The Hong Kong and China Gas Company Limited

(Stock Code: 3)

2013

annual report



DEVELOPING ENVIRONMENTALLY-FRIENDLY NEW ENERGY

Advancing our expertise to remain at the forefront of the new energy sector

A LEADER IN MAINLAND UTILITIES

Forging strong partnerships and excellence in safety, service and engineering

CONTINUOUS INNOVATION IN HONG KONG

Broadening the scope of our activities and developing renowned products and services

In total, we have invested in **173 PROJECTS** in mainland China covering city-gas, city-water, wastewater treatment, natural gas pipelines, telecommunications and the production of gas-related materials and devices.

We operate **119 CITY-GAS PROJECTS** in 20 provinces, autonomous regions and municipalities in mainland China, serving 17.29 million accounts, equivalent to a population of 52 million.

In January 2014, we issued our **FIRST PERPETUAL SUBORDINATED GUARANTEED CAPITAL SECURITIES**, amounting to US$300 million with interest rate of 4.75 per cent p.a. and non-call five-year.

Towngas was the Top Winner at the **HONG KONG MOST ADMIRED KNOWLEDGE ENTERPRISE AWARDS 2013**, recognising the synergy between our innovative culture and knowledge management and its impact on our quality products and services.

EXPANDING New Horizons

Over the last decade and a half, we have undergone a wide-ranging transformation that has enabled us to grow from a local town gas supplier in Hong Kong into a leading Asian provider of energy. Guided by our management theme "Expanding New Horizons", our key strategic goal is to create long-term, multifaceted and sustainable growth with a focus on utilities, energy and infrastructure.

We were honoured to receive the "Innovation and Creativity Grand Award" at the 2013 Hong Kong Awards for Industries for our proprietary invention, the **LAPAROBOT**, a versatile robot which helps engineers to inspect and repair underground pipes more efficiently.

We became the first city-gas supplier to invest in an **UNDERGROUND GAS STORAGE** facility in mainland China. Located in Jiangsu province, the storage is being constructed in phases and on completion, will have the capacity to store up to 290 million cubic metres.

Currently under implementation are four state-of-the-art **NEW ENERGY PLANTS** including converting coke oven gas into liquefied natural gas; processing methanol into gasoline substitute product, as well as upgrading plant fatty-acids to green diesel.

ECO now has **25 REFILLING STATIONS** in operation, under planning or construction in mainland China.

CONTENTS

TOWNGAS' BUSINESSES IN 2013

Towngas is an industry pioneer focused on energy ventures, the utility sector and environmental protection. We specialise in providing piped gas, new energy, water, information technology, telecommunications, engineering services and other related facilities. Guided by the management theme "Expanding New Horizons", we work relentlessly to seek new opportunities to fulfil our vision of becoming a leading player in the utility and energy businesses in Asia.

Towngas Piped City-gas Projects

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

Central China
7. Wuhan
8. Xinmi

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

Shandong Province
28. Jinan East

Northern China
29. Jilin
30. Beijing Economic-technological Development Area
31. Hebei Jingxian

Northwestern China
32. Xi'an

Hainan Province
33. Qionghai

Midstream Projects
34. Guangdong LNG
35. Anhui NG
36. Hebei NG
37. Jilin NG
38. Suzhou NG
39. Henan NG
40. Jintan NG

Water Projects
41. Wujiang
42. Suzhou Industrial Park
43. Wuhu
44. Suzhou Industrial Park (Industrial Wastewater Treatment)
45. Maanshan
46. Jiangbei

Telecommunication Projects
47. Shandong Jinan
48. Shandong Jinan Chibo
49. Liaoning Dalian DETA
50. Dalian Yida
51. Shandong Laiyang
52. Xuzhou Fengxian
53. Xuzhou Peixian
54. Harbin
55. Dongguan

New Energy Projects

Coal Mining
56. Jiangxi Fengcheng
57. Inner Mongolia Erdos Xiaoyugou
58. Inner Mongolia Erdos Kejian

