Notes to the Consolidated Financial Statements

For the year ended 31 December 2013

1. General and Basis of Preparation

The Company is a public limited company incorporated in the Cayman Islands on 16 November 2000 under the Companies Law (Revised) Chapter 22 of the Cayman Islands as an exempted company with its shares listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In the opinion of the directors of the Company ("Directors"), the Group's parent holding company and the ultimate controlling shareholder, is The Hong Kong and China Gas Company Limited ("HKCG"), a company incorporated in Hong Kong with its shares listed on the Stock Exchange. The addresses of the registered office and principal place of business of the Company are disclosed in the Corporate Information of the Annual Report.

The functional currency of the Company is Renminbi ("RMB"). The consolidated financial statements are presented in Hong Kong dollars ("HK$" or "HKD"). The reason for selecting HKD as its presentation currency is because the Company is a public company incorporated in Cayman Islands with its shares listed on the Stock Exchange, where most of its investors are located in Hong Kong.

The Company is an investment holding company. Its subsidiaries are principally engaged in the sales and distribution of piped gas in the People's Republic of China (the "PRC") including the provision of piped gas, construction of gas pipelines, the operation of city gas pipeline network and the sale of gas household appliances.

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that its current liabilities exceeded its current assets by approximately HK$2,336 million as at 31 December 2013. The Group's liabilities as at 31 December 2013 included borrowings of approximately HK$2,419 million that are repayable within one year from the end of the reporting period.

As of the date of approval for issuance of the consolidated financial statements, the Group had un-utilised facilities (the "Facilities") amounting to approximately HK$2,201 million. When considering the Group's ability to continue as a going concern, the Directors considered that the Group's bank loans of approximately HK$2,419 million that are repayable within one year from the end of the reporting period will be rolled over or refinanced as the Group has good relationship with the banks and has good credibility.

Taking into account of the internally generated funds and the available Facilities, the Directors are confident that the Group will be able to meet its financial obligations when they fall due in the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

2. Application of New and Revised Hong Kong Financial Reporting Standards

The Group has applied for the first time in the current year the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), Hong Kong Accounting Standards ("HKAS"), amendments and interpretation ("HK(IFRIC) – Int") (hereinafter collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 – 2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income

Except as described below, the application of the above new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 "Consolidated Financial Statements", HKFRS 11 "Joint Arrangements", HKFRS 12 "Disclosure of Interests in Other Entities", HKAS 27 (as revised in 2011) "Separate Financial Statements" and HKAS 28 (as revised in 2011) "Investments in Associates and Joint Ventures", together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements and HK(SIC) Int-12 "Consolidation – Special Purpose Entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. Some guidance included in HKFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

2. Application of New and Revised Hong Kong Financial Reporting Standards *(Continued)*

Impact of the application of HKFRS 10 *(Continued)*

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures", and the guidance contained in a related interpretation, HK(SIC) – Int13 "jointly controlled entities – Non-Monetary Contributions by Venturers", has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, HKAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards.

As a result of the adoption of HKFRS 11, the Group has re-evaluated its involvement in its joint arrangements. The Group has reclassified the investment from jointly controlled entity to joint venture. The investment continues to be accounted for using equity method and therefore this reclassification does not have any material impact on the financial position and the financial result of the Group.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements (please see notes 20 and 21 for details).

2. Application of New and Revised Hong Kong Financial Reporting Standards *(Continued)*

HKFRS 13 "Fair Value Measurement"

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of HKFRS 13 is broad; the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard.

In accordance with these transitional provisions, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period (please see note 6 for the 2013 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income"

The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Except as described above, the application of the other new and revised HKFRSs in the current year has had no material effect on the amounts reported and/or disclosures set out in these consolidated financial statements.

2. Application of New and Revised Hong Kong Financial Reporting Standards *(Continued)*

Amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income" *(Continued)*

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 14	Regulatory Deferral Accounts[5]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC) – Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
5 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

Amendments to HKAS 32 "Offsetting Financial Assets and Financial Liabilities"

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

The directors of the Company do not anticipate that the application of these amendments to HKAS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

Amendments to HKAS 36 "Recoverable Amount Disclosures for Non-Financial Assets"

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The directors of the Company do not anticipate that the application of these amendments to HKAS 36 will have a significant impact on the Group's consolidated financial statements.

2. Application of New and Revised Hong Kong Financial Reporting Standards *(Continued)*

Amendments to HKAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"

The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment of hedge effectiveness.

The directors of the Company do not anticipate that the application of these amendments to HKAS 39 will have any effect on the Group's consolidated financial statements as the Group does not have any derivatives that are subject to novation.

HK(IFRIC) – Int 21 "Levies"

HK(IFRIC) – Int 21 "Levies" addresses the issue of when to recognise a liability to pay a levy. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The directors of the Company anticipate that the application of HK(IFRIC) – Int 21 will have no effect on the Group's consolidated financial statements as the Group does not have any levy arrangements.

Except those mentioned above, the directors of the Company anticipate that the application of the other new and revised HKFRSs that have been issued but are not yet effective may have no material impact on the results and the financial position of the Group.

3. Significant Accounting Policies

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are stated at fair value, as explained in the accounting policies below, and in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

3. Significant Accounting Policies *(Continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement from the date the Group gains control until the date when the Group ceases to control the subsidiary.

3. Significant Accounting Policies *(Continued)*

Basis of consolidation *(Continued)*

Where necessary, adjustments are made to financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard.

3. Significant Accounting Policies *(Continued)*

Business combinations *(Continued)*

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3. Significant Accounting Policies *(Continued)*

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see accounting policy above) less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the relevant cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent years.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

3. Significant Accounting Policies *(Continued)*

Investments in associates and joint ventures *(Continued)*

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment (or a portion thereof) is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group (such as a sale or contribution of assets), profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

3. Significant Accounting Policies *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from gas connection, which relates to contracts for construction of gas connection facilities, is recognised based on the percentage of completion method, measured by reference to the value of work carried out during the year, when the outcome of a gas connection contract can be estimated reliably and the stage of completion at the end of the reporting period can be measured reliably. When the outcome of a gas connection contract cannot be estimated reliably, revenue is recognised only to the extent of contract cost incurred that is probable to be recoverable.

Revenue from gas supply is recognised when gas is used by the customers.

Revenue from sales of goods is recognised when goods are delivered and title has been passed.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated in the consolidated statement of financial position at cost less accumulated depreciation, and any impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method, as follows:

Buildings	15 – 30 years
Gas pipelines	25 – 40 years
Plant and equipment and others	5 – 15 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

3. Significant Accounting Policies *(Continued)*

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "leasehold land" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Construction in progress

Construction in progress, which includes all development expenditure and other direct costs attributable to such projects, is stated at cost less any accumulated impairment losses. It is not depreciated until completion of construction. The costs of completed construction works are transferred to appropriate categories of property, plant and equipment.

Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Exclusive operating rights for city pipeline network

Exclusive operating rights for city pipeline network are stated at cost less accumulated amortisation and any identified impairment loss. The cost incurred for the acquisition of exclusive operating rights is capitalised and amortised on a straight-line basis over the estimated useful life.

The estimated useful life and amortisation method of intangible assets are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. Significant Accounting Policies *(Continued)*

Construction contracts

When the outcome of a construction contract can be estimated reliably and the stage of contract completion at the end of the reporting period can be measured reliably, contract costs are charged to the consolidated income statement by reference to the stage of completion of the contract activity at the end of the reporting period on the same basis as contract revenue is recognised.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that is probably recoverable. Contract costs are recognised as an expense in the period in which they are incurred. When it is probable that total contract costs will exceed contract revenues, the expected loss is recognised as an expense immediately.

Impairment (other than goodwill)

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets

The Group's financial assets are mainly classified into one of the two categories, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables (including deferred consideration receivable, loans to associates, loans to joint ventures, trade receivables, other receivables, amounts due from non-controlling shareholders, time deposits over three months and bank balances and cash) are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

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 measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Impairment of financial assets (Continued)

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Bank and other borrowings

Interest-bearing bank loans and other loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Other financial liabilities

Other financial liabilities including trade payables, other payables, amounts due to non-controlling shareholders and loans from the ultimate holding company are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Hedge accounting

The Group designates certain derivatives as either hedges of the fair value of fixed-rate bank borrowings (fair value hedges) or hedges of highly probable forecast transactions for foreign currency exposure (cash flow hedges).

At the inception of the hedging relationship, the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that is designated and qualifies as cash flow hedges is recognised in other comprehensive income and accumulated in hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts previously recognised in other comprehensive income and accumulated in equity (hedging reserve) are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the consolidated income statement as the recognised hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in consolidated income statement.

Share-based payment transactions

Equity-settled share-based payment transactions

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

When the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

3. Significant Accounting Policies *(Continued)*

Taxation *(Continued)*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. When current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

3. Significant Accounting Policies *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's entities are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of each reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the exchange reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefits costs

Payments to defined contribution retirement benefit schemes including, state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme ("MPF Scheme") are recognised as expenses when employees have rendered service entitling them to the contributions.

4. Key Sources of Estimation Uncertainty

In the process of applying the Group's accounting policies which are described in note 3, management has made various estimates based on past experience, expectations of the future and other information. The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, 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.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual cash flows are less than expected, a material impairment loss may arise. As at 31 December 2013, the carrying amount of goodwill is HK$5,797,674,000 (2012: HK$4,284,965,000). Details of the recoverable amount calculation are disclosed in note 19.

4. Key Sources of Estimation Uncertainty *(Continued)*

Income taxes

As at 31 December 2013, no deferred tax asset is recognised in the consolidated statement of financial position in relation to the estimated unused tax losses of the Group of HK$232,923,000 (2012: HK$137,811,000) due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future assessable profits or taxable temporary differences will be available in the future. In cases where the actual future assessable profits generated are more than expected, a material recognition of deferred tax asset may arise, which would be recognised in the consolidated income statement for the period in which such recognition takes place.

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment 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 (i.e. the effective interest rate computed at initial recognition). As at 31 December 2013, the carrying amount of trade receivables is HK$644,465,000 (2012: HK$412,371,000).

5. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes borrowings and loans from the ultimate holding company disclosed in notes 29 and 30, equity attributable to shareholders of the Company, comprising issued share capital and reserves.

The Group's management reviews the capital structure on a semi-annual basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of 40% determined as the proportion of net debt excluding loans from the ultimate holding company ("ND") to equity plus ND (the "Gearing Ratio").

The Gearing Ratio at the reporting date was as follows:

	2013 HK$'000	2012 HK$'000
Debt (i)	**6,900,418**	6,085,602
Time deposits over three months	**(374,271)**	(219,302)
Bank balances and cash	**(2,230,363)**	(2,479,484)
Net debt	**4,295,784**	3,386,816
Equity (ii)	**12,531,303**	10,481,716
Net debt to equity ratio	**34.3%**	32.3%
Gearing Ratio (iii)	**20.9%**	18.6%

(i) Debt is defined as long- and short-term borrowings, as detailed in notes 29 and 30.

(ii) Equity includes all capital and reserves of the Group excluding non-controlling interest.

(iii) Being the proportion of ND of HK$3,302,034,000 (2012: HK$2,393,066,000) to equity plus ND of HK$15,833,337,000 (2012: HK$12,874,782,000).

6. Financial Instruments

Categories of financial instruments

	2013 HK$'000	2012 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**3,685,196**	3,578,605
Derivative financial instruments	**–**	6,391
Available-for-sale instruments	**170,248**	170,016
Financial liabilities		
Amortised cost	**8,518,305**	7,208,759
Derivative financial instruments	**10,308**	18,992

Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, deferred consideration receivable, loans to associates, loans to joint ventures, trade and other receivables, amounts due from non-controlling shareholders, other financial asset, time deposits over three months, bank balances and cash, trade and other payables, amounts due to non-controlling shareholders, borrowings, loans from the ultimate holding company and other financial liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Certain bank balances and cash, time deposits over three months, bank and other borrowings and loans from the ultimate holding company are denominated in foreign currencies which expose the Group to foreign currency risk.

