

Consolidated Income Statement

for the year ended 31st December 2011

	Note	2011 HK\$'M	2010 HK\$'M
Revenue	5	22,426.8	19,375.4
Total operating expenses	6	(16,752.2)	(14,697.4)
		5,674.6	4,678.0
Other gains, net	7	589.7	702.3
Interest expense	9	(752.0)	(711.2)
Share of profits less losses of associated companies		1,647.7	1,528.1
Share of profits less losses of jointly controlled entities		908.7	889.5
Profit before taxation	10	8,068.7	7,086.7
Taxation	13	(1,344.0)	(1,038.8)
Profit for the year		6,724.7	6,047.9
Attributable to:			
Shareholders of the Company		6,149.6	5,584.8
Non-controlling interests		575.1	463.1
		6,724.7	6,047.9
Dividends	15	4,147.8	2,513.8
Earnings per share - basic and diluted, HK cents	16	77.8	70.7 ¹

¹ Adjusted for the bonus issue in 2011

Consolidated Statement of Comprehensive Income

for the year ended 31st December 2011

	2011 HK\$'M	2010 HK\$'M
Profit for the year	6,724.7	6,047.9
Other comprehensive income:		
Revaluation deficit of available-for-sale financial assets transferred to equity	(401.0)	(9.6)
Impairment loss on available-for-sale financial assets transferred to income statement	78.3	–
Change in fair value of cash flow hedges	36.3	138.6
Exchange differences	1,019.8	810.2
Other comprehensive income for the year, net of tax	733.4	939.2
Total comprehensive income for the year	7,458.1	6,987.1
Total comprehensive income attributable to:		
Shareholders of the Company	6,726.4	6,365.0
Non-controlling interests	731.7	622.1
	7,458.1	6,987.1

The notes on pages 77 to 156 form part of these accounts.

72 Consolidated Balance Sheet

as at 31st December 2011

	Note	2011 HK\$'M	2010 HK\$'M
Assets			
Non-current assets			
Property, plant and equipment	17	32,255.1	26,890.1
Investment property	18	518.0	501.0
Leasehold land	19	1,351.2	935.7
Intangible assets	20	3,434.8	2,575.6
Associated companies	22	12,706.8	10,802.2
Jointly controlled entities	23	8,964.7	7,768.8
Available-for-sale financial assets	24	3,110.6	3,441.2
Derivative financial instruments	35	452.3	351.8
Retirement benefit assets	25	81.4	68.3
Other non-current assets	26	2,258.9	2,371.8
		65,133.8	55,706.5
Current assets			
Inventories	27	1,622.4	1,303.3
Trade and other receivables	28	5,606.7	3,340.0
Loan and other receivables from associated companies	22	73.3	70.7
Loan and other receivables from jointly controlled entities	23	468.1	338.5
Loan and other receivables from non-controlling shareholders		135.4	38.1
Financial assets at fair value through profit or loss	29	313.3	528.7
Time deposits over three months	30	493.7	1,642.0
Time deposits up to three months, cash and bank balances	30	11,242.2	9,696.3
		19,955.1	16,957.6
Current liabilities			
Trade and other payables	31	(7,990.5)	(5,801.6)
Amounts due to jointly controlled entities	23	(31.7)	(5.0)
Loan and other payables to non-controlling shareholders		(282.4)	(26.2)
Provision for taxation		(878.0)	(708.2)
Borrowings	32	(4,220.8)	(9,982.4)
		(13,403.4)	(16,523.4)
Net current assets		6,551.7	434.2
Total assets less current liabilities		71,685.5	56,140.7

The notes on pages 77 to 156 form part of these accounts.

Consolidated Balance Sheet (continued)

as at 31st December 2011

	Note	2011 HK\$'M	2010 HK\$'M
Non-current liabilities			
Customers' deposits	33	(1,165.7)	(1,133.9)
Deferred taxation	34	(2,444.1)	(2,017.5)
Borrowings	32	(21,628.4)	(11,745.7)
Loans payable to non-controlling shareholders		–	(35.0)
Derivative financial instruments	35	(115.1)	–
		(25,353.3)	(14,932.1)
Net assets			
		46,332.2	41,208.6
Capital and reserves			
Share capital	36	1,975.1	1,795.6
Share premium	37	3,275.8	3,455.3
Reserves	38	33,133.5	30,561.3
Proposed dividend	38	3,199.7	1,651.9
Shareholders' funds		41,584.1	37,464.1
Non-controlling interests			
		4,748.1	3,744.5
Total equity			
		46,332.2	41,208.6

Approved by the Board of Directors on 19th March 2012

Lee Chau Kee
Director

David Li Kwok Po
Director

The notes on pages 77 to 156 form part of these accounts.

Balance Sheet

as at 31st December 2011

	Note	2011 HK\$'M	2010 HK\$'M
Assets			
Non-current assets			
Property, plant and equipment	17	9,271.1	9,092.1
Leasehold land	19	225.1	235.5
Subsidiaries	21	25,919.8	16,968.3
Jointly controlled entities	23	933.4	933.4
Available-for-sale financial assets	24	42.7	87.9
Retirement benefit assets	25	81.4	68.3
		36,473.5	27,385.5
Current assets			
Inventories	27	877.9	976.9
Trade and other receivables	28	1,612.8	1,446.6
Loans to subsidiaries	21	384.7	268.6
Loan and other receivables from associated companies	22	29.5	27.7
Amounts due from jointly controlled entities	23	4.5	2.9
Financial assets at fair value through profit or loss	29	1.8	4.4
Time deposits over three months	30	99.8	–
Time deposits up to three months, cash and bank balances	30	1,481.4	1,831.7
		4,492.4	4,558.8
Current liabilities			
Trade and other payables	31	(712.4)	(727.0)
Amounts due to jointly controlled entities	23	(1.9)	(3.2)
Provision for taxation		(151.8)	(185.1)
Borrowings	32	–	(200.0)
		(866.1)	(1,115.3)
Net current assets			
		3,626.3	3,443.5
Total assets less current liabilities			
		40,099.8	30,829.0
Non-current liabilities			
Amounts due to subsidiaries	21	(19,671.4)	(17,417.3)
Customers' deposits	33	(1,158.9)	(1,127.8)
Deferred taxation	34	(1,097.3)	(1,074.9)
Borrowings	32	(1,100.0)	(600.0)
		(23,027.6)	(20,220.0)
Net assets			
		17,072.2	10,609.0
Capital and reserves			
Share capital	36	1,975.1	1,795.6
Share premium	37	3,275.8	3,455.3
Reserves	38	8,621.6	3,706.2
Proposed dividend	38	3,199.7	1,651.9
		17,072.2	10,609.0

Approved by the Board of Directors on 19th March 2012

Lee Shau Kee
Director

David Li Kwok Po
Director

The notes on pages 77 to 156 form part of these accounts.

Consolidated Cash Flow Statement

For the year ended 31st December 2011

	Note	2011 HK\$'M	2010 HK\$'M
Net cash from operating activities	42	4,957.3	5,234.2
Investing activities			
Receipt from sale of property, plant and equipment		42.2	15.3
Receipt from sale of leasehold land		–	19.0
Purchase of property, plant and equipment		(4,578.9)	(4,200.2)
Purchase of other intangible asset		(83.1)	–
Payment for leasehold land		(63.1)	(77.3)
Increase in investments in associated companies		(575.1)	(526.5)
Increase in loans to associated companies		(186.2)	(31.2)
Repayment of loans by associated companies		42.3	43.7
Increase in investments in jointly controlled entities		(33.9)	(139.6)
Increase in loans to jointly controlled entities		(770.2)	(108.6)
Increase in loans from jointly controlled entities		235.3	6.7
Repayment of loans by jointly controlled entities		154.8	140.9
Consideration paid for acquisition of subsidiaries in prior periods		(13.0)	(165.7)
Deferred consideration received		40.0	40.0
Acquisition of subsidiaries	44	(737.3)	(115.7)
Further acquisition of subsidiaries		(9.2)	(908.4)
Deconsolidation of a subsidiary		–	(79.6)
Sale of financial assets at fair value through profit or loss		294.4	1,021.5
Sale of available-for-sale financial assets		658.5	632.5
Purchase of available-for-sale financial assets		(617.8)	(930.7)
Purchase of financial assets at fair value through profit or loss		(151.9)	(1,172.3)
Decrease/(increase) in time deposits over three months		1,149.3	(1,288.6)
Interest received		266.1	232.1
Dividends received from investments in securities		178.4	175.5
Dividends received from associated companies		619.9	545.5
Dividends received from jointly controlled entities		387.1	391.0
Net cash used in investing activities		(3,751.4)	(6,480.7)
Financing activities			
Issue of shares of a subsidiary under share option scheme		39.1	7.6
Change in loans with non-controlling shareholders		(74.5)	(7.0)
Capital injection by non-controlling shareholders		224.6	87.1
Increase in borrowings		10,067.8	6,854.9
Repayment of borrowings		(6,376.5)	(5,571.3)
Interest paid		(918.4)	(834.5)
Dividends paid to shareholders of the Company	38	(2,600.0)	(2,363.7)
Dividends paid to non-controlling shareholders		(146.8)	(136.2)
Net cash inflow/(used in) financing activities		215.3	(1,963.1)
Increase/(decrease) in cash and cash equivalents		1,421.2	(3,209.6)
Cash and cash equivalents at 1st January		9,696.3	12,817.4
Effect of foreign exchange rate changes		124.7	88.5
Cash and cash equivalents at 31st December		11,242.2	9,696.3
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		5,704.9	4,129.1
Time deposits up to three months		5,537.3	5,567.2
		11,242.2	9,696.3

The notes on pages 77 to 156 form part of these accounts.

76 Consolidated Statement of Changes in Equity

for the year ended 31st December 2011

	Attributable to shareholders of the Company			Non- controlling interests HK\$'M	Total HK\$'M
	Share capital HK\$'M	Share premium HK\$'M	Reserves HK\$'M		
Total equity as at 1st January 2011	1,795.6	3,455.3	32,213.2	3,744.5	41,208.6
Profit for the year	-	-	6,149.6	575.1	6,724.7
Other comprehensive income:					
Revaluation deficit of available-for-sale financial assets transferred to equity	-	-	(401.0)	-	(401.0)
Impairment loss on available-for-sale financial assets transferred to income statement	-	-	78.3	-	78.3
Change in fair value of cash flow hedges	-	-	40.6	(4.3)	36.3
Exchange differences	-	-	858.9	160.9	1,019.8
Total comprehensive income for the year	-	-	6,726.4	731.7	7,458.1
Capital injection	-	-	-	224.6	224.6
Acquisition of subsidiaries (Note 44)	-	-	-	157.8	157.8
Further acquisition of subsidiaries	-	-	4.9	(14.1)	(9.2)
Dividends paid to shareholders of the Company	-	-	(2,600.0)	-	(2,600.0)
Dividends paid to non-controlling shareholders	-	-	-	(146.8)	(146.8)
Bonus issue	179.5	(179.5)	-	-	-
Issue of shares of a subsidiary under share option schemes	-	-	(11.3)	50.4	39.1
Total equity as at 31st December 2011	1,975.1	3,275.8	36,333.2	4,748.1	46,332.2
Total equity as at 1st January 2010	1,632.3	3,618.6	28,614.1	3,942.3	37,807.3
Profit for the year	-	-	5,584.8	463.1	6,047.9
Other comprehensive income:					
Revaluation deficit of available-for-sale financial assets transferred to equity	-	-	(9.6)	-	(9.6)
Change in fair value of cash flow hedges	-	-	138.6	-	138.6
Exchange differences	-	-	651.2	159.0	810.2
Total comprehensive income for the year	-	-	6,365.0	622.1	6,987.1
Capital injection	-	-	-	87.1	87.1
Deconsolidation of a subsidiary	-	-	-	(120.9)	(120.9)
Acquisition of subsidiaries	-	-	-	5.6	5.6
Further acquisition of a subsidiary	-	-	(401.4)	(664.0)	(1,065.4)
Dividends paid to shareholders of the Company	-	-	(2,363.7)	-	(2,363.7)
Dividends paid to non-controlling shareholders	-	-	-	(136.2)	(136.2)
Bonus issue	163.3	(163.3)	-	-	-
Issue of shares of a subsidiary under share option schemes	-	-	-	8.5	8.5
Others	-	-	(0.8)	-	(0.8)
Total equity as at 31st December 2010	1,795.6	3,455.3	32,213.2	3,744.5	41,208.6

The notes on pages 77 to 156 form part of these accounts.

1 General information

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

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

These consolidated accounts have been approved for issue by the Board of Directors on 19th March 2012.

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

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

(i) *New or revised standards, interpretations and amendments adopted in 2011*

The Group has adopted the following new or revised standards, interpretations and amendments which are mandatory for the financial year ended 31st December 2011.

HKAS 24 (revised)	“Related Party Disclosures”
HKAS 32 (amendment)	“Classification of Rights Issues”
HK(IFRIC) 14	“Prepayments of a Minimum Funding Requirement”
HK(IFRIC) 19	“Extinguishing Financial Liabilities with Equity Instruments”

HKICPA’s Improvements to HKFRS 2010

The adoption of these new or revised standards, interpretations and amendments has no significant impact on the Group’s results and financial position nor 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 2011 but relevant to the Group and have not been early adopted by the Group*

The HKICPA has issued the following new or revised standards, interpretations and amendments to existing standards which are not yet effective for the year ended 31st December 2011 and have not been early adopted by the Group:

New or revised standards, interpretations and amendments		Effective for accounting periods beginning on or after
HKFRS 7 (amendment)	“Financial Instruments: Disclosure – Transfer of Financial Assets”	1 July 2011
HKAS 1 (amendment)	“Presentation of Financial Statements – Presentation of Items on Other Comprehensive Income”	1 July 2012
HKFRS 7 (amendment)	“Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities”	1 January 2013
HKFRS 10	“Consolidated Financial Statements”	1 January 2013
HKFRS 11	“Joint Arrangements”	1 January 2013
HKFRS 12	“Disclosure of Interest in Other Entities”	1 January 2013
HKFRS 13	“Fair Value Measurement”	1 January 2013
HKAS 19 (amendment 2011)	“Employee Benefits”	1 January 2013
HKAS 27 (revised 2011)	“Separate Financial Statements”	1 January 2013
HKAS 28 (revised 2011)	“Investments in Associates and Joint Ventures”	1 January 2013
HK(IFRIC) 20	“Stripping Costs in the Production Phase of a Surface Mine”	1 January 2013
HKAS 32 (amendment)	“Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities”	1 January 2014
HKFRS 9	“Financial Instruments”	1 January 2015

The Group will apply the above standards, interpretations and amendments from 1st January 2012 or later periods. The Group has already commenced an assessment of the related impact to the Group but is not yet in a position to state whether there will be any substantial changes to the Group’s significant accounting policies and presentation of financial information will be resulted.

(b) Consolidation

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

(i) *Subsidiaries*

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

2 Summary of significant accounting policies (Continued)

(b) Consolidation (Continued)

(i) *Subsidiaries* (Continued)

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

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

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

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment. 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) Associated companies

Associated companies 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 associated companies 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 associated companies includes goodwill identified on acquisition.

If the ownership interest in an associated company 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 associated companies' 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 associated company equals or exceeds its interest in the associated company, 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 associated company.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associated company 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 profits less losses of associated companies" in the income statement.

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

Dilution gains and losses in associated companies are recognised in the income statement.

(v) Jointly controlled entities

Jointly controlled entities 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 jointly controlled entities 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 jointly controlled entities includes goodwill identified on acquisition.

If the ownership interest in a jointly controlled entity 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.

2 Summary of significant accounting policies (Continued)

(b) Consolidation (Continued)

(v) *Jointly controlled entities* (Continued)

The Group's share of its jointly controlled entities' 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 jointly controlled entity equals or exceeds its interest in the jointly controlled entity, 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 jointly controlled entity.