Coal-based Chemical
59. Jiangxi Fengcheng
60. Inner Mongolia Erdos

CNG/LNG Filling Stations
61. Shaanxi Xianyang
62. Shaanxi Huitai
63. Anhui Maanshan
64. Shanxi Yuanping
65. Dalian DETA
66. Shandong Chiping
67. Shandong Jining
68. Shandong Dongping
69. Henan Xinmi
70. Shandong Jiaxiang
71. Henan Anyang
72. Shanxi Lingshi
73. Guangdong Guangzhou
74. Henan Kaifeng
75. Henan Linzhou

Upstream Projects
76. Shanxi LCBM
77. Jilin Tianyuan
78. LCMM Project

Coal Logistic Project
79. Shandong Jining Jiaxianggang Logistic Port

Oilfield Project
80. Phetchabun Province in Thailand

Other Projects
81. Shenyang Sanquan Construction Supervisory
82. M-Tech
83. GH-Fusion
84. Towngas Technology
85. Suzhou Industrial Park Broad Energy Services
86. G-Tech
87. GH Yixing Ecology

Towngas China Piped City-gas Projects

Guangdong Province
88. Foshan
89. Shaoguan
90. Qingyuan
91. Yangdong
92. Fengxi

Eastern China
93. Nanjing Gaochun
94. Dafeng
95. Maanshan
96. Zhengpugang Xin Qu Modern Industrial Zone
97. Wuhu Fanchang
98. Bozhou-Wuhu Modern Industrial Zone
99. Bowang
100. Anqing
101. Chizhou
102. Tunxi
103. Huangshan
104. Huizhou
105. Tongxiang
106. Huzhou
107. Yuhang
108. Changjiu
109. Fuzhou
110. Jiujiang
111. Wuning
112. Xiushui
113. Yifeng
114. Changting

Shandong Province
115. Jimo
116. Laoshan
117. Zibo
118. Zibo Lubo
119. Longkou
120. Jinan West
121. Weifang
122. Weihai
123. Taian
124. Chiping
125. Linqu
126. Laiyang
127. Zhaoyuan
128. Pingyin
129. Feicheng
130. Boxing Economic Development Zone