Details of the Group's bank balances and cash, time deposits over three months, bank and other borrowings and loans from the ultimate holding company, denominated in United States Dollar ("USD") and HKD at the end of the reporting period are set out in notes 25, 29 and 30.

The Group currently does not have a foreign currency hedging policy but the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

6. Financial Instruments *(Continued)*

Financial risk management objectives and policies *(Continued)*

Currency risk *(Continued)*

Sensitivity analysis

The following table details the Group's sensitivity to a reasonably possible change of 3% (2012: 3%) in exchange rate of USD and HKD against RMB while all other variables are held constant. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of each reporting period for a 3% (2012: 3%) change in foreign currency rates.

The sensitivity analysis includes bank balances and cash, borrowings and loans from the ultimate holding company where the denomination of the balances is in a currency other than the currency of the respective group entities. A positive number below indicates an increase in profit before taxation for the year where RMB strengthens by 3% (2012: 3%) against USD and HKD. For a 3% (2012: 3%) weakening of RMB against USD and HKD, there would be an equal but opposite impact on the profit before taxation for the year, and the balances below would be negative. This is mainly attributable to the Group's exposure to foreign exchange on its foreign currency borrowings.

	2013 **HK$'000**	2012 HK$'000
Profit before taxation for the year	**171,381**	143,369

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank and other loans, fixed-rate short-term bank fixed deposits, loans to joint ventures and loans to associates. The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. The fair value interest rate risk on bank deposits is insignificant as the fixed deposits are short-term.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank borrowings and the loans from the ultimate holding company and pay-fixed interest rate swap. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The critical terms of the interest rate swap are similar to the hedged borrowing. The interest rate swap is designated as effective hedging instruments and hedge accounting is used (see note 27 for details).

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate arising from the Group's HKD loans and the loans from the ultimate holding company and the fluctuation of basic borrowing rate announced by the People's Bank of China arising from the Group's RMB bank loans.

6. Financial Instruments *(Continued)*

Financial risk management objectives and policies *(Continued)*

Interest rate risk *(Continued)*

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments at the end of the reporting period. For variable-rate bank loans and loans from the ultimate holding company, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis points (2012: 25 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points (2012: 25 basis points) higher/lower and all other variables were held constant, the Group's profit before taxation for the year ended 31 December 2013 would decrease/increase by HK$15,401,000 (2012: HK$13,377,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings and loans from the ultimate holding company.

The Group's sensitivity to interest rates has increased during the current year mainly due to the increase in variable-rate debt instruments.

Credit risk

As at 31 December 2013, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties, is arising from the carrying amount of the respective financial assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The credit risk of loans to joint ventures and loans to associates are concentrated in five (2012: six) joint ventures and one (2012: two) associate respectively. However, the management, having considered the financial background and good creditability of the associate and joint ventures, believes there is no significant credit risk. Management will closely monitor the financial position of each counterparty to ensure overdue debts are timely recovered.

The credit risk of deferred consideration receivable is concentrated in one (2012: one) counterparty. Management will closely monitor the financial position of the counterparty to ensure overdue debts are timely recovered.

The credit risk on bank balances is limited because the counterparties have high credit ratings.

6. Financial Instruments *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank and other borrowings and ensures compliance with loan covenants.

The Group relies on loans from the ultimate holding company, bank and other borrowings as a significant source of liquidity. As at date of approval for issuance of the consolidated financial statements, the Group had available unutilised bank loan facilities of HK$2,201 million (at 31 December 2012: HK$1,670 million). As stated in note 1, the directors have considered the Group's liquidity and going concern in light of the fact that the Group's current liabilities exceed its current assets by approximately HK$2,336 million (at 31 December 2012: HK$1,228 million).

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Repayable on demand or less than 1 month HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	1 – 5 years HK$'000	5 + years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2013 HK$'000
2013								
Trade payables	–	435,854	258,310	175,991	–	–	870,155	870,155
Other payables	–	498,889	–	–	–	–	498,889	498,889
Amounts due to non-controlling shareholders	–	248,843	–	–	–	–	248,843	248,843
Loans from the ultimate holding company	3.61%	–	–	8,181	1,065,480	–	1,073,661	993,750
Bank loans	2.53%	–	1,302,366	1,117,882	3,790,448	16,293	6,226,989	5,849,467
Other loans	2.05%	2,945	–	23,733	15,338	18,947	60,963	57,201
		1,186,531	1,560,676	1,325,787	4,871,266	35,240	8,979,500	8,518,305
Derivative-net settlement								
Interest rate swap		–	1,007	3,022	7,051	–	11,080	10,308

6. Financial Instruments *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

	Weighted average effective interest rate	Repayable on demand or less than 1 month HK$'000	1 – 3 months HK$'000	3 months to 1 year HK$'000	1 – 5 years HK$'000	5 + years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31.12.2012 HK$'000
2012								
Trade payables	–	237,445	242,986	111,917	–	–	592,348	592,348
Other payables	–	337,305	–	–	–	–	337,305	337,305
Amounts due to non-controlling shareholders	–	193,504	–	–	–	–	193,504	193,504
Loans from the ultimate holding company	3.31%	–	–	–	1,059,501	–	1,059,501	993,750
Bank loans	2.86%	–	754,151	1,207,271	3,087,892	16,492	5,065,806	5,029,939
Other loans	1.98%	2,861	–	15,953	22,008	26,306	67,128	61,913
		771,115	997,137	1,335,141	4,169,401	42,798	7,315,592	7,208,759
Derivative-net settlement								
Interest rate swap		–	1,369	2,738	16,427	–	20,534	18,992

Fair value measurements

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used).

Financial assets/ financial liabilities	Fair value as at 31.12.2013	Fair value as at 31.12.2012	Fair value hierarchy	Valuation techniques and key inputs
1) Foreign currency forward contract classified as other financial asset in the statement of financial position	**Asset – nil**	Assets – HK$6,391,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of the Group.
2) Interest rate swaps classified as other financial liabilities in the statement of financial position	**Liabilities (designated for hedging) – HK$10,308,000**	Liabilities (designated for hedging) – HK$18,992,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of the Group.

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

7. Segment Information

Operating segments

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and to assess its performance. The chief operating decision maker of the Group has been identified as the executive directors of the Company (the "Executive Directors").

The Group determines its operating segments based on the internal reports reviewed by the Executive Directors to facilitate strategic decision making.

The Group currently organises its operations into two operating divisions, which also represent the operating segments of the Group for financial reporting purposes, namely sales and distribution of piped gas and related products and gas connection. They represent two major lines of business engaged by the Group. The principal activities of the operating and reportable segments are as follows:

Sales and distribution of piped gas and related products	–	Sales of piped gas (mainly natural gas) and gas related household appliances*
Gas connection	–	Construction of gas pipeline networks under gas connection contracts

* Sales from gas related household appliances contribute to less than 5% of the Group's total revenue.

Segments results represent the profit before taxation earned by each segment, excluding interest income, finance costs, share of results of associates, share of results of joint ventures, other gains, net and unallocated corporate expenses such as central administration costs and directors' salaries. These are reported to the Executive Directors for the purposes of resource allocation and assessment of segment performance.

7. Segment Information *(Continued)*

Operating segments *(Continued)*

Information regarding these segments is presented below:

	Sales and distribution of piped gas and related products HK$'000	Gas connection HK$'000	Consolidated HK$'000
For the year ended 31 December 2013			
TURNOVER			
External	**5,264,625**	**1,451,084**	**6,715,709**
Segment results	**426,956**	**638,269**	**1,065,225**
Other gains, net			**246,050**
Unallocated corporate expenses			**(140,178)**
Share of results of associates			**336,188**
Share of results of joint ventures			**265,125**
Finance costs			**(163,558)**
Profit before taxation			**1,608,852**
Taxation			**(382,509)**
Profit for the year			**1,226,343**

	Sales and distribution of piped gas and related products HK$'000	Gas connection HK$'000	Consolidated HK$'000
For the year ended 31 December 2012			
TURNOVER			
External	3,972,241	1,211,225	5,183,466
Segment results	307,682	551,760	859,442
Other gains, net			159,872
Unallocated corporate expenses			(115,786)
Share of results of associates			245,040
Share of results of joint ventures			235,125
Finance costs			(148,145)
Profit before taxation			1,235,548
Taxation			(299,393)
Profit for the year			936,155

7. Segment Information *(Continued)*

Operating segments *(Continued)*

Segment results included depreciation and amortisation of HK$342,968,000 (2012: HK$285,644,000), most of which are attributable to the sales and distribution of piped gas and related products segment.

Amounts of segment assets and liabilities of the Group are not reviewed by the Executive Directors or otherwise regularly provided to the Executive Directors.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3.

All of the Group's revenue was generated in the PRC (place of domicile of the group entities that derive revenue) and over 90% of the Group's non-current assets other than financial instruments were also located in the PRC (place of domicile of the group entities that hold such assets). No individual customer of the Group had contributed sales of over 10% of the total revenue of the Group for the years ended 31 December 2013 and 2012.

8. Operating Profit Before Returns on Investments

	2013 **HK$'000**	2012 HK$'000
Turnover	**6,715,709**	5,183,466
Less expenses:		
Gas fuel, stores and materials used	**4,274,570**	3,219,970
Staff costs	**670,677**	521,417
Depreciation, amortisation and release of leasehold land	**342,968**	285,644
Other expenses	**502,447**	412,779
	925,047	743,656

9. Other Gains, Net

Other gains, net mainly comprised of:

	2013 HK$'000	2012 HK$'000
Dividend income from available-for-sale investments	**58,169**	43,120
Interest income	**38,344**	22,804
Exchange gain	**159,662**	45,390
Imputed interest income on deferred consideration receivable	**6,278**	7,272
Imputed interest income on loans to joint ventures	**5,863**	8,297
Gain on fair value change of derivative financial instruments	**1,017**	7,314
Loss on disposal of a subsidiary	**(34,712)**	–

10. FINANCE COSTS

	2013 HK$'000	2012 HK$'000
Interest on:		
– bank and other borrowings wholly repayable within five years	**161,269**	145,027
– bank and other borrowings not wholly repayable within five years	**1,095**	1,468
Bank charges	**3,587**	2,670
	165,951	149,165
Less: amounts capitalised	**(2,393)**	(1,020)
	163,558	148,145

11. Profit Before Taxation

	2013 HK$'000	2012 HK$'000
Profit before taxation has been arrived at after charging and (crediting):		
Directors' remuneration *(note 12)*	**10,307**	9,838
Other staff costs	**602,311**	464,675
Retirement benefit scheme contributions (excluding directors)	**58,059**	46,904
Total staff costs	**670,677**	521,417
Allowance for doubtful debts	**29,050**	11,979
Amortisation of intangible assets	**7,454**	7,291
Release of leasehold land	**12,417**	9,847
Auditor's remuneration	**11,031**	9,141
Cost of inventories sold	**4,686,162**	3,561,889
Depreciation of property, plant and equipment	**323,097**	268,506
Operating lease rentals in respect of land and buildings	**25,360**	17,272
Loss (gain) on disposal of property, plant and equipment	**19,733**	(993)
Loss on disposal of leasehold land	**4,788**	128

12. Directors' and Employees' Emoluments

The emoluments paid or payable to each of the 7 (2012: 9) directors were as follows:

	Year ended 31 December 2013									
	Chan Wing Kin, Alfred HK$'000	Cheng Mo Chi, Moses HK$'000	Chow Vee Tsung, Oscar HK$'000 *(Note b)*	Chow Yei Ching HK$'000 *(Note c)*	Kwan Yuk Choi, James HK$'000	Ho Hon Ming, John HK$'000 *(Note d)*	Law Wai Fun, Margaret HK$'000 *(Note e)*	Li Man Bun, Brian David HK$'000	Wong Wai Yee, Peter HK$'000 *(Note f)*	Total HK$'000
Fees	200	500	500	-	200	200	-	500	200	2,300
Other emoluments										
Salaries and other benefits	-	-	-	-	-	1,023	-	-	1,094	2,117
Retirement benefit scheme contributions	-	-	-	-	-	102	-	-	110	212
Performance and discretionary bonus *(Note a)*	-	-	-	-	-	2,038	-	-	3,640	5,678
Total emoluments	200	500	500	-	200	3,363	-	500	5,044	10,307

12. Directors' and Employees' Emoluments *(Continued)*

	Year ended 31 December 2012									
	Chan Wing Kin, Alfred	Cheng Mo Chi, Moses	Chow Vee Tsung, Oscar	Chow Yei Ching	Kwan Yuk Choi, James	Ho Hon Ming, John	Law Wai Fun, Margaret	Li Man Bun, Brian David	Wong Wai Yee, Peter	Total
	HK$'000	HK$'000	HK$'000 *(Note b)*	HK$'000 *(Note c)*	HK$'000	HK$'000 *(Note d)*	HK$'000 *(Note e)*	HK$'000	HK$'000 *(Note f)*	HK$'000
Fees	200	500	250	250	200	200	200	500	200	2,500
Other emoluments										
Salaries and other benefits	–	–	–	–	–	983	–	–	1,052	2,035
Retirement benefit scheme contributions	–	–	–	–	–	98	–	–	105	203
Performance and discretionary bonus *(Note a)*	–	–	–	–	–	1,835	–	–	3,265	5,100
Total emoluments	200	500	250	250	200	3,116	200	500	4,622	9,838

Notes:

(a) The performance and discretionary bonus are determined by the Board from time to time with reference to directors' duties and responsibilities and the Group's performance and profitability.