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

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

Dilution gains and losses in jointly controlled entities are recognised in the income statement.

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

(c) Segment reporting

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

(d) Foreign currency translation

(i) *Functional and presentation currency*

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

(ii) *Transactions and balances*

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

2 Summary of significant accounting policies (Continued)

(d) Foreign currency translation (Continued)

(ii) Transactions and balances (Continued)

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.

(iii) Group companies

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

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

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

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

(e) 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 are 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)

(e) 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	10 - 30 years
Vehicles, office furniture and equipment	5 - 15 years
Compressors	10 years
Gas mains	40 years
Water mains	40 - 50 years
Risers, gasholders, office, store and buildings	30 years
Meters and installations	5 - 20 years
Mining rights	Based on the units of production method utilising only recoverable coal reserves as the depletion base
Others	3 - 30 years
Capital work in progress	No depreciation

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

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

(f) 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. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market value, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the HKIS Valuation Standards on Properties published by the Hong Kong Institute of Surveyors ("HKIS"). These valuations are reviewed annually by qualified valuers.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

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

Changes in fair values are recognised in the income statement.

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

2 Summary of significant accounting policies (Continued)

(f) Investment property (Continued)

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.

(g) 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.

(h) 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, associated companies and jointly controlled entities at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in "intangible assets". Goodwill arising on an acquisition of an associated company or jointly controlled entity is included in the cost of the investment of the relevant associated company or jointly controlled entity. 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 of 15 years.

(i) Impairment of investments in subsidiaries, associated companies, jointly controlled entities and non-financial assets

Intangible assets 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.

2 Summary of significant accounting policies *(Continued)*

(i) Impairment of investments in subsidiaries, associated companies, jointly controlled entities and non-financial assets *(Continued)*

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 to sell 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.

(j) Financial assets

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

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

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

(ii) *Loans and receivables*

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

(iii) *Available-for-sale financial assets*

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

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

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

2 Summary of significant accounting policies (Continued)

(j) Financial assets (Continued)

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.

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.

(k) 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.

2 Summary of significant accounting policies (Continued)

(k) Derivative financial instruments and hedging activities (Continued)

The fair values of the derivative instruments used for hedging purposes are disclosed in Note 35. Movements on the hedging reserve in shareholders' equity are shown in Note 38. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining 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".

(l) Completed property for sale

Completed property for sale is stated at the lower of carrying amount and net realisable value. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(m) Inventories

Inventories comprise 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.

(n) 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.

2 Summary of significant accounting policies (Continued)

(n) Construction contracts (Continued)

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

(o) 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.

(p) 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.

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 or held-to-maturity investment 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.

2 Summary of significant accounting policies (Continued)

(p) Impairment of financial assets (Continued)

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

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 (a) 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 separate income statement. Impairment losses recognised in the separate income statement on equity instruments are not reversed through the separate 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 separate income statement.

Impairment testing of trade and other receivables is described in Note 2(o).

(q) Cash and cash equivalents

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

(r) 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.

(s) 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.

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

2 Summary of significant accounting policies (Continued)

(s) Borrowings and borrowing costs (Continued)

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.

(t) Current and deferred taxation

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

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

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

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

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associated companies and jointly controlled entities, 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.

(u) 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) Coal 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) Sales of property - recognised upon the signing of the sale and purchase agreements or the issue of occupation permits by the relevant government authorities, whichever is the later.
- (x) Rental income - recognised on a straight-line accrual basis over the terms of lease agreements.
- (xi) Construction income - recognised under percentage of completion method.

2 Summary of significant accounting policies *(Continued)*

(v) 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 costs of providing scheme benefit are charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with advice of the actuaries who carry out a full valuation of the scheme annually. 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. Actuarial gains and losses, to the extent that any cumulative unrecognised actuarial gain or loss exceeds 10 per cent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, are recognised over the average remaining service lives of employees. Past service costs are recognised as an expense on a straight-line basis over the average period until the benefit becomes vested.

(w) 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.

2 Summary of significant accounting policies *(Continued)*

(w) Provisions and contingencies *(Continued)*

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.

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

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

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

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 and mainland China and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollars ("USD") and Renminbi ("RMB"). 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.

At 31st December 2011, if the RMB had weakened/strengthened by 2 per cent against HKD with all other variables held constant, pre-tax profit for the year would have been HK\$139.4 million (2010: HK\$34.1 million) lower/higher.

(ii) Price risk

The Group is exposed to equity securities price risk for the listed equity investments held by the Group which are classified as available-for-sale financial assets and financial assets at fair value through profit or loss of HK\$1,354.6 million (2010: HK\$1,704.2 million) and HK\$39.6 million (2010: HK\$145.0 million) respectively.

The Group also held unlisted equity investments which are classified as available-for-sale financial assets of HK\$260.0 million (2010: nil). 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, Cotation Assistée en Continu ("CAC") Index, Swiss Market Index, Tokyo Stock Price Index and MSCI AC Asia Pacific excluding Japan ("MSCI Asia Pacific ex-Japan") Index.

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

	Group			
	Impact on pre-tax profit		Impact on equity	
	2011 HK\$'M	2010 HK\$'M	2011 HK\$'M	2010 HK\$'M
Hang Seng Index	1.8	3.2	131.3	157.7
S&P 500 Index	0.7	17.8	4.0	19.3
FTSE 100 Index	1.3	3.3	7.7	2.9
CAC Index	–	–	3.0	–
Swiss Market Index	–	–	2.9	–
Tokyo Stock Price Index	–	–	1.1	2.2
MSCI Asia Pacific ex-Japan Index	–	–	27.5	–

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.

3 Financial risk management (Continued)

(a) Market risk (Continued)

(ii) Price risk (Continued)

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

(iii) Cash flow and fair value interest rate risk

The Group

Financial instruments at fixed and variable rates expose the Group to fair value interest rate risk and cash flow interest rate risk respectively. The Group's interest-bearing assets mainly comprise floating and fixed rate bank deposits of HK\$11,735.9 million (2010: HK\$11,338.3 million). The Group's interest bearing liabilities mainly comprises floating rate borrowings of HK\$11,700.7 million (2010: HK\$10,008.7 million), fixed rate borrowings of HK\$14,148.5 million (2010: HK\$11,719.4 million) and floating rate deposits received from customers of HK\$1,165.7 million (2010: HK\$1,133.9 million).

At 31st December 2011, if market interest rates on bank deposits had been 100 basis points higher/lower with all other variables held constant, pre-tax profit for the year would have been HK\$119.8 million (2010: HK\$113.3 million) higher/lower, mainly as a result of higher/lower interest income on floating rate bank deposits.

At 31st December 2011, if market interest rates on borrowings and customers' deposits had been 100 basis points higher/lower with all other variables held constant, pre-tax profit for the year would have been HK\$122.8 million (2010: HK\$107.7 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings and customers' deposits.

The Company

The Company's interest bearing assets mainly comprise floating and fixed rates bank deposits of HK\$1,581.2 million (2010: HK\$1,831.7 million). The Company's interest rate risk arises from floating rate borrowings of HK\$1,100.0 million (2010: HK\$800.0 million) and floating rate deposits received from customers of HK\$1,158.9 million (2010: HK\$1,127.8 million).

At 31st December 2011, if market interest rates on bank deposits had been 100 basis points higher/lower with all other variables held constant, pre-tax profit for the year would have been HK\$17.7 million (2010: HK\$9.1 million) higher/lower, mainly as a result of higher/lower bank deposits interest income on floating rate bank deposits.

At 31st December 2011, if market interest rates on borrowings and customers' deposits had been 100 basis points higher/lower with all other variables held constant, pre-tax profit for the year would have been HK\$24.6 million (2010: HK\$27.4 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings and customers' deposits.

3 Financial risk management (Continued)

(b) Credit risk

Credit risk of the Group and Company mainly arises from:

	Group		Company	
	2011 HK\$'M	2010 HK\$'M	2011 HK\$'M	2010 HK\$'M
Cash and bank deposits	11,735.9	11,338.3	1,581.2	1,831.7
Debt securities and derivative instruments	1,695.1	1,944.0	–	0.9
Trade receivables	2,851.2	1,839.3	1,430.2	1,278.6
Other receivables	1,272.6	891.9	177.0	154.6
Instalment receivables	0.5	6.9	–	–
Loan and other receivables from jointly controlled entities	1,805.1	1,144.0	87.1	85.5
Loan and other receivables from associated companies	263.0	120.8	29.5	27.7
Loan and other receivables from non-controlling interests	135.4	38.1	–	–
Other non-current assets	2,258.9	2,371.8	–	–

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

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

3 Financial risk management (Continued)

(b) Credit risk (Continued)

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

	Group		Company	
	2011 %	2010 %	2011 %	2010 %
Cash and bank deposits				
AA	13.5	10.1	36.8	5.1
A	60.2	59.0	63.1	94.3
BBB	19.9	23.9	0.1	0.6
BB	0.8	–	–	–
Unrated	5.6	7.0	–	–
	100.0	100.0	100.0	100.0
Debt securities and derivative instruments				
AAA	–	0.8	N/A	–
AA	15.6	36.6	N/A	100.0
A	72.3	55.0	N/A	–
BBB	5.6	2.0	N/A	–
Unrated	6.5	5.6	N/A	–
	100.0	100.0	N/A	100.0

Credit ratings are quoted from Bloomberg.

Credit quality of loan and other receivables from associated companies, loan and other receivables from jointly controlled entities, other non-current assets and trade and other receivables are disclosed in Notes 22, 23, 26 and 28 respectively to the accounts. None of the financial assets that are fully performing has been renegotiated during the year.

(c) Liquidity risk

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

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

3 Financial risk management (Continued)

(c) Liquidity risk (Continued)

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

	Less than 1 year HK\$'M	Between 1 and 2 years HK\$'M	Between 2 and 5 years HK\$'M	Over 5 years HK\$'M
Group				
At 31st December 2011				
Trade and other payables	5,438.5	–	–	–
Amounts due to jointly controlled entities	31.7	–	–	–
Loan and other payables to non-controlling shareholders	283.6	–	–	–
Borrowings	5,050.2	2,449.4	9,578.7	16,079.2
Derivative financial instruments	21.4	10.7	43.3	39.7
At 31st December 2010				
Trade and other payables	5,801.6	–	–	–
Amounts due to jointly controlled entities	5.0	–	–	–
Loan and other payables to non-controlling shareholders	26.2	–	–	–
Borrowings	10,624.5	571.5	2,757.2	14,306.3
Derivative financial instruments	–	–	–	–
Company				
At 31st December 2011				
Trade and other payables	610.3	–	–	–
Borrowings	8.1	806.8	305.4	–
At 31st December 2010				
Trade and other payables	727.0	–	–	–
Borrowings	204.2	3.8	607.4	–

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

Capital risk management

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

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

3 Financial risk management (Continued)

Capital risk management (Continued)

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

The gearing ratios at 31st December 2011 and 2010 are as follows:

	2011 HK\$'M	2010 HK\$'M
Total borrowings	(25,849.2)	(21,728.1)
Less: Time deposits, cash and bank deposits	11,735.9	11,338.3
Net borrowing	(14,113.3)	(10,389.8)
Shareholders' funds	(41,584.1)	(37,464.1)
	(55,697.4)	(47,853.9)
Gearing ratio	25%	22%

Fair value estimation

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

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

The following table presents the Group's assets that are measured at fair value at 31st December 2011 and 2010.

	Level 1		Level 2		Total	
	2011 HK\$'M	2010 HK\$'M	2011 HK\$'M	2010 HK\$'M	2011 HK\$'M	2010 HK\$'M
Assets						
Financial assets at fair value through profit or loss						
– Debt securities	81.4	81.2	192.3	292.9	273.7	374.1
– Equity securities	39.6	145.0	–	–	39.6	145.0
Derivative financial instruments	–	–	452.3	361.4	452.3	361.4
Available-for-sale financial assets						
– Debt securities	916.5	1,134.6	52.6	73.9	969.1	1,208.5
– Equity investments	1,614.7	1,704.2	–	–	1,614.7	1,704.2
Total assets	2,652.2	3,065.0	697.2	728.2	3,349.4	3,793.2
Liabilities						
Derivative financial instruments	–	–	115.1	–	115.1	–

3 Financial risk management (Continued)

Fair value estimation (Continued)

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

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

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. As at 31st December 2011, the Group did not have financial instruments under this category.

Specific valuation techniques used to value financial instruments includes:

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

4 Critical accounting estimates and judgements

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

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Critical accounting estimates

(i) *Estimated impairment of assets*

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in the accounts Note 2(i). 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 to sell or value-in-use calculations. These value-in-use calculations require the use of estimates.

(ii) *Useful lives of property, plant and equipment*

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

4 Critical accounting estimates and judgements (Continued)

(a) Critical accounting estimates (Continued)

(iii) Estimate of fair value of investment property

The valuation of investment properties (including those held by an associated company) are performed in accordance with the “The HKIS Valuation Standards on Properties (First Edition 2005)” published by the Hong Kong Institute of Surveyors and the ‘International Valuation Standards’ published by the International Valuation Standards Committee. The valuation is reviewed annually by qualified valuers by considering the information from a variety of sources including:

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

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

The principal assumptions underlying management’s estimation of fair value are those related to: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data, and actual transactions by the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

(iv) 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.

(v) Reserve estimates

Reserves are estimates of the amount of product that can be economically and legally extracted from the Group’s mining rights for a coal mine in mainland China. 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.

4 Critical accounting estimates and judgements (Continued)

(a) Critical accounting estimates (Continued)

(v) Reserve estimates (Continued)

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

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

5 Segment information

The Group's principal activity is the production, distribution and marketing of gas, water and energy related activities in Hong Kong and mainland China. The revenue comprises the following:

	2011 HK\$'M	2010 HK\$'M
Gas sales before fuel cost adjustment	15,442.8	12,628.6
Fuel cost adjustment	1,471.6	1,036.2
Gas sales after fuel cost adjustment	16,914.4	13,664.8
Equipment sales	1,177.9	1,105.0
Maintenance and services	331.5	323.0
Water sales	444.8	381.2
Coal sales	734.0	-
Property sales	-	166.9
Rental income	33.0	30.8
Aviation fuel facility construction income	-	1,839.7
Other sales	2,791.2	1,864.0
	22,426.8	19,375.4

The chief operating decision-maker has been identified as the executive committee members (the "ECM"). 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 energy related business; and (b) property business. Gas, water and energy related business 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 are measured in a manner consistent with that in the accounts.

5 Segment information (Continued)

Segment assets exclude available-for-sale financial assets, financial assets at fair value through profit or loss, time deposits, cash and bank balances other than those included under segment assets for operation purposes, derivative financial instruments, retirement benefit assets, other non-current assets other than those included under segment assets and loan and other receivables from non-controlling shareholders.

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

	Gas, water and energy related business				Property		All other segments		Total	
	Hong Kong		Mainland China		2011 HK\$'M	2010 HK\$'M	2011 HK\$'M	2010 HK\$'M	2011 HK\$'M	2010 HK\$'M
	2011 HK\$'M	2010 HK\$'M	2011 HK\$'M	2010 HK\$'M						
Revenue	9,847.1	10,550.1	11,747.0	8,566.2	33.0	197.7	799.7	61.4	22,426.8	19,375.4
Adjusted EBITDA	4,429.5	4,149.7	2,902.9	2,130.2	17.4	153.6	277.7	16.7	7,627.5	6,450.2
Depreciation and amortisation	(603.0)	(569.9)	(639.0)	(554.5)	(0.2)	(0.2)	(61.4)	(18.3)	(1,303.6)	(1,142.9)
Unallocated corporate expenses									(649.3)	(629.3)
									5,674.6	4,678.0
Other gains, net									589.7	702.3
Interest expense									(752.0)	(711.2)
Share of profits less losses of associated companies	–	–	513.9	418.7	1,133.9	1,110.1	(0.1)	(0.7)	1,647.7	1,528.1
Share of profits less losses of jointly controlled entities	–	–	891.2	827.4	20.3	63.2	(2.8)	(1.1)	908.7	889.5
Profit before taxation									8,068.7	7,086.7
Taxation									(1,344.0)	(1,038.8)
Profit for the year									6,724.7	6,047.9

Share of profits of associated companies includes HK\$725.0 million (2010: HK\$734.2 million) being the Group's share of change in valuation of investment properties at the International Finance Centre (the "IFC") complex for the year.