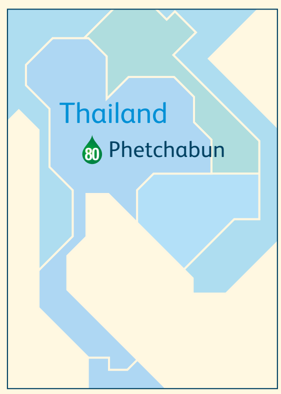
Hunan Province
131. Miluo

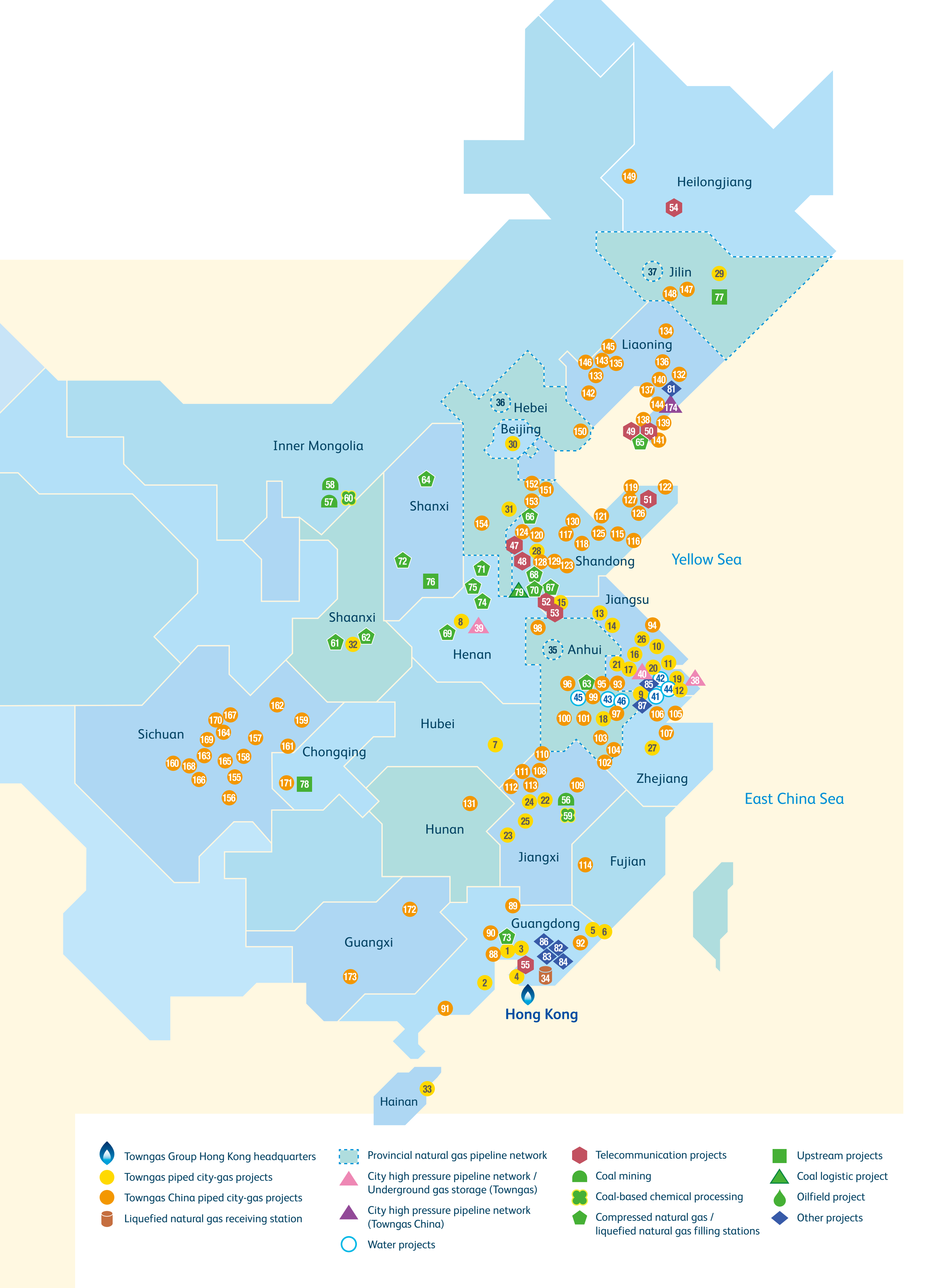
Northeastern China
132. Benxi
133. Chaoyang
134. Tieling
135. Fuxin
136. Shenyang Coastal Economic Zone
137. Yingkou
138. Dalian Changxingdao
139. Dalian Economic and Technical Development Zone
140. Anshan
141. Lvshun
142. Kazuo
143. Beipiao
144. Wafangdian
145. Xinqiu
146. Jianping
147. Changchun
148. Gongzhuling
149. Qiqihar

Hebei Province
150. Qinhuangdao
151. Yanshan
152. Cangxian
153. Mengcun
154. Shijiazhuang

Southwestern China
155. Ziyang
156. Weiyuan
157. Pengxi
158. Lezhi
159. Pingchang
160. Dayi
161. Yuechi
162. Cangxi
163. Chengdu
164. Zhongjiang
165. Jianyang
166. Pengshan
167. Mianyang
168. Xinjin
169. Xindu
170. Mianzhu
171. Qijiang
172. Guilin
173. Zhongwei (Fusui)

Midstream Project
174. Wafangdian NG





Heilongjiang
Jilin
Liaoning
Hebei
Beijing
Inner Mongolia
Shanxi
Shandong
Yellow Sea
Jiangsu
Shaanxi
Henan
Anhui
Sichuan
Hubei
Chongqing
Zhejiang
East China Sea
Hunan
Jiangxi
Fujian
Guangdong
Guangxi
Hong Kong
Hainan
Towngas Group Hong Kong headquarters
Towngas piped city-gas projects
Towngas China piped city-gas projects
Liquefied natural gas receiving station
Provincial natural gas pipeline network
City high pressure pipeline network / Underground gas storage (Towngas)
City high pressure pipeline network (Towngas China)
Water projects
Telecommunication projects
Coal mining
Coal-based chemical processing
Compressed natural gas / liquefied natural gas filling stations
Upstream projects
Coal logistic project
Oilfield project
Other projects