(b) Mr. Chow Vee Tsung, Oscar was appointed as an Independent Non-Executive Director of the Company with effect from 4 June 2012.

(c) Dr. Chow Yei Ching retired as an Independent Non-Executive Director of the Company with effect from 4 June 2012.

(d) Mr. Ho Hon Ming, John is also the Company Secretary of the Company and his emoluments disclosed above include those for services rendered by him as Company Secretary. The monthly basic salary of Mr. Ho Hon Ming, John as Company Secretary was increased to HK$88,610 per month with effect from 1 January 2014.

(e) Ms. Law Wai Fun, Margaret resigned as an Executive Director of the Company with effect from 1 January 2013 upon her retirement.

(f) Mr. Wong Wai Yee, Peter is also the Chief Executive Officer of the Company and his emoluments disclosed above include those for services rendered by him as Chief Executive Officer. The monthly basic salary of Mr. Wong Wai Yee, Peter as Chief Executive Officer was increased to HK$94,850 per month with effect from 1 January 2014.

(g) No service contracts were entered into by any directors with the Company.

12. Directors' and Employees' Emoluments *(Continued)*

Employees' emoluments:

For the year ended 31 December 2013, the five highest paid individuals of the Group included two (2012: two) directors of the Company, details of their emoluments are included above. The emoluments of the remaining three (2012: three) highest paid individuals are as follows:

	2013 HK$'000	2012 HK$'000
Salaries and other benefit	**4,009**	3,725
Performance related incentive payments	**1,886**	1,606
Contribution to retirement benefit scheme	**281**	253
	6,176	5,584

The emoluments were within the following bands:

	Number of employees	
	2013	2012
HK$1,500,001 to HK$2,000,000	**2**	2
HK$2,000,001 to HK$2,500,000	**1**	1

During the year, no remuneration was paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived or agreed to waive any remunerations for the year ended 31 December 2013.

13. Taxation

	2013 HK$'000	2012 HK$'000
The charge comprises:		
PRC Enterprise Income Tax ("EIT")		
– current year	**339,651**	260,215
Deferred taxation *(note 31)*		
– taxation charge for the year	**42,858**	39,178
	382,509	299,393

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

13. Taxation *(Continued)*

The EIT rates applicable for the Group's PRC subsidiaries range from 15% to 25% (2012: 15% to 25%).

Pursuant to the relevant laws and regulations in the PRC, certain of the Company's PRC subsidiaries were entitled to exemption from EIT for the first two years commencing from their first profit-making year of operation and thereafter, these PRC subsidiaries would be entitled to a 50% relief from EIT for the following three years. The reduced tax rate for the relief period was 12.5%. EIT for the year ended 31 December 2012 had been provided for after taking these tax incentives into account. These tax incentives had been expired by the year 2012.

Certain subsidiaries which are operating in the Western China have been granted tax concessions by the local tax bureau and are entitled to EIT at concessionary rate of 15%. Save as aforesaid, the applicable tax rate for the current year is 25%.

The charge for the year can be reconciled to the profit before taxation per the consolidated income statement as follows:

	2013 HK$'000	2012 HK$'000
Profit before taxation	**1,608,852**	1,235,548
Tax at the applicable rate of 25% (2012: 25%) *(Note)*	**402,213**	308,887
Tax effect of expenses that are not deductible for tax purposes	**97,173**	99,779
Tax effect of income that are not taxable for tax purposes	**(50,620)**	(46,782)
Effect of different tax rates of subsidiaries entitled to a 50% reduction in EIT	**–**	(5,768)
Effect of different tax rates of subsidiaries operating in different regions	**(3,641)**	(3,582)
Tax effect of share of results of associates	**(84,047)**	(61,260)
Tax effect of share of results of joint ventures	**(66,281)**	(58,781)
Tax effect of utilisation of tax losses not previously recognised	**(650)**	(1,551)
Tax effect of tax losses not recognised	**42,350**	25,325
Withholding tax on undistributed profits	**46,012**	43,126
Tax charge for the year	**382,509**	299,393

Note: The tax rate of 25% represents EIT which is applicable to most of the Group's operations in the PRC for the year 2013 (2012: 25%).

14. Dividends

During the year, final dividend in respect of year ended 31 December 2012 of HK$156,771,000 (2012: HK$123,017,000 in respect of year ended 31 December 2011) was recognised as distribution, being six HK cents per ordinary share (2012: five HK cents per ordinary share).

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2013 of eight HK cents (2012: six HK cents) per ordinary share has been proposed by the Board and is subject to approval by the shareholders in the forthcoming annual general meeting.

15. Earnings Per Share

The calculation of the basic and diluted earnings per share attributable to the shareholders of the Company is based on the following data:

	2013 HK$'000	2012 HK$'000
Earnings for the purposes of basic and diluted earnings per share, being profit for the year attributable to shareholders of the Company	**1,106,286**	840,798

	Number of shares	
	2013 '000	2012 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,605,489**	2,460,345
Effects of dilutive potential ordinary shares:		
Share options	**7,288**	5,378
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,612,777**	2,465,723

16. Property, Plant and Equipment

	Buildings HK$'000	Gas pipelines HK$'000	Plant and equipment and others HK$'000	Construction in progress HK$'000	Total HK$'000
COST					
At 1 January 2012	661,836	5,066,432	801,463	642,519	7,172,250
Currency realignment	8,381	55,828	9,303	8,816	82,328
Additions	87,288	340,585	148,501	1,034,048	1,610,422
Additions from acquisition of businesses	22,821	102,322	11,273	–	136,416
Disposals	(18,528)	(2,005)	(23,721)	–	(44,254)
Transfer	116,770	594,876	11,923	(723,569)	–
At 31 December 2012	878,568	6,158,038	958,742	961,814	8,957,162
Currency realignment	29,051	197,243	32,296	28,936	287,526
Additions	62,102	238,799	127,183	1,256,416	1,684,500
Additions from acquisition of businesses	38,323	159,665	52,040	67,279	317,307
Disposals	(9,293)	(11,657)	(44,651)	–	(65,601)
Disposal of a subsidiary	(38,238)	(124,579)	(33,492)	(35,966)	(232,275)
Transfer	112,301	900,030	40,793	(1,053,124)	–
At 31 December 2013	1,072,814	7,517,539	1,132,911	1,225,355	10,948,619
DEPRECIATION					
At 1 January 2012	95,124	711,692	237,467	–	1,044,283
Currency realignment	1,381	8,209	3,727	–	13,317
Provided for the year	27,780	149,421	91,305	–	268,506
Eliminated on disposals	(3,975)	(337)	(16,897)	–	(21,209)
At 31 December 2012	120,310	868,985	315,602	–	1,304,897
Currency realignment	4,819	28,906	14,651	–	48,376
Provided for the year	40,211	179,109	103,777	–	323,097
Eliminated on disposals	(1,506)	(2,764)	(29,927)	–	(34,197)
Eliminated on disposal of a subsidiary	(22,818)	(16,559)	(9,422)	–	(48,799)
At 31 December 2013	141,016	1,057,677	394,681	–	1,593,374
CARRYING VALUES					
At 31 December 2013	931,798	6,459,862	738,230	1,225,355	9,355,245
At 31 December 2012	758,258	5,289,053	643,140	961,814	7,652,265

The buildings situated on land in the PRC are held under medium-term leases.

No property, plant and equipment of the Group was pledged as at 31 December 2013 and 2012.

17. Leasehold Land

	2013 HK$'000	2012 HK$'000
Balance at the beginning of the year	**314,580**	306,012
Currency realignment	**9,880**	4,161
Additions	**41,973**	14,122
Acquired on acquisition of businesses	**17,316**	12,429
Disposals	**(7,411)**	(12,297)
Charge for the year	**(12,417)**	(9,847)
Balance at the end of the year	**363,921**	314,580
Analysis for reporting purpose:		
Non-current portion	**352,258**	304,619
Current portion	**11,663**	9,961
	363,921	314,580

The amount represented medium-term land use rights situated in the PRC.

18. Intangible Assets

	HK$'000
COST	
At 1 January 2012	225,318
Currency realignment	1,962
At 31 December 2012	227,280
Currency realignment	6,693
At 31 December 2013	233,973
AMORTISATION	
At 1 January 2012	42,408
Currency realignment	492
Provided for the year	7,291
At 31 December 2012	50,191
Currency realignment	1,707
Provided for the year	7,454
At 31 December 2013	59,352
CARRYING VALUES	
At 31 December 2013	174,621
At 31 December 2012	177,089

The intangible assets represent the Group's exclusive operating rights for city pipeline network.

The exclusive operating rights are amortised on a straight-line basis over a period of 25 to 30 years.

19. Goodwill

	HK$'000
At 1 January 2012	3,848,101
Currency realignment	33,842
Acquired on acquisition of businesses	403,022
At 31 December 2012	4,284,965
Currency realignment	153,072
Acquired on acquisition of businesses	1,359,637
At 31 December 2013	5,797,674

Goodwill acquired in a business combination is allocated to cash generating units ("CGUs") that are expected to benefit from that business combination. The management considers each investment holding company operating in specific locations together with its respective subsidiaries (together referred to as the "Sub-group") represents a separate CGU for the purpose of goodwill impairment testing. At the end of the reporting period, the carrying amount of goodwill allocated to these Sub-groups are as follows:

