and Mr. Peter Wong Wai Yee, Directors of the Company, have held directorships in companies engaged in the same businesses of production, distribution and marketing of gas in mainland China as the Group. Although some of the businesses carried out by these companies are similar to the businesses carried out by the Group, they are of different scale and/or at different locations, and the Group, has been operating independently of, and at arm's length from, the businesses of those companies. Therefore, the Board is of the view that the businesses of those companies did not compete with the businesses of the Group.

Service Contracts

None of the Directors who are proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

Connected Transactions

During the year, there were no connected transactions and continuing connected transactions which were required to be disclosed in accordance with the requirements of the Listing Rules.

None of the related party transactions as set out in Note 41 to the consolidated financial statements constituted a discloseable connected transaction under Chapter 14A of the Listing Rules.

Directors' Material Interests in Transactions, Arrangements or Contracts

Other than the transactions disclosed under the heading "Connected Transactions" above, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which a Director of the Company and the Director's connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Management Contracts

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

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

During the year, the Company bought back 2,351,000 shares on the Exchange at an aggregate consideration of HK\$35,872,760 before expenses. The shares bought back were subsequently cancelled. The buy-backs were effected by the Directors for the enhancement of shareholders' value in the long term. Details of the shares bought back are as follows:

Month of Buy-backs	Number of Shares Bought Back	Price per Share		Aggregate Consideration Paid (HK\$)
		Highest (HK\$)	Lowest (HK\$)	
July 2015	1,361,000	15.60	15.56	21,213,160
October 2015	990,000	14.86	14.76	14,659,600
Total	2,351,000			35,872,760

Save as mentioned above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

Permitted Indemnity

Pursuant to the Articles of Association, subject to the provisions of the Companies Ordinance, every Director or other officer of the Company shall be indemnified out of the assets of the Company against any liability incurred by him as a director or other officer of the Company in defending any proceedings (whether civil or criminal) in which judgment is given in his favour or he is acquitted or in connection with any application under the Companies Ordinance in which relief is granted to him by the court.

The Company has maintained appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

Major Customers and Suppliers

The percentages of the purchases attributable to the Group's largest supplier and the five largest suppliers were 22 per cent and 36 per cent respectively during the year. None of the Directors, their close associates, or any shareholder (who to the knowledge of the Directors owned more than 5 per cent of the Company's issued shares) had any interest in the Group's five largest suppliers. The percentage of the turnover attributable to the Group's five largest customers was less than 30 per cent during the year.

Corporate Governance

The Company's corporate governance principles and practices are set out in the Corporate Governance Report from pages 74 to 84 of this Annual Report.

Public Float

As at the date of this report, being also the latest practicable date prior to the issue of this Annual Report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

Auditor

The financial statements have been audited by PricewaterhouseCoopers who will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for reappointment at a fee to be agreed by the Board.

On behalf of the Board

LEE Shau Kee

Chairman

Hong Kong, 18th March 2016

CORPORATE GOVERNANCE REPORT

The Board of Directors of the Company (the “Board”) is committed to maintaining good corporate governance. The Board believes that good corporate governance principles and practices should emphasise accountability and an increase in transparency which will enable the Group’s stakeholders, including shareholders, investors, customers, suppliers, employees and the community to have trust and faith in the Group to take care of their needs and to fulfill its social responsibility.

Corporate Governance Practices

During the year ended 31st December 2015, the Company complied with all the code provisions as set out in the Corporate Governance Code (the “Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The below sets out the corporate governance principles and practices adopted by the Group which indicate how the Group has applied relevant principles in the Code.

Board of Directors

Responsibilities of Directors

The Board is ultimately accountable for the Group’s activities, strategies and financial performance, which includes formulating business development strategies, directing and supervising the Group’s affairs, reviewing the financial statements and budget proposal of the Group, approving interim reports, annual reports and announcements of interim results and annual results, considering dividend policy, reviewing the effectiveness of the internal control systems and so on.

The management team is responsible for the day-to-day management, administration and operation of the Group. The Board gives clear directions to the management team as to their powers of management, and circumstances in which the management team should report back.

Newly appointed Directors will be arranged a comprehensive, formal and tailored induction which includes provision of key guidelines, documents and publications relevant to their roles, responsibilities and ongoing obligations; a briefing on the Group’s structure, businesses, risk management and other governance practices and meeting with other fellow Directors so as to help the newly appointed Directors familiarise with the management, business and governance policies and practices of the Company, and ensure that they have a proper understanding of the operations and businesses of the Group.

To ensure that Directors’ contribution to the Board/committees remains informed, continuous professional development are provided for Directors to develop and refresh their knowledge, skills and understanding of the business and markets in which the Group operates. Directors are also provided with monthly updates of the Group’s development, and information such as performance and key operational highlights to enable the Board as a whole and each Director to discharge their duties.

Board of Directors (Continued)

Responsibilities of Directors (Continued)

All Directors have participated in appropriate continuous professional development and provided the Company with their records of training they received for the year ended 31st December 2015.

During the year ended 31st December 2015, all Directors participated in the training which included reading regulatory updates or information relevant to the Group or its business and attending or giving talks at seminars and/or conferences.

Directors	Training
Non-executive Directors	
Dr. the Hon. LEE Shau Kee (Chairman)	✓
Dr. Colin LAM Ko Yin	✓
Dr. LEE Ka Kit	✓
Mr. LEE Ka Shing	✓
Independent Non-executive Directors	
Mr. LEUNG Hay Man	✓
Dr. the Hon. David LI Kwok Po	✓
Professor POON Chung Kwong	✓
Executive Directors	
Mr. Alfred CHAN Wing Kin	✓
Mr. Peter WONG Wai Yee	✓

Every Director ensures that he gives sufficient time and attention to the affairs of the Company. Each Director shall disclose to the Company at the time of his appointment the directorships held in other listed companies or nature of offices held in public organisations and other significant commitment. The Company has also requested the Directors to provide in a timely manner any change on such information. Each Director is also required to disclose to the Company their time commitment.

Appropriate insurance cover on Directors' liabilities has been in force to protect the Directors of the Group from their risks arising from the businesses of the Group.

Corporate Governance Functions

The Board is responsible for the Group's system of corporate governance and has performed and reviewed in a timely manner the corporate governance functions as required under the Code. During the year ended 31st December 2015, the Board reviewed the Company's policies and practices on corporate governance and the disclosure in the Corporate Governance Report. The terms of reference for performing the corporate governance functions as set out in the Code were approved by the Board for adoption.

Board of Directors (Continued)

Board Diversity Policy

The Board adopted the Board Diversity Policy setting out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to professional experience, skills, knowledge, cultural and educational background, ethnicity, age and gender. All Board appointments will be based on meritocracy, and candidates will be considered against selection criteria, having regard for the benefits of diversity on the Board.

Board Composition

The Board currently has two Executive Directors and seven Non-executive Directors. Three of the seven Non-executive Directors are independent to ensure that proposed strategies protect all shareholders' interests.

As at the date of publication of this Annual Report, the Directors of the Company are set out below:

Non-executive Directors

Dr. the Hon. LEE Shau Kee (Chairman)

Dr. Colin LAM Ko Yin

Dr. LEE Ka Kit

Mr. LEE Ka Shing

Independent Non-executive Directors

Mr. LEUNG Hay Man

Dr. the Hon. David LI Kwok Po

Professor POON Chung Kwong

Executive Directors

Mr. Alfred CHAN Wing Kin

Mr. Peter WONG Wai Yee

The Company received from each of the Independent Non-executive Directors confirmation in writing of their independence pursuant to Rule 3.13 of the Listing Rules and considered them as independent.

Biographical details of the Directors and relevant relationships among them are set out from pages 17 to 20 of this Annual Report. Save as disclosed therein, there is no financial, business, family or other material/relevant relationship among the Directors.

According to the Articles of Association of the Company (the "Articles of Association"), one-third of all the directors are subject to retirement by rotation at every annual general meeting. Subject to the provisions contained in the Articles of Association, the term of office of all Non-executive Directors (including Independent Non-executive Directors) shall expire on 31st December 2017.

Board of Directors (Continued)

Chairman of the Board and Managing Director

The Chairman of the Board is Dr. the Hon. Lee Shau Kee and the Managing Director is Mr. Alfred Chan Wing Kin. The roles of the Chairman of the Board and the Managing Director are separate and are not performed by the same individual. The Chairman is responsible for providing leadership to, and overseeing, the functioning of the Board and, with the support of Executive Directors and the Company Secretary, seeking to ensure that all Directors are properly briefed on issues arising at Board meetings and that they receive, in a timely manner, adequate and reliable information. The Managing Director is responsible for managing the business of the Group and leading the management team to implement strategies and objectives adopted by the Board. Their respective responsibilities are clearly established and set out in writing.

Board Meetings

The Board meets regularly at least four times a year at approximately quarterly intervals. The Directors can attend meetings in person or through electronic means of communication in accordance with the Articles of Association.

During the year ended 31st December 2015, the Board met four times. The attendance of each Director at the Board meetings during the year ended 31st December 2015 is set out below:

Directors	No. of Meetings Attended / Held
Non-executive Directors	
Dr. the Hon. LEE Shau Kee (Chairman)	4/4
Dr. Colin LAM Ko Yin	4/4
Dr. LEE Ka Kit	4/4
Mr. LEE Ka Shing	4/4
Independent Non-executive Directors	
Mr. LEUNG Hay Man	4/4
Dr. the Hon. David LI Kwok Po	4/4
Professor POON Chung Kwong	4/4
Executive Directors	
Mr. Alfred CHAN Wing Kin	4/4
Mr. Peter WONG Wai Yee	4/4

Regular Board meetings of the year are scheduled in advance and at least 14 days' notice is given to all Directors so as to give them an opportunity to attend. Meeting agenda and accompanying meeting papers are sent to all relevant Directors at least 3 days before the date of a Board or committee meeting to enable the Directors to make informed decisions on matters to be raised at the meetings. All Directors are given an opportunity to include matters in the agenda for Board meetings.

In addition, Directors at all times have full and timely access to all information on the Group and may seek independent professional advice at the Company's expense in carrying out their functions, after making a request to the Board.

Board of Directors (Continued)

Directors' Securities Transactions

The Company has adopted the model code as set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the Directors (the "Model Code"). Following specific enquiry by the Company, all Directors have confirmed that they fully complied with the required standard set out in the Model Code throughout the year ended 31st December 2015.

The Board has also established written guidelines for relevant employees, including certain employees of the Company, certain directors or employees of its subsidiaries who are considered to be likely to possess inside information in relation to the Company or its securities (the "Relevant Employees"), in respect of their dealings in the Company's securities.

Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements for the year ended 31st December 2015, which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended and are properly prepared on the going concern basis in accordance with statutory requirements and applicable accounting standards. The Directors shall ensure the publication of the Group's financial statements in a timely manner.

The statement of the Auditor of the Company about their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on page 85 of this Annual Report.

Board Committees

The Board has established the following Board committees to oversee particular aspects of the Company's affairs:

Audit Committee

The Audit Committee was formed in May 1996. The members of the Audit Committee are Dr. the Hon. David Li Kwok Po (Chairman of the Audit Committee), Mr. Leung Hay Man and Professor Poon Chung Kwong. All members are Independent Non-executive Directors. The Chairman of the Audit Committee has the appropriate professional qualification as required by the Listing Rules.

The principal duties of the Audit Committee include, but are not limited to, reviewing the Company's current financial standing, considering the nature and scope of audit reports, and ensuring internal control systems operate in accordance with applicable standards and conventions. The Company has adopted written terms of reference for the Audit Committee that clearly define the role, authority and function of the Audit Committee. The terms of reference of the Audit Committee are available on both the websites of The Stock Exchange of Hong Kong Limited (the "Exchange") and the Company.

Board Committees (Continued)

Audit Committee (Continued)

The Audit Committee held two meetings during the year ended 31st December 2015 and the following sets out a summary of the work of the Audit Committee during such period:

- review of the financial reports for 2014 annual results and 2015 interim results;
- recommendation to the Board, for the approval by shareholders, of the re-appointment of PricewaterhouseCoopers as the external Auditor and approval of their remuneration;
- determination of the nature and scope of the audit;
- review of the financial and accounting policies and practices of the Company;
- review of the effectiveness of the Company's financial control, internal control, and risk management system, including the review of the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function; and
- review of the terms of reference of the Audit Committee with recommendation to the Board.

The attendance record of each member at the Audit Committee meetings during the year ended 31st December 2015 is set out below:

Audit Committee Members	No. of Meetings Attended / Held
Dr. the Hon. David Li Kwok Po (Chairman)	2/2
Mr. LEUNG Hay Man	2/2
Professor POON Chung Kwong	2/2

The Audit Committee has been renamed as the Board Audit and Risk Committee with effect from 1st January 2016, to better reflect its functions and responsibilities, and continue to oversee the risk management functions at the Company.

Remuneration Committee

The Company established a Remuneration Committee on 7th September 2005. The Remuneration Committee is chaired by Dr. the Hon. David Li Kwok Po (Independent Non-executive Director) with Dr. the Hon. Lee Shau Kee (Non-executive Director) and Professor Poon Chung Kwong (Independent Non-executive Director) as members.

The principal duties of the Remuneration Committee include, but are not limited to, making recommendations to the Board on the Company's policy and structure for all Directors' and senior management (who are also executive directors of the Company) remuneration, reviewing and approving the special remuneration packages of all executive directors with reference to corporate goals and objectives resolved by the Board from time to time and determining, with delegated responsibility, the remuneration packages of individual executive directors. The Company has adopted written terms of reference for the Remuneration Committee that clearly define the role, authority and function of the Remuneration Committee. The terms of reference of the Remuneration Committee are available on both the Exchange's and the Company's websites.

Board Committees (Continued)

Remuneration Committee (Continued)

The Company has not adopted any share option scheme. The emoluments of Directors are determined based on the duties and responsibilities of each Director. The Directors' fees were reviewed by the Remuneration Committee. During the year ended 31st December 2015, every Director received a Director's fee at the rate of HK\$200,000 per annum while the Chairman of the Board received an additional fee at the rate of HK\$200,000 per annum and each member of the Audit Committee, Remuneration Committee and Nomination Committee received additional fees at the rate of HK\$250,000, HK\$100,000 and HK\$100,000 per annum respectively. The Remuneration Committee considered the fees reasonable in view of the Directors' responsibilities.

