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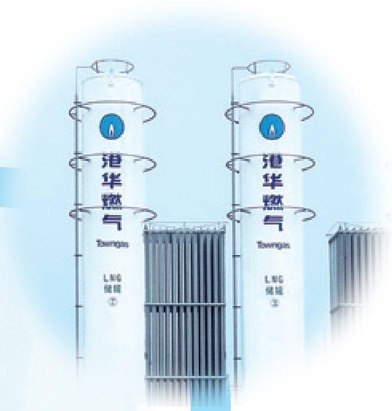
Profit after taxation attributable to shareholders of the Company excluding the unrealised exchange loss and the provision for the disposal of the coke plant of Changchun Gas amounted to HK$1,202 million, an increase of 1% as compared to the corresponding period last year.

The Group recorded an unrealised exchange loss of HK$301 million caused by fluctuation in Renminbi exchange rates in 2015. As Changchun Gas ceased to supply manufactured gas and changed to use natural gas as gas source, a provision of HK$94 million for the disposal of the coke plant attributable to the Group was recorded.



Profit after taxation attributable to shareholders of the Company amounted to HK$807 million, a decrease of 23% as compared to the corresponding period last year. Basic earnings per share amounted to HK30.45 cents, representing a decrease of 24% compared to the corresponding period of 2014.

Turnover

Turnover from the sales of piped gas and related products declined 3% from HK$6,205 million in 2014 to HK$6,011 million in 2015 due to devaluation of Renminbi and downward adjustments to the natural gas price as made by the Chinese Government in 2015. The total consolidated volume of gas sold during the year amounted to 1,719 million cubic metres, on a par with 2014. In the gas connection business, income from connection fees for the year amounted to HK$1,708 million, a rise of 2% compared to 2014. This was attributable to approximately 389,000 consolidated new household connections in 2015.

Gas Fuel, Stores and Materials Used

The cost of gas fuel, stores and materials used amounted to HK$4,936 million, while that was HK$5,128 million in 2014. The decrease in expenses was mainly attributable to the downward adjusted purchase price of natural gas and the devaluation of Renminbi in the current year.

Overhead Costs

Overhead costs in 2015 amounted to HK$1,765 million, up 5% as compared to HK$1,688 million in 2014. The increase was mainly due to the Group's business development together with escalations in wages and inflation. Staff costs and depreciation and amortisation expenses rose by 9% and 12%, respectively. At the same time, an increase of HK$3 million in overheads was due to the inclusion of new subsidiaries in 2015.

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Staff Costs

Staff costs increased from HK$788 million in 2014 to HK$857 million in 2015. The increase in staff costs was due to the increase in the number of staff in line with our business development needs, the addition of new subsidiaries and higher average salaries on the mainland.

Finance Costs

Finance costs in 2015 amounted to HK$181 million, an increase of 4% as compared to 2014. This rise in finance costs reflected the increase in loans mainly due to the acquisition of new projects and business development.

Available-for-sale Investments

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

Financial Position

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

The compressed natural gas refilling station in Changchun City, Jilin Province supplies clean fuel for vehicles which helps to improve overall air quality.

As at 31 December 2015, the Group's total borrowings amounted to HK$8,768 million, of which HK$994 million represented loans from The Hong Kong and China Gas Company Limited ("HKCG") due between 2 to 5 years, HK$3,183 million represented bank loans and other loans due within 1 year, HK$4,558 million represented bank loans and other loans due between 1 to 5 years, and HK$33 million represented bank loans and other loans due over 5 years. The Group entered into an interest rate swap contract to swap the 5 year variable-rate bank borrowing of HK$350 million to the fixed-rate borrowing in 2011. Other than the HK$1,730 million in bank loans and other borrowings which bore interests at fixed rates, the Group's loans were mainly arranged on a floating interest rate basis. The maturities and interest rates of the loans were arranged to provide sound financial resources and stable interest costs for the Group. The Group's borrowings consists of HK$1,931 million borrowings dominated in Renminbi and the remaining HK$6,837 million borrowings dominated mainly in Hong Kong dollars and United States dollars. The businesses of the Group are mainly occurred in mainland China and most transactions, assets and liabilities were stated in Renminbi. As a result, the Group bore currency risk from fluctuations of Renminbi exchange rate for non-Renminbi denominated deposits and borrowings. As at 31 December 2015, the Group did not have any pledge on assets. As at the end of the period, the Group had a gearing ratio (net debt excluding the HKCG loans ("Net Debt") to equity attributable to shareholders of the Company plus Net Debt) of 28.6%.

As at 31 December 2015, the Group's cash and cash equivalents together with time deposits amounted to HK$2,376 million, of which 95% are Renminbi-denominated and the rest are denominated in Hong Kong dollars and United States dollars.

As at 31 December 2015, the Group's unutilised available facilities amounted to HK$2,850 million.

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

Credit Ratings

In June 2015, Standard & Poor's upgraded the long-term corporate credit rating of Towngas China from "BBB" to "BBB+", while maintaining its long-term Greater China credit rating at "cnA+" and its rating outlook as "stable". In July 2015, Moody's Investors Service upgraded the issuer rating of Towngas China from "Baa2" to "Baa1" with a "stable" outlook rating. These ratings, and the ongoing enhancement in our credit standing in particular, reflect the credit rating agencies' recognition of Towngas China's sound financial position.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2015.

Final Dividend

The Board recommended the payment of a final dividend for the year ended 31 December 2015 of HK ten cents per share (2014: HK ten cents per share). The Board also proposed to offer a scrip dividend option to allow shareholders to elect to receive the final dividend wholly or partly in the form of new fully paid shares instead of in cash.