19. Goodwill *(Continued)*

	2013 HK$'000	2012 HK$'000
Sub-group headed by:		
Hong Kong & China Gas (Qingdao) Limited	**366,490**	356,006
Hong Kong & China Gas (Zibo) Limited	**394,170**	382,894
Hong Kong & China Gas (Yantai) Limited	**266,212**	258,596
Hong Kong & China Gas (Weifang) Limited	**153,177**	148,795
Hong Kong & China Gas (Weihai) Limited	**304,953**	296,230
Hong Kong & China Gas (Taian) Limited	**269,805**	262,087
Hong Kong & China Gas (Maanshan) Limited	**320,246**	311,084
Hong Kong & China Gas (Anqing) Limited	**303,538**	294,855
Mianyang Hong Kong and China Gas Co., Ltd.	**326,304**	316,970
Xin Du Hong Kong and China Gas Company Limited, Cheng Du	**247,995**	240,901
Towngas (BVI) Holdings Limited ("Towngas BVI")*	**454,559**	441,555
Jiujiang Hong Kong and China Gas Co., Ltd.	**71,720**	69,668
Guilin Hong Kong and China Gas Co., Ltd.	**42,818**	41,593
Wuning Hong Kong & China Gas Co., Ltd.	**80,179**	77,885
Xiushui Hong Kong & China Gas Co., Ltd.	**42,315**	41,105
Miluo Red-Horse Natural Gas Development Co., Ltd.	**153,923**	149,520
Beipiao Hong Kong & China Gas Co., Ltd.	**48,730**	47,336
Changting Hong Kong & China Gas Co., Ltd. ("Changting")	**59,938**	58,223
Fuxin Xinqiu Hong Kong & China Gas Co., Ltd. ("Xinqiu")	**144,383**	140,252
Qinhuangdao Hong Kong & China Gas Co., Ltd. ("Qinhuangdao")	**60,979**	59,235
Jinan Pingyin Hong Kong & China Gas Co., Ltd.	**155,665**	97,503
Shenyang business ("Shenyang")	**139,020**	–
Sichuan Quanxin Gas Co., Ltd. ("Quanxin")	**131,924**	–
Chaozhou Fengxi Hong Kong and China Gas Co., Ltd. ("Fengxi")	**184,180**	–
Boxing Hong Kong & China Gas Co., Ltd. ("Boxing")	**113,257**	–
Yanshan Hong Kong & China Gas Co., Ltd. ("Yanshan")	**58,727**	–
Cangxian Hong Kong & China Gas Co., Ltd. ("Cangxian")	**58,721**	–
Dafeng Hong Kong and China Gas Company Limited ("Dafeng")	**359,709**	–
Guangxi Zhongwei Pipeline Gas Development Group Co., Ltd. ("Zhongwei")	**151,109**	–
Jianping Hong Kong and China Gas Company Limited ("Jianping")	**57,825**	–
Others	**275,103**	192,672
	5,797,674	4,284,965

Note: The operating entities of Towngas BVI are located in the Liaoning and Zhejiang provinces in the PRC.

19. Goodwill *(Continued)*

The recoverable amounts of CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the year. Management estimates discount rates of 7.6% (2012: 8%) using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The value in use calculations is derived from cash flow projections based on the most recent financial budgets for the next 5 years approved by management. Cash flows beyond 5-year period have been extrapolated using growth rates from 4% to 6% (2012: 4% to 6%) per annum, which is based on industry growth forecasts. The directors of the Company considered no impairment loss is necessary as at 31 December 2013 (2012: nil).

20. Interests in Associates/Loans to Associates

Details of the Group's interests in associates are as follows:

	2013 **HK$'000**	2012 HK$'000
Cost of investments in associates	**1,743,493**	1,640,683
Share of post-acquisition profits and other comprehensive income, net of dividends received	**1,065,674**	884,846
	2,809,167	2,525,529
Loans to associates – Current portion	**19,206**	33,582

20. Interests in Associates/Loans to Associates *(Continued)*

Details of each of the Group's principal associates as at the end of the reporting period are as follows:

Name of associate	Place of establishment and operation	Percentage of equity interest attributable to the Group and voting power attributable to the Group 2013	2012	Principal activities
Changchun Gas Company Limited 長春燃氣股份有限公司	PRC – Limited liability company	**25%**	26%	Production and distribution of natural gas, coal gas, liquefied petroleum gas ("LPG"), metallurgical coke and coke oil
Bozhou WanHua Gas Company Ltd 亳州皖華燃氣有限公司	PRC – Sino-foreign equity joint venture	**49%**	–	Provision of natural gas and related services and gas pipeline construction
Foshan Gas Group Ltd. 佛山市燃氣集團股份有限公司	PRC – Sino-foreign equity joint venture	**43%**	43%	Provision of LPG, natural gas and related services and gas pipeline construction
Dalian DETA Hong Kong and China Gas Co., Ltd. 大連德泰港華燃氣有限公司	PRC – Sino-foreign equity joint venture	**40%**	40%	Provision of natural gas and related services and gas pipeline construction
Fuzhou Fubei Natural Gas Co., Ltd. 撫州市撫北天然氣有限公司	PRC – Limited liability company	**40%**	40%	Provision of natural gas and related services and gas pipeline construction
Linqu Hong Kong & China Gas Company Limited 臨朐港華燃氣有限公司	PRC – Sino-foreign equity joint venture	**42%**	42%	Provision of natural gas and related services and gas pipeline construction
Shandong Jihua Gas Co., Ltd. 山東濟華燃氣有限公司	PRC – Sino-foreign equity joint venture	**49%**	48%	Provision of natural gas and related services and gas pipeline construction
Shijiazhuang Huabo Gas Co., Ltd. 石家莊華博燃氣有限公司	PRC – Sino-foreign equity joint venture	**45%**	–	Provision of natural gas and related services and gas pipeline construction
Zibo Lubo Gas Company Ltd. 淄博綠博燃氣有限公司	PRC – Sino-foreign equity joint venture	**27%**	27%	Provision of natural gas and related services and gas pipeline construction

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's consolidated financial statements prepared in accordance with HKFRSs, which were not audited by the certified public accountants registered in the PRC.

This associate is accounted for using the equity method in these consolidated financial statements.

20. Interests in Associates/Loans to Associates *(Continued)*

Foshan Gas Group Ltd. ("Foshan")

	2013 HK$'000	2012 HK$'000
Current assets	**1,260,899**	1,053,735
Non-current assets	**4,030,285**	3,386,733
Current liabilities	**(2,138,514)**	(1,798,950)
Non-current liabilities	**(1,100,913)**	(992,002)

	2013 HK$'000	2012 HK$'000
Revenue	**4,433,568**	3,859,229
Profit and total comprehensive income for the year	**456,062**	388,855
Dividends received from the associate during the year	**54,252**	74,047

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	2013 HK$'000	2012 HK$'000
Net assets of Foshan	**2,051,757**	1,649,512
Less: non-controlling interests of Foshan	**(511,524)**	(372,649)
	1,540,233	1,276,863
Proportion of the Group's ownership interest in Foshan	**662,300**	549,051
Goodwill	**48,479**	47,092
Carrying amount of the Group's interest in Foshan	**710,779**	596,143

Aggregate information of associates that are not individually material

	2013 HK$'000	2012 HK$'000
The Group's share of profit and total comprehensive income	**140,081**	77,832
Aggregate carrying amount of the Group's interests in these associates	**2,098,388**	1,929,386

20. Interests in Associates/Loans to Associates *(Continued)*

The loans to associates are unsecured and carried at amortised cost with the following details:

Principal amount 2013	Principal amount 2012	Maturity date	Coupon interest rate	Effective interest rate	Carrying amount 2013 HK$'000	Carrying amount 2012 HK$'000
RMB15,000,000	RMB15,000,000	April 2014 (2012: October 2013)	6.56%	6.56%	**19,206**	18,657
–	RMB10,000,000	July 2013 (2012: July 2013)	7.26%	7.26%	**–**	12,438
–	RMB2,000,000	June 2013 (2012: June 2013)	6.56%	6.56%	**–**	2,487
					19,206	33,582

The principal and interest will be received on respective payment due dates set out in the loan agreements.

21. Interests in Joint Ventures/Loans to Joint Ventures

Details of the Group's investments in joint ventures are as follows:

	2013 HK$'000	2012 HK$'000
Cost of investments in joint ventures	**1,192,585**	1,007,799
Share of post-acquisition profits and other comprehensive income, net of dividends received	**595,145**	538,332
	1,787,730	1,546,131
Loans to joint ventures		
– Non-current portion	**11,743**	91,706
– Current portion	**224,514**	139,757
	236,257	231,463

21. Interests in Joint Ventures/Loans to Joint Ventures *(Continued)*

Details of the Group's principal joint ventures at the end of the reporting period are as follows:

Name of entity	Place of establishment and operation	Proportion of nominal value of registered capital held by the Group		Principal activities
		2013	2012	
Anqing Hong Kong and China Gas Company Limited 安慶港華燃氣有限公司	PRC – Sino-foreign equity joint venture	**50%**	50%	Provision for natural gas and related services and gas pipeline construction
Chongqing Hong Kong and China Gas Company Limited 重慶港華燃氣有限公司	PRC – Limited liability company	**50%**	50%	Provision of natural gas and related services and gas pipeline construction
Hangzhou Hong Kong and China Gas Company Limited 杭州港華燃氣有限公司	PRC – Sino-foreign equity joint venture	**50%**	50%	Provision of natural gas and related services and gas pipeline construction
Maanshan Hong Kong and China Gas Company Limited 馬鞍山港華燃氣有限公司	PRC – Sino-foreign equity joint venture	**50%**	50%	Provision of natural gas and related services and gas pipeline construction
Taian Taishan Hong Kong and China Gas Company Limited 泰安泰山港華燃氣有限公司	PRC – Sino-foreign equity joint venture	**50%**	50%	Provision of natural gas and related services and gas pipeline construction
Weifang Hong Kong and China Gas Company Limited 濰坊港華燃氣有限公司	PRC – Sino-foreign equity joint venture	**50%**	50%	Provision of natural gas and related services and gas pipeline construction
Weihai Hong Kong and China Gas Company Limited 威海港華燃氣有限公司	PRC – Sino-foreign equity joint venture	**50%**	50%	Provision of natural gas and related services and gas pipeline construction
Wuhu Hong Kong & China Gas Company Limited 蕪湖港華燃氣有限公司	PRC – Sino-foreign equity joint venture	**50%**	–	Provision of natural gas and related services and gas pipeline construction
Zibo Hong Kong and China Gas Company Limited 淄博港華燃氣有限公司	PRC – Sino-foreign equity joint venture	**50%**	50%	Provision of natural gas and related services and gas pipeline construction

21. Interests in Joint Ventures/Loans to Joint Ventures *(Continued)*

Aggregate information of joint ventures that are not individually material

	2013 HK$'000	2012 HK$'000
The Group's share of profit and total comprehensive income	**265,125**	235,125
Aggregate carrying amount of the Group's interests in these joint ventures	**1,787,730**	1,546,131

The loans to joint ventures are unsecured and carried at amortised cost with the following details:

Principal amount 2013	Principal amount 2012	Maturity date	Coupon interest rate	Effective interest rate	Carrying amount 2013 HK$'000	Carrying amount 2012 HK$'000
RMB37,650,000	RMB37,650,000	December 2014 (2012: December 2014)	Nil	6.12%	**45,405**	41,493
RMB35,000,000	RMB35,000,000	July 2014 (2012: July 2014)	Nil	6.12%	**43,208**	39,482
–	RMB42,530,000	July 2013 (2012: July 2013)	Nil	6.12%	**–**	50,204
RMB10,550,000	RMB10,550,000	February 2016 (2012: February 2016)	Nil	6.12%	**11,744**	10,731
RMB52,000,000	RMB52,000,000	August 2014 (2012: August 2013)	5.84%	5.84%	**66,581**	64,677
RMB10,000,000	RMB10,000,000	September 2014 (2012: September 2013)	7.87%	7.87%	**12,804**	12,438
–	RMB10,000,000	December 2013 (2012: December 2013)	6.00%	6.00%	**–**	12,438
RMB20,000,000	–	November 2014	6.00%	6.00%	**25,608**	–
RMB24,138,123	–	Repayable on demand	5.88%	5.88%	**30,907**	–
					236,257	231,463

The principal and interest will be receivable on the maturity date for each loan.

22. Available-For-Sale Investments

	2013 HK$'000	2012 HK$'000
Unlisted shares in the PRC, at cost	**170,248**	170,016

At the end of the reporting period, investments in unlisted equity securities issued by private entities established in the PRC are measured at cost less impairment because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair values cannot be measured reliably. These investees are all engaged in the provision of natural gas and related services and gas pipeline construction business.