During the year ended 31st December 2015, the Remuneration Committee held its meeting once to review the Directors' fees and the remuneration of the Executive Directors. The attendance record of each member at the Remuneration Committee meeting during the year ended 31st December 2015 is set out below:

Remuneration Committee Members	No. of Meeting Attended / Held
Dr. the Hon. David LI Kwok Po (Chairman)	1/1
Dr. the Hon. LEE Shau Kee	1/1
Professor POON Chung Kwong	1/1

Nomination Committee

The Company established a Nomination Committee on 19th March 2012. The Nomination Committee is chaired by Dr. the Hon. Lee Shau Kee (Non-executive Director) with Dr. the Hon. David Li Kwok Po and Professor Poon Chung Kwong (both are Independent Non-executive Directors) as members.

The principal duties of the Nomination Committee include, but are not limited to, reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and making recommendations on any proposed changes to the Board to complement the Group's corporate strategy. It is also responsible for making recommendations to the Board on nominations and appointment of directors as well as assessing the independence of independent non-executive directors. The Committee shall consider the candidate from a range of backgrounds on his/her merits and against objective criteria set out by the Board. The Company has adopted written terms of reference for the Nomination Committee that clearly define the role, authority and function of the Nomination Committee. The terms of reference of the Nomination Committee are available on both the Exchange's and the Company's websites.

The Nomination Committee held one meeting during the year ended 31st December 2015. During the year under review, the Nomination Committee reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board and assessed the independence of all independent non-executive directors of the Company. It also recommended to the Board for approval of the re-election of the retiring Directors at the 2015 Annual General Meeting.

Board Committees (Continued)

Nomination Committee (Continued)

The attendance record of each member at the Nomination Committee meeting during the year ended 31st December 2015 is set out below:

Nomination Committee Members	No. of Meeting Attended / Held
Dr. the Hon. LEE Shau Kee (Chairman)	1/1
Dr. the Hon. David LI Kwok Po	1/1
Professor POON Chung Kwong	1/1

Auditor's Remuneration

For the year ended 31st December 2015, the total remuneration in respect of statutory audit services provided by the Company's external auditor, PricewaterhouseCoopers, amounted to approximately HK\$10.0 million. During the year, payment to PricewaterhouseCoopers in respect of non-audit services, mainly including taxation services and interim results review services provided to the Group amounted to approximately HK\$4.3 million.

Internal Control

The Board is responsible for maintaining sound and effective internal control systems for the Group in order to safeguard the Group's assets and shareholders' interests, as well as for reviewing the effectiveness of such systems. The Board will from time to time conduct a review of the Group's internal control system. During the year ended 31st December 2015, the Board, through the Audit Committee, reviewed the overall effectiveness of the Group's internal control systems over financial, operational and compliance issues, risk management process, information systems security, scope and quality of the management's monitoring of risks and the effectiveness of financial reporting and compliance with the Listing Rules. In addition, the Board adopted a Whistleblowing Policy which provides reporting channels and guidance for employees and other parties who deal with the Group (e.g. contractors and suppliers, etc.) to report possible improprieties in matters of financial reporting or other matters. The Whistleblowing Policy is available on the Company's website. The Board considered that the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function were adequate. The Board concluded that in general, the Group had set up a sound control environment and installed necessary control mechanisms to monitor and correct non-compliance.

Policy and Procedures on Disclosure of Inside Information

The Board has adopted the Policy and Procedures on Disclosure of Inside Information which contains the guidelines to the officers (referring to directors, managers or Company Secretary of the Company) and all the Relevant Employees of the Company to ensure that the inside information of the Company is to be disseminated to the public in an equal and timely manner in accordance with the applicable laws and regulations. The Policy and Procedures on Disclosure of Inside Information is available on the Company's website.

Company Secretary

The Company Secretary is responsible for assisting the Board by ensuring good information flow within the Board as well as the Board policy and procedures being followed properly. The Company Secretary also provides professional advice to the Board on corporate governance and other matters. He is also responsible for organising general meetings of the Company and facilitating the induction and professional development of Directors.

During the year ended 31st December 2015, the Company Secretary undertook no less than 15 hours of relevant professional training.

Communication with Shareholders

The Board is committed to maintaining an ongoing communication with shareholders and providing timely disclosure of information concerning the Group's material developments to shareholders and investors.

The annual general meetings ("AGMs") of the Company provide a good forum for communication between the Board and shareholders. Notices of the AGMs are despatched to all shareholders at least 20 clear business days prior to such AGMs. The chairmen of all Board Committees are invited to attend the AGMs. The Chairman of the Board and the chairmen of all the Board Committees are available to answer questions at the AGMs. Auditor is also invited to attend the AGMs to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

Pursuant to the Listing Rules, any vote of shareholders at a general meeting will be taken by poll. Detailed procedures for conducting a poll will be explained to the shareholders in the general meeting so that shareholders are familiar with such voting procedures. The poll results will be posted on the websites of the Exchange and the Company on the business day following the shareholders' meeting. Moreover, a separate resolution will be proposed by the chairman of a general meeting in respect of each substantially separate issue.

Communication with Shareholders (Continued)

The 2015 AGM was held on 1st June 2015. The attendance record of each Director at the 2015 AGM is set out below:

Directors	No. of Meeting Attended / Held
Non-executive Directors	
Dr. the Hon. LEE Shau Kee (Chairman)	1/1
Dr. Colin LAM Ko Yin	1/1
Dr. LEE Ka Kit	1/1
Mr. LEE Ka Shing	1/1
Independent Non-executive Directors	
Mr. LEUNG Hay Man	1/1
Dr. the Hon. David LI Kwok Po	1/1
Professor POON Chung Kwong	1/1
Executive Directors	
Mr. Alfred CHAN Wing Kin	1/1
Mr. Peter WONG Wai Yee	1/1

Shareholders' Rights

Set out below is a summary of certain rights of the shareholders of the Company which are governed by the provisions of the Articles of Association and applicable laws, rules and regulations.

Convening a General Meeting

Pursuant to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance"), shareholders representing at least 5% of the total voting rights of all the shareholders are entitled to send a request to the Company to convene a general meeting. Such request must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. A request may be sent to the Company in hard copy form or in electronic form and must also be authenticated by the person or persons making it.

Putting Forward Proposals at a Shareholders' Meeting

Pursuant to the Companies Ordinance, shareholders representing at least 2.5% of the total voting rights of all the shareholders or at least 50 shareholders can request the Company in writing to circulate to the shareholders a statement of not more than 1,000 words with respect to a matter mentioned in a proposed resolution to be dealt with at that meeting or other business to be dealt with at that meeting. A request may be sent to the Company in hard copy form or in electronic form and must identify the statement to be circulated. It must be authenticated by the person or persons making it and be received by the Company at least 7 days before such meeting.

Shareholders' Rights (Continued)

Putting Forward Enquiries to the Board

The Company has maintained a policy on shareholders' communication to handle enquiries put to the Board. In order to enable such enquiries be properly directed, designated contacts, email addresses and enquiry lines of the Company were provided on page 181 of this Annual Report and the Company's website.

Proposing a Person for Election as a Director

If a shareholder wishes to propose a person other than a retiring director of the Company for election as a director of the Company at a general meeting, that shareholder should deposit a written notice stating the full name of the person proposed for election as a director of the Company, together with (a) the proposed person's biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the shareholder concerned and that proposed person indicating his/her willingness to be elected; and (b) the proposed person's written consent to the publication of his/her personal data not earlier than the day after the despatch of the notice of the meeting and not later than 7 days prior to the day appointed for the meeting. Detailed procedures can be found in the "Procedures for shareholders to propose a person for election as a director of the Company at a general meeting" which is available on the Company's website.

Investor Relations

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular communication and dialogue with shareholders, investors and analysts. A meeting with analysts will be held after the announcement of interim or annual results which strengthens the communication with investors. Questions from investors are dealt with in an informative and timely manner.

As a channel to further promote effective communication, the Group maintains a website at www.towngas.com where the Company's announcements and press releases, business developments and operations, financial information, corporate governance practices and other information are posted.

Constitutional Documents

The latest version of the Articles of Association is available on both the Company's and the Exchange's websites. During the year ended 31st December 2015, there is no change in the Articles of Association.

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

TO THE MEMBERS OF THE HONG KONG AND CHINA GAS COMPANY LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of The Hong Kong and China Gas Company Limited (the "Company") and its subsidiaries set out on pages 86 to 180, which comprise the consolidated statement of financial position as at 31st December 2015, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31st December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants
Hong Kong, 18th March 2016

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

CONSOLIDATED INCOME STATEMENT

for the year ended 31st December 2015

	Note	2015 HK\$'M	2014 HK\$'M
Revenue	5	29,591.3	31,614.7
Total operating expenses	6	(22,601.9)	(24,353.7)
		6,989.4	7,261.0
Other gains, net	7	101.4	411.9
Interest expense	9	(1,128.6)	(1,012.9)
Share of results of associates	21	2,228.2	1,725.1
Share of results of joint ventures	22	1,715.6	1,489.5
Profit before taxation	10	9,906.0	9,874.6
Taxation	13	(1,726.7)	(1,771.4)
Profit for the year		8,179.3	8,103.2
Attributable to:			
Shareholders of the Company		7,302.0	7,109.2
Holders of perpetual capital securities		110.5	102.2
Non-controlling interests		766.8	891.8
		8,179.3	8,103.2
Earnings per share – basic and diluted, HK cents	15	63.2	61.5*

* Adjusted for the bonus issue in 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31st December 2015

	2015 HK\$'M	2014 HK\$'M
Profit for the year	8,179.3	8,103.2
Other comprehensive income:		
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Remeasurements of retirement benefit	(23.1)	(63.0)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Change in value of available-for-sale financial assets	(929.8)	59.1
Impairment loss on available-for-sale financial assets transferred to income statement	38.6	5.8
Change in fair value of cash flow hedges	(117.2)	(87.2)
Share of other comprehensive (loss)/income of an associate	(5.4)	2.6
Recognition of exchange reserve upon disposal of subsidiaries	(83.0)	–
Exchange differences	(2,060.8)	(890.0)
Other comprehensive loss for the year, net of tax	(3,180.7)	(972.7)
Total comprehensive income for the year	4,998.6	7,130.5
Total comprehensive income attributable to:		
Shareholders of the Company	4,445.6	6,283.1
Holders of perpetual capital securities	110.5	102.2
Non-controlling interests	442.5	745.2
	4,998.6	7,130.5

The notes on pages 94 to 180 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31st December 2015

	Note	2015 HK\$'M	2014 HK\$'M
Assets			
Non-current assets			
Property, plant and equipment	16	47,455.6	49,695.0
Investment property	17	713.0	683.0
Leasehold land	18	1,961.9	1,658.6
Intangible assets	19	5,819.5	5,858.5
Associates	21	19,591.9	17,572.5
Joint ventures	22	9,288.2	9,033.8
Available-for-sale financial assets	23	4,567.0	2,599.7
Derivative financial instruments	34	161.5	266.6
Other non-current assets	25	2,371.8	2,401.7
		91,930.4	89,769.4
Current assets			
Inventories	26	2,291.3	2,283.2
Trade and other receivables	27	6,896.8	6,975.7
Loan and other receivables from associates	21	90.9	115.1
Loan and other receivables from joint ventures	22	966.4	1,239.2
Loan and other receivables from non-controlling shareholders		122.6	153.9
Financial assets at fair value through profit or loss	28	12.1	718.8
Time deposits over three months	29	1,326.9	550.1
Time deposits up to three months, cash and bank balances	29	11,925.9	12,605.5
		23,632.9	24,641.5
Current liabilities			
Trade and other payables	30	(11,936.7)	(11,942.6)
Amounts due to joint ventures	22	(572.3)	(677.7)
Loan and other payables to non-controlling shareholders		(181.4)	(213.9)
Provision for taxation		(736.2)	(805.7)
Borrowings	31	(9,712.3)	(7,049.7)
Derivative financial instruments	34	(41.7)	–
		(23,180.6)	(20,689.6)
Total assets less current liabilities		92,382.7	93,721.3

The notes on pages 94 to 180 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

as at 31st December 2015

	Note	2015 HK\$'M	2014 HK\$'M
Non-current liabilities			
Customers' deposits	32	(1,282.9)	(1,256.4)
Deferred taxation	33	(4,874.7)	(5,169.2)
Borrowings	31	(23,363.4)	(24,484.3)
Loan payables to non-controlling shareholders		(21.9)	(22.3)
Asset retirement obligations		(30.2)	(31.9)
Derivative financial instruments	34	(654.4)	(527.6)
Retirement benefit liabilities	24	(42.3)	(5.9)
		(30,269.8)	(31,497.6)
Net assets			
		62,112.9	62,223.7
Capital and reserves			
Share capital	35	5,474.7	5,474.7
Reserves	38	47,366.7	47,153.5
Shareholders' funds			
		52,841.4	52,628.2
Perpetual capital securities	37	2,353.8	2,353.8
Non-controlling interests		6,917.7	7,241.7
Total equity			
		62,112.9	62,223.7

Approved by the Board of Directors on 18th March 2016

Lee Shau Kee
Director

David Li Kwok Po
Director

The notes on pages 94 to 180 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31st December 2015

	Note	2015 HK\$'M	2014 HK\$'M
Net cash from operating activities	42	8,276.5	8,179.8
Investing activities			
Receipt from sale of property, plant and equipment		18.6	45.0
Receipt from sale of leasehold land		10.3	2.9
Purchase of property, plant and equipment		(6,029.3)	(6,250.3)
Payment for leasehold land		(326.6)	(114.7)
Increase in other receivables		(353.6)	–
Decrease/(increase) in investments in associates		37.4	(376.7)
Increase in loans to associates		(37.4)	(341.7)
Repayment of loans by associates		61.8	605.3
(Increase)/decrease in investments in joint ventures		(92.1)	374.4
Increase in loans to joint ventures		(110.0)	(33.6)
Decrease in loans from joint ventures		(108.5)	(116.4)
Repayment of loans by joint ventures		527.7	428.9
Consideration paid for acquisition of businesses in prior periods		(153.2)	(449.8)
Deferred consideration received		114.1	40.0
Acquisition of businesses	45 (a) & (b)	(49.5)	(564.6)
Disposal of subsidiaries	44	(7.5)	–
Sale of financial assets at fair value through profit or loss		44.3	172.0
Sale of available-for-sale financial assets		601.7	608.8
Purchase of available-for-sale financial assets		(388.6)	(134.7)
Purchase of financial assets at fair value through profit or loss		(14.0)	(81.5)
(Increase)/decrease in time deposits over three months		(785.9)	737.1
Interest received		358.6	317.4
Dividends received from investments in securities		183.9	243.1
Dividends received from associates		820.5	1,028.9
Dividends received from joint ventures		938.3	1,042.1
Net cash used in investing activities		(4,739.0)	(2,818.1)