5 Segment information (Continued)

	Gas, water and energy related business				Property		All other segments		Total	
	Hong Kong		Mainland China		2011 HK\$'M	2010 HK\$'M	2011 HK\$'M	2010 HK\$'M	2011 HK\$'M	2010 HK\$'M
	2011 HK\$'M	2010 HK\$'M	2011 HK\$'M	2010 HK\$'M						
Segment assets	18,308.3	18,312.7	39,652.5	31,782.3	8,402.3	7,743.8	10,572.2	5,404.6	76,935.3	63,243.4
Unallocated corporate assets:										
Available-for-sale financial assets									3,110.6	3,441.2
Financial assets at fair value through profit or loss									313.3	528.7
Time deposits, cash and bank balances excluded from segment assets									3,728.7	4,576.3
Others									1,001.0	874.5
Total assets	18,308.3	18,312.7	39,652.5	31,782.3	8,402.3	7,743.8	10,572.2	5,404.6	85,088.9	72,664.1

The Company is domiciled in Hong Kong. The Group's revenue from external customers in Hong Kong for the year ended 31st December 2011 is HK\$9,934.0 million (2010: HK\$10,795.0 million), and the revenue from external customers in the PRC is HK\$12,492.8 million (2010: HK\$8,580.4 million).

At 31st December 2011, the total of non-current assets other than financial instruments and retirement benefit assets located in Hong Kong and other countries are HK\$18,431.7 million and HK\$40,798.9 million (2010: HK\$17,331.2 million and HK\$32,142.2 million) respectively.

For the year ended 31st December 2011, the percentage of revenues attributable to the Group's five largest customers is less than 30 per cent.

6 Total operating expenses

	Group	
	2011 HK\$'M	2010 HK\$'M
Stores and materials used	10,736.2	8,230.0
Cost of coal purchased	416.0	–
Manpower costs (Note 11)	1,700.1	1,466.6
Depreciation and amortisation	1,311.0	1,152.0
Aviation fuel facility cost of construction	–	1,772.6
Cost of property sold	–	38.5
Other operating items	2,588.9	2,037.7
	16,752.2	14,697.4

7 Other gains, net

	Group	
	2011 HK\$'M	2010 HK\$'M
Net investment gains (Note 8)	432.9	707.5
Fair value gain on investment property (Note 18)	17.0	–
Gain on acquisition of a subsidiary (Note 44(c))	124.6	–
Gain on deconsolidation of a subsidiary	–	42.0
Provision for other receivables	–	(32.9)
Provision for investment in a jointly controlled entity	–	(23.6)
Ineffective portion on cash flow hedges (Note 35)	12.6	2.5
Others	2.6	6.8
	589.7	702.3

8 Net investment gains

	Group	
	2011 HK\$'M	2010 HK\$'M
(a) Interest income		
Bank deposits	157.6	106.0
Listed available-for-sale financial assets	34.4	29.8
Unlisted available-for-sale financial assets	1.2	0.1
Loans to associated companies and jointly controlled entities	49.9	21.2
Others	19.0	171.8
	262.1	328.9
(b) Net realised and unrealised (losses)/gains and interest income on financial assets at fair value through profit or loss and derivative financial instruments		
Listed securities	(68.0)	22.5
Unlisted securities	(89.3)	18.4
Exchange differences	15.0	5.2
	(142.3)	46.1
(c) Net realised gains on available-for-sale financial assets		
Listed securities	58.8	169.2
Unlisted securities	(42.4)	-
Exchange differences	1.3	(17.5)
	17.7	151.7
(d) Dividend income		
Listed available-for-sale financial assets	87.7	82.8
Unlisted available-for-sale financial assets	90.5	92.5
Listed financial assets at fair value through profit or loss	0.2	0.2
	178.4	175.5
(e) Other investment and exchange gain	117.0	5.3
	432.9	707.5

9 Interest expense

	Group	
	2011 HK\$'M	2010 HK\$'M
Interest on bank loans and overdrafts wholly repayable within five years	301.3	196.3
Interest on guaranteed notes not wholly repayable within five years	634.1	639.8
	935.4	836.1
Less: Amount capitalised	(183.4)	(124.9)
	752.0	711.2

The interest expense is capitalised at an average rate of 3.58 per cent (2010: 3.68 per cent) per annum.

10 Profit before taxation

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

	Group	
	2011 HK\$'M	2010 HK\$'M
Cost of inventories sold	12,601.1	9,113.9
Depreciation and amortisation	1,311.0	1,152.0
Loss on disposal/write off of property, plant and equipment	34.1	50.3
Gain on disposal of leasehold land	(11.3)	(0.7)
Impairment loss of trade receivables	17.8	10.5
Impairment loss of available-for-sale financial assets	78.3	23.3
Operating lease rentals		
– land and buildings	59.5	46.8
– plant and equipment	9.3	9.3
Rental income from investment property		
– gross rental income	(33.0)	(30.8)
– outgoing expenses	15.6	15.7
Auditors' remuneration	15.8	13.9
Net loss on residential maintenance (Note)	14.8	15.5
Note		
Analysis of net loss on residential maintenance:		
Residential maintenance revenue	(188.6)	(186.0)
Less expenses:		
Manpower costs	113.3	112.4
Other operating and administrative expenses	90.1	89.1
Net loss	14.8	15.5

11 Manpower costs

	Group	
	2011 HK\$'M	2010 HK\$'M
Salaries and wages	1,504.9	1,294.0
Pension costs – defined contribution retirement schemes	203.9	177.2
Pension costs – defined benefit retirement scheme (Note 25)	(8.7)	(4.6)
	1,700.1	1,466.6

12 Directors' and senior management's emoluments

(a) Directors' emoluments

The remuneration paid to every director for the year ended 31st December 2011 for their service on the Board of the Company is set out below:

Name of director	Fees HK\$'M	Salary, allowances and benefits in kind HK\$'M	Performance bonus HK\$'M	Contributions to retirement scheme HK\$'M	Total HK\$'M
Alfred Chan Wing Kin (Note)	0.2	5.3	24.2	4.2	33.9
James Kwan Yuk Choi (Note)	0.2	3.0	8.5	2.9	14.6
Lee Shau Kee	0.3	0.2	–	–	0.5
Leung Hay Man	0.3	–	–	–	0.3
Colin Lam Ko Yin	0.2	–	–	–	0.2
Lee Ka Kit	0.2	–	–	–	0.2
Lee Ka Shing	0.2	–	–	–	0.2
David Li Kwok Po	0.3	0.1	–	–	0.4
Poon Chung Kwong	0.3	–	–	–	0.3
	2.2	8.6	32.7	7.1	50.6

Note

Both Mr Alfred Chan Wing Kin and Mr James Kwan Yuk Choi are also directors of Towngas China Company Limited ("Towngas China"), a significant subsidiary of the Group. In this connection, Mr Alfred Chan Wing Kin and Mr. James Kwan Yuk Choi each received director's fee of HK\$0.2 million (2010: HK\$0.2 million) and no share-based payments were made during the year while HK\$0.2 million and HK\$0.1 million were made respectively in 2010.

The remuneration paid to every director for the year ended 31st December 2010 for their service on the Board of the Company is set out below:

Name of director	Fees HK\$'M	Salary, allowances and benefits in kind HK\$'M	Performance bonus HK\$'M	Contributions to retirement scheme HK\$'M	Total HK\$'M
Alfred Chan Wing Kin	0.2	5.1	22.9	3.8	32.0
James Kwan Yuk Choi	0.2	3.0	8.0	2.6	13.8
Lee Shau Kee	0.3	0.2	–	–	0.5
Leung Hay Man	0.3	–	–	–	0.3
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	0.3	0.1	–	–	0.4
Poon Chung Kwong	0.3	–	–	–	0.3
	2.2	8.5	30.9	6.4	48.0

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

(a) Directors' emoluments (Continued)

The above remuneration paid to directors of the Company also represents the amount of short-term employee benefits of HK\$43.5 million (2010: HK\$41.6 million) and post-employment benefits of HK\$7.1 million (2010: HK\$6.4 million) paid to the Group's key management during the year ended 31st December 2011. There were no other long-term benefits, termination benefits and share-based payment paid to the Group's key management during the year (2010: nil).

(b) Five highest paid individuals

The above analysis includes two (2010: two) individuals whose emoluments were among the five highest in the Group. Details of the emoluments payable to the remaining three (2010: three) individuals are as follows:

	2011 HK\$'M	2010 HK\$'M
Fee, salaries, allowances and benefits in kind	9.3	9.2
Performance bonus	11.5	10.4
Contributions to retirement scheme	2.7	2.5
	23.5	22.1

The above senior management's emoluments for the year of 2011 include HK\$7.2 million (2010: HK\$6.7 million) paid by Towngas China.

Number of individuals whose emoluments fell within:

Emoluments band (HK\$'M)	2011	2010
9.0 – 10.0	1	1
7.0 – 8.0	1	1
6.0 – 7.0	1	–
5.0 – 6.0	–	1

13 Taxation

The amount of taxation charged to the income statement represents:

	Group	
	2011 HK\$'M	2010 HK\$'M
Current taxation - provision for Hong Kong Profits Tax at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits for the year	606.3	621.0
Current taxation - provision for PRC Enterprise Income Tax at the prevailing rates on the estimated assessable profits for the year	522.3	251.8
Current taxation - (over)/under provision in prior years	(14.5)	2.9
Deferred taxation - origination and reversal of temporary differences	103.6	76.2
Withholding tax	126.3	86.9
	1,344.0	1,038.8

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

	Group	
	2011 HK\$'M	2010 HK\$'M
Profit before taxation	8,068.7	7,086.7
Less: Share of profits less losses of associated companies	(1,647.7)	(1,528.1)
Share of profits less losses of jointly controlled entities	(908.7)	(889.5)
	5,512.3	4,669.1
Calculated at a tax rate of 16.5% (2010: 16.5%)	909.5	770.4
Effect of different tax rates in other countries	204.4	82.0
Income not subject to taxation	(145.2)	(141.3)
Expenses not deductible for taxation purposes	216.7	223.9
Utilisation of previously unrecognised tax losses	(6.2)	(3.6)
(Over)/under provision in prior years	(14.5)	2.9
Withholding tax	126.3	86.9
Others	53.0	17.6
	1,344.0	1,038.8

Share of associated companies' taxation for the year ended 31st December 2011 of HK\$229.0 million (2010: HK\$189.5 million) is included in the income statement as share of profits less losses of associated companies.

Share of jointly controlled entities' taxation for the year ended 31st December 2011 of HK\$465.5 million (2010: HK\$284.6 million) is included in the income statement as share of profits less losses of jointly controlled entities.

14 Profit attributable to shareholders of the Company

Profit attributable to shareholders of the Company is dealt with in the accounts of the Company to the extent of HK\$9,079.3 million (2010: HK\$2,831.0 million).

15 Dividends

	Company	
	2011 HK\$'M	2010 HK\$'M
Interim, paid of HK 12 cents per ordinary share (2010: HK 12 cents per ordinary share)	948.1	861.9
Final, proposed of HK 23 cents per ordinary share (2010: HK 23 cents per ordinary share)	1,817.1	1,651.9
Special, proposed of HK 17.5 cents per ordinary share (2010: nil)	1,382.6	–
	4,147.8	2,513.8

At a meeting held on 19th March 2012, the directors of the Company declared a final and a special dividend of HK 23 cents and HK 17.5 cents per ordinary share for the year ended 31st December 2011 respectively. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ended 31st December 2011.

16 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$6,149.6 million (2010: HK\$5,584.8 million) and the weighted average of 7,900,554,136 shares (2010: 7,900,554,136 shares ¹) in issue during the year.

As the impact of diluted potential ordinary shares of a subsidiary is insignificant during the year (2010: nil), the diluted earnings per share for the year ended 31st December 2011 is approximately the same as the basic earnings per share.

¹ Adjusted for the bonus issue in 2011

17 Property, plant and equipment

	Buildings, plant and equipment HK\$'M	Mains and risers HK\$'M	Meters and installations HK\$'M	Mining rights HK\$'M	Others HK\$'M	Capital work in progress HK\$'M	Total HK\$'M
Group							
Cost							
At 1st January 2011	8,568.1	18,247.6	2,504.9	1,590.8	222.7	4,954.6	36,088.7
Additions	444.9	328.4	251.5	–	–	3,559.0	4,583.8
Acquisition of subsidiaries (Note 44)	57.7	99.4	–	760.5	73.3	344.3	1,335.2
Transfers from capital work in progress	851.7	1,474.7	–	–	–	(2,326.4)	–
Disposals/write off	(121.1)	(32.4)	(40.8)	–	–	(7.7)	(202.0)
Exchange differences	189.7	464.7	5.7	79.2	12.2	178.9	930.4
At 31st December 2011	9,991.0	20,582.4	2,721.3	2,430.5	308.2	6,702.7	42,736.1
Accumulated depreciation							
At 1st January 2011	3,960.7	3,750.9	1,469.4	–	17.9	(0.3)	9,198.6
Charge for the year	514.5	522.5	206.8	36.3	17.4	–	1,297.5
Disposals/write off	(89.5)	(11.9)	(24.3)	–	–	–	(125.7)
Exchange differences	48.0	57.9	2.4	–	2.3	–	110.6
At 31st December 2011	4,433.7	4,319.4	1,654.3	36.3	37.6	(0.3)	10,481.0
Net book value							
At 31st December 2011	5,557.3	16,263.0	1,067.0	2,394.2	270.6	6,703.0	32,255.1
At 31st December 2010	4,607.4	14,496.7	1,035.5	1,590.8	204.8	4,954.9	26,890.1

17 Property, plant and equipment (Continued)

	Buildings, plant and equipment HK\$'M	Mains and risers HK\$'M	Meters and installations HK\$'M	Capital work in progress HK\$'M	Total HK\$'M
Company					
Cost					
At 1st January 2011	4,397.6	8,832.4	2,379.5	923.6	16,533.1
Additions	86.8	–	254.2	442.5	783.5
Transfers from capital work in progress	0.8	415.9	–	(416.7)	–
Disposals/write off	(31.6)	(6.7)	(37.3)	–	(75.6)
At 31st December 2011	4,453.6	9,241.6	2,596.4	949.4	17,241.0
Accumulated depreciation					
At 1st January 2011	3,054.1	2,972.6	1,414.3	–	7,441.0
Charge for the year	158.7	226.9	201.5	–	587.1
Disposals/write off	(31.6)	(5.2)	(21.4)	–	(58.2)
At 31st December 2011	3,181.2	3,194.3	1,594.4	–	7,969.9
Net book value					
At 31st December 2011	1,272.4	6,047.3	1,002.0	949.4	9,271.1
At 31st December 2010	1,343.5	5,859.8	965.2	923.6	9,092.1