23. Deferred Consideration Receivable

As part of the consideration for the disposal of certain subsidiaries during the year ended 31 December 2009, deferred consideration of HK$379,000,000 is to be settled in cash by the purchaser under five annual instalments of HK$40,000,000 each commencing from June 2010 for five years, and a balancing sum of HK$179,000,000 in June 2015 (the "Balancing Sum"). The Balancing Sum of the consideration is subject to downward adjustment up to an amount of HK$65 million, if on or before 15 June 2015, trade and other receivables of the disposed subsidiaries that were outstanding at the date of disposal have become uncollectible. The amount is secured against the entire share capital of the holding company of the operations disposed 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% per annum. The carrying amounts are analysed for reporting purpose as follows:

	2013 HK$'000	2012 HK$'000
Non-current assets	**123,066**	156,724
Current assets (included in trade and other receivables, deposits and prepayments)	**39,321**	39,321
	162,387	196,045

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 good financial position.

During the year, imputed interest income from deferred consideration receivable is HK$6,278,000 (2012: HK$7,272,000).

24. Inventories

	2013 HK$'000	2012 HK$'000
Finished goods	**151,594**	114,100
Materials and consumables	**436,687**	280,496
	588,281	394,596

25. Trade and Other Receivables, Deposits and Prepayments/Time Deposits over Three Months and Bank Balances and Cash

	2013 HK$'000	2012 HK$'000
Trade receivables	**644,465**	412,371
Deferred consideration receivable	**39,321**	39,321
Prepayments	**566,302**	387,959
Other receivables and deposits	**330,291**	217,158
	1,580,379	1,056,809

Trade receivables

Included in the balance of trade and other receivables, deposits and prepayments are trade receivables of HK$644,465,000 (2012: HK$412,371,000). The Group has a policy of allowing a credit period ranging from 0 to 180 days to its customers. Longer credit period is also allowed on a case by case basis. The following is an aged analysis of trade receivables presented based on the invoice date, which approximated the revenue recognition date, at the end of the reporting period:

	2013 HK$'000	2012 HK$'000
0 to 90 days	**579,840**	384,737
91 to 180 days	**27,747**	15,908
181 to 360 days	**36,878**	11,726
	644,465	412,371

Included in the Group's trade receivables are debtors with aggregate carrying amount of HK$14,705,000 (2012: HK$10,264,000) which have been past due at the end of the reporting period for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Aging of trade receivables which are past due but not impaired is as follows:

	2013 HK$'000	2012 HK$'000
0 – 90 days	**14,609**	5,026
91 – 180 days	**1,373**	2,385
181 – 360 days	**2,363**	2,853
Total	**18,345**	10,264

25. Trade and Other Receivables, Deposits and Prepayments/Time Deposits over Three Months and Bank Balances and Cash *(Continued)*

Trade receivables *(Continued)*

Movement in the allowance for doubtful debts for trade and other receivables is as follows:

	2013 HK$'000	2012 HK$'000
Balance at the beginning of the year	**46,055**	34,076
Impairment losses recognised on receivables	**29,050**	11,979
Balance at the end of the year	**75,105**	46,055

The allowance for doubtful debts is all individually impaired receivables which represents amounts that have been long overdue and recoverability has been considered remote.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The directors determined that such receivables neither past due nor impaired are of good credit quality with no history of default.

Time deposits over three months and bank balances and cash

The deposits and bank balances carry interest at prevailing market rates ranging from 0.1% to 2.5% (2012: 0.1% to 2.4%) per annum.

At the end of the reporting period, included in the time deposits over three months, bank balances and cash are the following amount denominated in currency other than the functional currency of the relevant entities to which it relates.

	2013 HK$'000	2012 HK$'000
United States Dollar	**63,586**	151,929
Hong Kong Dollar	**69,280**	48,951

26. Amounts due from/to Non-controlling Shareholders

The amounts due from/to non-controlling shareholders are unsecured, interest-free and repayable on demand.

27. Other Financial Asset/Liabilities

	2013 HK$'000	2012 HK$'000
Other financial asset		
Derivative not under hedge accounting		
RMB forward contract	**–**	6,391
Other financial liabilities		
Derivative under hedge accounting		
Cash flow hedge – Interest rate swap	**10,308**	18,992

The classification of the measure of the derivative financial instruments at 31 December 2013 using the fair value hierarchy is Level 2. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Cash flow hedges

As at 31 December 2013, the Group had an interest rate swap contract designated as highly effective hedging instrument in order to minimise its exposure to cash flow change of its floating-rate loan which has HK$350,000,000 principal and will be matured in 2016. The terms of the interest rate swap contract has been negotiated to match the terms of the loan. The interest rate swap contract swaps the interest rate on the floating rate loan from HIBOR plus 0.75% to 2.725%.

As at 31 December 2013, fair value gain of HK$8,684,000 (2012: loss of HK$6,299,000) has been recognised in other comprehensive income and accumulated in equity and is expected to be released to the income statement at various dates in the coming maturity periods after the reporting period.

Derivative not under hedge accounting

As at 31 December 2012, the Group had a foreign exchange forward contract to buy RMB200,000,000 for HKD. The contract was expired in 2013. For the year ended 31 December 2013, the change in fair value of the forward contract resulted in a profit of HK$1,017,000 (2012: HK$7,314,000) and was recognised in profit or loss included in other gains, net. The contract was settled in HKD at the exchange rate of HK$1.21:RMB1.

The fair values of foreign currency forward contract is measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contract.

28. Trade and Other Payables and Accrued Charges

	2013 **HK$'000**	2012 HK$'000
Trade payables	**870,155**	592,348
Receipt in advance	**2,185,799**	1,620,465
Consideration payable for acquisitions of businesses	**212,519**	297,941
Consideration payable to a joint venture *(note a)*	**73,034**	–
Other payables and accruals	**809,401**	481,597
Amount due to ultimate holding company *(note b)*	**729**	5,914
	4,151,637	2,998,265

Notes:

(a) The amount represents consideration payable to a joint venture for acquisition of Pingyin business as disclosed in note 34.

(b) The amount is unsecured, interest-free and repayable on demand.

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2013 **HK$'000**	2012 HK$'000
0 to 90 days	**685,272**	440,373
91 to 180 days	**74,035**	40,066
181 to 360 days	**46,564**	43,550
Over 360 days	**64,284**	68,359
	870,155	592,348

29. Borrowings

	2013 HK$'000	2012 HK$'000
Bank loans – unsecured	**5,849,467**	5,029,939
Other loans – unsecured	**57,201**	61,913
	5,906,668	5,091,852
Carrying amount repayable:		
On demand or within one year	**2,418,883**	1,946,359
More than one year but not exceeding two years	**1,244,095**	1,107,375
More than two years but not exceeding five years	**2,212,404**	2,000,674
More than five years	**31,286**	37,444
	5,906,668	5,091,852
Less: Amount due within one year shown under current liabilities	**(2,418,883)**	(1,946,359)
Amount due after one year	**3,487,785**	3,145,493

The bank and other loans mainly comprise of:

	Effective interest rate	Carrying amount 2013 HK$'000	2012 HK$'000
Floating-rate loans:			
Unsecured HKD bank loans	1.67%	**4,485,445**	3,590,068
Unsecured RMB bank loans	7.51%	**681,116**	767,082
Fixed rate loans*:			
Unsecured HKD bank loans**	2.73%	**350,000**	350,000
Unsecured RMB bank loans	3.54%	**332,907**	322,789
Unsecured RMB other loans	2.05%	**31,969**	31,055
Unsecured other loans	1.15%	**25,231**	30,858
Total bank loans and other loans		**5,906,668**	5,091,852

* The majority of the Group's fixed rate loans are repayable after more than two years but not exceeding five years.

** An interest rate swap agreement was entered into by the Group to swap floating interest rate on the loan for a fixed rate. Please see note 27 for details.

30. Loans from the Ultimate Holding Company

The amount represents unsecured loans denominated in USD and HKD which bear interest at the Hong Kong Interbank Offered Rate plus a premium ranging from 1.25% to 3% per annum and are repayable according to the date of the relevant draw down of the loan.

Principal outstanding	Maturity	Effective interest rate	Carrying amount 2013 HK$'000	2012 HK$'000
HK$800,000,000 (2012: HK$800,000,000)	June 2017 – February 2018 (according to date of draw down) (2012: December 2014 – June 2017) (according to date of draw down)	2.93% (2012: 2.91%)	**800,000**	800,000
US$25,000,000 (2012: US$25,000,000)	December 2016 (2012: December 2016)	3.86% (2012: 3.88%)	**193,750**	193,750
			993,750	993,750

31. Deferred Taxation

The following is the major deferred tax liability recognised and movements thereon during the current year:

	Accelerated tax depreciation HK$'000	Intangible assets HK$'000	Undistributed profits of joint ventures/ associates/ subsidiaries HK$'000	Total HK$'000
At 1 January 2012	44,142	48,590	113,168	205,900
Acquired on acquisition of businesses	2,538	–	–	2,538
Currency realignment	277	282	686	1,245
(Credit) charge for the year	(1,837)	(2,111)	43,126	39,178
Withholding tax paid	–	–	(12,555)	(12,555)
At 31 December 2012	45,120	46,761	144,425	236,306
Acquired on acquisition of businesses	7,135	–	–	7,135
Disposal of a subsidiary	(5,956)	–	–	(5,956)
Currency realignment	1,373	1,411	8,222	11,006
(Credit) charge for the year	(1,420)	(1,734)	46,012	42,858
Withholding tax paid	–	–	(15,526)	(15,526)
At 31 December 2013	46,252	46,438	183,133	275,823

At the end of the reporting period, the Group has unused tax losses of HK$232,923,000 (2012: HK$137,811,000) available for offsetting against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Such unrecognised tax losses will expire progressively until 2018.

32. Share Capital

	Number of shares	HK$'000
At 31 December 2013		
– Authorised:		
Shares of HK$0.10 each	5,000,000,000	500,000
– Issued and fully paid:		
Shares of HK$0.10 each	2,612,849,830	261,286

A summary of the movements in the authorised share capital is as follows:

	Number of shares	HK$'000
At 1 January 2012	3,000,000,000	300,000
Increase	2,000,000,000	200,000
At 31 December 2012 and 2013	5,000,000,000	500,000

Pursuant to an ordinary resolution passed at the annual general meeting on 4 June 2012, the authorised share capital of the Company was increased from HK$300 million to HK$500 million by creation of additional 2,000 million shares of HK$0.10 each.

A summary of the movements in the issued and fully paid capital of the Company is as follows:

	Number of shares	HK$'000
At 1 January 2012 and 31 December 2012	2,460,344,830	246,035
Issue of shares upon share placement *(note a)*	150,000,000	15,000
Issue of shares upon exercise of share options *(note b)*	2,505,000	251
At 31 December 2013	2,612,849,830	261,286

Notes:

(a) On 16 January 2013, 150,000,000 new shares of the Company were issued by a share placement ("Placement") at a price of HK$6.31 per share. The Company intends to use the net proceeds after deducting related commission and other expenses of HK$930,308,000 from the Placement for the Group's general working capital and further investments of the Group. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 4 June 2012.

(b) During the year ended 31 December 2013, the Company allotted and issued 2,505,000 shares of HK$0.10 each for cash at the price of HK$3.811 per share as a result of the exercise of share options.

All the shares which were issued during the year ended 31 December 2013 rank pari passu with the then existing shares in all respects.

33. Reserves

General reserves represent the Enterprise Expansion Fund and General Reserve Fund set aside by certain subsidiaries in accordance with the relevant laws and regulations of the PRC. They are not available for distribution.

34. Acquisition of Businesses

Acquisitions in 2013

During the year ended 31 December 2013, the Group acquired the following businesses which are principally engaged in the sales and distribution of piped gas in the PRC. The primary reason for the below acquisitions was for the expansion of the Group's business and to increase returns to its shareholders.