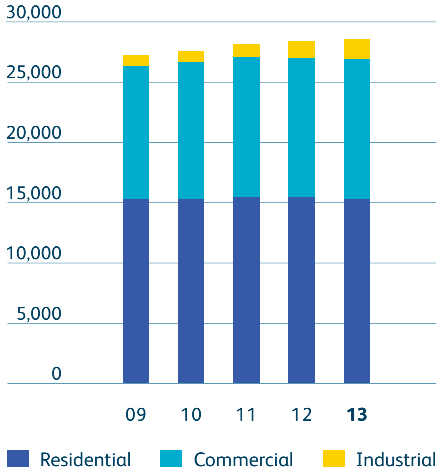
BUSINESS HIGHLIGHTS

	2013	2012	Change %
Operating (Company)			
Number of Customers as at 31st December	**1,798,731**	1,776,360	+1
Number of Customers per km of Mains	**549**	545	+1
Installed Capacity, thousand m^3 per hour	**511**	511	–
Peak Hourly Demand, thousand m^3	**476**	493	-3
Town Gas Sales, million MJ	**28,556**	28,360	+1
Number of Employees as at 31st December	**1,966**	1,943	+1
Number of Customers per Employee	**915**	914	–
Financial			
Revenue, HK million dollars	**28,246**	24,923	+13
Profit Attributable to Shareholders, HK million dollars	**6,854**	7,712*	-11
Dividends, HK million dollars	**3,346**	3,042	+10
Shareholders			
Issued Shares, million of shares	**9,560**	8,691	+10
Shareholders' Funds, HK million dollars	**49,868**	45,202*	+10
Earnings per Share, HK cents	**71.7**	80.7*	-11
Dividends per Share, HK cents	**35.0**	31.8*	+10
Shareholders' Funds, HK dollars per share	**5.22**	4.73*	+10
Number of Shareholders as at 31st December	**12,522**	12,111	+3

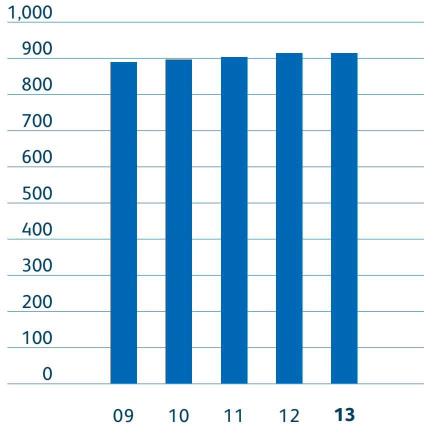
* Adjusted for the bonus issue in 2013 and the adoption of HKAS 19 (amendment 2011), where applicable.

FIVE-YEAR SUMMARY

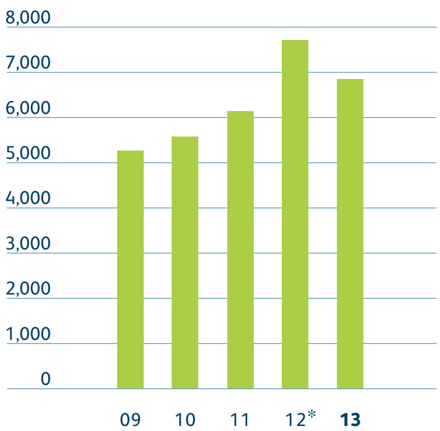
TOWN GAS SALES
Company (million MJ)