17 Property, plant and equipment (Continued)

	Buildings, plant and equipment HK\$'M	Mains and risers HK\$'M	Meters and installations HK\$'M	Mining rights HK\$'M	Others HK\$'M	Capital work in progress HK\$'M	Total HK\$'M
Group							
Cost							
At 1st January 2010	7,675.6	16,433.6	2,269.0	1,531.9	189.3	3,611.0	31,710.4
Additions	710.7	606.3	259.4	–	25.4	2,710.7	4,312.5
Acquisition of subsidiaries	–	11.0	–	–	–	1.3	12.3
Transfers from capital work in progress	232.5	1,185.3	1.1	–	–	(1,418.9)	–
Deconsolidation of a subsidiary	(71.0)	(304.9)	(0.6)	–	(0.1)	(39.5)	(416.1)
Disposals/write off	(105.9)	(19.6)	(28.9)	–	–	(16.6)	(171.0)
Exchange differences	126.2	335.9	4.9	58.9	8.1	106.6	640.6
At 31st December 2010	8,568.1	18,247.6	2,504.9	1,590.8	222.7	4,954.6	36,088.7
Accumulated depreciation							
At 1st January 2010	3,571.6	3,264.9	1,300.6	–	–	–	8,137.1
Charge for the year	451.8	476.8	184.5	–	16.7	–	1,129.8
Deconsolidation of a subsidiary	(16.8)	(17.1)	–	–	–	(0.3)	(34.2)
Disposals/write off	(76.2)	(11.6)	(17.6)	–	–	–	(105.4)
Exchange differences	30.3	37.9	1.9	–	1.2	–	71.3
At 31st December 2010	3,960.7	3,750.9	1,469.4	–	17.9	(0.3)	9,198.6
Net book value							
At 31st December 2010	4,607.4	14,496.7	1,035.5	1,590.8	204.8	4,954.9	26,890.1
At 31st December 2009	4,104.0	13,168.7	968.4	1,531.9	189.3	3,611.0	23,573.3

17 Property, plant and equipment (Continued)

	Buildings, plant and equipment HK\$'M	Mains and risers HK\$'M	Meters and installations HK\$'M	Capital work in progress HK\$'M	Total HK\$'M
Company					
Cost					
At 1st January 2010	4,346.5	8,368.4	2,146.8	984.4	15,846.1
Additions	70.8	–	258.5	425.7	755.0
Transfers from capital work in progress	7.0	478.4	1.1	(486.5)	–
Disposals/write off	(26.7)	(14.4)	(26.9)	–	(68.0)
At 31st December 2010	4,397.6	8,832.4	2,379.5	923.6	16,533.1
Accumulated depreciation					
At 1st January 2010	2,917.9	2,767.5	1,252.2	–	6,937.6
Charge for the year	162.7	215.8	177.8	–	556.3
Disposals/write off	(26.5)	(10.7)	(15.7)	–	(52.9)
At 31st December 2010	3,054.1	2,972.6	1,414.3	–	7,441.0
Net book value					
At 31st December 2010	1,343.5	5,859.8	965.2	923.6	9,092.1
At 31st December 2009	1,428.6	5,600.9	894.6	984.4	8,908.5

18 Investment property

	Group	
	2011 HK\$'M	2010 HK\$'M
At 1st January	501.0	501.0
Fair value gain (Note 7)	17.0	–
At 31st December	518.0	501.0

The Group's interest in investment property is located in Hong Kong under a land lease of over 50 years. The investment property was revalued at 31st December 2011 by an independent professionally qualified valuer, Knight Frank Petty Limited, on an open market value basis.

19 Leasehold land

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

	Group		Company	
	2011 HK\$'M	2010 HK\$'M	2011 HK\$'M	2010 HK\$'M
Held in Hong Kong:				
Leases of 10 to 50 years	319.0	306.7	225.1	235.5
Held outside Hong Kong:				
Leases of 10 to 50 years	1,028.8	625.3	–	–
Leases of over 50 years	3.4	3.7	–	–
	1,351.2	935.7	225.1	235.5

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

	Group		Company	
	2011 HK\$'M	2010 HK\$'M	2011 HK\$'M	2010 HK\$'M
At 1st January	935.7	879.3	235.5	241.9
Additions	63.1	77.3	–	–
Acquisition of subsidiaries (Note 44)	357.3	4.5	–	–
Deconsolidation of a subsidiary	–	(3.4)	–	–
Disposals	(4.0)	(18.3)	(4.0)	–
Amortisation	(31.5)	(25.9)	(6.4)	(6.4)
Exchange differences	30.6	22.2	–	–
At 31st December	1,351.2	935.7	225.1	235.5

Certain bank borrowings of the Group are secured on land use rights with an aggregate carrying amount of HK\$203.7 million (2010: nil).

20 Intangible assets

	Group	
	2011 HK\$'M	2010 HK\$'M
(a) Goodwill		
At 1st January	2,575.6	2,461.7
Additions (Note 44)	767.1	105.5
Exchange differences	10.8	8.4
At 31st December	3,353.5	2,575.6

20 Intangible assets (Continued)

	Group	
	2011 HK\$'M	2010 HK\$'M
(b) Other intangible asset		
Cost		
At 1st January	–	–
Additions	83.1	–
At 31st December	83.1	–
Accumulated amortisation		
At 1st January	–	–
Amortisation	(1.8)	–
At 31st December	(1.8)	–
Net book value		
At 31st December	81.3	–
Total intangible assets	3,434.8	2,575.6

Goodwill is allocated to cash-generating units that are expected to benefit from the business combination in which the goodwill arose. 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 to sell or value in use calculations. The fair value less costs to sell 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 (2010: 0.0 per cent to 6.0 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 (2010: 7.5 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 2011 and 2010.

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

21 Subsidiaries

	Company	
	2011 HK\$'M	2010 HK\$'M
Unlisted shares and registered capital at cost	307.6	307.6
Loans and amounts due from subsidiaries – non-current	25,612.2	16,660.7
	25,919.8	16,968.3
Loans to subsidiaries – current	384.7	268.6
Amounts due to subsidiaries – non-current	(19,671.4)	(17,417.3)

21 Subsidiaries (Continued)

Loans to subsidiaries in the PRC of HK\$384.7 million (2010: HK\$268.6 million) are denominated in USD, unsecured and bear interest at the prevailing lending rate quoted by The People's Bank of China Rate and repayable on demand.

Loans and amounts due from/(to) subsidiaries are unsecured, interest free and no fixed terms of repayment except for HK\$1,690.0 million (2010: HK\$1,789.3 million) to a subsidiary of the Group is carried at an average rate of 3.58 per cent (2010: 3.68 per cent) per annum.

Amounts due to subsidiaries denominated in HKD, USD and RMB amounted to HK\$13,747.0 million (2010: HK\$11,709.5 million), HK\$5,449.0 million (2010: HK\$5,493.4 million) and HK\$475.2 million (2010: HK\$213.6 million) respectively. Remaining balances are denominated in other currencies. Amounts due from subsidiaries are neither past due nor impaired and there is no history of default. The principal subsidiaries of the Company are shown on pages 148 to 156 of the accounts.

Towngas China is a company listed in The Stock Exchange of Hong Kong Limited. The market value of the Group's investment in Towngas China amounted to HK\$6,838.3 million as at 31st December 2011 (2010: HK\$6,073.1 million).

22 Associated companies

	Group		Company	
	2011 HK\$'M	2010 HK\$'M	2011 HK\$'M	2010 HK\$'M
Investments in associated companies, including goodwill	12,517.1	10,752.1	–	–
Loans to associated companies – non-current	189.7	50.1	–	–
	12,706.8	10,802.2	–	–
Loan and other receivables from associated companies – current	73.3	70.7	29.5	27.7

Notes

Carrying amounts of loans to associated companies approximate their fair value and comprises the following:

- Loan to Jiangxi Feng Long Mining Company Limited of HK\$65.8 million (2010: HK\$50.1 million), which is denominated in USD, unsecured, bears interest at the prevailing lending rate quoted by The People's Bank of China Rate (2010: The People's Bank of China Rate) and fully repayable in 2016 (2010: 2015).
- Loan to Fengcheng Xingao Coking Company Limited of HK\$123.9 million (2010: nil), which is denominated in USD, unsecured, bears interest at the prevailing lending rate quoted by The People's Bank of China Rate and fully repayable in 2017.
- Loans to associated companies of Towngas China of HK\$30.8 million (2010: nil), are denominated in RMB, unsecured with fixed interest rates ranging from 6.56 per cent to 7.26 per cent per annum and fully repayable in 2012.
- Loan and other receivables from associated companies of HK\$42.5 million (2010: HK\$70.7 million) are mainly for financing PRC gas business related projects and are denominated in USD, unsecured, interest free and have no fixed terms of repayment.

Loan and other receivables from associated companies are neither past due nor impaired and there is no history of default.

22 Associated companies (Continued)

Particulars of the principal associated companies as at 31st December 2011 are listed below:

Name	Note	Issued share capital/ registered capital	Percentage of the Group's equity interest	Place of incorporation/ operation	Principal activity
Anhui Province Natural Gas Development Company Limited		RMB200.0 million	25	PRC	Mid-stream natural gas project
Dalian DETA ECO Environmental Energy Company Limited		RMB20.0 million	49	PRC	Vehicular fuel refilling station
GH-Fusion Limited		200 shares of US\$1 each	50	British Virgin Islands	Investment holding
Hebei Natural Gas Company Limited		RMB420.0 million	45	PRC	Mid-stream natural gas project
Lane Success Development Limited	(i)	10,000 shares of HK\$1 each	45	Hong Kong	Property development
Central Waterfront Property Investment Holdings Limited	(ii)	100 shares of US\$1 each	15.8	British Virgin Islands/ Hong Kong	Investment holding
Shenzhen Gas Corporation Limited	(iii)	RMB1,320.3 million	26.8	PRC	Gas sales and related businesses
Jiangxi Feng Long Mining Company Limited		RMB236.1 million	25	PRC	Coal mining and related businesses
Hainan Petrochina Kunlun Hong Kong & China Gas Company Limited		RMB50.4 million	49	PRC	Gas sales and related businesses
Towngas DETA Telecom (Dalian) Co., Limited		RMB10.0 million	49	PRC	Telecommunications business
Shanxi Yuanping Guoxin Compressed Natural Gas Co. Limited		RMB20.0 million	42	PRC	Vehicular fuel refilling station
Suzhou Petrochina Kunlun Hong Kong and China Gas Company Limited		RMB40.0 million	29	PRC	Mid-stream natural gas project
Fengcheng Xingao Coking Company Limited		RMB350.0 million	40	PRC	Coal-based chemical and related businesses
² 杭州西園管道燃氣有限公司		RMB15.0 million	29.9	PRC	Investment holding
¹ 中新蘇州工業園區環保技術有限公司		RMB300.0 million	49	PRC	Water treatment project
Held by Towngas China					
Changchun Gas Company Limited		RMB461.5 million	26	PRC	Gas sales and related businesses
Dalian DETA Hong Kong and China Gas Company Limited		RMB137.2 million	40	PRC	Gas sales and related businesses
Foshan Gas Group Ltd.		RMB276.0 million	43	PRC	Gas sales and related businesses
Fuzhou Fubei Natural Gas Co., Ltd.		RMB8.0 million	40	PRC	Gas sales and related businesses
Linqu Hong Kong & China Gas Company Ltd.		US\$2.1 million	42.4	PRC	Gas sales and related businesses
Shandong Jihua Gas Co., Ltd.		RMB400.0 million	48	PRC	Gas sales and related businesses
Zibo Lubo Gas Company Ltd.		RMB50.0 million	27	PRC	Gas sales and related businesses

¹ Newly formed during the year

² Newly acquired during the year

22 Associated companies (Continued)

Notes

- (i) The Group holds a 45 per cent interest in Lane Success Development Limited whose principal activity is the development of King's Park Hill project. The completed property development project is a joint development with Henderson Land Development Company Limited.
- (ii) 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 in the board of directors of CWPI and participation in the financial and operating policies of the IFC complex, the Group could exercise a significant influence over CWPI and accordingly the investment is accounted for as an associated company.
- (iii) On 25th December 2009, Shenzhen Gas Corporation Limited ("SGCL") was listed on the Shanghai Stock Exchange. As at 31st December 2011, the Group held 354,227,490 shares (2010: 330,000,000 shares) of SGCL or approximately 26.8 per cent equity interest of SGCL. The carrying value and the market value of the Group's investment as at 31st December 2011 in SGCL amounted to HK\$1,337.0 million (2010: HK\$906.6 million) and HK\$4,851.3 million (2010: HK\$4,830.4 million) respectively.

The following amounts represent the Group's share of the assets and liabilities, and income and results of the associated companies and are included in the consolidated balance sheet and the income statement:

	Group	
	2011 HK\$'M	2010 HK\$'M
Assets		
Non-current assets	16,568.7	15,362.4
Current assets	3,906.9	2,920.6
	20,475.6	18,283.0
Liabilities		
Non-current liabilities	(1,792.8)	(4,764.1)
Current liabilities	(6,757.9)	(3,166.7)
	(8,550.7)	(7,930.8)
Net assets	11,924.9	10,352.2
Income	6,414.0	3,944.9
Expenses, including taxation	(4,766.3)	(2,416.8)
Profit after taxation	1,647.7	1,528.1

23 Jointly controlled entities

	Group		Company	
	2011 HK\$'M	2010 HK\$'M	2011 HK\$'M	2010 HK\$'M
Investments in jointly controlled entities, including goodwill	7,627.7	6,963.3	850.8	850.8
Loans to jointly controlled entities – non-current	1,337.0	805.5	82.6	82.6
	8,964.7	7,768.8	933.4	933.4
Loan and other receivables from jointly controlled entities – current	468.1	338.5	4.5	2.9
Amounts due to jointly controlled entities – current	(31.7)	(5.0)	(1.9)	(3.2)

Notes

- (a) Loan and other receivables from jointly controlled entities of the Group are unsecured, interest free and with no fixed terms of repayment except those disclosed as below. Amount due within twelve months are shown as current and the remaining are fully repayable in 2013 to 2016.
- HK\$150.1 million (2010: HK\$188.8 million) to Nanjing joint venture with fixed interest rates ranging from 2.88 per cent to 3.06 per cent per annum (2010: from 2.88 per cent to 3.06 per cent per annum) and fully repayable in 2014 (2010: 2013).
 - HK\$274.0 million (2010: HK\$235.9 million) to Wuhan joint venture at the prevailing lending rate quoted by The People's Bank of China Rate (2010: fixed interest rate of 5.00 per cent per annum) and fully repayable in 2013 to 2014.
 - HK\$42.9 million (2010: nil) to Changzhou joint venture with fixed interest rate of 5.94 per cent per annum and fully repayable in 2013.
 - HK\$254.3 million (2010: nil) to Suzhou joint venture with fixed interest rate of 5.49 per cent per annum and fully repayable in 2014.
 - HK\$255.9 million (2010: nil) to Suzhou water joint venture with fixed interest rate of 5.49 per cent per annum and fully repayable in 2014.
 - HK\$120.0 million (2010: nil) to Zhangjiaguang joint venture with fixed interest rate of 5.52 per cent per annum and fully repayable in 2012.
 - HK\$140.4 million (2010: HK\$84.9 million) to the joint ventures of Towngas China with fixed interest rates ranging from 4.25 per cent to 7.87 per cent per annum (2010: from 4.25 per cent to 5.84 per cent per annum) and fully repayable in 2012 (2010: 2011).

Loan and other receivables from jointly controlled entities are neither past due nor impaired and there is no history of default.

Loan and other receivables from jointly controlled entities denominated in HKD, USD and RMB amounted to HK\$312.3 million (2010: HK\$261.9 million), HK\$411.2 million (2010: HK\$424.3 million) and HK\$1,081.6 million (2010: HK\$457.8 million) respectively.

- (b) Amounts due to jointly controlled entities are denominated in HKD (2010: denominated in HKD and RMB amounted to HK\$0.9 million and HK\$4.1 million respectively). The amounts are unsecured, interest free and with no fixed terms of repayment.