The notes on pages 94 to 180 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

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(Continued)

for the year ended 31st December 2015

	Note	2015 HK\$'M	2014 HK\$'M
Financing activities			
Shares bought back		(36.0)	(60.3)
Issue of shares of a subsidiary under share option scheme		40.6	10.2
Change in loans with non-controlling shareholders		8.7	6.0
Capital injection by non-controlling shareholders		73.2	175.3
Further acquisition of subsidiaries	45 (c)	(387.3)	(15.2)
Increase in borrowings		12,749.1	7,931.8
Issue of perpetual capital securities		–	2,306.8
Repayment of borrowings		(10,824.6)	(6,706.3)
Interest paid to holders of perpetual capital securities		(110.5)	(55.2)
Interest paid		(1,307.0)	(1,251.7)
Dividends paid to shareholders of the Company	46 (a)	(3,805.4)	(3,460.6)
Dividends paid to non-controlling shareholders		(377.7)	(340.2)
Net cash used in financing activities		(3,976.9)	(1,459.4)
(Decrease)/increase in cash and cash equivalents		(439.4)	3,902.3
Cash and cash equivalents at 1st January		12,605.5	8,849.0
Effect of foreign exchange rate changes		(240.2)	(145.8)
Cash and cash equivalents at 31st December		11,925.9	12,605.5
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		5,677.0	4,641.1
Time deposits up to three months		6,248.9	7,964.4
		11,925.9	12,605.5

The notes on pages 94 to 180 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31st December 2015

	Attributable to shareholders of the Company		Holders of perpetual capital securities HK\$'M	Non-controlling interests HK\$'M	Total HK\$'M
	Share capital HK\$'M	Reserves HK\$'M			
Total equity as at 1st January 2015	5,474.7	47,153.5	2,353.8	7,241.7	62,223.7
Profit for the year	–	7,302.0	110.5	766.8	8,179.3
Other comprehensive income:					
Remeasurements of retirement benefit	–	(23.1)	–	–	(23.1)
Change in value of available-for-sale financial assets	–	(942.3)	–	12.5	(929.8)
Impairment loss on available-for-sale financial assets transferred to income statement	–	38.6	–	–	38.6
Change in fair value of cash flow hedges	–	(118.2)	–	1.0	(117.2)
Share of other comprehensive loss of an associate	–	(5.4)	–	–	(5.4)
Recognition of exchange reserve upon disposal of subsidiaries	–	(83.0)	–	–	(83.0)
Exchange differences	–	(1,723.0)	–	(337.8)	(2,060.8)
Total comprehensive income for the year	–	4,445.6	110.5	442.5	4,998.6
Capital injection	–	–	–	73.2	73.2
Acquisition of businesses (Note 45 (a) & (b))	–	–	–	17.7	17.7
Further acquisition of subsidiaries (Note 45 (c))	–	(405.4)	–	(158.6)	(564.0)
Disposal of subsidiaries (Note 44)	–	–	–	(389.2)	(389.2)
Interest paid on perpetual capital securities	–	–	(110.5)	–	(110.5)
Dividends paid to shareholders of the Company	–	(3,805.4)	–	–	(3,805.4)
Dividends paid to non-controlling shareholders	–	–	–	(377.7)	(377.7)
Shares bought back	–	(36.0)	–	–	(36.0)
Others	–	14.4	–	68.1	82.5
Total equity as at 31st December 2015	5,474.7	47,366.7	2,353.8	6,917.7	62,112.9

The notes on pages 94 to 180 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

for the year ended 31st December 2015

	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)
Change in value 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	–	–	–	–	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 bought back	–	–	(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 94 to 180 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

2 Summary of significant accounting policies

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

(a) Basis of preparation

The consolidated financial statements 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.

The preparation of financial statements 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 financial statements are disclosed in Note 4.

(i) *New or revised standards, interpretations and amendments adopted in 2015*

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

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

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

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 2015 but relevant to the Group and have not been early adopted by the Group*

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKAS 1	Disclosure Initiative
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 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) *Hong Kong Companies Ordinance (Cap.622)*

In addition, the requirements of Part 9 "Accounts and Audit" of the Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

These consolidated financial statements comply with the applicable requirements of Hong Kong Companies Ordinance (Cap. 622), with the exception of Section 381 which requires a company to include all its subsidiary undertakings (within the meaning of Schedule 1 to Cap. 622) in the Company's annual consolidated financial statements. Section 381 is inconsistent with the requirements of HKFRS 10 Consolidated Financial Statements so far as Section 381 applies to subsidiary undertakings which are not controlled by the Group in accordance with HKFRS 10. For this reason, under the provisions of Section 380(6), the Company has departed from Section 381 and has not treated such companies as subsidiaries but they are accounted for in accordance with the accounting policies in Notes 2(b)(iv & v). Those excluded subsidiary undertakings of the Group are disclosed in Notes 21 and 22.

2 Summary of significant accounting policies (Continued)

(b) Consolidation

The consolidated financial statements include the financial statements 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. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity. 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 statement of financial position 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 financial statements 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 financial statements 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 statement of financial position, 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 financial statements 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 financial statements 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 statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- 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 proven and probable 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 statement of financial position 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 (2012 Edition) 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 statement of financial position 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 statement of financial position 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 statement of financial position 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 34. Movements on the hedging reserve in shareholders' equity are shown in Note 38. 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 statement of financial position 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 statement of financial position, 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 the statement of financial position 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 statement of financial position 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 financial statements. 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 statement of financial position 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 consolidated financial statements. 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 consolidated financial statements 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 2015, if the RMB had weakened/strengthened by 2 per cent (2014: 2 per cent) against HKD with all other variables held constant, pre-tax profit for the year would have been HK\$172.2 million (2014: HK\$284.4 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\$994.1 million (2014: HK\$1,388.8 million) and HK\$12.1 million (2014: HK\$34.9 million) respectively.

The Group also held unlisted equity investments which are classified as available-for-sale financial assets of HK\$219.5 million (2014: HK\$212.7 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, MSCI AC Asia Pacific excluding Japan ("MSCI Asia Pacific ex-Japan") Index and Euro Stoxx 50 Price 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.

	Impact on pre-tax profit		Impact on equity	
	2015 HK\$'M	2014 HK\$'M	2015 HK\$'M	2014 HK\$'M
Hang Seng Index	1.2	2.7	91.3	133.2
S&P 500 Index	-	1.2	2.5	2.8
FTSE 100 Index	-	-	-	7.8
MSCI Asia Pacific ex-Japan Index	-	-	19.2	20.3
Euro Stoxx 50 Price Index	-	-	3.5	-

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 before consideration of any impairment.

3 Financial risk management (Continued)

(a) Market risk (Continued)

(iii) Cash flow and fair value interest rate risk

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\$13,252.8 million (2014: HK\$13,155.6 million). The Group's interest bearing liabilities mainly comprises floating rate borrowings of HK\$12,654.9 million (2014: HK\$12,785.1 million), fixed rate borrowings of HK\$20,420.8 million (2014: HK\$18,748.9 million) and floating rate deposits received from customers of HK\$1,282.9 million (2014: HK\$1,256.4 million).

At 31st December 2015, if market interest rates on bank deposits had been 100 basis points (2014: 100 basis points) higher/lower with all other variables held constant, pre-tax profit for the year would have been HK\$152.6 million (2014: HK\$140.7 million) higher/lower, mainly as a result of higher/lower interest income on floating rate bank deposits.

At 31st December 2015, if market interest rates on borrowings and customers' deposits had been 100 basis points (2014: 100 basis points) higher/lower with all other variables held constant, pre-tax profit for the year would have been HK\$170.6 million (2014: HK\$157.0 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings and customers' deposits.

(b) Credit risk

Credit risk of the Group mainly arises from:

	2015 HK\$'M	2014 HK\$'M
Cash and bank deposits	13,252.8	13,155.6
Debt securities and derivative financial instruments	581.7	1,470.6
Trade receivables	3,513.9	3,640.9
Other receivables	2,140.6	1,339.3
Loan and other receivables from joint ventures	1,059.2	1,699.8
Loan and other receivables from associates	887.5	900.3
Loan and other receivables from non-controlling interests	122.6	153.9
Other non-current assets	2,371.8	2,401.7

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 mostly 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 monitors 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:

	2015 %	2014 %
Cash and bank deposits		
AA	0.1	14.0
A	73.7	61.6
BBB	20.8	18.4
BB	0.5	1.3
Unrated	4.9	4.7
	100.0	100.0
Debt securities and derivative financial instruments		
AA	6.9	14.2
A	60.4	51.3
BBB	7.1	10.8
Unrated	25.6	23.7
	100.0	100.0

Credit ratings are quoted from Bloomberg.

Credit quality of 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, 25 and 27 respectively to the consolidated financial statements. 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.

3 Financial risk management (Continued)

(c) Liquidity risk (Continued)

The table below analyses the Group's major financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position 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.

	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
At 31st December 2015				
Trade and other payables	9,761.2	–	–	–
Amounts due to joint ventures	572.3	–	–	–
Loan and other payables to non-controlling shareholders	181.4	–	21.9	–
Borrowings	10,799.2	2,660.0	13,740.9	13,387.9
Derivative financial instruments	41.7	–	–	654.5
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

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, buy back 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 statement of financial position.

3 Financial risk management (Continued)

Capital risk management (Continued)

The gearing ratios at 31st December 2015 and 2014 are as follows:

	2015 HK\$'M	2014 HK\$'M
Total borrowings	(33,075.7)	(31,534.0)
Less: Time deposits, cash and bank deposits	13,252.8	13,155.6
Net borrowing	(19,822.9)	(18,378.4)
Shareholders' funds	(52,841.4)	(52,628.2)
Perpetual capital securities	(2,353.8)	(2,353.8)
	(75,018.1)	(73,360.4)
Gearing ratio	26%	25%

Fair value estimation

The Group's financial instruments are measured in the statement of financial position 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).

3 Financial risk management (Continued)

Fair value estimation (Continued)

The following table presents the Group's assets that are measured at fair value at 31st December 2015 and 2014. See Note 17 for disclosures of the investment properties that are measured at fair value.

At 31st December HK\$'M	Level 1		Level 2		Level 3		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
Assets								
Financial assets at fair value through profit or loss								
– Debt securities	–	672.7	–	–	–	–	–	672.7
– Equity securities	12.1	34.9	–	–	–	–	12.1	34.9
– Derivative financial instruments	–	–	–	11.2	–	–	–	11.2
Derivative financial instruments	–	–	161.5	266.6	–	–	161.5	266.6
Available-for-sale financial assets								
– Debt securities	420.2	520.1	–	–	–	–	420.2	520.1
– Equity investment	994.1	1,388.8	219.5	212.7	2,416.2	–	3,629.8	1,601.5
Total assets	1,426.4	2,616.5	381.0	490.5	2,416.2	–	4,223.6	3,107.0
Liabilities								
Other payables	–	–	–	–	176.7	–	176.7	–
Derivative financial instruments	–	–	696.1	527.6	–	–	696.1	527.6
Total liabilities	–	–	696.1	527.6	176.7	–	872.8	527.6

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting year. 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.

3 Financial risk management (Continued)

Fair value estimation (Continued)

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

- Available-for-sale financial assets in level 3 is an unlisted equity investment. The fair value is determined based on discounted cash flow model. The significant unobservable inputs include discount rate of 10.8 per cent, sales price, sales volume and expected free cash flows of the investee. The higher the discount rate, the lower the fair value. The higher the sales price, sales volume or expected free cash flows of the investee, the higher the fair value.
- Other payables in level 3 represents contingent consideration generated from the further acquisition of a subsidiary on 1st August 2015. The fair value is determined based on discounted cash flow model. The significant unobservable inputs include discount rate of 3.6 per cent and the rate of probability on the outflow of resources will be required to settle the obligation. The higher the discount rate, the lower the fair value. The higher the rate of probability, the higher the fair value.

The following table presents the changes in level 3 instruments for the year ended 31st December 2015.

	Contingent consideration 2015 HK\$'M	Equity investment 2015 HK\$'M
Opening balance at 1st January	–	–
Acquisition	176.7	3,151.7
Change in fair value	–	(598.2)
Exchange difference	–	(137.3)
Closing balance at 31st December	176.7	2,416.2

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 end of the reporting year, with the resulting value discounted back to present value.

The carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

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.

4 Critical accounting estimates and judgements (Continued)

(a) Estimated impairment of assets

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in the consolidated financial statements 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 which includes the following key assumptions:

Discount rate

Discount rates reflect the current market assessments of the time value of money and are based on the estimated cost of capital. The discount rates are calculated based on the discount rate applicable to each cash generating unit adjusted for the relevant impact and timing of tax cash flows. The discount rates used ranged from 8 per cent to 10 per cent.

Sales price and sales volume

The Group's management determines the budgeted sales price based on his expectation on the future trend of the prices of the products. The sales volume was based on the production capacity and/or the management's expectation on market demand.

In respect of the Group's mining and oil properties in mainland China and Thailand respectively, the Group tested them for impairment by estimated the value-in-use of these projects as at 31st December 2015. The key assumptions adopted in the test were sales price, sales volume and discount rate of 10 per cent. The result of the test showed no impairment of these projects as at 31st December 2015. Assuming sales price decreased by 5 per cent or the discount rate increased by 100 basis point, the value-in-use calculated for each of these projects would not result in a material loss to the Group.

(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.

(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.

4 Critical accounting estimates and judgements (Continued)

(c) Estimate of fair value of investment property (Continued)

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 statement of financial position 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.

(f) Estimate of fair value assessment and impairment of available-for-sale financial assets

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

A significant or prolonged decline in the fair value of the available-for-sale financial assets below its cost is also objective evidence of impairment. In assessing whether it is significant, the decline in fair value is evaluated against the original cost of the asset at initial recognition. In assessing whether it is prolonged, the decline is evaluated against the continuous period in which the fair value of the asset has been below its original cost at initial recognition.