	Date of acquisition	Percentage of registered capital acquired	Purchase consideration HK$'000
Business combinations in:			
Feicheng Hong Kong and China Gas Company Limited ("Feicheng")	January 2013	– *	59,411
Shenyang business ("Shenyang")	January 2013	– *	162,095
Pingyin business ("Pingyin")	January 2013	– *	128,499
Boxing Hong Kong & China Gas Co., Ltd. ("Boxing")	January 2013	51%	114,580
Sichuan Quanxin Gas Co., Ltd. ("Quanxin")	January 2013	80%	168,948
Anxian County Lanyan Gas Co., Ltd. ("Lanyan")	January 2013	80%	10,382
Mianzhu Xinxin Natural Gas Co., Ltd. ("Xinxin")	January 2013	80%	5,209
Chaozhou Fengxi Hong Kong and China Gas Co., Ltd. ("Fengxi")	January 2013	60%	193,713
Yanshan Hong Kong & China Gas Co., Ltd. ("Yanshan")	April 2013	90%	68,010
Mengcun Hong Kong & China Gas Co., Ltd. ("Mengcun")	April 2013	90%	34,005
Cangxian Hong Kong & China Gas Co., Ltd. ("Cangxian")	April 2013	90%	68,010
Dafeng Hong Kong and China Gas Company Limited ("Dafeng")	May 2013	51%	367,089
Jianping Hong Kong and China Gas Company Limited ("Jianping")	August 2013	80%	91,079
Guangxi Zhongwei Pipeline Gas Development Group Co., Ltd. ("Zhongwei")	August 2013	100%	170,434

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

The acquisition-related costs were insignificant and were recognised as expenses in the current year, within other expenses of note 8.

34. Acquisition of Businesses *(Continued)*

Acquisitions in 2013 *(Continued)*

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

	Feicheng HK$'000	Boxing HK$'000	Quanxin HK$'000	Lanyan HK$'000	Xinxin HK$'000	Shenyang HK$'000	Fengxi HK$'000	Pingyin HK$'000 *(note a)*	Yanshan HK$'000	Mengcun HK$'000	Cangxian HK$'000	Dafeng HK$'000	Jianping HK$'000	Zhongwei HK$'000	Total HK$'000
Purchase consideration	59,411	114,580	168,948	10,382	5,209	162,095	193,713	128,499	68,010	34,005	68,010	367,089	91,079	170,434	1,641,464
Non-controlling interests	-	4,121	10,120	626	584	-	9,571	-	1,138	1,147	1,139	11,027	8,462	-	47,935
Acquiree's provisional fair value of net identifiable assets acquired (see below)	(19,336)	(8,410)	(50,598)	(3,130)	(2,920)	(26,715)	(23,927)	(74,791)	(11,383)	(11,471)	(11,390)	(22,505)	(42,310)	(20,876)	(329,762)
Goodwill	40,075	110,291	128,470	7,878	2,873	135,380	179,357	53,708	57,765	23,681	57,759	355,611	57,231	149,558	1,359,637

Note a: The Group acquired the Pingyin business from a joint venture of the Group for cash consideration of HK$84,967,000 and issuance of 35% equity interest in Ji Nan Ping Yin Hong Kong & China Gas Co., Ltd ("Jinan Pingyin"), a subsidiary of the Group. The provisional fair value of the 35% equity interest in Jinan Pingyin, determined by reference to the provisional fair value of Jinan Pingyin at the date of the acquisition, amounted to HK$43,532,000.

The non-controlling interests recognised at the acquisition dates were measured by reference to the proportionate share of provisional fair values of the acquirees' net assets at the acquisition dates and amounted to HK$47,935,000.

The net identifiable assets acquired in the transactions are as follows:

Acquirees' provisional fair values at acquisition dates:

	Boxing HK$'000	Quanxin HK$'000	Shenyang HK$'000	Fengxi HK$'000	Pingyin HK$'000	Dafeng HK$'000	Jianping HK$'000	Zhongwei HK$'000	Other businesses HK$'000	Total HK$'000
Net assets acquired:										
Property, plant and equipment	48,775	49,491	25,570	1,415	65,918	41,153	37,182	19,579	28,224	317,307
Leasehold land	-	1,156	467	-	4,021	7,017	3,566	634	455	17,316
Inventories	2,217	3,516	678	-	4,852	2,061	1,562	17	1,089	15,992
Trade and other receivables, deposit, and prepayments *(note)*	10,105	41,333	-	26	-	15,772	-	63,013	53,390	183,639
Cash and bank balances	42	12,264	-	22,934	-	12,012	-	231	3,151	50,634
Trade and other payables and accrued charges	(43,081)	(27,445)	-	(448)	-	(32,660)	-	(62,582)	(25,163)	(191,379)
Taxation	(920)	-	-	-	-	(2,105)	-	(16)	122	(2,919)
Borrowing	(8,728)	(6,234)	-	-	-	(10,760)	-	-	-	(25,722)
Dividend payable	-	(20,022)	-	-	-	(7,560)	-	-	(389)	(27,971)
Deferred taxation	-	(3,461)	-	-	-	(2,425)	-	-	(1,249)	(7,135)
	8,410	50,598	26,715	23,927	74,791	22,505	42,310	20,876	59,630	329,762

Note: The trade and other receivables acquired with a provisional fair value of HK$171,215,000 had gross contractual amounts of HK$171,215,000. The best estimate at acquisition date of contractual cash flows not expected to be collected was nil.

34. Acquisition of Businesses *(Continued)*

Acquisitions in 2013 *(Continued)*

Net cash outflow arising on acquisitions:

	Boxing HK$'000	Quanxin HK$'000	Shenyang HK$'000	Fengxi HK$'000	Pingyin HK$'000	Dafeng HK$'000	Jianping HK$'000	Zhongwei HK$'000	Other businesses HK$'000	Total HK$'000
Purchase consideration	114,580	168,948	162,095	193,713	128,499	367,089	91,079	170,434	245,027	1,641,464
Less: equity instrument issued	-	-	-	-	(43,532)	-	-	-	-	(43,532)
Cash consideration	114,580	168,948	162,095	193,713	84,967	367,089	91,079	170,434	245,027	1,597,932
Amounts unpaid and included in:										
– consideration payable for acquisitions	-	-	(12,881)	-	-	-	(54,407)	(75,223)	-	(142,511)
– consideration payable to a joint venture	-	-	-	-	(73,034)	-	-	-	-	(73,034)
– amounts due to non– controlling shareholders	-	(92,097)	-	-	-	-	-	-	(39,401)	(131,498)
Bank balances and cash acquired	(42)	(12,264)	-	(22,934)	-	(12,012)	-	(231)	(3,151)	(50,634)
	114,538	64,587	149,214	170,779	11,933	355,077	36,672	94,980	202,475	1,200,255

Provisional goodwill arose from the above acquisitions because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the business.

None of the provisional goodwill arising on these acquisitions is expected to be deductible for tax purposes.

The provisional goodwill arising from the above acquisitions is determined on a provisional basis as the Group is in the process of completing the identification of separable intangible assets and the independent valuation to assess the provisional fair value of the identifiable assets acquired. It may be adjusted upon the completion of initial accounting year which shall not exceed one year from the respective acquisition date.

During the year, acquired businesses contributed HK$556,691,000 and HK$48,143,000 to the Group's turnover and profit for the period between the date of acquisition and the end of the reporting period, respectively.

Had the above acquisitions been effected at the beginning of the reporting period, the total amount of revenue of the Group for the year ended 31 December 2013 would have been HK$6,824,441,000, and the amount of the profit for the year would have been HK$1,226,861,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisitions been completed at the beginning of the reporting period, nor is it intended to be a projection of future results.

34. Acquisition of Businesses *(Continued)*

Acquisitions in 2012

During the year ended 31 December 2012, the Group acquired the following businesses which are principally engaged in the sales and distribution of piped gas in the PRC. The primary reason for the below acquisitions was for the expansion of the Group's business and to increase returns to its shareholders.

	Date of acquisition	Percentage of registered capital acquired	Purchase consideration HK$'000
Business combinations in:			
Benxi business ("Benxi")	June 2012	– *	73,620
Yifeng business ("Yifeng")	July 2012	– *	33,608
Fuxin Xinqiu Hong Kong & China Gas Co., Ltd. ("Xinqiu")	August 2012	100%	162,922
Fuxin Dali Gas Company Limited ("Dali")	August 2012	100%	46,638
Changting Hong Kong & China Gas Co., Ltd. ("Changting")	October 2012	90%	64,207
Qinhuangdao Hong Kong & China Gas Co., Ltd. ("Qinhuangdao")	October 2012	51%	61,501
Jinan Pingyin	December 2012	– *	119,403

* During the year ended 31 December 2012, the Group acquired the identifiable assets and liabilities associated with the business of sales and distribution of piped gas from the former owners.

The acquisition-related costs were insignificant and were recognised as expenses in the year ended 31 December 2012, within other expenses of note 8.

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

	Benxi HK$'000	Yifeng HK$'000	Xinqiu HK$'000	Dali HK$'000	Changting HK$'000	Qinhuangdao HK$'000	Jinan Pingyin HK$'000	Total HK$'000
Purchase consideration	73,620	33,608	162,922	46,638	64,207	61,501	119,403	561,899
Non-controlling interests	–	–	–	–	665	2,177	–	2,842
Acquiree's fair value of net identifiable assets acquired (see below)	(48,903)	(33,608)	(22,670)	(23,546)	(6,649)	(4,443)	(21,900)	(161,719)
Goodwill	24,717	–	140,252	23,092	58,223	59,235	97,503	403,022

The non-controlling interests recognised at the acquisition dates were measured by reference to the proportionate share of fair values of the acquirees' net assets at the acquisition dates and amounted to HK$2,842,000.

34. Acquisition of Businesses *(Continued)*

Acquisitions in 2012 *(Continued)*

The net identifiable assets acquired in the transactions were as follows:

Acquirees' fair values at acquisition dates:

	Benxi HK$'000	Yifeng HK$'000	Xinqiu HK$'000	Dali HK$'000	Changting HK$'000	Qinhuangdao HK$'000	Jinan Pingyin HK$'000	Total HK$'000
Net assets acquired:								
Property, plant and equipment	49,671	33,553	18,600	20,617	3,689	1,397	8,889	136,416
Leasehold land	–	2,468	4,577	1,221	–	3,249	914	12,429
Inventories	30	710	27	131	2,096	569	–	3,563
Trade and other receivables, deposit, and prepayments *(note)*	–	–	1,586	6,123	1,383	8,270	8,557	25,919
Cash and bank balances	–	–	46	789	609	2,105	7,066	10,615
Trade and other payables and accrued charges	(798)	(3,123)	(1,899)	(3,806)	(1,127)	(11,147)	(2,647)	(24,547)
Taxation	–	–	(43)	(94)	(1)	–	–	(138)
Deferred taxation	–	–	(224)	(1,435)	–	–	(879)	(2,538)
	48,903	33,608	22,670	23,546	6,649	4,443	21,900	161,719

Note: The trade and other receivables acquired with a fair value of HK$25,919,000 had gross contractual amounts of HK$25,919,000. The best estimate at acquisition date of contractual cash flows not expected to be collected was nil.

Net cash outflow arising on acquisitions:

	Benxi HK$'000	Yifeng HK$'000	Xinqiu HK$'000	Dali HK$'000	Changting HK$'000	Qinhuangdao HK$'000	Jinan Pingyin HK$'000	Total HK$'000
Purchase consideration	73,620	33,608	162,922	46,638	64,207	61,501	119,403	561,899
Amounts unpaid and included in:								
– consideration payable for acquisitions	(49,080)	(7,872)	(80,403)	(28,301)	–	–	(119,403)	(285,059)
– amounts due to non–controlling shareholders	–	–	–	–	(57,786)	(30,750)	–	(88,536)
Bank balances and cash acquired	–	–	(46)	(789)	(609)	(2,105)	(7,066)	(10,615)
	24,540	25,736	82,473	17,548	5,812	28,646	(7,066)	177,689

34. Acquisition of Businesses *(Continued)*

Acquisitions in 2012 *(Continued)*

Goodwill arose from the above acquisitions because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the business. These benefits were not recognised separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions was expected to be deductible for tax purposes.

During the year ended 31 December 2012, acquired businesses contributed HK$38,408,000 and HK$1,511,000 to the Group's turnover and loss for the period between the date of acquisition and the end of the reporting period, respectively.