23 Jointly controlled entities (Continued)

Particulars of the principal jointly controlled entities as at 31st December 2011 are listed below:

Name	Issued share capital/ registered capital	Percentage of the Group's equity interest	Place of incorporation/ operation	Principal activity
Yieldway International Limited	2 shares of HK\$1 each	50	Hong Kong	Property development
# Beijing Beiran & HKCG Gas Company Limited	RMB44.4 million	50	PRC	Gas sales and related businesses
Changzhou Hong Kong and China Gas Company Limited	RMB166.0 million	50	PRC	Gas sales and related businesses
吉林天元石油有限公司	RMB5.0 million	50	PRC	Natural gas exploitation
Jilin Province Natural Gas Limited Company	RMB220.0 million	49	PRC	Mid stream natural gas project
Jinan Hong Kong and China Gas Company Limited	RMB470.0 million	50	PRC	Gas sales and related businesses
Maanshan ECO Auto Fuel Company Limited	RMB10.5 million	30	PRC	Vehicular fuel refilling station
Nanjing Hong Kong and China Gas Company Limited	RMB600.0 million	50	PRC	Gas sales and related businesses
Suzhou Hong Kong and China Gas Company Limited	RMB200.0 million	55	PRC	Gas sales and related businesses
Suzhou Industrial Park Qingyuan Hong Kong & China Water Company Limited	RMB2,197.0 million	50	PRC	Water supply and sewage treatment
Chongqing Energy ECO CBM Company Limited	RMB180.0 million	50	PRC	Coalbed methane project
# Tongling Hong Kong and China Gas Company Limited	RMB100.0 million	70	PRC	Gas sales and related businesses
Wuhan Natural Gas Company Limited	RMB420.0 million	50	PRC	Gas sales and related businesses
# Xian Qinhuang 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 business
Held by Towngas China				
Zibo Hong Kong and China Gas Company Limited	RMB56.0 million	50	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
Taian Tai Shan Hong Kong and China Gas Company Limited	RMB80.0 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
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	RMB18.9 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

Direct jointly controlled entities of the Company

23 Jointly controlled entities (Continued)

The following amounts represent the Group's share of the assets and liabilities, and income and results of the jointly controlled entities and are included in the consolidated balance sheet and the income statement:

	Group	
	2011 HK\$'M	2010 HK\$'M
Assets		
Non-current assets	11,074.4	9,802.1
Current assets	4,073.8	3,028.5
	15,148.2	12,830.6
Liabilities		
Non-current liabilities	(1,104.8)	(1,492.0)
Current liabilities	(6,978.4)	(4,915.5)
	(8,083.2)	(6,407.5)
Net assets	7,065.0	6,423.1
Income	8,432.0	6,446.0
Expenses, including taxation	(7,523.3)	(5,556.5)
Profit after taxation	908.7	889.5

24 Available-for-sale financial assets

	Group		Company	
	2011 HK\$'M	2010 HK\$'M	2011 HK\$'M	2010 HK\$'M
Debt securities (Note (a))	969.1	1,208.5	–	–
Equity securities (Note (b))	2,141.5	2,232.7	42.7	87.9
	3,110.6	3,441.2	42.7	87.9
Market value of listed investments	2,271.0	2,838.8	42.7	87.9

24 Available-for-sale financial assets (Continued)

	Group		Company	
	2011 HK\$'M	2010 HK\$'M	2011 HK\$'M	2010 HK\$'M
Notes				
(a) Debt securities				
Listed – Hong Kong	96.1	104.7	–	–
Listed – overseas	820.4	1,029.9	–	–
Unlisted	52.6	73.9	–	–
	969.1	1,208.5	–	–
(b) Equity securities				
Listed – Hong Kong	1,169.2	1,461.8	42.7	50.6
Listed – overseas	185.4	242.4	–	37.3
Unlisted (Note (c))	786.9	528.5	–	–
	2,141.5	2,232.7	42.7	87.9

- (c) Included in the unlisted equity securities of HK\$526.9 million (2010: HK\$528.5 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 2011, the fair values of debt and equity securities assets reclassified during 2008 are HK\$89.0 million (2010: HK\$173.7 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 increased by HK\$0.6 million (2010: increased by HK\$14.4 million).

- (e) Available-for-sale financial assets denominated in HKD, USD, RMB, EUR, GBP, CHF, JPY and AUD amounted to HK\$1,169.2 million (2010: HK\$1,461.8 million), HK\$1,273.1 million (2010: HK\$1,326.4 million), HK\$579.5 million (2010: HK\$580.1 million), HK\$38.5 million (2010: HK\$8.3 million), HK\$ nil (2010: HK\$29.7 million), HK\$23.3 million (2010: nil), HK\$10.2 million (2010: HK\$18.8 million) and HK\$16.8 million (2010: HK\$16.1) respectively.

25 Retirement benefit assets

	Group and Company	
	2011 HK\$'M	2010 HK\$'M
At 31st December	81.4	68.3

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

The amounts recognised on the balance sheet and the history of experience adjustments are shown as follows:

	Group and Company				
	2011 HK\$'M	2010 HK\$'M	2009 HK\$'M	2008 HK\$'M	2007 HK\$'M
Fair value of plan assets	453.2	484.3	434.9	325.1	512.9
Present value of funded obligations	(429.9)	(331.6)	(332.4)	(394.5)	(260.6)
Present value of overfunded/ (underfunded) obligations	23.3	152.7	102.5	(69.4)	252.3
Unrecognised actuarial losses/(gains)	58.1	(84.4)	(43.2)	134.1	(210.1)
Assets on the balance sheet	81.4	68.3	59.3	64.7	42.2
Experience adjustments on plan liabilities – (losses)/gains	(7.1)	(4.6)	9.9	(6.9)	3.2
Experience adjustments on plan assets – (losses)/gains	(54.9)	22.6	94.5	(215.4)	116.4

The plan assets did not include any ordinary shares of the Company as at 31st December 2011 (2010: nil).

The amounts recognised in the income statement are as follows:

	Group and Company	
	2011 HK\$'M	2010 HK\$'M
Current service cost	12.5	13.0
Interest cost	9.6	8.0
Expected return on plan assets	(28.5)	(25.5)
Net actuarial gains recognised for the year	(2.3)	(0.1)
Total (Note 11)	(8.7)	(4.6)

25 Retirement benefit assets (Continued)

The movements in the defined benefit obligations are as follows:

	Group and Company	
	2011 HK\$'M	2010 HK\$'M
At 1st January	331.6	332.4
Current service cost	12.5	13.0
Interest cost	9.6	7.9
Benefits paid	(9.1)	(3.1)
Actuarial losses/(gains)	85.3	(18.6)
At 31st December	429.9	331.6

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

	Group and Company	
	2011 HK\$'M	2010 HK\$'M
At 1st January	484.3	434.9
Expected return on plan assets	28.5	25.5
Actuarial (losses)/gains	(54.9)	22.6
Contribution paid	4.4	4.4
Benefits paid	(9.1)	(3.1)
At 31st December	453.2	484.3

The movements in the assets recognised on the balance sheet are as follows:

	Group and Company	
	2011 HK\$'M	2010 HK\$'M
At 1st January	68.3	59.3
Total income (Note 11)	8.7	4.6
Contribution paid	4.4	4.4
At 31st December	81.4	68.3

The actual losses on plan assets were HK\$26.4 million (2010: return of HK\$48.1 million).

25 Retirement benefit assets (Continued)

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

	Group and Company	
	2011 %	2010 %
Equity securities	57.0	66.0
Debt securities	37.0	26.0
Cash	6.0	8.0

The principal actuarial assumptions used are as follows:

	Group and Company	
	2011 %	2010 %
Discount rate	1.5	3.0
Expected rate of return on plan assets	5.3	6.0
Expected rate of future salary increases	3.5	3.5

Expected contributions to the scheme for the year ending 31st December 2012 are HK\$4.4 million.

26 Other non-current assets

	Group	
	2011 HK\$'M	2010 HK\$'M
Second mortgage loans receivable (Note (a))	18.2	43.5
Deferred consideration receivable (Note (b))	203.7	242.3
Aviation fuel facility construction receivable (Note (c))	1,914.4	1,983.0
Other receivable (Note (d))	122.6	103.0
	2,258.9	2,371.8

Notes

- (a) Balance represents non-current portion of second mortgage loans to buyers of the Grand Waterfront developed by the Group which are denominated in HKD. Second mortgage loans are secured by the mortgaged properties, bear interest at prime rate and are repayable by instalments in periods ranging from 15 to 25 years from the dates of drawdown.

26 Other non-current assets (Continued)

Notes (Continued)

- (b) The balance represents consideration receivable in relation to disposal of certain subsidiaries of Towngas China in June 2009 for HK\$379.0 million which is to be settled in cash by the purchaser under five annual instalments of HK\$40.0 million each commencing from June 2010 for five years, and a balancing sum of HK\$179.0 million in June 2015. The amount is secured against the entire share capital of the holding company of the disposed subsidiaries of and interest free. The fair value of the deferred consideration at date of initial recognition is determined based on the estimated future cash flows discounted at 3.0 per cent per annum. The carrying value of the loan balance approximates the fair value as the impact of discount is not significant. The carrying amounts are analysed for reporting purpose as follows:

	2011 HK\$'M	2010 HK\$'M
Non-current assets	203.7	242.3
Current assets (included in trade and other receivables)	39.3	39.5
	243.0	281.8

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

- (c) Aviation fuel facility construction receivable is denominated in HKD, unsecured and will be recovered by monthly instalments up to 2047.
- (d) The balance includes HK\$110.1 million (2010:103.0 million) represented a loan to the joint venture partner of Jilin Province Natural Gas Limited Company, a jointly controlled entity of the Group. The loan balance is denominated in RMB, secured by the borrower's interest in Jilin Province Natural Gas Limited Company, bear interest at a fixed interest rate of 2.4 per cent per annum and repayable in 2015. The carrying value of the loan balance approximates the fair value as the impact of discounting is not significant.

The loan balance is neither past due nor impaired and there is no history of default.

27 Inventories

	Group		Company	
	2011 HK\$'M	2010 HK\$'M	2011 HK\$'M	2010 HK\$'M
Stores and materials	1,212.7	882.6	480.3	566.5
Work in progress	409.7	420.7	397.6	410.4
	1,622.4	1,303.3	877.9	976.9

The Group wrote down the carrying value of inventories by HK\$2.7 million (2010: wrote down by HK\$3.0 million) to its net realisable value during the year.

28 Trade and other receivables

	Group		Company	
	2011 HK\$'M	2010 HK\$'M	2011 HK\$'M	2010 HK\$'M
Trade receivables (Note (a))	2,851.2	1,839.3	1,430.2	1,278.6
Instalment receivables	0.5	6.9	–	–
Payments in advance (Note (b))	1,482.4	601.9	5.6	13.4
Other receivables	1,272.6	891.9	177.0	154.6
	5,606.7	3,340.0	1,612.8	1,446.6

Trade and other receivables of the Group denominated in HKD, USD and RMB amounted to HK\$2,079.9 million (2010: HK\$1,625.4 million), HK\$127.5 million (2010: HK\$44.4 million) and HK\$3,393.0 million (2010: HK\$1,664.5 million) respectively. Remaining balances are denominated in other currencies.

Trade and other receivables of the Company denominated in HKD and USD amounted to HK\$1,609.9 million (2010: HK\$1,444.6 million) and HK\$0.6 million (2010: HK\$0.9 million) respectively. Remaining balances are denominated in other currencies.

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 2011, the aging analysis of the trade receivables, net of impairment provision, is as follows:

	Group		Company	
	2011 HK\$'M	2010 HK\$'M	2011 HK\$'M	2010 HK\$'M
0 - 30 days	2,599.5	1,604.1	1,273.1	1,136.8
31 - 60 days	63.0	48.7	43.1	29.8
61 - 90 days	27.6	19.0	18.3	11.4
Over 90 days	161.1	167.5	95.7	100.6
	2,851.2	1,839.3	1,430.2	1,278.6

- (i) At 31st December 2011, trade receivables of the Group and the Company that were neither past due nor impaired amounted to HK\$1,937.5 million (2010: HK\$1,440.9 million) and HK\$1,168.7 million (2010: HK\$1,046.2 million) respectively. These balances mainly relate to individuals or companies that have been the Group's or the Company's customers for more than 6 months and with no history of default in the past.

28 Trade and other receivables (Continued)

Notes (Continued)

- (a) (ii) Receivables that were past due but not impaired relate to a wide range of customers and management believes that no impairment provision is necessary as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The aging analysis of trade receivables that were past due but not impaired is as follows:

	Group		Company	
	2011 HK\$'M	2010 HK\$'M	2011 HK\$'M	2010 HK\$'M
0 - 30 days	662.0	163.2	104.4	90.5
31 - 60 days	63.0	48.7	43.1	29.9
61 - 90 days	27.6	19.0	18.3	11.4
Over 90 days	161.1	167.5	95.7	100.6
	913.7	398.4	261.5	232.4

- (iii) As at 31st December 2011, trade receivables of the Group and the Company amounting to HK\$49.8 million (2010: HK\$47.9 million) and HK\$38.4 million (2010: HK\$41.1 million) respectively were impaired, all of which are aged over 90 days. The individually impaired receivables mainly relate to customers that have either been placed under liquidation or in severe financial difficulties.

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

	Group		Company	
	2011 HK\$'M	2010 HK\$'M	2011 HK\$'M	2010 HK\$'M
At 1st January	47.9	56.1	41.1	42.3
Impairment loss recognised	17.8	10.5	10.7	10.2
Uncollectible amounts written off	(16.4)	(19.2)	(13.4)	(11.4)
Exchange differences	0.5	0.5	–	–
At 31st December	49.8	47.9	38.4	41.1

- (b) Balance mainly represents prepayment for purchase of material, services and equipments in relation to the Group's gas business in Hong Kong and mainland China. As at 31st December 2011, the directors of the Company reviewed the composition of the balance and considered the amount is recoverable.

29 Financial assets at fair value through profit or loss

	Group		Company	
	2011 HK\$'M	2010 HK\$'M	2011 HK\$'M	2010 HK\$'M
Debt securities (Note (a))	273.7	374.1	–	–
Equity securities (Note (b))	39.6	145.0	1.8	3.5
Derivative instruments	–	9.6	–	0.9
	313.3	528.7	1.8	4.4
Market value of listed investments	121.0	226.2	1.8	3.5

	Group		Company	
	2011 HK\$'M	2010 HK\$'M	2011 HK\$'M	2010 HK\$'M
Notes				
(a) Debt securities				
Listed – Hong Kong	81.4	81.2	–	–
Unlisted	192.3	292.9	–	–
	273.7	374.1	–	–
(b) Equity securities				
Listed – Hong Kong	26.4	41.6	–	–
Listed – overseas	13.2	103.4	1.8	3.5
	39.6	145.0	1.8	3.5

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

	Group		Company	
	2011 HK\$'M	2010 HK\$'M	2011 HK\$'M	2010 HK\$'M
USD	197.0	368.1	–	0.9
HKD	98.0	132.4	–	–
RMB	9.8	9.7	–	–
GBP	8.5	18.5	1.8	3.5
	313.3	528.7	1.8	4.4

30 Time deposits, cash and bank balances

	Group		Company	
	2011 HK\$'M	2010 HK\$'M	2011 HK\$'M	2010 HK\$'M
Time deposits over three months	493.7	1,642.0	99.8	–
Time deposits up to three months	5,537.3	5,567.2	1,323.4	1,590.1
Cash and bank balances	5,704.9	4,129.1	158.0	241.6
	11,242.2	9,696.3	1,481.4	1,831.7

The effective interest rates on time deposits in Hong Kong and mainland China are 1.81 per cent and 2.68 per cent per annum respectively (2010: 1.39 per cent and 1.38 per cent per annum). These deposits have average maturity dates within 60 days (2010: 60 days).