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:

	2015 HK\$'M	2014 HK\$'M
Gas sales before fuel cost adjustment	20,748.2	21,841.0
Fuel cost adjustment	878.8	1,726.6
Gas sales after fuel cost adjustment	21,627.0	23,567.6
Gas connection income	2,897.5	2,797.7
Equipment sales and maintenance services	2,141.0	2,040.6
Water and related sales	1,260.9	1,095.5
Oil and coal related sales	643.0	1,219.7
Other sales	1,021.9	893.6
	29,591.3	31,614.7

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 financial statements.

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

2015 in HK\$'M	Gas, water and related businesses		New Energy	Property	Other segments	Total
	Hong Kong	Mainland China				
Revenue	8,845.6	17,970.9	2,126.6	59.7	588.5	29,591.3
Adjusted EBITDA	4,258.9	4,505.1	703.2	36.7	151.0	9,654.9
Depreciation and amortisation	(681.7)	(984.1)	(334.9)	–	(58.4)	(2,059.1)
Unallocated expenses						(606.4)
						6,989.4
Other gains, net						101.4
Interest expense						(1,128.6)
Share of results of associates	–	544.9	(1.2)	1,682.9	1.6	2,228.2
Share of results of joint ventures	–	1,707.0	1.4	7.3	(0.1)	1,715.6
Profit before taxation						9,906.0
Taxation						(1,726.7)
Profit for the year						8,179.3

5 Segment information (Continued)

Share of results of associates includes HK\$1,167.6 million (2014: HK\$384.9 million) being the Group's share of change in valuation of investment properties at the International Finance Centre (the "IFC") complex for the year.

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

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

2015 in HK\$'M	Gas, water and related businesses		New Energy	Property	Other segments	Total
	Hong Kong	Mainland China				
Segment assets	16,055.6	57,487.8	15,431.1	11,526.0	2,575.7	103,076.2
Unallocated assets:						
Available-for-sale financial assets						4,567.0
Financial assets at fair value through profit or loss						12.1
Time deposits, cash and bank balances excluded from segment assets						6,541.8
Others (Note)						1,366.2
Total assets	16,055.6	57,487.8	15,431.1	11,526.0	2,575.7	115,563.3

Note

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

5 Segment information (Continued)

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						543.5
Total assets	16,143.1	54,524.1	20,716.2	10,360.2	2,130.5	114,410.9

The Company is domiciled in Hong Kong. The Group's revenue from external customers in Hong Kong for the year ended 31st December 2015 is HK\$10,059.0 million (2014: HK\$10,929.6 million), and the revenue from external customers in other geographical locations is HK\$19,532.3 million (2014: HK\$20,685.1 million).

At 31st December 2015, the total of non-current assets other than financial instruments and retirement benefit assets located in Hong Kong and other geographical locations are HK\$23,828.1 million and HK\$61,002.0 million (2014: HK\$21,828.5 million and HK\$62,672.9 million) respectively.

For the years ended 31st December 2015 and 2014, the percentage of revenues attributable to the Group's five largest customers is less than 30 per cent.

6 Total operating expenses

	2015 HK\$'M	2014 HK\$'M
Stores and materials used	14,097.9	16,298.4
Manpower costs (Note 11)	2,844.3	2,706.2
Depreciation and amortisation	2,075.3	1,951.5
Other operating items	3,584.4	3,397.6
	22,601.9	24,353.7

7 Other gains, net

	2015 HK\$'M	2014 HK\$'M
Net investment gains (Note 8)	276.6	443.7
Fair value gain on investment property (Note 17)	26.8	34.3
Gain on disposal of an associate	30.8	–
Provision for other receivables	(168.6)	–
Project research and development costs	(51.7)	(40.9)
Impairment for a loan to a joint venture	–	(25.0)
Ineffective portion on cash flow hedges	(9.4)	(1.9)
Others	(3.1)	1.7
	101.4	411.9

8 Net investment gains

	2015 HK\$'M	2014 HK\$'M
(a) Interest income		
Bank deposits	257.4	259.7
Listed available-for-sale financial assets	10.5	16.9
Loans to associates and joint ventures	57.8	26.7
Others	18.8	25.0
	344.5	328.3
(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	159.6	134.9
Unlisted securities	10.6	(27.0)
Exchange differences	0.2	3.2
	170.4	111.1
(c) Net realised gains/(losses) on available-for-sale financial assets		
Listed securities	95.3	14.6
Unlisted securities	–	66.5
Exchange differences	(1.4)	(0.5)
	93.9	80.6
(d) Dividend income		
Listed available-for-sale financial assets	52.8	92.5
Unlisted available-for-sale financial assets	130.9	150.1
Listed financial assets at fair value through profit or loss	0.2	0.5
	183.9	243.1
(e) Other investment and exchange losses	(516.1)	(319.4)
	276.6	443.7

9 Interest expense

	2015 HK\$'M	2014 HK\$'M
Interest on bank loans and overdrafts wholly repayable within five years	514.5	509.3
Interest on guaranteed notes wholly repayable within five years	449.2	448.6
Interest on guaranteed notes not wholly repayable within five years	380.9	347.4
	1,344.6	1,305.3
Less: Amount capitalised	(216.0)	(292.4)
	1,128.6	1,012.9

The interest expense is capitalised at average rates from 3.30 per cent to 6.79 per cent (2014: 3.30 per cent to 7.80 per cent) per annum.

10 Profit before taxation

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

	2015 HK\$'M	2014 HK\$'M
Cost of inventories sold	16,025.5	18,061.3
Depreciation and amortisation	2,075.3	1,951.5
Loss on disposal/write off of property, plant and equipment	87.2	23.0
(Gain)/loss on disposal of leasehold land	(9.8)	4.3
Impairment loss of trade receivables	61.0	10.0
Impairment loss of available-for-sale financial assets	38.6	5.8
Operating lease rentals		
– land and buildings	110.0	116.7
– plant and equipment	11.9	11.3
Rental income from investment property		
– gross rental income	(59.6)	(52.4)
– outgoing expenses	22.7	21.4
Auditors' remuneration	23.0	21.8
Net loss on residential maintenance (Note)	46.4	36.5
Note		
Analysis of net loss on residential maintenance:		
Residential maintenance revenue	(201.8)	(196.9)
Less expenses:		
Manpower costs	136.4	128.9
Other operating and administrative expenses	111.8	104.5
Net loss	46.4	36.5

11 Manpower costs

(a) Staff costs

	2015 HK\$'M	2014 HK\$'M
Salaries and wages	2,470.2	2,370.8
Pension costs – defined contribution retirement schemes	356.1	321.5
Pension costs – defined benefit retirement scheme (Note 24)	18.0	13.9
	2,844.3	2,706.2

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2014: two) directors whose emoluments are reflected in the analysis shown in Note 12. Details of the emoluments payable to the remaining three (2014: three) individuals during the year are as follows:

	2015 HK\$'M	2014 HK\$'M
Fee, salaries, allowances and benefits in kind	8.7	8.2
Performance bonus	12.2	12.3
Contributions to retirement scheme	3.0	2.9
	23.9	23.4

Number of individuals whose emoluments fell within:

Emoluments band (HK\$'M)	2015	2014
9.0 – 10.0	1	1
8.0 – 9.0	1	–
7.0 – 8.0	–	1
6.0 – 7.0	1	1

(c) Emoluments of senior management

Senior management for the years ended 31st December 2015 and 2014 were all executive directors of the Company whose emoluments have been shown in Note 12.

12 Benefits and interests of directors

(a) Directors' emoluments

Name of director	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking					Total HK\$'M
	Fees HK\$'M	Salary, allowances and benefits in kind HK\$'M	Performance bonus HK\$'M	Contributions to retirement scheme HK\$'M	Others HK\$'M	
2015						
Alfred Chan Wing Kin (Managing Director) (Note (i))	0.4	6.0	26.1	5.3	–	37.8
Peter Wong Wai Yee (Note (i))	0.4	4.4	7.5	2.3	–	14.6
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
	3.7	10.8	33.6	7.6	–	55.7

Note

- (i) Mr. Alfred Chan Wing Kin and Mr. Peter Wong Wai Yee who are also directors of Towngas China Company Limited ("Towngas China"), a significant subsidiary of the Group. In this connection, the above emoluments included Mr. Alfred Chan Wing Kin and Mr. Peter Wong Wai Yee each received directors' emoluments from Towngas China of HK\$0.2 million and HK\$5.4 million (2014: HK\$0.2 million and HK\$5.4 million) respectively, and no share-based payments were received during the year and 2014.

12 Benefits and interests of directors (Continued)

(a) Directors' emoluments (Continued)

Certain of the comparative information of directors' emoluments for the year ended 31st December 2014 previously disclosed in accordance with the predecessor Companies Ordinance have been restated in order to comply with the new scope and requirements by the Hong Kong Companies Ordinance (Cap. 622).

Name of director	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking					Total HK\$'M
	Fees HK\$'M	Salary, allowances and benefits in kind HK\$'M	Performance bonus HK\$'M	Contributions to retirement scheme HK\$'M	Others HK\$'M	
2014						
Alfred Chan Wing Kin (Managing Director) (Note (i))	0.4	5.8	26.2	5.4	–	37.8
Peter Wong Wai Yee (Note (i))	0.4	4.1	7.3	2.3	–	14.1
Lee Chau 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
	3.7	10.3	33.5	7.7	–	55.2

The above remuneration paid to directors of the Company also represents the amount of short-term employee benefits of HK\$48.1 million (2014: HK\$47.5 million) and post-employment benefits of HK\$7.6 million (2014: HK\$7.7 million) paid to the Group's senior management during the year ended 31st December 2015. There were no other long-term benefits, termination benefits and share-based payment paid to the Group's senior management during the year (2014: nil).

(b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements or contracts in relation to the Group's business to which the Company was a party, and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

13 Taxation

The amount of taxation charged to the income statement represents:

	2015 HK\$'M	2014 HK\$'M
Current taxation – provision for Hong Kong Profits Tax at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the year	628.0	640.6
Current taxation – provision for other countries income tax at the prevailing rates on the estimated assessable profits for the year (Note (a))	777.4	762.9
Current taxation – over provision in prior years	(9.5)	(15.4)
Deferred taxation – origination and reversal of temporary differences	215.9	252.1
Withholding tax	114.9	131.2
	1,726.7	1,771.4

Note

- (a) The prevailing tax rates of the mainland China and Thailand range from 15 per cent to 25 per cent (2014: 15 per cent to 25 per cent) and 50 per cent (2014: 50 per cent) respectively.

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:

	2015 HK\$'M	2014 HK\$'M
Profit before taxation	9,906.0	9,874.6
Less: Share of results of associates	(2,228.2)	(1,725.1)
Share of results of joint ventures	(1,715.6)	(1,489.5)
	5,962.2	6,660.0
Calculated at a tax rate of 16.5% (2014: 16.5%)	983.8	1,098.9
Effect of different tax rates in other countries	354.1	350.7
Income not subject to taxation	(122.1)	(125.8)
Expenses not deductible for taxation purposes	301.5	224.8
Utilisation of previously unrecognised tax losses	(5.1)	(2.3)
Over provision in prior years	(9.5)	(15.4)
Withholding tax	114.9	131.2
Others	109.1	109.3
	1,726.7	1,771.4

Share of associates' taxation for the year ended 31st December 2015 of HK\$354.1 million (2014: HK\$398.6 million) is included in the income statement as share of results of associates.

Share of joint ventures' taxation for the year ended 31st December 2015 of HK\$577.8 million (2014: HK\$549.1 million) is included in the income statement as share of results of joint ventures.

14 Dividends

	2015 HK\$'M	2014 HK\$'M
Interim, paid of HK12 cents per ordinary share (2014: HK12 cents per ordinary share)	1,387.6	1,261.9
Final, proposed of HK23 cents per ordinary share (2014: HK23 cents per ordinary share)	2,659.0	2,417.8
	4,046.6	3,679.7

At a meeting held on 18th March 2016, the directors of the Company declared a final dividend of HK23 cents per ordinary share for the year ended 31st December 2015. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation of retained earnings for the year ended 31st December 2015.

15 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$7,302.0 million (2014: HK\$7,109.2 million) and the weighted average of 11,562,370,508 shares (2014: 11,565,959,508 shares¹) in issue after adjusting for the shares bought back during the year.

As the impact of diluted potential ordinary shares of a subsidiary is insignificant during the years 2015 and 2014, the diluted earnings per share for the years ended 31st December 2015 and 2014 are approximately the same as the basic earnings per share.

¹ Adjusted for the bonus issue in 2015

16 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
Cost							
At 1st January 2015	16,728.2	28,022.5	3,224.5	5,967.1	861.3	9,758.9	64,562.5
Additions	778.4	405.5	335.0	91.2	21.2	4,598.2	6,229.5
Acquisition of businesses (Note 45 (a) & (b))	30.0	–	–	–	–	4.0	34.0
Disposal of subsidiaries	(700.0)	–	–	(1,684.2)	–	(2,339.6)	(4,723.8)
Transfers from capital work in progress	1,281.4	2,664.9	1.0	–	3.4	(3,950.7)	–
Disposals/write off	(190.4)	(46.6)	(345.1)	(1.6)	(0.3)	–	(584.0)
Exchange differences	(498.8)	(850.1)	(5.1)	(394.8)	(39.9)	(246.8)	(2,035.5)
At 31st December 2015	17,428.8	30,196.2	3,210.3	3,977.7	845.7	7,824.0	63,482.7
Accumulated depreciation							
At 1st January 2015	6,073.6	6,123.6	2,191.9	368.3	110.1	–	14,867.5
Charge for the year	879.8	764.4	240.0	191.7	12.5	–	2,088.4
Disposal of subsidiaries	(142.4)	–	–	–	–	–	(142.4)
Disposals/write off	(116.0)	(30.7)	(325.9)	(0.5)	(0.3)	–	(473.4)
Exchange differences	(123.6)	(126.1)	(3.0)	(53.6)	(6.7)	–	(313.0)
At 31st December 2015	6,571.4	6,731.2	2,103.0	505.9	115.6	–	16,027.1
Net book value							
At 31st December 2015	10,857.4	23,465.0	1,107.3	3,471.8	730.1	7,824.0	47,455.6
At 31st December 2014	10,654.6	21,898.9	1,032.6	5,598.8	751.2	9,758.9	49,695.0

16 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
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	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 Investment property

	2015 HK\$'M	2014 HK\$'M
At 1st January	683.0	646.0
Fair value gain (Note 7)	26.8	34.3
Others	3.2	2.7
At 31st December	713.0	683.0

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 2015 by an independent professionally qualified valuer, Knight Frank Petty Limited which conform to the The HKIS Valuation Standards on Properties (2012 Edition) shown in Note 2(h).