Had the above acquisitions been effected at the beginning of the reporting period, the total amount of revenue of the Group for the year ended 31 December 2012 would have been HK$5,361,104,000, and the amount of the profit for the year would have been HK$954,666,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisitions been completed at the beginning of the reporting period, nor is it intended to be a projection of future results.

35. Disposal of a Subsidiary

In May 2013, the Group disposed its 51% equity interest in Jinan Jihua Gas Co., Ltd. ("Jinan") to an associate of the Group, Shandong Jihua Gas Co., Ltd., for cash consideration of HK$76,659,000. Since the Group lost control on Jinan, relevant assets and liabilities are derecognised from the Group's consolidated financial statements.

	HK$'000
Net assets disposed of:	
Property, plant and equipment	183,476
Inventories	6,098
Trade and other receivables, deposits and prepayments	28,212
Cash and bank balances	74,820
Trade and other payables and accrued charges	(44,116)
Taxation	(24,159)
Deferred taxation	(5,956)
	218,375
Non-controlling interests	(107,004)
	111,371
The loss on disposal is calculated as follows:	
Cash consideration	76,659
Net assets disposed of	(111,371)
Loss on disposal	(34,712)
Net cash inflow arising on disposal:	
Cash consideration	76,659
Less: bank balances and cash disposed of	(74,820)
	1,839

The revenue and operating losses of the disposed subsidiary included in the Group's consolidated financial statements amounted to HK$46,392,000 and HK$8,177,000, respectively.

36. Related Party Transactions

Save as disclosed elsewhere in the consolidated financial statements, the following related party transactions took place during the year:

Name of related party	Nature of transaction	2013 HK$'000	2012 HK$'000
HKCG	Outstanding loan balances *(See note 30)*	**993,750**	993,750
	Interest expense	**30,813**	15,908
Shenyang Sanquan Project Management Consulting Co., Ltd. *(note a)*	Project management services	**5,405**	3,525
Hongkong and China Technology (Wuhan) Company Limited *(note a)*	System software and supporting services	**4,551**	3,788
GH – Fusion Corporation Limited *(note b)*	Purchase of pipeline construction materials and tools	**3,132**	6,469
Shanxi ECO Coalbed Methane Co., Ltd. *(note a)*	Purchase of coalbed methane	**50,289**	50,563
ECO Environmental Investments Limited *(note a)*	Office licence income	**–**	599
Anhui Province Natural Gas Development Company Limited *(note b)*	Purchase of compressed natural gas	**77,931**	66,196
Jilin Hong Kong and China Gas Company Limited *(note a)*	Purchase of compressed natural gas	**–**	2,474
Jilin Province Natural Gas Limited Company *(note c)*	Purchase of compressed natural gas vehicles	**3,974**	–
	Consideration for the acquisition of remaining 50% equity interest of Gongzhuling Gangtian Compressed Natural Gas Co., Ltd.	**6,143**	–
Tongling Hong Kong and China Gas Company Limited *(note c)*	Purchase of compressed natural gas	**100**	–
	Sale of compressed natural gas	**669**	–
Towngas Telecommunications (Shenzhen) Limited *(note a)*	Cloud computing system and supporting services	**8,615**	5,138

36. Related Party Transactions *(Continued)*

Name of related party	Nature of transaction	2013 HK$'000	2012 HK$'000
Gongzhuling Gangtian Compressed Natural Gas Co., Ltd. *(note b)*	Sale of compressed natural gas	**800**	410
Shandong Hong Kong and China Gas Training Institute *(note b)*	Training services	**864**	275
M-Tech Metering Solution (Shenzhen) Co., Ltd. *(note a)*	Purchase of pipeline construction materials and tools	**4,085**	–
G-Tech Piping Tech (Zhongshan) Ltd. *(note a)*	Purchase of pipeline construction materials and tools	**10,066**	–
Taizhou Hong Kong and China Gas Company Limited *(note a)*	Purchase of compressed natural gas	**856**	–

Notes:

(a) HKCG has controlling interests in these companies.

(b) HKCG has significant influences in these companies.

(c) HKCG jointly controlled this company with an independent third party.

Emoluments paid to the key management personnel of the Company which represents the executive directors of the Company are set out in note 12.

37. Operating Lease Commitments

At the end of the reporting period, the Group had commitments for future minimum lease payments in respect of land and buildings under non-cancellable operating leases which fall due as follows:

	2013 HK$'000	2012 HK$'000
Within one year	**18,734**	13,011
In the second to fifth year inclusive	**9,680**	7,208
Over five years	**2,849**	3,348
	31,263	23,567

Operating lease payments represent rental payable by the Group for certain of its office properties. Leases are negotiated for terms up to 20 years.

38. Commitments

	2013 HK$'000	2012 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– acquisition of property, plant and equipment	**103,817**	92,702
– acquisition of businesses	**589,417**	610,572
– acquisition of an associate	**4,609**	–

39. Share Options

Pursuant to a share option scheme adopted by the shareholders of the Company at an extraordinary general meeting held on 28 November 2005 (the "Scheme") and approved by Enerchina Holdings Limited ("Enerchina") and Sinolink Worldwide Holdings Limited ("Sinolink") pursuant to an ordinary resolution passed at the respective special general meeting of Enerchina and Sinolink held on 28 November 2005, the Company may grant options to the directors or employees of the Company or its subsidiaries, for the recognition of their attributions to the Group, to subscribe for shares in the Company.

The Scheme remained in force for a period of 10 years commencing on the date of adoption of the scheme, i.e. 28 November 2005.

The share options under the Scheme (the "Scheme Options") are exercisable at any time for a period to be determined by the directors, which shall not be more than 10 years after the date of grant.

The Scheme Options granted must be taken up within 28 days of the date of grant, upon payment of HK$1 per option.

39. Share Options *(Continued)*

Movements of the share options, which were all held by directors and senior management, during the year were as follows:

	Number of share options			
	Outstanding at the beginning of the year	Exercised during the year	Outstanding at the end of the year	Exercisable share options at the end of the year
For the year ended 31 December 2012				
Scheme				
2006 options *(note)*	1,567,800	–	1,567,800	1,567,800
2007 options *(note)*	14,673,000	–	14,673,000	14,673,000
	16,240,800	–	16,240,800	16,240,800
Weighted average exercise price (HK$)	3.713	–	3.713	3.713
For the year ended 31 December 2013				
Scheme				
2006 options *(note)*	**1,567,800**	**–**	**1,567,800**	**1,567,800**
2007 options *(note)*	**14,673,000**	**(2,505,000)**	**12,168,000**	**12,168,000**
	16,240,800	**(2,505,000)**	**13,735,800**	**13,735,800**
Weighted average exercise price (HK$)	**3.713**	**3.811**	**3.695**	**3.695**

The weighted average price of the Company's shares at the dates of exercise of 1,500,000 options on 2 April 2013 and 1,005,000 options on 28 May 2013 were HK$7.20 and HK$8.00, respectively.

39. Share Options *(Continued)*

Had all the outstanding vested share options been fully exercised on 31 December 2013, the Company would have received cash proceeds of HK$50,756,000 (2012: HK$60,302,000). Details of specific categories of options are as follows:

Option type	Date of grant	Vesting proportion	Exercisable period	Exercise price HK$
2006 options *(note)*	03.10.2006	30%	04.10.2007 – 27.11.2015	2.796
		30%	04.04.2008 – 27.11.2015	2.796
		40%	04.10.2008 – 27.11.2015	2.796
2007 options *(note)*	16.03.2007	30%	16.03.2008 – 27.11.2015	3.811
		30%	16.03.2009 – 27.11.2015	3.811
		40%	16.03.2010 – 27.11.2015	3.811

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

The Group did not recognise any expenses for the year ended 31 December 2013 (2012: nil) in relation to share options granted by the Company in previous year.

Note:

The 2006 and 2007 option represented the share options granted under the Scheme.

40. Retirement Benefit Schemes

The Group's subsidiaries operating in the PRC have participated in defined contribution retirement schemes organised by the relevant local government authorities in the PRC. The Group is required to make specific contributions to the retirement schemes at a rate of 12 to 25 percent of basic salary of its PRC employees and have no further obligation for post-retirement benefits beyond the annual contributions made. Pursuant to these arrangements, the retirement plan contributions charge for the year ended 31 December 2013 amounted to HK$57,787,000 (2012: HK$46,646,000).

The Group has joined a MPF Scheme for all its non-PRC employees. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. The retirement benefits scheme contributions arising from the MPF Scheme charged to the consolidated income statement represent contributions payable to the funds by the Group at rates specified in the rules of the scheme. For the year ended 31 December 2013, the Group made retirement benefit scheme contributions amounting to HK$484,000 (2012: HK$461,000).

41. Particulars of Principal Subsidiaries

Particulars of the Company's principal subsidiaries as at 31 December 2013 and 2012 are as follows:

Name of company	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group		Principal activities
			2013	2012	
Directly-owned subsidiaries					
Hong Kong & China Gas (Anqing) Limited	BVI – Limited liability company/HK	US$1	**100%**	100%	Investment holding
Hong Kong & China Gas (Maanshan) Limited	BVI – Limited liability company/HK	US$1	**100%**	100%	Investment holding
Hong Kong & China Gas (Qingdao) Limited	BVI – Limited liability company/HK	US$1	**100%**	100%	Investment holding
Hong Kong & China Gas (Taian) Limited	BVI – Limited liability company/HK	US$1	**100%**	100%	Investment holding
Hong Kong & China Gas (Weifang) Limited	BVI – Limited liability company/HK	US$1	**100%**	100%	Investment holding
Hong Kong & China Gas (Weihai) Limited	BVI – Limited liability company/HK	US$1	**100%**	100%	Investment holding
Hong Kong & China Gas (Yantai) Limited	BVI – Limited liability company/HK	US$1	**100%**	100%	Investment holding
Hong Kong & China Gas (Zibo) Limited	BVI – Limited liability company/HK	US$1	**100%**	100%	Investment holding
TCCL (Finance) Limited	HK – Limited liability company	HK$1	**100%**	100%	Financing
Towngas China Group Limited	BVI – Limited liability company	US$12,821	**100%**	100%	Investment holding

41. Particulars of Principal Subsidiaries *(Continued)*

Name of company	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2013	Attributable equity interest of the Group 2012	Principal activities
Indirectly-owned subsidiaries					
An Shan Hong Kong and China Gas Company Limited 鞍山港華燃氣有限公司	PRC – Wholly foreign–owned enterprise	US$20,000,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Anxian County Lanyan Gas Co., Ltd. 安縣藍焰燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB1,000,000	**80%**	–	Provision of natural gas and related services and gas pipeline construction
Beipiao Hong Kong and China Gas Company Limited 北票港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB56,000,000	**80%**	80%	Provision of natural gas and related services and gas pipeline construction
Benxi Hong Kong and China Gas Company Limited 本溪港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB210,000,000	**80%**	80%	Provision of natural gas and related services and gas pipeline construction
Boxing Hong Kong & China Gas Co., Ltd. 博興港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB15,000,000	**65%**	–	Provision of natural gas and related services and gas pipeline construction
Cangxi Hong Kong and China Gas Company Limited 蒼溪港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	RMB20,000,000 (2012: RMB10,000,000)	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Cangxian Hong Kong & China Gas Co., Ltd. 滄縣港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB10,000,000	**90%**	–	Provision of natural gas and related services and gas pipeline construction
Changting Hong Kong and China Gas Company Limited 長汀港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB22,000,000	**90%**	90%	Provision of natural gas and related services and gas pipeline construction