Time deposits, cash and bank balances of the Group denominated in HKD, USD and RMB amounted to HK\$3,894.0 million (2010: HK\$2,884.4 million), HK\$1,128.9 million (2010: HK\$4,962.5 million) and HK\$6,663.1 million (2010: HK\$3,439.1 million) respectively. Remaining balances are denominated in other currencies.

Time deposits, cash and bank balances of the Company denominated in HKD, USD and RMB amounted to HK\$642.8 million (2010: HK\$1,748.9 million), HK\$48.7 million (2010: HK\$22.6 million) and HK\$877.1 million (2010: HK\$56.6 million) respectively. Remaining balances are denominated in other currencies.

31 Trade and other payables

	Group		Company	
	2011 HK\$'M	2010 HK\$'M	2011 HK\$'M	2010 HK\$'M
Trade payables (Note (a))	1,736.7	1,271.5	122.4	153.8
Other payables and accruals (Note (b))	6,253.8	4,530.1	590.0	573.2
	7,990.5	5,801.6	712.4	727.0

Notes

(a) At 31st December 2011, the aging analysis of the trade payables is as follows:

	Group		Company	
	2011 HK\$'M	2010 HK\$'M	2011 HK\$'M	2010 HK\$'M
0 - 30 days	863.5	733.5	120.2	151.9
31 - 60 days	218.7	151.4	2.1	1.9
61 - 90 days	146.8	91.6	0.1	–
Over 90 days	507.7	295.0	–	–
	1,736.7	1,271.5	122.4	153.8

31 Trade and other payables (Continued)

Notes (Continued)

- (b) The balance includes an amount of approximately HK\$45.7 million (2010: HK\$37.2 million) payable to Henderson Land Development Company Limited in relation to its entitlement to 27 per cent of the net sales proceeds generated from the sales of residential units of Grand Waterfront. Remaining balances mainly represents advance received from customers for construction works and accrual for services or goods received from suppliers.
- (c) Trade and other payables of the Group denominated in HKD, USD and RMB amounted to HK\$1,124.1 million (2010: HK\$942.7 million), HK\$81.9 million (2010: HK\$225.8 million) and HK\$6,764.7 million (2010: HK\$4,598.6 million) respectively. Remaining balances are denominated in other currencies.

Trade and other payables of the Company denominated in HKD and USD amounted to HK\$616.3 million (2010: HK\$465.6 million) and HK\$76.0 million (2010: HK\$218.5 million) respectively. Remaining balances are denominated in other currencies.

32 Borrowings

	Group		Company	
	2011 HK\$'M	2010 HK\$'M	2011 HK\$'M	2010 HK\$'M
Non-current				
Bank and other loans	8,161.4	1,140.8	1,100.0	600.0
Guaranteed notes (Note (a))	13,467.0	10,604.9	–	–
	21,628.4	11,745.7	1,100.0	600.0
Current				
Bank and other loans	4,220.8	8,867.9	–	200.0
Guaranteed notes (Note (a))	–	1,114.5	–	–
	4,220.8	9,982.4	–	200.0
Total borrowings	25,849.2	21,728.1	1,100.0	800.0

Notes

- (a) Guaranteed notes comprise of:
- (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 2011, notes with a principal amount of US\$995.0 million (2010: US\$995.0 million) are outstanding in the market and the market value of the notes was HK\$8,996.0 million (2010: HK\$8,789.9 million).

32 Borrowings (Continued)

Notes (Continued)

- (a) (ii) The HK\$5,854.7 million (2010: HK\$3,010.0 million) guaranteed notes were issued by HKCG (Finance) Limited, a wholly-owned subsidiary of the Company, between 2nd June 2009 and 21st December 2011. The notes are unsecured and guaranteed by the Company as to repayment, carry fixed coupon rates ranging from 1.40 per cent to 6.43 per cent per annum payable quarterly, half-yearly or annually in arrear and have maturity terms between 5 to 40 years. At 31st December 2011, the balance denominated in HKD, RMB and AUD amounted to HK\$4,183.7 million (2010: HK\$2,950.8 million), HK\$1,227.6 million (2010: nil) and HK\$396.0 million (2010: nil) respectively.
- (iii) Towngas China issued US\$200.0 million 8.25 per cent guaranteed senior notes due 2011 (the "Guaranteed Senior Notes") on 23rd September 2004. The Guaranteed Senior Notes were listed on the Singapore Exchange Securities Trading Limited and were secured by a pledge of shares of certain subsidiaries of Towngas China. The Guaranteed Senior Notes bore interest at 8.25 per cent per annum, payable semi-annually in arrears. The effective interest rate of Guaranteed Senior Notes was 8.69 per cent. The Guaranteed Senior Notes was fully repaid in September 2011.
- (b) The maturity of borrowings is as follows:

	Group				Company	
	Bank and other loans		Guarantee notes		Bank loans	
	2011 HK\$'M	2010 HK\$'M	2011 HK\$'M	2010 HK\$'M	2011 HK\$'M	2010 HK\$'M
Within 1 year	4,220.8	8,867.9	–	1,114.5	–	200.0
Between 1 and 2 years	1,719.8	20.8	–	–	800.0	–
Between 2 and 5 years	6,302.9	1,071.2	1,227.6	–	300.0	600.0
Wholly repayable within 5 years	12,243.5	9,959.9	1,227.6	1,114.5	1,100.0	800.0
Wholly repayable over 5 years	138.7	48.8	12,239.4	10,604.9	–	–

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

	Group						
	2011				2010		
	HKD	USD	RMB	AUD	HKD	USD	RMB
Bank and other loans	1.0%	N/A	6.6%	N/A	0.7%	N/A	4.6%
Guaranteed notes	4.2%	5.4%	1.6%	3.4%	5.1%	8.7%	N/A

- (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.

32 Borrowings (Continued)

Notes (Continued)

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

	Group		Company	
	2011 HK\$'M	2010 HK\$'M	2011 HK\$'M	2010 HK\$'M
HKD	12,422.5	8,406.0	1,100.0	800.0
USD	7,659.7	8,768.6	–	–
RMB	5,332.2	4,514.3	–	–
AUD	396.0	–	–	–
Others	38.8	39.2	–	–
	25,849.2	21,728.1	1,100.0	800.0

33 Customers' deposits

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

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

34 Deferred taxation

The movements in the deferred taxation are as follows:

	Group		Company	
	2011 HK\$'M	2010 HK\$'M	2011 HK\$'M	2010 HK\$'M
At 1st January	2,017.5	1,836.8	1,074.9	1,056.3
Charged to income statement	209.9	149.0	22.4	18.6
Acquisition of subsidiaries (Note 44)	174.2	2.7	–	–
Exchange differences	42.5	29.0	–	–
At 31st December	2,444.1	2,017.5	1,097.3	1,074.9

34 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:

Group

	Accelerated tax depreciation		Revaluation surplus of mining rights		Others		Total	
	2011 HK\$'M	2010 HK\$'M	2011 HK\$'M	2010 HK\$'M	2011 HK\$'M	2010 HK\$'M	2011 HK\$'M	2010 HK\$'M
Deferred tax liabilities								
At 1st January	1,405.2	1,315.0	361.0	347.7	273.4	193.5	2,039.6	1,856.2
Charged to income statement	81.6	78.0	–	–	125.3	73.7	206.9	151.7
Acquisition of subsidiaries	8.0	2.7	122.6	–	43.6	–	174.2	2.7
Exchange differences	16.5	9.5	16.7	13.3	9.3	6.2	42.5	29.0
At 31st December	1,511.3	1,405.2	500.3	361.0	451.6	273.4	2,463.2	2,039.6
	Provisions		Tax losses		Total			
	2011 HK\$'M	2010 HK\$'M	2011 HK\$'M	2010 HK\$'M	2011 HK\$'M	2010 HK\$'M		
Deferred tax assets								
At 1st January	(8.3)	(8.3)	(13.8)	(11.1)	(22.1)	(19.4)		
Charged/(credited) to income statement	–	–	3.0	(2.7)	3.0	(2.7)		
At 31st December	(8.3)	(8.3)	(10.8)	(13.8)	(19.1)	(22.1)		
Net deferred tax liabilities at 31st December					2,444.1	2,017.5		

Company

	Accelerated tax depreciation	
	2011 HK\$'M	2010 HK\$'M
Deferred tax liabilities		
At 1st January	1,083.1	1,064.5
Charged to income statement	22.4	18.6
At 31st December	1,105.5	1,083.1
	Provisions	
	2011 HK\$'M	2010 HK\$'M
Deferred tax assets		
At 1st January and 31st December	(8.2)	(8.2)
Net deferred tax liabilities at 31st December	1,097.3	1,074.9

34 Deferred taxation (Continued)

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\$133.1 million (2010: HK\$104.9 million) in respect of losses amounting to HK\$648.9 million (2010: HK\$512.3 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\$306.7 million (2010: HK\$239.2 million) which will expire at various dates up to and including 2016 (2010: 2015).

35 Derivative financial instruments

	Group			
	2011		2010	
	HK\$'M Assets	HK\$'M Liabilities	HK\$'M Assets	HK\$'M Liabilities
Cross currency swaps and interest rate swap contracts – cash flow hedges (Note)	452.3	43.3	351.8	–
Interest rate swaps contracts – held-for-trading	–	71.8	–	–
	452.3	115.1	351.8	–

Note

The full fair values of hedging derivatives are classified as non-current assets or liabilities as 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 gain of HK\$12.6 million (2010: HK\$2.5 million) (Note 7).

The notional principal amounts of the outstanding cross currency swaps contracts at 31st December 2011 amounting to US\$1 billion has been exchanged at inception and will be re-exchanged on expiry date at an exchange rate of US\$1 to HK\$7.8. Under these contracts, the fixed interest rates ranging from 5.20 per cent to 5.65 per cent per annum on the exchanged HKD principal amounts would be paid quarterly or semi-annually and the fixed interest rate at 6.25 per cent per annum on the original USD principal amounts would be received semi-annually.

The notional principal amounts of the outstanding cross currency swaps contracts at 31st December 2011 amounting to RMB1 billion will be exchanged on expiry date at an exchange rate of RMB1 to HK\$1.21. Under these contracts, the fixed interest rate of 1.57 per cent and 1.60 per cent per annum on the HKD principal amounts to be exchanged would be paid semi-annually and the fixed interest rate at 1.40 per cent per annum on the original RMB principal amounts would be received semi-annually.

The notional principal amounts of the outstanding cross currency swaps contract at 31st December 2011 amounting to AUD50 million has been exchanged at inception and will be re-exchanged on expiry date at an exchange rate of AUD1 to HK\$7.78. Under this contract, the fixed interest rate 3.42 per cent per annum on the exchanged HKD principal amounts would be paid semi-annually and the fixed interest rate 6.43 per cent per annum on the original AUD principal amounts would be received semi-annually.

35 Derivative financial instruments (Continued)

The Group also had an interest rate swap designated to its floating-rate loan of HK\$350 million. The terms of the interest rate swap contract has been negotiated to match the terms of the respective designated hedged item. The interest rate swap contract swaps the interest rate from HIBOR to 1.975 per cent per annum.

Gains and losses recognised in the hedging reserve in equity (Note 38) on cross currency swaps and interest rate swap contracts as of 31st December 2011 will be continuously released to the income statement until the repayment of relevant borrowings.

36 Share capital

	Group and Company Ordinary shares of HK\$0.25 each			
	Number of shares		Nominal Value	
	2011	2010	2011 HK\$'M	2010 HK\$'M
Authorised:				
At 1st January and at 31st December	10,000,000,000	10,000,000,000	2,500.0	2,500.0
Issued and fully paid:				
At 1st January	7,182,321,942	6,529,383,584	1,795.6	1,632.3
Bonus issue	718,232,194	652,938,358	179.5	163.3
At 31st December	7,900,554,136	7,182,321,942	1,975.1	1,795.6

By an ordinary resolution passed on 3rd June 2011, the issued share capital was increased by way of a bonus issue by applying HK\$179.5 million charging to the share premium account in payment in full at par of 718,232,194 shares of HK\$0.25 each on the basis of one new share for every ten shares held on 3rd June 2011. These shares rank pari passu with the existing ordinary shares.

37 Share premium

	Group and Company	
	2011 HK\$'M	2010 HK\$'M
At 1st January	3,455.3	3,618.6
Less: Bonus issue	(179.5)	(163.3)
At 31st December	3,275.8	3,455.3

38 Reserves

	Investment revaluation reserve HK\$'M	Capital redemption reserve HK\$'M	Hedging reserve HK\$'M	Capital reserve HK\$'M	Other reserve HK\$'M	Exchange reserve HK\$'M	Unappropriated profits HK\$'M	Total HK\$'M
Group								
At 1st January 2011	504.0	223.8	338.3	155.5	(0.8)	2,148.8	27,191.7	30,561.3
Profit attributable to shareholders	-	-	-	-	-	-	6,149.6	6,149.6
Other comprehensive income:								
Revaluation deficit of available-for-sale financial assets transferred to equity	(401.0)	-	-	-	-	-	-	(401.0)
Impairment loss on available-for-sale financial assets transferred to income statement	78.3	-	-	-	-	-	-	78.3
Change in fair value of cash flow hedges	-	-	40.6	-	-	-	-	40.6
Exchange differences	-	-	-	-	-	858.9	-	858.9
Total comprehensive income for the year	(322.7)	-	40.6	-	-	858.9	6,149.6	6,726.4
2010 final dividend proposed	-	-	-	-	-	-	1,651.9	1,651.9
2010 final dividend paid	-	-	-	-	-	-	(1,651.9)	(1,651.9)
2011 interim dividend paid	-	-	-	-	-	-	(948.1)	(948.1)
Further acquisition of subsidiaries	-	-	-	-	-	-	4.9	4.9
Issue of shares of a subsidiary under share option schemes	-	-	-	-	(11.3)	-	-	(11.3)
At 31st December 2011	181.3	223.8	378.9	155.5	(12.1)	3,007.7	32,398.1	36,333.2
Company and subsidiaries	181.3	223.8	378.9	155.5	(12.1)	1,385.0	15,940.0	18,252.4
Associated companies	-	-	-	-	-	437.3	10,120.5	10,557.8
Jointly controlled entities	-	-	-	-	-	1,185.4	6,337.6	7,523.0
	181.3	223.8	378.9	155.5	(12.1)	3,007.7	32,398.1	36,333.2
Balance after 2011 final and special dividend proposed	181.3	223.8	378.9	155.5	(12.1)	3,007.7	29,198.4	33,133.5
2011 final and special dividend proposed	-	-	-	-	-	-	3,199.7	3,199.7
	181.3	223.8	378.9	155.5	(12.1)	3,007.7	32,398.1	36,333.2
Company								
At 1st January 2011	18.6	223.8	-	-	-	-	3,463.8	3,706.2
Profit attributable to shareholders	-	-	-	-	-	-	9,079.3	9,079.3
Other comprehensive income:								
Revaluation deficit of available-for-sale financial assets transferred to equity	(16.1)	-	-	-	-	-	-	(16.1)
Total comprehensive income for the year	(16.1)	-	-	-	-	-	9,079.3	9,063.2
2010 final dividend proposed	-	-	-	-	-	-	1,651.9	1,651.9
2010 final dividend paid	-	-	-	-	-	-	(1,651.9)	(1,651.9)
2011 interim dividend paid	-	-	-	-	-	-	(948.1)	(948.1)
At 31st December 2011	2.5	223.8	-	-	-	-	11,595.0	11,821.3
Balance after 2011 final and special dividend proposed	2.5	223.8	-	-	-	-	8,395.3	8,621.6
2011 final and special dividend proposed	-	-	-	-	-	-	3,199.7	3,199.7
	2.5	223.8	-	-	-	-	11,595.0	11,821.3