17 Investment property (Continued)

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%	9.5%	The higher the capitalisation rate, the lower the fair value
Monthly rent	HK\$16.9 /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 review and analyse 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.

18 Leasehold land

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

	2015 HK\$'M	2014 HK\$'M
At 1st January	1,658.6	1,551.4
Additions	429.9	114.7
Acquisition of businesses (Note 45 (a))	9.4	70.5
Disposal of a subsidiary	(16.2)	–
Disposals	(0.5)	(7.2)
Amortisation	(51.0)	(41.9)
Exchange differences	(68.3)	(28.9)
At 31st December	1,961.9	1,658.6

19 Intangible assets

	2015 HK\$'M	2014 HK\$'M
(a) Goodwill		
At 1st January	5,348.3	5,183.2
Acquisition of businesses (Note 45 (a) & (b))	145.1	244.9
Exchange differences	(144.4)	(79.8)
At 31st December	5,349.0	5,348.3
(b) Other intangible asset		
Cost		
At 1st January	541.9	83.1
Acquisition of businesses (Note 45 (b))	0.3	458.8
Exchange differences	(21.3)	–
At 31st December	520.9	541.9
Accumulated amortisation		
At 1st January	(31.7)	(13.0)
Amortisation	(18.7)	(18.7)
At 31st December	(50.4)	(31.7)
Net book value		
At 31st December	470.5	510.2
Total intangible assets	5,819.5	5,858.5

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 10.0 per cent (2014: 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 8.0 per cent or 10.0 per cent (2014: 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 2015 and 2014.

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.

20 Subsidiaries

Material non-controlling interests

The total non-controlling interest as at 31st December 2015 is HK\$6,917.7 million (2014: HK\$7,241.7 million) of which HK\$4,877.3 million (2014: HK\$4,717.4 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	
	2015 HK\$'M	2014 HK\$'M
Summarised statement of financial position		
Assets		
Non-current assets	20,516.7	19,121.7
Current assets	4,663.2	4,360.9
	25,179.9	23,482.6
Liabilities		
Non-current liabilities	(6,445.0)	(5,832.7)
Current liabilities	(7,757.1)	(7,081.8)
	(14,202.1)	(12,914.5)
Net assets	10,977.8	10,568.1

	Towngas China	
	2015 HK\$'M	2014 HK\$'M
Summarised income statement and comprehensive income statement		
Revenue	7,718.3	7,881.8
Profit before taxation	1,268.0	1,531.1
Taxation	(343.5)	(350.1)
Profit for the year	924.5	1,181.0
Other comprehensive income	(580.4)	(334.3)
Total comprehensive income	344.1	846.7
Total comprehensive income attributable to non-controlling interests	63.2	80.5
Dividend paid to non-controlling shareholders	89.5	66.9

20 Subsidiaries (Continued)

	Towngas China	
	2015 HK\$'M	2014 HK\$'M
Summarised cash flows statement		
Net cash generated from operating activities	1,416.6	1,258.3
Net cash used in investing activities	(1,770.0)	(2,595.0)
Net cash inflow from financing activities	1,161.3	642.8
Net increase/(decrease) in cash and cash equivalents	807.9	(693.9)
Cash and cash equivalents at beginning of year	1,451.7	2,230.4
Effect of foreign exchange rate changes	(121.2)	(84.8)
Cash and cash equivalents at end of year	2,138.4	1,451.7

21 Associates

	2015 HK\$'M	2014 HK\$'M
Investments in associates, including goodwill	18,795.3	16,787.3
Loans to associates – non-current	796.6	785.2
	19,591.9	17,572.5
Loan and other receivables from associates – current	90.9	115.1

Loan and other receivables from associates are analysed below:

- (i) Loans to associates in mainland China of HK\$802.2 million (2014: HK\$794.3 million) with effective interest rates ranging from 4.35 per cent to 6.50 per cent per annum (2014: 6.00 per cent to 6.65 per cent per annum) are unsecured and fully repayable in 2016 to 2017 (2014: 2015 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:

	2015 HK\$'M	2014 HK\$'M
USD	541.0	516.8
RMB	342.2	383.5
HKD	4.3	–
	887.5	900.3

21 Associates (Continued)

Particulars of the principal associates as at 31st December 2015 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)	RMB2,178.0 million	26.9	PRC	Gas sales and related businesses
港華儲氣有限公司	(iii)	RMB100 million	64	PRC	Gas storage project
Central Waterfront Property Investment Holdings Limited	(i)	US\$100	15.8	British Virgin Islands/ Hong Kong	Investment holding
GH-Fusion Limited	(iii)	US\$200	50	British Virgin Islands	Investment holding
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	43	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
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

21 Associates (Continued)

Particulars of the principal associates as at 31st December 2015 are listed below: (Continued)

Name	Note	Issued share capital/registered capital	Percentage of the Group's equity interest	Place of incorporation/operation	Principal activity
Held by Towngas China					
¹ Anhui Province Wenary Towngas Natural Gas Co., Ltd.		RMB240.0 million	49	PRC	Gas sales and related businesses
Bozhou WanHua Gas Company Ltd.		RMB30.0 million	49	PRC	Gas sales and related businesses
Changchun Gas Company Limited		RMB802.4 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	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.		RMB19.0 million	45	PRC	Gas sales and related businesses
¹ Zhuojia Public Engineering (Maanshan) Co., Ltd.		RMB12.0 million	38	PRC	Gas sales and related businesses
Zibo Lubo Gas Company Ltd.		RMB100.0 million	27	PRC	Gas sales and related businesses

¹ Newly formed during the year

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 2015, the Group held 585,878,611 shares (2014: 531,341,235 shares) of SGCL or approximately 26.9 per cent equity interest of SGCL. The carrying value and the market value of the Group's investment as at 31st December 2015 in SGCL amounted to HK\$2,634.0 million (2014: HK\$1,716.0 million) and HK\$6,366.9 million (2014: HK\$5,478.1 million) respectively.
- (iii) The Group can only exercise significant influence over the board of directors in the associates.

21 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:

	2015 HK\$'M	2014 HK\$'M
Income	11,397.8	11,295.9
Expenses, including taxation	(9,169.6)	(9,570.8)
Profit after taxation	2,228.2	1,725.1
Other comprehensive (loss)/income	(5.4)	2.6
Total comprehensive income	2,222.8	1,727.7

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.

	CWPI	
	2015 HK\$'M	2014 HK\$'M
Summarised statement of financial position		
Assets		
Non-current assets	87,154.7	79,801.1
Current assets	876.9	866.6
	88,031.6	80,667.7
Liabilities		
Non-current liabilities	(18,280.0)	(18,204.8)
Current liabilities	(2,005.3)	(1,960.3)
	(20,285.3)	(20,165.1)
Net assets	67,746.3	60,502.6

21 Associates (Continued)

	CWPI	
	2015 HK\$'M	2014 HK\$'M
Summarised income statement and comprehensive income statement		
Income	13,287.0	8,215.2
Expenses, including taxation	(2,629.4)	(2,616.3)
Profit after taxation	10,657.6	5,598.9
Other comprehensive (loss)/income	(34.0)	16.6
Total comprehensive income	10,623.6	5,615.5
Dividend received from the associate	533.7	552.7

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.

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

	CWPI	
	2015 HK\$'M	2014 HK\$'M
Net assets		
At 1st January	60,502.7	58,387.1
Profit for the year	10,657.6	5,598.9
Other comprehensive (loss)/income	(34.0)	16.6
Dividend paid	(3,380.0)	(3,500.0)
At 31st December	67,746.3	60,502.6
	2015 HK\$'M	2014 HK\$'M
Carrying value		
Interest in associate (15.79%)	10,697.1	9,553.4

22 Joint ventures

	2015 HK\$'M	2014 HK\$'M
Investments in joint ventures, including goodwill	9,195.4	8,573.2
Loans to joint ventures – non-current	92.8	460.6
	9,288.2	9,033.8
Loan and other receivables from joint ventures – current	966.4	1,239.2
Amounts due to joint ventures – current	(572.3)	(677.7)

Loan and other receivables from joint ventures are analysed below:

- (i) Loans to joint ventures in mainland China of HK\$335.1 million (2014: HK\$731.0 million) with effective interest rates ranging from 4.35 per cent to 7.87 per cent per annum (2014: 3.06 per cent to 7.08 per cent per annum) are unsecured and fully repayable in 2016 to 2017 (2014: 2015 to 2017).
- (ii) Loans to a joint venture in Hong Kong of HK\$62.2 million (2014: HK\$77.5 million) is unsecured, interest free 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.
- (v) Loans and other receivables are denominated in the following currencies:

	2015 HK\$'M	2014 HK\$'M
RMB	997.0	1,453.2
HKD	62.2	103.9
USD	–	142.7
	1,059.2	1,699.8

Amounts due to joint ventures are analysed below:

- (i) Amount due to a joint venture of HK\$361.9 million (2014: HK\$380.0 million) with effective interest rate of 4.95 per cent per annum (2014: 6.12 per cent per annum) is unsecured and repayable in 2016.
- (ii) Amounts due to joint ventures of HK\$207.8 million (2014: HK\$275.0 million) with effective interest rate of 2.35 per cent per annum (2014: 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 (2014: denominated in RMB).

22 Joint ventures (Continued)

Particulars of the principal joint ventures as at 31st December 2015 are listed below:

Name	Note	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	49	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		RMB700.0 million	49	PRC	Gas sales and related businesses
Suzhou Hong Kong and China Gas Company Limited	(i)	RMB200.0 million	55	PRC	Gas sales and related businesses
# Tongling Hong Kong and China Gas Company Limited	(i)	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 Qinhu Natural Gas Company Limited		RMB1,000.0 million	49	PRC	Gas sales and related businesses
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

Direct joint ventures of the Company

Note

(i) The Group can only exercise joint control over the board of directors in the joint ventures.

22 Joint ventures (Continued)

Particulars of the principal joint ventures as at 31st December 2015 are listed below: (Continued)

Name	Issued share capital/registered capital	Percentage of the Group's equity interest	Place of incorporation/operation	Principal activity
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	49	PRC	Gas sales and related businesses
Weifang Hong Kong and China Gas Company Limited	RMB140.0 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:

	2015 HK\$'M	2014 HK\$'M
Income	12,957.3	12,631.3
Expenses, including taxation	(11,241.7)	(11,141.8)
Profit after taxation and total comprehensive income	1,715.6	1,489.5

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

23 Available-for-sale financial assets

	2015 HK\$'M	2014 HK\$'M
Debt securities (Note (a))	420.2	520.1
Equity securities (Note (b))	4,146.8	2,079.6
	4,567.0	2,599.7

Notes

	2015 HK\$'M	2014 HK\$'M
(a) Debt securities		
Listed – Hong Kong	164.0	206.6
Listed – overseas	256.2	313.5
	420.2	520.1

	2015 HK\$'M	2014 HK\$'M
(b) Equity securities		
Listed – Hong Kong	870.1	1,260.9
Listed – overseas	124.0	127.9
Unlisted (Note (c))	3,152.7	690.8
	4,146.8	2,079.6

- (c) Included in the unlisted equity securities of HK\$517.0 million (2014: HK\$478.1 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 2015, the fair values of debt and equity securities assets reclassified during 2008 are HK\$15.6 million (2014: HK\$22.2 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\$6.6 million (2014: decreased by HK\$1.3 million).

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

	2015 HK\$'M	2014 HK\$'M
RMB	3,091.3	595.8
HKD	870.1	1,260.9
USD	605.6	736.5
Others	–	6.5
	4,567.0	2,599.7

24 Retirement benefit liabilities

	2015 HK\$'M	2014 HK\$'M
At 31st December	(42.3)	(5.9)

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 consolidated statement of financial position are shown as follows:

	2015 HK\$'M	2014 HK\$'M
Fair value of plan assets	534.1	538.7
Present value of funded obligations	(576.4)	(544.6)
Net liabilities in the consolidated statement of financial position	(42.3)	(5.9)

The plan assets did not include any shares of the Company as at 31st December 2015 (2014: nil).

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

	2015 HK\$'M	2014 HK\$'M
Current service cost	17.9	15.7
Net interest cost/(income)	–	(1.9)
Administrative expenses	0.1	0.1
Total (Note 11)	18.0	13.9

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

	2015 HK\$'M	2014 HK\$'M
Actuarial loss due to liability experience	4.1	5.5
Actuarial loss due to financial assumption changes	13.9	63.2
Actuarial losses	18.0	68.7
Return on plan assets, excluding amounts included in interest income	5.1	(5.7)
Total	23.1	63.0

24 Retirement benefit liabilities (Continued)

The movements in the defined benefit obligations are as follows:

	2015 HK\$'M	2014 HK\$'M
At 1st January	544.6	463.6
Current service cost	17.9	15.7
Interest cost	11.2	11.7
Benefits paid	(15.3)	(15.1)
Actuarial losses	18.0	68.7
At 31st December	576.4	544.6

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

	2015 HK\$'M	2014 HK\$'M
At 1st January	538.7	529.9
Return on plan assets, excluding amounts included in interest income	(5.1)	5.7
Interest income recognised in consolidated income statement	11.2	13.6
Contribution paid by employer	4.7	4.7
Benefits paid	(15.3)	(15.1)
Administrative expenses	(0.1)	(0.1)
At 31st December	534.1	538.7

The movements in the liabilities recognised in the consolidated statement of financial position are as follows:

	2015 HK\$'M	2014 HK\$'M
At 1st January	(5.9)	66.3
Remeasurement effects recognised in other comprehensive income	(23.1)	(63.0)
Total cost of defined benefit retirement scheme (Note 11)	(18.0)	(13.9)
Contribution paid by employer	4.7	4.7
At 31st December	(42.3)	(5.9)

24 Retirement benefit liabilities (Continued)

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

	2015 %	2014 %
Equity securities	75.0	77.0
Debt securities	14.0	17.0
Cash	11.0	6.0

The principal actuarial assumptions used are as follows:

	2015 %	2014 %
Discount rate	1.9	2.1
Expected rate of future salary increases	4.5	4.5

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 3.1%	Increase by 3.2%
Maximum salary scale increase rate	0.25%	Increase by 1.9%	Decrease by 2.3%

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 statement of financial position.

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 2016 are HK\$4.6 million.