41. Particulars of Principal Subsidiaries *(Continued)*

Name of company	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2013	2012	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
Chaoyang Hong Kong and China Gas Co., Ltd. 朝陽港華燃氣有限公司	PRC – Sino-foreign equity joint venture	US$10,791,838	**90%**	90%	Provision of natural gas and related services and gas pipeline construction
Chaozhou Fengxi Hong Kong and China Gas Co., Ltd. 潮州楓溪港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB60,000,000	**60%**	–	Provision of natural gas and related services and gas pipeline construction
China Overlink Holdings Co. Ltd.	BVI – Limited liability company	US$1	**100%**	100%	Investment holding
Chi Ping Hong Kong and China Gas Co., Ltd. 茌平港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB40,000,000	**85%**	85%	Provision of natural gas and related services and gas pipeline construction
Chizhou Hong Kong and China Gas Company Limited 池州港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	RMB20,000,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Dafeng Hong Kong and China Gas Company Limited 大豐港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB60,000,000	**51%**	–	Provision of natural gas and related services and gas pipeline construction
Dalian Changxing Hong Kong and China Gas Co., Ltd. 大連長興港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	US$14,000,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Dalian Lvshun Hong Kong and China Gas Co., Ltd. 大連旅順港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	US$15,000,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
大連瓦房店金宇港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB40,000,000	**60%**	60%	Provision of natural gas and related services and gas pipeline construction

41. Particulars of Principal Subsidiaries *(Continued)*

Name of company	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2013	2012	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
Dayi Hong Kong and China Gas Co., Ltd. 大邑港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	RMB20,000,000 (2012: RMB10,000,000)	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Feicheng Hong Kong and China Gas Company Limited 肥城港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	RMB32,000,000	**100%**	–	Provision of natural gas and related services and gas pipeline construction
Fuxin Hong Kong and China Gas Company Limited 阜新港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB77,200,000	**90%**	90%	Provision of natural gas and related services and gas pipeline construction
Fuxin Dali Gas Company Limited 阜新大力燃氣有限責任公司	PRC – Wholly foreign-owned enterprise	RMB13,900,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Fuxin Xinqiu Hong Kong and China Gas Company Limited 阜新新邱港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	RMB34,000,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Gao Chun Hong Kong and China Gas Co., Ltd. 南京高淳港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	US$4,010,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Gongzhuling Hong Kong and China Gas Company Limited 公主嶺港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	RMB53,000,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Guangxi Zhongwei Pipeline Gas Development Group Co., Ltd 廣西中威管道燃氣發展集團有限責任公司	PRC – Wholly foreign-owned enterprise	RMB30,000,000	**100%**	–	Provision of natural gas and related services and gas pipeline construction

41. Particulars of Principal Subsidiaries *(Continued)*

Name of company	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group		Principal activities
			2013	2012	
Indirectly-owned subsidiaries *(Continued)*					
Guilin Hong Kong and China Gas Co., Ltd. 桂林港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB30,000,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Hong Kong and China Gas (Dalian) Limited	HK – Limited liability company	HK$100	**100%**	100%	Investment holding
Hong Kong & China Gas (Hangzhou) Limited	BVI – Limited liability company/HK	US$1	**100%**	100%	Investment holding
Hong Kong & China Gas (Huzhou) Limited	BVI – Limited liability company/HK	US$1	**100%**	100%	Investment holding
Hong Kong & China Gas (Tongxiang) Limited	BVI – Limited liability company/HK	US$1	**100%**	100%	Investment holding
Hong Kong & China Gas (Yingkou) Limited	BVI – Limited liability company/HK	US$1	**100%**	100%	Investment holding
Hong Kong and China Gas (Zhumadian) Limited	HK – Limited liability company	HK$100	**100%**	100%	Investment holding
Huangshan Hong Kong and China Gas Co., Ltd. 黃山港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	RMB40,000,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Huangshan Huizhou Hong Kong and China Gas Co., Ltd. 黃山徽州港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	US$2,100,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Huangshan Taiping Hong Kong and China Gas Co., Ltd. 黃山太平港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	US$3,500,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction

41. Particulars of Principal Subsidiaries *(Continued)*

Name of company	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group		Principal activities
			2013	2012	
Indirectly-owned subsidiaries *(Continued)*					
Huzhou Hong Kong and China Gas Company Limited 湖州港華燃氣有限公司	PRC – Sino-foreign equity joint venture	US$10,500,000	**98.85%**	98.85%	Provision of natural gas and related services and gas pipeline construction
Jianping Hong Kong and China Gas Company Limited 建平港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB58,000,000	**80%**	–	Provision of natural gas and related services and gas pipeline construction
Jianyang Hong Kong and China Gas Company Limited 簡陽港華燃氣有限公司	PRC – Limited liability company	RMB30,000,000 (2012: RMB10,000,000)	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Jinan Pingyin Hong Kong and China Gas Company Limited 濟南平陰港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB100,000,000 (2012: RMB65,000,000)	**82.5%**	100%	Provision of natural gas and related services and gas pipeline construction
Jiujiang Hong Kong and China Gas Co., Ltd. 九江港華燃氣有限公司	PRC – Limited liability company	RMB10,000,000	**60%**	60%	Provision of natural gas and related services and gas pipeline construction
Kazuo Hong Kong and China Gas Co., Ltd. 喀左港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	US$6,400,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Laiyang Hong Kong and China Gas Co., Ltd. 萊陽港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	US$5,440,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Lezhi Hong Kong and China Gas Company Limited 樂至港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	RMB30,000,000 (2012: RMB10,000,000)	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Longkou Hong Kong and China Gas Co Ltd 龍口港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	US$7,070,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction

41. Particulars of Principal Subsidiaries *(Continued)*

Name of company	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2013	2012	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
Maanshan Bowang Hong Kong and China Gas Co., Ltd. 馬鞍山博望港華燃氣有限公司	PRC – Sino-foreign equity joint venture	US$10,000,000	**75.1%**	75.1%	Provision of natural gas and related services and gas pipeline construction
Maanshan Jiangbei Hong Kong & China Gas Company Limited 馬鞍山江北港華燃氣有限公司	PRC – Limited liability company	US$10,000,000	**100%**	–	Provision of natural gas and related services and gas pipeline construction
Mengcun Hong Kong & China Gas Co., Ltd. 孟村回族自治縣港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB10,000,000	**90%**	–	Provision of natural gas and related services and gas pipeline construction
Mianyang Hong Kong and China Gas Company Limited 綿陽港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	RMB90,000,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Mianzhu Xinxin Natural Gas Co., Ltd. 綿竹市鑫新天然氣有限責任公司	PRC – Sino-foreign equity joint venture	RMB1,000,000	**80%**	–	Provision of natural gas and related services and gas pipeline construction
Miluo Red-Horse Natural Gas Development Company Limited 汨羅市紅馬燃氣開發有限公司	PRC – Sino-foreign equity joint venture	RMB50,000,000	**70%**	70%	Provision of natural gas and related services and gas pipeline construction
Pengshan Hong Kong and China Gas Company Limited 彭山港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB20,000,000 (2012: RMB10,000,000)	**70%**	70%	Provision of natural gas and related services and gas pipeline construction
Pengxi Hong Kong and China Gas Company Limited 蓬溪港華燃氣有限公司	PRC – Limited liability company	RMB3,590,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Pingchang Hong Kong and China Gas Company Limited 平昌港華燃氣有限公司	PRC – Limited liability company	RMB20,000,000 (2012: RMB10,000,000)	**90%**	90%	Provision of natural gas and related services and gas pipeline construction

41. Particulars of Principal Subsidiaries *(Continued)*

Name of company	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2013	Attributable equity interest of the Group 2012	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
Qingdao Dong Yi Hong Kong and China Gas Co Ltd 青島東億港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB30,000,000	**60%**	60%	Provision of natural gas and related services and gas pipeline construction
Qingdao Zhongji Hong Kong and China Gas Co Ltd 青島中即港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB73,500,000	**90%**	90%	Provision of natural gas and related services and gas pipeline construction
Qing Yuan Hong Kong and China Gas Company Limited 清遠港華燃氣有限公司	PRC – Limited liability company	RMB10,000,000	**80%**	80%	Provision of natural gas and related services and gas pipeline construction
Qinhuangdao Hong Kong and China Gas Co., Ltd. 秦皇島港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB15,000,000	**51%**	51%	Provision of natural gas and related services and gas pipeline construction
Qiqihar Hong Kong and China Gas Company Limited 齊齊哈爾港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB128,561,800	**61.67%**	61.67%	Provision of natural gas and related services and gas pipeline construction
Shao Guan Hong Kong and China Gas Co., Ltd. 韶關港華燃氣有限公司	PRC – Limited liability company	RMB20,000,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Shenyang Hong Kong and China Gas Company Limited 瀋陽港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	US$24,532,434 (2012: US$17,532,400)	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Sichuan Quanxin Gas Co., Ltd. 四川全新燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB12,000,000	**80%**	–	Provision of natural gas and related services and gas pipeline construction
Tieling Hong Kong and China Gas Company Limited 鐵嶺港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB232,960,000	**80%**	80%	Provision of natural gas and related services and gas pipeline construction

41. Particulars of Principal Subsidiaries *(Continued)*

Name of company	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group		Principal activities
			2013	2012	
Indirectly-owned subsidiaries *(Continued)*					
Tongxiang Hong Kong and China Gas Company Limited 桐鄉港華天然氣有限公司	PRC – Sino-foreign equity joint venture	US$7,000,000	**76%**	76%	Provision of natural gas and related services and gas pipeline construction
Towngas (BVI) Holdings Limited	BVI – Limited liability company/HK	US$1	**100%**	100%	Investment holding
Towngas China (Fengxi) Limited	HK – Limited liability company	HK$100	**100%**	100%	Investment holding
Towngas China (Zhengpugang) Limited	HK – Limited liability company	HK$100	**100%**	100%	Investment holding
Towngas Investments Limited 港華燃氣投資有限公司	PRC – Wholly foreign-owned enterprise	US$200,000,000	**100%**	100%	Investment holding
Weiyuan Hong Kong and China Gas Company Limited 威遠港華燃氣有限公司	PRC – Limited liability company	RMB30,000,000 (2012: RMB10,000,000)	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Wuning Hong Kong and China Gas Company Limited 武寧港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	RMB25,000,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Xin Du Hong Kong and China Gas Company Limited, Cheng Du 成都新都港華燃氣有限公司	PRC – Limited liability company	RMB30,000,000 (2012: RMB22,000,000)	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Xin Jin Hong Kong and China Gas Company Limited 新津港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB12,000,000	**60%**	60%	Provision of natural gas and related services and gas pipeline construction
Xin Jin Yong Shuang Hong Kong and China Gas Company Limited 新津永雙港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB11,500,000	**60%**	60%	Provision of natural gas and related services and gas pipeline construction
Xiushui Hong Kong and China Gas Company Limited 修水港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB30,000,000	**80%**	80%	Provision of natural gas and related services and gas pipeline construction

41. Particulars of Principal Subsidiaries *(Continued)*

Name of company	Place of incorporation/ establishment and operation	Issued and fully paid share capital/ registered capital	Attributable equity interest of the Group 2013	2012	Principal activities
Indirectly-owned subsidiaries *(Continued)*					
Yang Jiang Hong Kong and China Gas Company Limited 陽江港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	RMB50,000,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Yanshan Hong Kong & China Gas Co., Ltd. 鹽山港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB10,000,000	**90%**	–	Provision of natural gas and related services and gas pipeline construction
Yifeng Hong Kong and China Gas Co., Ltd. 宜豐港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	RMB32,000,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Yingkou Hong Kong and China Gas Company Limited 營口港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	US$9,400,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Yuechi Hong Kong and China Gas Company Limited 岳池港華燃氣有限公司	PRC – Sino-foreign equity joint venture	RMB30,000,000 (2012: RMB12,500,000)	**90%**	90%	Provision of natural gas and related services and gas pipeline construction
Zhaoyuan Hong Kong and China Gas Company Limited 招遠港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	RMB22,000,000	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Zhongjiang Hong Kong and China Gas Company Limited 中江港華燃氣有限公司	PRC – Wholly foreign-owned enterprise	RMB30,000,000 (2012: RMB18,810,000)	**100%**	100%	Provision of natural gas and related services and gas pipeline construction
Ziyang Hong Kong and China Gas Company Limited 資陽港華燃氣有限公司	PRC – Limited liability company	RMB30,000,000 (2012: RMB18,890,000)	**90%**	90%	Provision of natural gas and related services and gas pipeline construction

None of the subsidiaries had issued any debt securities at the end of the year.

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