38 Reserves (Continued)

	Investment revaluation reserve HK\$'M	Capital redemption reserve HK\$'M	Hedging reserve HK\$'M	Capital reserve HK\$'M	Other reserve HK\$'M	Exchange reserve HK\$'M	Unappropriated profits HK\$'M	Total HK\$'M
Group								
At 1st January 2010	513.6	223.8	199.7	155.5	–	1,497.6	24,522.1	27,112.3
Profit attributable to shareholders	–	–	–	–	–	–	5,584.8	5,584.8
Other comprehensive income:								
Revaluation deficit of available-for-sale financial assets transferred to equity	(9.6)	–	–	–	–	–	–	(9.6)
Change in fair value of cash flow hedges	–	–	138.6	–	–	–	–	138.6
Exchange differences	–	–	–	–	–	651.2	–	651.2
Total comprehensive income for the year	(9.6)	–	138.6	–	–	651.2	5,584.8	6,365.0
2009 final dividend proposed	–	–	–	–	–	–	1,501.8	1,501.8
2009 final dividend paid	–	–	–	–	–	–	(1,501.8)	(1,501.8)
2010 interim dividend paid	–	–	–	–	–	–	(861.9)	(861.9)
Further acquisition of a subsidiary	–	–	–	–	–	–	(401.4)	(401.4)
Others	–	–	–	–	(0.8)	–	–	(0.8)
At 31st December 2010	504.0	223.8	338.3	155.5	(0.8)	2,148.8	28,843.6	32,213.2
Company and subsidiaries	504.0	223.8	338.3	155.5	(0.8)	853.7	14,941.9	17,016.4
Associated companies	–	–	–	–	–	365.7	8,472.8	8,838.5
Jointly controlled entities	–	–	–	–	–	929.4	5,428.9	6,358.3
	504.0	223.8	338.3	155.5	(0.8)	2,148.8	28,843.6	32,213.2
Balance after 2010 final dividend proposed	504.0	223.8	338.3	155.5	(0.8)	2,148.8	27,191.7	30,561.3
2010 final dividend proposed	–	–	–	–	–	–	1,651.9	1,651.9
	504.0	223.8	338.3	155.5	(0.8)	2,148.8	28,843.6	32,213.2
Company								
At 1st January 2010	15.0	223.8	–	–	–	–	3,146.6	3,385.4
Profit attributable to shareholders	–	–	–	–	–	–	2,831.0	2,831.0
Other comprehensive income:								
Revaluation surplus of available-for-sale financial assets transferred to equity	3.6	–	–	–	–	–	–	3.6
Total comprehensive income for the year	3.6	–	–	–	–	–	2,831.0	2,834.6
2009 final dividend proposed	–	–	–	–	–	–	1,501.8	1,501.8
2009 final dividend paid	–	–	–	–	–	–	(1,501.8)	(1,501.8)
2010 interim dividend paid	–	–	–	–	–	–	(861.9)	(861.9)
At 31st December 2010	18.6	223.8	–	–	–	–	5,115.7	5,358.1
Balance after 2010 final dividend proposed	18.6	223.8	–	–	–	–	3,463.8	3,706.2
2010 final dividend proposed	–	–	–	–	–	–	1,651.9	1,651.9
	18.6	223.8	–	–	–	–	5,115.7	5,358.1

39 Contingent liabilities

The Company and the Group did not have any material contingent liabilities as at 31st December 2011.

40 Commitments

(a) Capital expenditures for property, plant and equipment

	Group		Company	
	2011 HK\$'M	2010 HK\$'M	2011 HK\$'M	2010 HK\$'M
Authorised but not brought into the accounts at 31st December	3,092.8	1,910.1	640.5	594.4
Of which, contracts had been entered into at 31st December	2,751.0	1,884.6	640.5	594.4

(b) Share of capital expenditures for property, plant and equipment of jointly controlled entities

	Group	
	2011 HK\$'M	2010 HK\$'M
Authorised but not brought into the accounts at 31st December	3,016.8	2,626.0
Of which, contracts had been entered into at 31st December	2,050.4	1,381.4

(c) The Group has committed to provide sufficient funds in the forms of capital and loan contributions to certain joint ventures under various joint venture contracts to finance relevant gas and new energy projects in mainland China. The directors of the Company estimate that as at 31st December 2011, the Group's commitments to these projects were approximately HK\$1,180.3 million (2010: HK\$739.1 million).

(d) Lease commitments

Lessee

At 31st December 2011, future aggregate minimum lease payments of land, buildings, plant and equipment under non-cancellable operating leases are as follows:

	Group		Company	
	2011 HK\$'M	2010 HK\$'M	2011 HK\$'M	2010 HK\$'M
Not later than 1 year	66.7	53.2	15.3	16.6
Later than 1 year and not later than 5 years	114.9	89.3	39.9	41.7
Later than 5 years	209.6	224.1	142.6	151.9
	391.2	366.6	197.8	210.2

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 under operating leases. Except for certain car parks are rented out on an hourly or a monthly basis, these leases typically run for an initial period of 2 to 3 years. Further details of the carrying value of the property are contained in Note 18. At 31st December 2011, future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	Group	
	2011 HK\$'M	2010 HK\$'M
Not later than 1 year	14.2	14.0
Later than 1 year and not later than 5 years	10.9	12.2
	25.1	26.2

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 two banks with common directors with the Company during the year. During the year, the transactions carried out and year end balances with the associated companies, jointly controlled entities and other related parties are shown as follows:

(a) Interest income and sales of goods and services

	Group	
	2011 HK\$'M	2010 HK\$'M
Associated companies		
Sale of goods and services (Note (i))	3.4	4.7
Loan interest income (Note (ii))	3.8	3.0
Jointly controlled entities		
Sale of goods and services (Note (i))	18.6	54.1
Loan interest income (Note (ii))	46.3	18.2
Other related parties		
Sale of goods and services (Note (i))	6.9	11.5
Interest income from bank deposits (Note (i))	11.6	11.7

41 Related party transactions (Continued)

(b) Interest expense and purchase of goods and services

	Group	
	2011 HK\$'M	2010 HK\$'M
Associated companies		
Purchase of goods and services (Note (i))	80.1	51.1
Jointly controlled entities		
Purchase of goods and services (Note (i))	15.0	16.5
Other related parties		
Purchase of goods and services (Note (i))	15.1	14.8
Interest expense on bank loans (Note (i))	74.8	59.9

Notes

(i) These related party transactions were conducted at prices and terms as agreed by parties involved.

(ii) For the terms of loans, please refer to Notes 22 and 23.

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

	Group	
	2011 HK\$'M	2010 HK\$'M
Loans and interest receivables from:		
Associated companies	262.8	117.9
Jointly controlled entities	1,773.5	1,139.0
Time deposits and interest receivable from:		
Other related parties	271.6	1,322.8
Bank loans and interest payable to:		
Other related parties	1,134.9	1,717.7
Trade receivables from:		
Associated companies	–	2.5
Jointly controlled entities	1.6	8.4
Other related parties	2.3	3.2
Trade payables to:		
Associated companies	3.2	3.7
Jointly controlled entities	–	1.3
Other related parties	0.2	0.9

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

42 Notes to consolidated cash flow statement

Reconciliation of profit before taxation to net cash from operating activities

	Group	
	2011 HK\$'M	2010 HK\$'M
Profit before taxation	8,068.7	7,086.7
Share of profits less losses of associated companies	(1,647.7)	(1,528.1)
Share of profits less losses of jointly controlled entities	(908.7)	(889.5)
Gain on acquisition of a subsidiary	(124.6)	–
Gain on deconsolidation of a subsidiary	–	(42.0)
Fair value gain on investment property	(17.0)	–
Provision for investment in a jointly controlled entity	–	23.6
Ineffective portion on cash flow hedges	(12.6)	(2.5)
Interest income	(264.9)	(398.8)
Interest expense	752.0	711.2
Dividend income from investments in securities	(178.4)	(175.5)
Depreciation and amortisation	1,311.0	1,152.0
Loss on disposal/write off of property, plant and equipment	34.1	50.3
Gain on disposal of leasehold land	(11.3)	(0.7)
Gain on disposal of available-for-sale financial assets	(19.1)	(169.2)
Net realised and unrealised losses on investments in financial assets at fair value through profit or loss and derivative financial instruments	144.7	29.8
Tax paid	(960.6)	(720.4)
Exchange differences	(115.6)	12.2
Changes in working capital		
Increase in customers' deposits	31.8	19.5
Decrease in completed property for sale	–	29.0
(Increase)/decrease in inventories	(284.6)	1,306.5
Increase in trade and other receivables	(1,728.3)	(1,961.6)
Increase in trade and other payables	901.5	710.7
Increase in retirement benefit assets	(13.1)	(9.0)
Net cash from operating activities	4,957.3	5,234.2

43 Share option schemes

Pursuant to share option scheme (the “Share Option Scheme”) adopted by shareholders of Towngas China on 4th April 2001, 26th April 2005 and 28th November 2005, Towngas China may grant options to employees of Towngas China and its subsidiaries for the recognition of their contributions to the Towngas China. Share options granted must be taken up within 28 days from the date of grant, upon payment of HK\$1 per option and the vesting period of share options is from the date of grant until the commencement of the exercisable period. Share options granted are exercisable in accordance with the terms of the Share Option Scheme at any time for a period to be determined by the directors of Towngas China, which shall not be more than 10 years after the date of grant.

As at 31st December 2011, total number of outstanding and exercisable share options is 16,240,800. The weighted average exercise price for the outstanding and exercisable share options is HK\$3.7. Had all the outstanding vested share options been exercised on 31st December 2011, the Group would have received cash proceeds of approximately HK\$60.3 million.

44 Business combinations

(a) Business combinations under Towngas China

In January 2011, the Group acquired 100 per cent and 80 per cent of Wuning Hong Kong and China Gas Co., Ltd. (“Wuning”) and Xiushui Hong Kong and China Gas Co., Ltd. (“Xiushui”) for cash consideration of approximately HK\$80.2 million and HK\$42.5 million respectively.

Also, in July and December 2011, the Group acquired 70 per cent and 80 per cent of Miluo Red-Horse Natural Gas Development Company Limited (“Miluo”) and Beipiao Hong Kong and China Gas Company Limited (“Beipiao”) for cash consideration of approximately HK\$161.0 million and HK\$78.9 million respectively.

The inclusion of the acquired businesses do 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:

	Wuning HK\$'M	Xiushui HK\$'M	Miluo HK\$'M	Beipiao HK\$'M	Total HK\$'M
Purchase consideration	80.2	42.5	161.0	78.9	362.6
Fair value of net identifiable assets acquired (see below)	(3.0)	(1.8)	(12.7)	(32.0)	(49.5)
Goodwill (Note 20)	77.2	40.7	148.3	46.9	313.1

The goodwill is attributable to the future profitability of the acquired business of Wuning, Xiushui, Miluo and Beipiao and the synergies expected to arise after the Group’s acquisitions.

44 Business combinations (Continued)

(a) Business combinations under Towngas China (Continued)

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

	Acquirees' fair value amount HK\$'M
Property, plant and equipment	169.6
Leasehold land	10.9
Inventories	5.0
Trade and other receivables	37.7
Bank balances and cash	1.5
Trade and other payables	(69.6)
Provision for taxation	(0.4)
Borrowings	(83.3)
Deferred taxation	(8.0)
Net assets	63.4
Non-controlling interests	(13.9)
Net identifiable assets acquired	49.5
	HK\$'M
Purchase consideration for acquisition of subsidiaries, settled in cash	172.9
Cash and cash equivalents in subsidiaries acquired	(1.5)
Cash outflow on acquisition of subsidiaries	171.4

As at 31st December 2011, purchase consideration of HK\$30.3 million for Xiushui remained unpaid and included in trade and other payables whereas purchase consideration of HK\$80.5 million and HK\$78.9 million for Miluo and Beipiao respectively remained unpaid and included in loan and other payables to non-controlling shareholders.

44 Business combinations (Continued)

(b) Business combinations under the Group's PRC gas business

In July 2011 and August 2011, the Group acquired 60 per cent and 81 per cent of 潮州市華迅能源配送有限公司 ("Huaxun") and Jingxian Hong Kong and China Gas Company Limited ("Jingxian") for cash consideration of approximately HK\$302.4 million and HK\$233.5 million respectively.

The inclusion of the acquired businesses do 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:

	Huaxun HK\$'M	Jingxian HK\$'M	Total HK\$'M
Purchase consideration	302.4	233.5	535.9
Fair value of net identifiable assets acquired (see below)	(60.3)	(54.1)	(114.4)
Goodwill (Note 20)	242.1	179.4	421.5

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

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

	Acquirees' fair value amount HK\$'M
Property, plant and equipment	102.1
Leasehold land	116.1
Trade and other receivables	49.0
Bank balances and cash	14.9
Trade and other payables	(114.8)
Net assets	167.3
Non-controlling interests	(52.9)
Net identifiable assets acquired	114.4
	HK\$'M
Purchase consideration for acquisition of subsidiaries, settled in cash	270.5
Cash and cash equivalents in subsidiaries acquired	(14.9)
Cash outflow on acquisition of subsidiaries	255.6

As at 31st December 2011, purchase consideration of HK\$124.6 million and HK\$140.8 million for Huaxun and Jingxian respectively remained unpaid and included in trade and other payables.

44 Business combinations (Continued)

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

In September 2011 and October 2011, the Group acquired 100 per cent and 55 per cent of Inner Mongolia Ke Jian Coal Company Limited ("Ke Jian") and 嘉祥縣恒生貿易有限公司 ("Heng Sheng") for cash consideration of approximately HK\$274.6 million and HK\$143.7 million respectively.

The inclusion of the acquired businesses do 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:

	Ke Jian HK\$'M	Heng Sheng HK\$'M	Total HK\$'M
Purchase consideration	274.6	143.7	418.3
Fair value of net identifiable assets acquired (see below)	(399.2)	(111.2)	(510.4)
(Gain on acquisition) (Note 7)/goodwill (Note 20)	(124.6)	32.5	

The goodwill is attributable to the future profitability of the acquired business of Ke Jian and Heng Sheng and the synergies expected to arise after the Group's acquisitions.

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

	Acquirees' fair value amount HK\$'M
Property, plant and equipment	1,063.5
Leasehold land	230.3
Inventories	0.2
Trade and other receivables	53.4
Bank balances and cash	9.6
Trade and other payables	(465.5)
Taxation payable	(1.8)
Borrowings	(122.1)
Deferred taxation	(166.2)
Net assets	601.4
Non-controlling interests	(91.0)
Net identifiable assets acquired	510.4
	HK\$'M
Purchase consideration for acquisition of subsidiaries, settled in cash	319.9
Cash and cash equivalents in subsidiaries acquired	(9.6)
Cash outflow on acquisition of subsidiaries	310.3

As at 31st December 2011, unsettled purchase considerations of HK\$54.9 million and HK\$43.5 million for Ke Jian and Heng Sheng respectively are included in trade and other payables.

(d) Apart from the above, there were no other material acquisitions during the year ended 31st December 2011.