24 Retirement benefit liabilities (Continued)

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 12.6 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 2015			
Expected benefit payments	108.7	149.5	803.3

25 Other non-current assets

	2015 HK\$'M	2014 HK\$'M
Second mortgage loans receivable (Note (a))	7.7	9.7
Aviation fuel facility construction receivable (Note (b))	2,350.0	2,239.7
Other receivables	14.1	152.3
	2,371.8	2,401.7

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

26 Inventories

	2015 HK\$'M	2014 HK\$'M
Coal and oil	35.7	100.3
Stores and materials	1,516.8	1,517.1
Work in progress	738.8	665.8
	2,291.3	2,283.2

The Group wrote down the carrying value of inventories by HK\$12.2 million (2014: wrote down by HK\$37.4 million) to its net realisable value during the year.

27 Trade and other receivables

	2015 HK\$'M	2014 HK\$'M
Trade receivables (Note (a))	3,513.9	3,640.9
Payments in advance (Note (b))	1,242.3	1,995.5
Other receivables	2,140.6	1,339.3
	6,896.8	6,975.7

Trade and other receivables are denominated in the following currencies:

	2015 HK\$'M	2014 HK\$'M
RMB	4,418.7	4,189.3
HKD	2,366.5	2,657.1
USD	110.8	115.2
Others	0.8	14.1
	6,896.8	6,975.7

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 2015, the aging analysis of the trade receivables, net of impairment provision, is as follows:

	2015 HK\$'M	2014 HK\$'M
0 – 30 days	2,979.5	3,097.6
31 – 60 days	129.5	99.3
61 – 90 days	104.5	97.3
Over 90 days	300.4	346.7
	3,513.9	3,640.9

27 Trade and other receivables (Continued)

Notes (Continued)

(a) (Continued)

- (i) At 31st December 2015, trade receivables of the Group that were neither past due nor impaired amounted to HK\$2,663.2 million (2014: HK\$2,780.5 million). These balances mainly relate to individuals or companies that have been the Group'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:

	2015 HK\$'M	2014 HK\$'M
1 – 30 days	316.3	317.1
31 – 60 days	129.5	99.3
61 – 90 days	104.5	97.3
Over 90 days	300.4	346.7
	850.7	860.4

- (iii) As at 31st December 2015, trade receivables of the Group amounting to HK\$129.3 million (2014: HK\$84.0 million) 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:

	2015 HK\$'M	2014 HK\$'M
At 1st January	84.0	84.7
Impairment loss recognised	61.0	9.9
Uncollectible amounts written off	(13.6)	(10.3)
Exchange differences	(2.1)	(0.3)
At 31st December	129.3	84.0

- (b) Balance mainly represents prepayment for purchase of materials and services in relation to the Group's gas and New Energy businesses in Hong Kong and mainland China. As at 31st December 2015, the directors of the Company reviewed the composition of the balance and considered the amount is recoverable.

28 Financial assets at fair value through profit or loss

	2015 HK\$'M	2014 HK\$'M
Debt securities (Note (a))	–	672.7
Equity securities (Note (b))	12.1	34.9
Derivative financial instruments (Note 34)	–	11.2
	12.1	718.8

Notes

	2015 HK\$'M	2014 HK\$'M
(a) Debt securities		
Listed – overseas	–	672.7
	–	672.7

	2015 HK\$'M	2014 HK\$'M
(b) Equity securities		
Listed – Hong Kong	10.1	23.7
Listed – overseas	2.0	11.2
	12.1	34.9

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

	2015 HK\$'M	2014 HK\$'M
HKD	10.1	23.7
USD	2.0	11.2
RMB	–	683.9
	12.1	718.8

29 Time deposits, cash and bank balances

	2015 HK\$'M	2014 HK\$'M
Time deposits over three months	1,326.9	550.1
Time deposits up to three months	6,248.9	7,964.4
Cash and bank balances	5,677.0	4,641.1
	11,925.9	12,605.5

29 Time deposits, cash and bank balances (Continued)

The effective interest rates on time deposits in Hong Kong and mainland China are 1.27 per cent and 2.21 per cent per annum respectively (2014: 3.31 per cent and 2.63 per cent per annum). These deposits have average maturity dates within 96 days (2014: 92 days).

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

	2015 HK\$'M	2014 HK\$'M
RMB	6,706.7	9,534.3
HKD	4,548.3	2,429.2
USD	1,942.1	1,025.0
THB	47.3	149.8
Others	8.4	17.3
	13,252.8	13,155.6

The conversion of Renminbi denominated balances into foreign currencies and the remittance of foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

30 Trade and other payables

	2015 HK\$'M	2014 HK\$'M
Trade payables (Note (a))	2,573.1	3,168.0
Other payables and accruals (Note (b))	9,363.6	8,774.6
	11,936.7	11,942.6

Notes

(a) At 31st December 2015, the aging analysis of the trade payables is as follows:

	2015 HK\$'M	2014 HK\$'M
0 – 30 days	1,179.3	1,404.8
31 – 60 days	352.0	323.9
61 – 90 days	314.1	335.9
Over 90 days	727.7	1,103.4
	2,573.1	3,168.0

(b) The balance includes an amount of approximately HK\$45.7 million (2014: HK\$45.7 million) payable to Henderson Land Development Company Limited in relation to its entitlement to 27 per cent of the net sales proceeds generated from the sales of residential units of Grand Waterfront and contingent consideration in an amount of approximately HK\$176.7 million (Note 45(c)). Remaining balances mainly represents advance received from customers for construction works and accrual for services or goods received from suppliers.

30 Trade and other payables (Continued)

Notes (Continued)

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

	2015 HK\$'M	2014 HK\$'M
RMB	10,300.8	10,443.8
HKD	1,526.7	1,399.0
USD	82.4	61.9
Others	26.8	37.9
	11,936.7	11,942.6

31 Borrowings

	2015 HK\$'M	2014 HK\$'M
Non-current		
Bank and other loans	5,820.4	7,061.2
Guaranteed notes (Note (a)(i)(ii))	17,543.0	17,423.1
	23,363.4	24,484.3
Current		
Bank and other loans	8,518.4	7,049.7
Guaranteed notes (Note (a)(iii))	1,193.9	–
	9,712.3	7,049.7
Total borrowings	33,075.7	31,534.0

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 2015, notes with a principal amount of US\$995.0 million (2014: US\$995.0 million), which is equivalent to HK\$7,712.2 million (2014: HK\$7,716.2 million), are outstanding in the market and the market value of the notes was HK\$8,465.7 million (2014: HK\$8,803.1 million).

31 Borrowings (Continued)

Notes (Continued)

(a) Guaranteed notes comprise: (Continued)

- (ii) The HK\$8,410.0 million, AUD161.0 million and JPY10,000.0 million (2014: HK\$7,088.0 million, AUD136.0 million and JPY10,000.0 million), which is equivalent to HK\$9,964.7 million (2014: HK\$8,597.8 million), guaranteed notes were issued by HKCG (Finance) Limited, a wholly-owned subsidiary of the Company, between 2nd June 2009 and 10th November 2015. 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 10 to 40 years.
- (iii) The RMB1,000.0 million (2014: RMB1,000.0 million), which is equivalent to HK\$1,194.2 million (2014: HK\$1,249.7 million), guaranteed notes were issued by HKCG (Finance) Limited, a wholly-owned subsidiary of the Company, on 11th April 2011. The notes are unsecured and guaranteed by the Company as to repayment, carry fixed coupon rates of 1.40 per cent per annum payable half-yearly in arrear and have maturity terms of 5 years.

(b) The maturity of borrowings is as follows:

	Bank and other loans		Guarantee notes	
	2015 HK\$'M	2014 HK\$'M	2015 HK\$'M	2014 HK\$'M
Within 1 year	8,518.4	7,049.7	1,193.9	–
Between 1 and 2 years	1,762.9	4,219.0	–	1,248.1
Between 2 and 5 years	3,979.0	2,814.2	8,175.8	8,168.2
Wholly repayable within 5 years	14,260.3	14,082.9	9,369.7	9,416.3
Wholly repayable over 5 years	78.5	28.0	9,367.2	8,006.8

(c) The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates are all within 6 months from the statement of financial position date, except for guaranteed notes and some bank loans as they are subjected to fixed interest rate and with maturity term ranged from 2 to 40 years. The effective interest rates of the Group's borrowings at the statement of financial position date are as follows:

	2015					2014				
	HKD	USD	RMB	AUD	JPY	HKD	USD	RMB	AUD	JPY
Bank and other loans	1.2%	1.1%	4.5%	N/A	0.8%	1.2%	0.9%	5.4%	N/A	1.2%
Guaranteed notes	3.8%	5.4%	1.6%	3.1%	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.

31 Borrowings (Continued)

Notes (Continued)

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

	2015 HK\$'M	2014 HK\$'M
HKD	15,771.1	15,010.3
USD	8,201.2	7,690.7
RMB	7,530.4	7,303.7
AUD	909.0	861.9
JPY	664.0	667.4
	33,075.7	31,534.0

32 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.

33 Deferred taxation

The movements in the deferred taxation are as follows:

	2015 HK\$'M	2014 HK\$'M
At 1st January	5,169.2	4,711.3
Charged to income statement	330.8	383.3
Acquisition of businesses (Note 45 (b))	0.1	141.5
Disposal of a subsidiary	(382.5)	-
Withholding tax	(47.2)	(24.6)
Exchange differences	(195.7)	(42.3)
At 31st December	4,874.7	5,169.2

33 Deferred taxation (Continued)

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

	Accelerated tax depreciation		Mining and oil properties		Others		Total	
	2015 HK\$'M	2014 HK\$'M	2015 HK\$'M	2014 HK\$'M	2015 HK\$'M	2014 HK\$'M	2015 HK\$'M	2014 HK\$'M
Deferred tax liabilities								
At 1st January	2,328.2	1,960.4	2,161.8	2,167.7	698.3	602.3	5,188.3	4,730.4
Charged/(credited) to income statement	277.0	239.0	(53.1)	17.1	106.9	127.2	330.8	383.3
Acquisition of businesses (Note 45 (b))	-	141.2	-	-	0.1	0.3	0.1	141.5
Disposal of a subsidiary	-	-	(382.5)	-	-	-	(382.5)	-
Withholding tax	-	-	-	-	(47.2)	(24.6)	(47.2)	(24.6)
Exchange differences	(27.7)	(12.4)	(147.8)	(23.0)	(20.2)	(6.9)	(195.7)	(42.3)
At 31st December	2,577.5	2,328.2	1,578.4	2,161.8	737.9	698.3	4,893.8	5,188.3
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							4,874.7	5,169.2

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\$435.7 million (2014: HK\$315.6 million) in respect of losses amounting to HK\$1,982.5 million (2014: HK\$1,408.7 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\$1,277.9 million (2014: HK\$978.5 million) which will expire at various dates up to and including 2020 (2014: 2019).

34 Derivative financial instruments

	2015		2014	
	HK\$'M Assets	HK\$'M Liabilities	HK\$'M Assets	HK\$'M Liabilities
Non-current				
Cross currency swap and interest rate swap contracts – cash flow hedges (Note)	161.5	(636.9)	266.5	(485.8)
Interest rate swap contracts – held-for-trading	–	(17.5)	0.1	(41.8)
	161.5	(654.4)	266.6	(527.6)
Current				
Cross currency swap and interest rate swap contracts – cash flow hedges (Note)	–	(28.2)	–	–
Interest rate swap contracts – held-for-trading	–	(13.5)	–	–
	–	(41.7)	–	–

Note

The fair value of hedging derivatives is classified as current assets or liabilities when the remaining maturity of the hedged item is less than 12 months.

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\$9.4 million (2014: a loss of HK\$1.9 million).

The major terms of the outstanding cross currency swap and interest rate swap contracts at 31st December 2015 and 2014 are as follows:

Notional amount	Maturity	Forward contract rate	Interest rate (per annum)		Exchange frequency	
			Receive	Pay	Receive	Pay
Cross currency swap contract						
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
AUD25 million	2025	AUD1 to HKD5.42	3.83%	2.99%	Semi-annually	Semi-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 38) on the swaps as of 31st December 2015 will be continuously released to the income statement until the repayment of relevant borrowings.

35 Share capital

	Number of shares		Share capital	
	2015	2014	2015 HK\$'M	2014 HK\$'M
Issued and fully paid:				
At beginning of year	10,512,089,553	9,559,670,503	5,474.7	2,389.9
Transition to no-par value regime on 3rd March 2014 (Note (a))	–	–	–	3,084.8
Bonus shares	1,051,208,955	955,967,050	–	–
Shares bought back (Note (b))	(2,351,000)	(3,548,000)	–	–
At end of year	11,560,947,508	10,512,089,553	5,474.7	5,474.7

Notes

- (a) In accordance with the transitional provisions set out in section 37 of Schedule 11 to Hong Kong Companies Ordinance (Cap.622), on 3rd March 2014, any amount standing to the credit of the share premium account and capital redemption reserve have become part of the Company's share capital.
- (b) During the year, 2,351,000 shares (2014: 3,548,000 shares) of the Company were bought back at a total consideration of HK\$36.0 million (2014: HK\$60.3 million), including transaction cost of HK\$0.1 million (2014: HK\$0.1 million), at the price per share between HK\$14.76 and HK\$15.60 (2014: HK\$16.88 and HK\$17.02). All of the shares bought back have been cancelled.

36 Share premium

	2015 HK\$'M	2014 HK\$'M
At beginning of year	–	2,861.0
Transition to no-par value regime on 3rd March (Note 35)	–	(2,861.0)
At end of year	–	–

37 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 statement of financial position.