Subsidiaries

The following is a list of the principal subsidiaries as at 31st December 2011:

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of Incorporation/ operation	Principal activity
² Apex Time Holdings Limited	100 ordinary shares of HK\$1 each	100	Hong Kong	Investment holding
Barnaby Assets Limited	1 ordinary share of US\$1	100	British Virgin Islands/ Hong Kong	Securities investment
Danetop Services Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Securities investment
[#] Eagle Legend International Limited	100 ordinary shares of HK\$1 each	100	Hong Kong	Financing
ECO Aviation Fuel Development Limited	2 ordinary shares of HK\$1 each	100	Hong Kong	Aviation fuel facility construction
ECO Aviation Fuel Services Limited	100 ordinary shares of HK\$1 each	100	Hong Kong	Aviation fuel facility operation
ECO Environmental Investments Limited	2 ordinary shares of HK\$1 each	100	Hong Kong	LPG filling stations
ECO Environmental Investment (China) Limited	100 ordinary shares of HK\$1 each	100	Hong Kong	Investment holding
ECO Landfill Gas (NENT) Limited	100 ordinary shares of HK\$1 each	100	Hong Kong	Landfill gas project
Fanico Investments Limited	1 ordinary share of HK\$1 each	100	Hong Kong	Investment holding
HDC Data Centre Limited	100 ordinary shares of HK\$1 each	100	Hong Kong	Data centre operation
HKCG (Finance) Limited	100 ordinary shares of HK\$1 each	100	Hong Kong	Financing
Hong Kong & China Gas (Anhui) Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Changzhou) Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Chaozhou) Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (China) Limited	10,000 ordinary shares of HK\$1 each	100	British Virgin Islands	Investment holding
Hong Kong & China Gas (Danyang) Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Fengcheng) Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Guangzhou Science City) Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Guangzhou) Limited	1,000 ordinary shares of HK\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Hebei) Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Jilin Province) Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding

[#] Direct subsidiaries of the Company

² Newly acquired during the year

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2011:

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of Incorporation/ operation	Principal activity
Hong Kong & China Gas (Jinan) Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Jintan) Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Nanjing) Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Panyu) Limited	1,000 ordinary shares of HK\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Suzhou) Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Taizhou) Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Wuhan) Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Wujiang) Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Xuzhou) Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Yixing) Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Zhangjiagang) Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Zhongshan) Limited	1,000 ordinary shares of HK\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Water (Suzhou) Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Water (Wujiang) Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Water Limited	1 ordinary share of US\$1 each	100	British Virgin Islands	Investment holding
Hong Kong and China Gas (Hainan) Limited	100 ordinary shares of HK\$1 each	100	Hong Kong	Investment holding
Hong Kong and China Gas (Jiangxi) Limited	100 ordinary shares of HK\$1 each	100	Hong Kong	Investment holding
¹ Hong Kong and China Gas (Jingxian) Limited	100 ordinary shares of HK\$1 each	100	Hong Kong	Investment holding
Hong Kong and China Gas (Xinmi) Limited	100 ordinary shares of HK\$1 each	100	Hong Kong	Investment holding
Hong Kong and China Gas (Zhangshu) Limited	100 ordinary shares of HK\$1 each	100	Hong Kong	Investment holding
Investstar Limited	100 ordinary shares of HK\$1 each	100	Hong Kong	Securities investment

¹ Newly formed during the year

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2011:

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of Incorporation/ operation	Principal activity
Monarch Properties Limited	1,000 ordinary shares of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
¹ M-Tech Instrument Corporation (Holding) Limited	119 ordinary shares of HK\$1 each	58	Hong Kong	Investment holding
Pathview Properties Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Prominence Properties Limited	1,000 ordinary shares of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
# P-Tech Engineering Company Limited	2 ordinary shares of HK\$1 each	100	Hong Kong	Engineering, and production of industrial gas
# Quality Testing Services Limited	10,000 ordinary shares of HK\$1 each	100	Hong Kong	Appliance testing
Sky Global Limited	100 ordinary shares of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Starmax Assets Limited	90 million ordinary shares of HK\$1 each	100	British Virgin Islands/ Hong Kong	Property development
Summit Result Developments Limited	100 ordinary shares of HK\$1 each	100	Hong Kong	Investment holding
Superfun Enterprises Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Securities investment
Towngas China Company Limited	2,460,344,830 shares of HK\$0.1 each	66.2	Cayman Island/ PRC	Investment holding
Towngas Enterprise Limited	2 ordinary shares of HK\$1 each	100	Hong Kong	Café, restaurant and retail sales
# Towngas International Company Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
# Towngas Investment Company Limited	2 ordinary shares of HK\$1 each	100	Hong Kong	Investment holding
Towngas Telecommunications Fixed Network Limited	35,000,000 ordinary shares of HK\$1 each	100	Hong Kong	Telecommunications business
Upwind International Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Securities investment
U-Tech Engineering Company Limited	12,600,000 ordinary shares of HK\$1 each	100	Hong Kong	Engineering and related businesses
Uticom Limited	100 ordinary shares of HK\$1 each	60	Hong Kong	Development of automatic meter reading system

Direct subsidiaries of the Company

¹ Newly formed during the year

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2011:

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of Incorporation/ operation	Principal activity
Held by Towngas China				
China Overlink Holdings Co, Limited	1 ordinary share of US\$1 each	100	British Virgin Islands	Investment holding
Hong Kong & China Gas (Anqing) Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Dalian) Limited	100 ordinary shares of HK\$1 each	100	Hong Kong	Investment holding
Hong Kong & China Gas (Hangzhou) Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Huzhou) Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Maanshan) Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Qingdao) Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Taian) Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Tongxiang) Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Weifang) Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Weihai) Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Yantai) Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Yingkou) Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Zibo) Limited	1 ordinary share of US\$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
TCCL (Finance) Limited	1 ordinary share of HK\$1 each	100	Hong Kong	Financing
Towngas (BVI) Holdings Limited	1 ordinary share of US\$1 each	100	British Virgin Islands	Investment holding
Towngas China Group Limited	12,821 ordinary shares of US\$1 each	100	British Virgin Islands	Investment holding

Subsidiaries (Continued)

The following is a list of project companies in mainland China which are sino-foreign equity joint ventures or wholly foreign-owned enterprises and are accounted for as subsidiaries as at 31st December 2011:

Name	Registered capital	Percentage of registered capital held	Place of Incorporation/operation	Principal activity
Chaozhou Hong Kong and China Limited	HK\$100.0 million	60	PRC	Gas sales and related businesses
Chiping ECO Yi Yun Gas Co. Ltd.	RMB15.0 million	70	PRC	Vehicular fuel refilling station
† Dandong YiYuan Trade Co., Ltd.	US\$20.0 million	100	PRC	Coal trading
Danyang Hong Kong and China Gas Company Limited	RMB60.0 million	80	PRC	Gas sales and related businesses
Dong Ping ECO Energy Co. Ltd.	RMB14.0 million	91	PRC	Vehicular fuel refilling station
¹ ECO Environmental Energy Investment Limited	US\$100.0 million	100	PRC	Chinese holding company
† ECO Environmental Resources Investments Limited	US\$299.0 million	100	PRC	Chinese holding company
† ECO Services Management Company Limited	RMB50.0 million	100	PRC	Project management
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\$50.0 million	80	PRC	Gas sales and related businesses
Guangzhou Hong Kong and China Gas Company Limited	RMB105.0 million	80	PRC	Gas sales and related businesses
† Guangzhou Jianke Hong Kong and China Gas Company Limited	RMB22.5 million	100	PRC	Gas sales and related businesses
† Hong Kong & China Gas Investment Limited	US\$75.0 million	100	PRC	Investment holding
² Inner Mongolia Ke Jian Coal Company Limited	RMB150.0 million	100	PRC	Coal mining and related businesses
Inner Mongolia SanWei Coal Chemical Technology Company Limited	RMB400.0 million	70.1	PRC	Coal-based chemical and related businesses
Inner Mongolia SanWei Resource Group Xiao Yu Gou Coal Company Limited	RMB120.0 million	70.1	PRC	Coal mining and related businesses
Jilin Hong Kong and China Gas Company Limited	RMB100.0 million	63	PRC	Gas sales and related businesses
Jining Jikuang ECO New Energy Co., Ltd.	RMB15.0 million	51	PRC	Vehicular fuel refilling station
Jintan Hong Kong and China Gas Company Limited	RMB60.0 million	60	PRC	Gas sales and related businesses
† Pingxiang Hong Kong & China Gas Company Limited	US\$5.1 million	100	PRC	Gas sales and related businesses

¹ Newly formed during the year

² Newly acquired during the year

† Wholly foreign-owned enterprises

Subsidiaries (Continued)

The following is a list of project companies in mainland China which are sino-foreign equity joint ventures or wholly foreign-owned enterprises and are accounted for as subsidiaries as at 31st December 2011:

Name	Registered capital	Percentage of registered capital held	Place of Incorporation/operation	Principal activity
† Qinhuangdao YiTeng Trade Co. Ltd.	US\$1.5 million	100	PRC	Coal trading
Shaan Xi ECO Hui Tai Clean Energy Co. Ltd.	RMB27.0 million	60	PRC	Vehicular fuel refilling station
Shanxi ECO Coalbed Gas Company Limited	RMB200.0 million	70	PRC	Coalbed methane project
# Shunde Hong Kong and China Gas Company Limited	RMB100.0 million	60	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 & China Gas Co., Ltd.	US\$10.0 million	93.9	PRC	Gas sales and related businesses
Towngas Chibo Data Service (Jinan) Co., Ltd.	RMB68.0 million	65	PRC	Data outsourcing project
Towngas Telecom (Shandong) Company Limited	RMB40.0 million	90.1	PRC	Telecommunication pipe-laying project
† Towngas Telecommunications (Shenzhen) Limited	RMB1.0 million	100	PRC	Telecom businesses
# Wuhu Hong Kong and China Water Company Limited	RMB300.0 million	75	PRC	Water supply and related businesses
Wujiang Hong Kong and China Gas Company Limited	RMB60.0 million	80	PRC	Gas sales and related businesses
Wujiang Hong Kong and China Water Company Limited	RMB860.0 million	80	PRC	Water supply and related businesses
† Xinmi Hong Kong and China Gas Company Limited	US\$12.5 million	100	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\$5.01 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
Jiangxi Hong Kong and China Gas Company Limited	RMB25.9 million	56	PRC	Gas sales and related businesses

Direct subsidiaries of the Company

† Wholly foreign-owned enterprises

Subsidiaries (Continued)

The following is a list of project companies in mainland China which are sino-foreign equity joint ventures or wholly foreign-owned enterprises and are accounted for as subsidiaries as at 31st December 2011:

Name	Registered capital	Percentage of registered capital held	Place of Incorporation/operation	Principal activity
[†] 豐縣港華燃氣有限公司	US\$4.5 million	100	PRC	Gas sales and related businesses
² 潮州市華迅能源配送有限公司	HK\$126.0 million	60	PRC	Gas sales and related businesses
^{1†} 卓度計量技術(深圳)有限公司	RMB14.0 million	100	PRC	Gas meter and related businesses
^{1†} 卓度計量技術(成都)有限公司	RMB2.8 million	58	PRC	Gas meter and related businesses
² 景縣港華燃氣有限公司	RMB79.0 million	81	PRC	Gas sales and related businesses
¹ 大連億達名氣通數據有限公司	RMB76.0 million	90	PRC	Telecommunication project
¹ 萊陽名氣通電訊有限公司	RMB10.0 million	90	PRC	Telecommunication project
² 嘉祥縣恒生貿易有限公司	RMB180.0 million	55	PRC	Port logistics project
Held by Towngas China				
[†] Anshan Hong Kong and China Gas Company Limited	US\$15.0 million	100	PRC	Gas sales and related businesses
[†] Beipiao Hong Kong and China Gas Company Limited	RMB56.0 million	80	PRC	Gas sales and related businesses
Benxi Hong Kong and China Gas Company Limited	RMB210.0 million	80	PRC	Gas sales and related businesses
[†] Cangxi Hong Kong and China Gas Co., Ltd.	RMB10.0 million	100	PRC	Gas sales and related businesses
Chaoyang Hong Kong and China Gas Company Limited	US\$10.8 million	90	PRC	Gas sales and related businesses
Chi Ping Hong Kong & China Gas Company Limited	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
[†] Dalian Changxing Hong Kong and China Gas Company Limited	US\$14.0 million	100	PRC	Gas sales and related businesses
[†] Dalian Lvshun Hong Kong and China Gas Company Limited	US\$15.0 million	100	PRC	Gas sales and related businesses
[†] Dayi Hong Kong and China Gas Company Limited	RMB10.0 million	100	PRC	Gas sales and related businesses
Fuxin Hong Kong and China Gas Co., Ltd.	RMB77.2 million	90	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 Towngas Limited	RMB53.0 million	100	PRC	Gas sales and related businesses

¹ Newly formed during the year

² Newly acquired during the year

[†] Wholly foreign-owned enterprises

Subsidiaries (Continued)

The following is a list of project companies in mainland China which are sino-foreign equity joint ventures or wholly foreign-owned enterprises and are accounted for as subsidiaries as at 31st December 2011:

Name	Registered capital	Percentage of registered capital held	Place of Incorporation/operation	Principal activity
Held by Towngas China (Continued)				
Guilin Hong Kong and China Gas Company Limited	RMB14.0 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 Co., Ltd.	US\$10.5 million	98.9	PRC	Gas sales and related businesses
Jiayang Hong Kong and China Gas Co., Ltd.	RMB10.0 million	100	PRC	Gas sales and related businesses
Jinan Jihua Gas Co., Ltd	RMB100.0 million	51	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 Co., Ltd.	RMB10.0 million	100	PRC	Gas sales and related businesses
† Longkou Hong Kong and China Gas Company Limited	US\$7.1 million	100	PRC	Gas sales and related businesses
† Maanshan Bowang Hong Kong and China Gas Company Limited	US\$10.0 million	75.1	PRC	Gas sales and related businesses
† Mianyang Hong Kong and China Gas Company Limited	RMB90.0 million	100	PRC	Gas sales and related businesses
² Miluo Red-Horse Natural Gas Development Company Limited	RMB50.0 million	70	PRC	Gas sales and related businesses
Pengshan Hong Kong and China Gas Company Limited	RMB10.0 million	70	PRC	Gas sales and related businesses
Pengxi Hong Kong and China Gas Company Limited	RMB3.6 million	100	PRC	Gas sales and related businesses
Pingchang Hong Kong and China Gas Company Limited	RMB10.0 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 Company Limited	RMB73.5 million	90	PRC	Gas sales and related businesses

² Newly acquired during the year

† Wholly foreign-owned enterprises

Subsidiaries (Continued)

The following is a list of project companies in mainland China which are sino-foreign equity joint ventures or wholly foreign-owned enterprises and are accounted for as subsidiaries as at 31st December 2011:

Name	Registered capital	Percentage of registered capital held	Place of Incorporation/operation	Principal activity
Held by Towngas China (Continued)				
Qing Yuan Hong Kong and China Gas Company Limited	RMB10.0 million	80	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\$8.0 million	100	PRC	Gas sales and related businesses
Tieling Hong Kong and China Gas Company Limited	RMB133.0 million	80	PRC	Gas sales and related businesses
Tongxiang Hong Kong and China Gas Company Limited	US\$7.0 million	76	PRC	Gas sales and related businesses
† Towngas Investments Limited	US\$200.0 million	100	PRC	Investment holding
Weiyuan Hong Kong and China Gas Company Limited	RMB10.0 million	99.5	PRC	Gas sales and related businesses
² Wuning Hong Kong and China Gas Company Limited	RMB5.0 million	100	PRC	Gas sales and related businesses
Xin Du Hong Kong and China Gas Company Limited, Cheng Du	RMB22.0 million	100	PRC	Gas sales and related businesses
Xinjin Diyuan Natural Gas Co., Ltd.	RMB12.0 million	60	PRC	Gas sales and related businesses
Xinjin Nanfang Natural Gas Company Limited	RMB11.5 million	60	PRC	Gas sales and related businesses
² Xiushui Hong Kong and China Gas Company Limited	RMB20.0 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
† 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	RMB12.5 million	90	PRC	Gas sales and related businesses
† Zhongjiang Hong Kong and China Gas Company Limited	RMB18.8 million	100	PRC	Gas sales and related businesses
Ziyang Hong Kong and China Gas Company Limited	RMB18.9 million	90	PRC	Gas sales and related businesses

² Newly acquired during the year

† Wholly foreign-owned enterprises

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.