38 Reserves

	Investment revaluation reserve HK\$'M	Hedging reserve HK\$'M	Other reserve HK\$'M	Exchange reserve HK\$'M	Retained profits HK\$'M	Total HK\$'M
At 1st January 2015	431.8	290.1	(14.4)	3,113.3	43,332.7	47,153.5
Profit attributable to shareholders	–	–	–	–	7,302.0	7,302.0
Other comprehensive income:						
Remeasurements of retirement benefit	–	–	–	–	(23.1)	(23.1)
Change in value of available- for-sale financial assets	(942.3)	–	–	–	–	(942.3)
Impairment loss on available- for-sale financial assets transferred to income statement	38.6	–	–	–	–	38.6
Change in fair value of cash flow hedges	–	(118.2)	–	–	–	(118.2)
Share of comprehensive loss of an associate	–	(5.4)	–	–	–	(5.4)
Disposal of subsidiaries	–	–	–	(83.0)	–	(83.0)
Exchange differences	–	–	–	(1,723.0)	–	(1,723.0)
Total comprehensive income for the year	(903.7)	(123.6)	–	(1,806.0)	7,278.9	4,445.6
Further acquisition of subsidiaries	–	–	–	–	(405.4)	(405.4)
2014 final dividend paid	–	–	–	–	(2,417.8)	(2,417.8)
2015 interim dividend paid	–	–	–	–	(1,387.6)	(1,387.6)
Shares bought back	–	–	–	–	(36.0)	(36.0)
Others	–	–	14.4	–	–	14.4
At 31st December 2015	(471.9)	166.5	–	1,307.3	46,364.8	47,366.7
Balance after 2015 final dividend proposed	(471.9)	166.5	–	1,307.3	43,705.8	44,707.7
2015 final dividend proposed	–	–	–	–	2,659.0	2,659.0
	(471.9)	166.5	–	1,307.3	46,364.8	47,366.7

38 Reserves (Continued)

	Investment revaluation reserve HK\$'M	Capital redemption reserve HK\$'M	Hedging reserve HK\$'M	Other reserve HK\$'M	Exchange reserve HK\$'M	Retained profits HK\$'M	Total HK\$'M
At 1st January 2014	366.9	223.8	376.0	(14.4)	3,855.4	39,809.0	44,616.7
Profit attributable to shareholders	-	-	-	-	-	7,109.2	7,109.2
Other comprehensive income:							
Remeasurements of retirement benefit	-	-	-	-	-	(63.0)	(63.0)
Change in value 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 35)	-	(223.8)	-	-	-	-	(223.8)
Further acquisition of subsidiaries	-	-	-	-	-	(1.6)	(1.6)
2013 final dividend paid	-	-	-	-	-	(2,198.7)	(2,198.7)
2014 interim dividend paid	-	-	-	-	-	(1,261.9)	(1,261.9)
Shares bought back	-	-	-	-	-	(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 Contingent liabilities

The Company and the Group did not have any material contingent liabilities as at 31st December 2015 and 2014.

40 Commitments

- (a) Capital expenditures for property, plant and equipment

	2015 HK\$'M	2014 HK\$'M
Contracts had been entered into but not brought into the consolidated financial statements at 31st December	3,580.1	3,445.0

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

	2015 HK\$'M	2014 HK\$'M
Contracts had been entered into but not brought into the consolidated financial statements at 31st December	2,086.9	2,171.4

- (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 2015, the Group's commitments to these projects were approximately HK\$1,620.7 million (2014: HK\$1,012.6 million).

- (d) Lease commitments

Lessee

At 31st December 2015, future aggregate minimum lease payments of land, buildings, plant and equipment under non-cancellable operating leases are as follows:

	2015 HK\$'M	2014 HK\$'M
Not later than 1 year	122.2	113.4
Later than 1 year and not later than 5 years	181.9	147.4
Later than 5 years	213.6	224.3
	517.7	485.1

40 Commitments (Continued)

(d) Lease commitments (Continued)

Lessor

The Group leases out the building facilities of the commercial complex and car parks of Grand Waterfront and rental of server and equipment under operating leases. Except for certain car parks 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 17. At 31st December 2015, future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	2015 HK\$'M	2014 HK\$'M
Not later than 1 year	95.8	76.6
Later than 1 year and not later than 5 years	242.2	203.9
Later than 5 years	200.0	251.7
	538.0	532.2

41 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 one bank 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

	2015 HK\$'M	2014 HK\$'M
Associates		
Sale of goods and services (Note (i))	14.3	16.3
Loan interest income (Note (ii))	41.4	49.9
Joint ventures		
Sale of goods and services (Note (i))	81.3	81.1
Loan interest income (Note (ii))	18.8	33.8
Other related parties		
Sale of goods and services (Note (i))	73.2	99.6
Interest income from bank deposits (Note (i))	9.8	26.1

41 Related party transactions (Continued)

(b) Interest expense and purchase of goods and services

	2015 HK\$'M	2014 HK\$'M
Associates		
Purchase of goods and services (Note (i))	184.8	190.0
Joint ventures		
Loan interest expenses (Note (i))	21.1	27.7
Other related parties		
Purchase of goods and services (Note (i))	15.8	16.5
Interest expense on bank loans (Note (i))	35.7	112.2

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 21 and 22.
- (c) Year end balances arising from interest income, interest expense and sale or purchase of goods and services from other related parties

	2015 HK\$'M	2014 HK\$'M
Time deposits and interest receivables	666.1	1,893.5
Bank loans and interest payables	556.9	1,833.0
Trade receivables	25.3	28.4
Trade payables	0.2	0.5

- (d) Other related party transactions are also disclosed in Notes 12, 21, 22, 27 and 30.

42 Notes to consolidated cash flow statement

Reconciliation of profit before taxation to net cash from operating activities

	2015 HK\$'M	2014 HK\$'M
Profit before taxation	9,906.0	9,874.6
Share of results of associates	(2,228.2)	(1,725.1)
Share of results of joint ventures	(1,715.6)	(1,489.5)
Gain on disposal of associates	(30.8)	–
Fair value gain on investment property	(26.8)	(34.3)
Impairment of trade and other receivables	229.6	–
Provision for investment in joint venture	–	25.0
Ineffective portion on cash flow hedges	9.4	1.9
Unhedged portion on cash flow hedges	1.2	(1.7)
Interest income	(344.5)	(328.3)
Interest expense	1,128.6	1,012.9
Dividend income from investments in securities	(183.9)	(243.1)
Depreciation and amortisation	2,075.3	1,951.5
Loss on disposal/write off of property, plant and equipment	87.2	23.0
(Gain)/loss on disposal of leasehold land	(9.8)	4.3
Net realised gain on available-for-sale financial assets	(93.9)	(80.6)
Net realised and unrealised gain on investments in financial assets at fair value through profit or loss and derivative financial instruments	(170.4)	(111.1)
Tax paid	(1,518.6)	(1,468.2)
Exchange differences	516.1	319.4
Changes in working capital		
Increase in customers' deposits	26.5	23.0
(Increase)/decrease in inventories	(169.1)	64.5
Increase in trade and other receivables	(1.4)	(429.0)
Increase in trade and other payables	778.0	778.7
(Decrease)/increase in asset retirement obligations	(1.7)	2.7
Changes in retirement benefit assets	13.3	9.2
Net cash from operating activities	8,276.5	8,179.8

43 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.

43 Share option scheme (Continued)

As at 31st December 2015, Towngas China did not have any outstanding and exercisable share options (2014: 11,015,800). The weighted average exercise price for the exercised share options in 2015 and the outstanding and exercisable share options in 2014 were approximately HK\$3.7.

44 Disposal of subsidiaries

On 30th June 2015, the Group disposed its wholly-owned subsidiary, Prominent Wealth Investments Limited which mainly held 70.1 per cent equity interest in Inner Mongolia SanWei Resource Group Xiao Yu Gou Coal Company Limited to Elegant Spread Limited and settled in return of 15 per cent equity interest in China Sanwei Energy Resources Company Limited. The new investment was accounted for as available-for-sale financial asset since the completion of transaction.

On 11th December 2015, the Group disposed its 100 per cent equity interest in Dandong Yi Yuen Trade Co., Ltd. to 包頭維興能源有限公司 for the cash consideration of approximately HK\$508.3 million.

Since the Group lost control on these subsidiaries, relevant assets and liabilities were derecognised from the Group's consolidated financial statements. There is no significant impact in the Group's profit or loss for the year due to the disposal.

The assets and liabilities disposed of are as follows:

	HK\$'M
Non-current assets	4,597.6
Current assets	661.2
Current liabilities	(754.6)
Non-current liabilities	(382.5)
Net assets	4,121.7
Non-controlling interests	(389.2)
	3,732.5
Recognition of exchange reserve upon disposal	(83.0)
Transaction related costs	10.5
Consideration	3,660.0

Analysis of net cash inflow of cash and cash equivalents in respect of disposal of subsidiaries:

	HK\$'M
Cash consideration, net received	-
Cash and cash equivalents disposed	(7.5)
	(7.5)

As at 31st December 2015, the consideration of HK\$508.3 million had not yet received and included in trade and other receivables.

45 Business combinations

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

For the year ended 31st December 2015, the following businesses are acquired:

	Percentage of registered capital acquired	Purchase consideration HK\$'M
Hebei ECO Hua Tong Clean Energy Co., Ltd	80%	9.2
Xuzhou ECO Energy Co., Ltd	80%	24.8
神木易高耀清能源有限公司	90%	32.9
Urad Middle Banner Xinran Natural Gas Co., Ltd	100%	11.8

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	78.7
Fair value of net identifiable assets acquired (see below)	(42.2)
Goodwill (Note 19 (a))	36.5

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

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 16)	29.0
Leasehold land (Note 18)	9.4
Trade and other receivables	1.4
Cash and bank balances	9.9
Trade and other payables	(0.9)
Net assets	48.8
Non-controlling interests	(6.6)
Net identifiable assets acquired	42.2
Purchase consideration for acquisition of subsidiaries, settled in cash	66.6
Cash and cash equivalents in subsidiaries acquired	(9.9)
Cash outflow on acquisition of subsidiaries	56.7

As at 31st December 2015, purchase considerations of HK\$12.1 million remained unpaid and included in trade and other payables.

45 Business combinations (Continued)

(b) Business combinations under Towngas China

For the year ended 31st December 2015, Towngas China acquired the following businesses:

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

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

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	5.0
Other intangible assets (Note 19 (b))	0.3
Trade and other receivables	2.3
Cash and bank balances	18.6
Trade and other payables	(2.2)
Deferred taxation (Note 33)	(0.1)
Net assets	23.9
Non-controlling interests	(11.1)
Net identifiable assets acquired	12.8
Goodwill (Note 19 (a))	108.6
Purchase consideration	121.4

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.

45 Business combinations (Continued)

(b) Business combinations under Towngas China (Continued)

Net cash flow arising on acquisitions:

	HK\$'M
Purchase consideration for acquisition of subsidiaries, settled in cash	11.4
Cash and cash equivalents in businesses acquired	(18.6)
Cash inflow on acquisition of businesses	(7.2)

As at 31st December 2015, purchase consideration of HK\$34.6 million and HK\$75.4 million remained unpaid and included in trade and other payables and loan and other payables to non-controlling shareholders respectively.

(c) Further acquisition of subsidiaries

On 1st August 2015, the Group has further acquired the interest in Inner Mongolia SanWei Coal Chemical Technology Company Limited with the interest increased from 70.1 per cent to 100 per cent after the acquisition. Together with two other insignificant acquisitions during the year, the total consideration is approximately HK\$564.0 million, including a contingent consideration of HK\$176.7 million (Note 3). The difference between the share of net assets value acquired and total consideration of HK\$405.4 million was recognised directly in equity for these transactions with non-controlling interests.

(d) Apart from the above, there were no other material acquisitions during the year ended 31st December 2015.

46 Statement of financial position of the Company

	2015 HK\$'M	2014 HK\$'M
Assets		
Non-current assets		
Property, plant and equipment	10,575.3	10,124.3
Leasehold land	232.0	238.9
Subsidiaries	16,005.5	17,333.5
Joint ventures	831.7	875.4
Available-for-sale financial assets	37.6	47.3
	27,682.1	28,619.4
Current assets		
Inventories	1,212.2	1,161.8
Trade and other receivables	1,743.9	1,853.3
Loan receivables from subsidiaries	282.0	331.6
Loan and other receivables from associates	28.5	37.6
Other receivables from joint ventures	11.4	11.6
Time deposits up to three months, cash and bank balances	1,732.1	2,182.7
	5,010.1	5,578.6
Current liabilities		
Trade and other payables	(1,043.1)	(884.3)
Amounts due to joint ventures	–	(0.6)
Provision for taxation	(130.8)	(154.7)
Borrowings	–	(300.0)
	(1,173.9)	(1,339.6)
Total assets less current liabilities	31,518.3	32,858.4
Non-current liabilities		
Loan and other payables to subsidiaries	(10,412.9)	(14,519.4)
Customers' deposits	(1,271.9)	(1,246.6)
Deferred taxation	(1,231.9)	(1,185.4)
Retirement benefit liabilities	(42.3)	(5.9)
Borrowings	(245.8)	–
	(13,204.8)	(16,957.3)
Net assets	18,313.5	15,901.1

46 Statement of financial position of the Company (Continued)

	2015 HK\$'M	2014 HK\$'M
Capital and reserves		
Share capital	5,474.7	5,474.7
Reserves (Note (a))	12,838.8	10,426.4
	18,313.5	15,901.1

Approved by the Board of Directors on 18th March 2016

Lee Shau Kee
Director

David Li Kwok Po
Director

46 Statement of financial position of the Company (Continued)

Note

(a) Reserves of the Company

	Investment revaluation reserve HK\$'M	Capital redemption reserve HK\$'M	Retained profits HK\$'M	Total HK\$'M
At 1st January 2015	13.8	–	10,412.6	10,426.4
Profit attributable to shareholders	–	–	6,282.4	6,282.4
Other comprehensive income:				
Remeasurements of retirement benefit	–	–	(23.1)	(23.1)
Change in value of available-for-sale financial assets	(1.2)	–	–	(1.2)
Impairment loss on available-for-sale financial assets transferred to income statement	(4.3)	–	–	(4.3)
Total comprehensive income for the year	(5.5)	–	6,259.3	6,253.8
2014 final dividend paid	–	–	(2,417.8)	(2,417.8)
2015 interim dividend paid	–	–	(1,387.6)	(1,387.6)
Shares bought back	–	–	(36.0)	(36.0)
At 31st December 2015	8.3	–	12,830.5	12,838.8
Balance after 2015 final dividend proposed	8.3	–	10,171.5	10,179.8
2015 final dividend proposed	–	–	2,659.0	2,659.0
	8.3	–	12,830.5	12,838.8
At 1st January 2014	11.1	223.8	10,644.8	10,879.7
Profit attributable to shareholders	–	–	3,351.7	3,351.7
Other comprehensive income:				
Remeasurements of retirement benefit	–	–	(63.0)	(63.0)
Change in value 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	–	(223.8)	–	(223.8)
2013 final dividend paid	–	–	(2,198.7)	(2,198.7)
2014 interim dividend paid	–	–	(1,261.9)	(1,261.9)
Shares bought back	–	–	(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

Subsidiaries

The following is a list of the principal subsidiaries as at 31st December 2015:

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
^{†1} Peixian Hong Kong and China Gas Company Limited	RMB100.0 million	100	PRC	Gas sales and related businesses
[†] Pingxiang Hong Kong & China Gas Company Limited	RMB104.8 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
Taizhou Yongan Hong Kong and China Gas Company Limited	US\$10.0 million	93.9	PRC	Gas sales and related businesses
Wujiang Hong Kong and China Gas Company Limited	RMB60.0 million	80	PRC	Gas sales and related businesses
Xuzhou Hong Kong and China Gas Company Limited	RMB125.0 million	80	PRC	Gas sales and related businesses
Yixing Hong Kong and China Gas Company Limited	RMB124.0 million	80	PRC	Gas sales and related businesses
[†] Zhang Shu Hong Kong & China Gas Company Limited	US\$5.0 million	100	PRC	Gas sales and related businesses
Zhongshan Hong Kong and China Gas Limited	RMB96.0 million	70	PRC	Gas sales and related businesses
¹ 港華支付科技(深圳)有限公司	RMB28.0 million	100	PRC	Gas sales and related businesses

Direct subsidiaries of the Company

[†] 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 2015: (Continued)

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)				
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
† 新密港華燃氣有限公司	US\$12.5 million	100	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	RMB374.4 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	2,665,062,650 shares of HK\$0.1 each	62.5	Cayman Island/ PRC	Investment holding
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
Baotou Hong Kong & China Gas Company Limited	RMB100.0 million	85	PRC	Gas sales and related businesses
Baoding Foric Hong Kong & China Gas Company Limited	RMB52.5 million	70	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 and 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

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 2015: (Continued)

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)				
Dafeng Hong Kong and China Gas Company Limited	RMB80.0 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
† 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
Jiajiang Hong Kong & China Gas Company Limited	RMB20.0 million	70	PRC	Gas sales and related businesses
Jianping Hong Kong and China Gas Company Limited	RMB58.0 million	80	PRC	Gas sales and related businesses
Jiayang 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	82.2	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

† Wholly foreign-owned enterprises

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2015: (Continued)

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)				
† 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
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
Mianzhu Hong Kong and China Gas Co., Ltd. (Formerly known as Sichuan Quanxin Gas Co., Ltd.)	RMB12.0 million	80	PRC	Gas sales and related businesses
Siping Hong Kong and China Gas Company Limited	RMB45.0 million	80	PRC	Gas sales and related businesses
Songyang Hong Kong & China Gas Company Limited	RMB20.0 million	51.4	PRC	Gas sales and related businesses
Tieling Hong Kong and China Gas Company Limited	RMB233.0 million	80	PRC	Gas sales and related businesses
Tongshan Hong Kong and China Gas Company Limited	RMB124.0 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 2015: (Continued)

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)				
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
² Wulian Hong Kong and China Gas Company Limited	RMB20.0 million	70	PRC	Gas sales and related businesses
Wuning Hong Kong and China Gas Company Limited	RMB40.0 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
Xingyi Hong Kong and China Gas Company Limited	RMB50.0 million	70	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
² Yangxin Hong Kong and China Gas Co., Ltd.	RMB18.0 million	51	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
Heilongjiang Hong Kong & China Lianfu New Energy Company Limited	RMB7.2 million	55	PRC	Vehicle gas refilling stations
[†] Towngas Investments Limited	US\$200.0 million	100	PRC	Investment holding

[†] Wholly foreign-owned enterprises

² Newly acquired during the year

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2015: (Continued)

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
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	100	PRC	Chemical business
Inner Mongolia ECO Ke Jian Coal Company Limited	RMB150.0 million	100	PRC	Coal related businesses
Qinhuangdao YiTeng Trade Co. Ltd.	US\$20.0 million	100	PRC	Coal related businesses
¹ 易高卓新節能技術(上海)有限公司	RMB14.0 million	100	PRC	Consultancy services
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
易高新能源工程管理服務(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
Shandong ECO Juming Energy Co., Ltd	RMB150.0 million	90	PRC	LNG business
Xuzhou ECO ZhongTai New Energy Co., Ltd.	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 425.0 million	100	Thailand	Oil business
[†] ECO Services Management Company Limited	RMB80.0 million	100	PRC	Project management
¹ Dalian Yihua New Energy Technological Development Co., Ltd.	US\$4.8 million	100	PRC	Research and Development
¹ 易高環保能源科技(張家港)有限公司	US\$3.3 million	100	PRC	Research and Development
Anyang ECO Clean Energy Co., Ltd.	US\$2.3 million	100	PRC	Vehicular fuel refilling station
¹ Chifeng ECO Clean Energy Co., Ltd.	RMB14.9 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
Fengxiang ECO Clean Energy Company Limited	RMB15.0 million	100	PRC	Vehicular fuel refilling station
Guangzhou ECO Environmental Energy Co., Ltd.	US\$2.1 million	100	PRC	Vehicular fuel refilling station
Hanzhong ECO Clean Energy Co., Ltd.	US\$2.1 million	100	PRC	Vehicular fuel refilling station
² Hebei ECO Hua Tong Clean Energy Co., Ltd	RMB31.0 million	80	PRC	Vehicular fuel refilling station

[†] Wholly foreign-owned enterprises

¹ Newly formed during the year

² Newly acquired during the year

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2015: (Continued)

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
New Energy businesses (Continued)				
† Henan ECO Clean Energy Co. Ltd.	US\$2.2 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
Kaifeng ECO Clean Energy Co., Ltd.	US\$2.4 million	100	PRC	Vehicular fuel refilling station
Liaocheng ECO Clean Energy Co. Ltd.	US\$2.1 million	100	PRC	Vehicular fuel refilling station
Linzhou city ECO Clean Energy Co., Ltd.	US\$3.3 million	100	PRC	Vehicular fuel refilling station
¹ MeiXian ECO Clean Energy Co., Ltd.	RMB14.2 million	100	PRC	Vehicular fuel refilling station
¹ Nanyang ECO Clean Energy Co., Ltd.	RMB10.1 million	100	PRC	Vehicular fuel refilling station
¹ Qingtongxia ECO Clean Energy Co., Ltd.	RMB13.0 million	100	PRC	Vehicular fuel refilling station
† Shaan Xi ECO Clean Energy Co., Ltd.	RMB27.0 million	100	PRC	Vehicular fuel refilling station
Shanxian ECO Clean Energy Co., Ltd.	US\$2.3 million	100	PRC	Vehicular fuel refilling station
¹ Shanxian ECO RLM Clean Energy Co., Ltd.	RMB13.0 million	90	PRC	Vehicular fuel refilling station
Shanxi ECO Nova Clean Energy Co., Ltd.	RMB20.0 million	75	PRC	Vehicular fuel refilling station
² Urad Middle Banner Xinran Natural Gas Co., Ltd	RMB8.3 million	100	PRC	Vehicular fuel refilling station
Weishan ECO Energy Co., Ltd.	US\$4.7 million	100	PRC	Vehicular fuel refilling station
¹ Wuzhong ECO Clean Energy Co., Ltd.	RMB10.5 million	100	PRC	Vehicular fuel refilling station
Xian ECO Yida Clean Energy Co., Ltd.	RMB12.0 million	100	PRC	Vehicular fuel refilling station
¹ Xiwuzhumuqin country ECO Clean Energy Co., Ltd.	RMB14.9 million	100	PRC	Vehicular fuel refilling station
² Xuzhou ECO Energy Co., Ltd	RMB20.0 million	80	PRC	Vehicular fuel refilling station
¹ Zhongwei ECO Clean Energy Co., Ltd.	RMB12.4 million	100	PRC	Vehicular fuel refilling station
¹ 察哈爾右翼前旗易高清潔能源有限公司	RMB14.9 million	90	PRC	Vehicular fuel refilling station
² 神木易高耀清能源有限公司	RMB22.0 million	90	PRC	Vehicular fuel refilling station
內蒙古易高清潔能源有限公司	RMB14.0 million	90	PRC	Vehicular fuel refilling station
¹ 江西易高凌峰清潔能源有限公司	RMB30.0 million	70	PRC	Vehicular fuel refilling station
邢台市易高港興清潔能源有限公司	RMB17.1 million	80	PRC	Vehicular fuel refilling station
† 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\$35.0 million	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

† Wholly foreign-owned enterprises

¹ Newly formed during the year

² Newly acquired during the year

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2015: (Continued)

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
Other businesses (Continued)				
Towngas Telecom (Shandong) Company Limited	RMB40.0 million	90.1	PRC	Telecommunications business
Towngas Chibo Data Service (Jinan) Co., Ltd.	RMB68.0 million	65.5	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
大連億達名氣通數據有限公司	RMB76.0 million	90	PRC	Telecommunications business
北京馳波名氣通數據服務有限公司	RMB10.0 million	96.5	PRC	Telecommunications business
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
珠海卓銳高科信息技術有限公司	RMB4.9 million	100	PRC	System Development & Consulting Services
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	RMB31.0 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\$14.8 million	100	Hong Kong	Engineering and related businesses
P-Tech Engineering Company Limited	HK\$2	100	Hong Kong	Engineering and related businesses
Starmax Assets Limited	HK\$90.0 million	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	HK\$100	100	British Virgin Islands	Financing
Barnaby Assets Limited	US\$1	100	British Virgin Islands/ Hong Kong	Securities investment
Danetop Services Limited	US\$1	100	British Virgin Islands/ Hong Kong	Securities investment
Investstar Limited	HK\$100	100	Hong Kong	Securities investment
Superfun Enterprises Limited	US\$1	100	British Virgin Islands/ Hong Kong	Securities investment
Upwind International Limited	US\$1	100	British Virgin Islands/ Hong Kong	Securities investment

Direct subsidiaries of the Company

† Wholly foreign-owned enterprises

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2015: (Continued)

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
Investment holding				
Apex Time Holdings Limited	HK\$100	100	Hong Kong	Investment holding
¹ ECO Coal Chemical Technology (Inner Mongolia) Limited	HK\$100	100	Hong Kong	Investment holding
ECO Environmental Investments Limited	HK\$2	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	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
ECO Natural Gas (Xian) Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
ECO Orient Energy (Thailand) Ltd.	US\$12,000	100	Bermuda	Investment holding
Fanico Investments Limited	HK\$1	100	Hong Kong	Investment holding
G-Tech Piping Technologies Limited	HK\$100	100	Hong Kong	Investment holding
Hong Kong & China Gas (Anhui) Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Changzhou) Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Chaozhou) Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (China) Limited	HK\$10,000	100	British Virgin Islands	Investment holding
Hong Kong & China Gas (Danyang) Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Fengcheng) Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Guangzhou) Limited	HK\$1,000	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Hebei) Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Jilin Province) Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Jinan) Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Jintan) Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Nanjing) Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Panyu) Limited	HK\$1,000	100	British Virgin Islands/ Hong Kong	Investment holding
¹ Hong Kong & China Gas (Qianhai) Limited	HK\$100	100	Hong Kong	Investment holding

¹ Newly formed during the year

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2015: (Continued)

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 (Suzhou) Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Taizhou) Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Wuhan) Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Wujiang) Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Xuzhou) Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Yixing) Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Zhangjiagang) Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Zhongshan) Limited	HK\$1,000	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	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Water (Wujiang) Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Water Limited	US\$1	100	British Virgin Islands	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	US\$100	100	British Virgin Islands/ Hong Kong	Investment holding
TGT Harbin Company Limited	HK\$100	100	Hong Kong	Investment holding

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2015: (Continued)

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
Investment holding (Continued)				
¹ TGT BROADBANDgo Company Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
TGT Destic Company Limited	HK\$100	100	Hong Kong	Investment holding
¹ TGT TGgo Company Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
# Towngas International Company Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
# Towngas Investment Company Limited	HK\$2	100	Hong Kong	Investment holding
Townags Telecommunications (China) Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding

Direct subsidiaries of the Company

¹ Newly formed during the year

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.

Chairman

LEE Shau Kee

Directors

LEUNG Hay Man*
Colin LAM Ko Yin
David LI Kwok Po*
LEE Ka Kit
Alfred CHAN Wing Kin
LEE Ka Shing
POON Chung Kwong*
Peter WONG Wai Yee

* Independent Non-executive Director

Managing Director

Alfred CHAN Wing Kin

Executive Director and Chief Operating Officer – Utilities Business

Peter WONG Wai Yee

Chief Financial Officer and Company Secretary

John HO Hon Ming

Registered Office

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

Company's Website

www.towngas.com

Share Registrar

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

Auditor

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building,
Central,
Hong Kong

Principal Bankers

The Hongkong and Shanghai Banking
Corporation Limited
1 Queen's Road Central,
Hong Kong

The Bank of East Asia, Limited
10 Des Voeux Road Central,
Hong Kong

Investor Relations

Corporate Investment and Investor
Relations Department
Tel: 2963 3189
Fax: 2911 9005
e-mail: invrelation@towngas.com

Corporate Affairs Department
Tel: 2963 3493
Fax: 2516 7368
e-mail: ccd@towngas.com

Company Secretarial Department
Tel: 2963 3292
Fax: 2562 6682
e-mail: compsec@towngas.com

FINANCIAL CALENDAR

Half-Year Results	Announced on Thursday, 13th August 2015
Full-Year Results	Announced on Friday, 18th March 2016
Annual Report	Posted to Shareholders on Friday, 22nd April 2016
Register of Members	(i) To be closed from Friday, 3rd June 2016 to Tuesday, 7th June 2016, for the purpose of determining entitlement of Shareholders to the right to attend and vote at the Annual General Meeting (ii) To be closed from Tuesday, 14th June 2016 to Thursday, 16th June 2016, for the purpose of determining Shareholders who qualify for the proposed issue of bonus shares and final dividend
Annual General Meeting	To be held on Tuesday, 7th June 2016
Dividends – Interim	HK12 cents – Paid on Friday, 2nd October 2015
– Final (Proposed)	HK23 cents – Payable on Friday, 24th June 2016
Bonus Issue of Shares (Proposed)	Share certificates to be posted to Shareholders on Friday, 24th June 2016

Both printed English and Chinese versions of this Annual Report are available upon request from the Company and the Company's share registrar free of charge. The website version of this Annual Report is also available on the Company's website.

The Hong Kong and China Gas Company Limited
香港中華煤氣有限公司

23rd Floor, 363 Java Road, North Point, Hong Kong
www.towngas.com