NUMBER OF CUSTOMERS PER EMPLOYEE Company

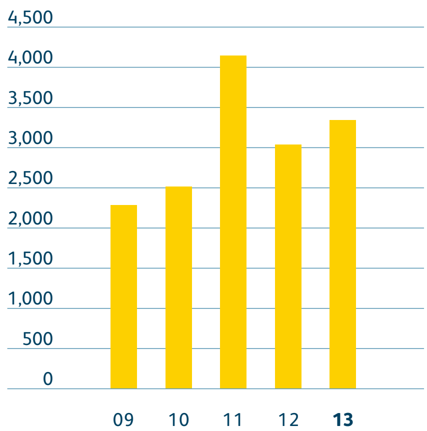


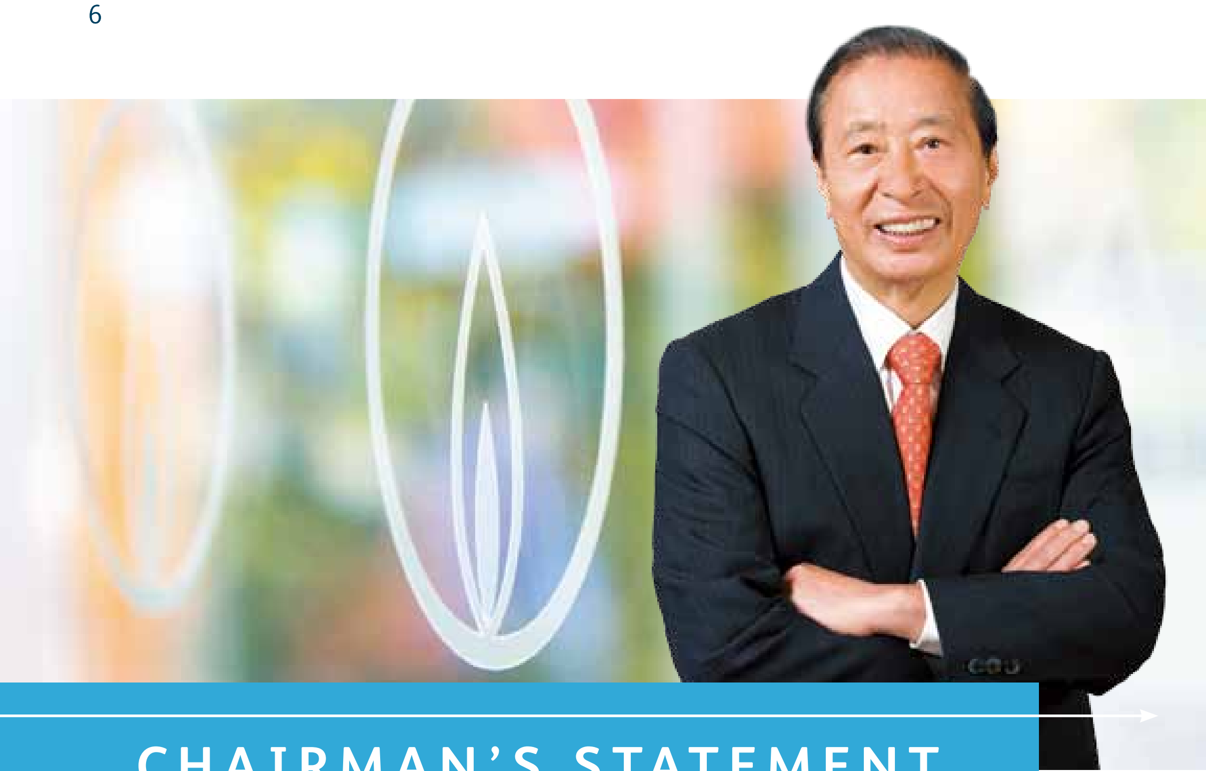
PROFIT ATTRIBUTABLE TO SHAREHOLDERS (HK$ million)



* 2012 figure has been restated for the adoption of HKAS 19 (amendment 2011)

DIVIDENDS
(HK$ million)





CHAIRMAN'S STATEMENT

The Year's Results

The performance of the Group's gas business in Hong Kong remained steady in 2013. In comparison, the Group's city-gas businesses in mainland China thrived, continuing to record good profit growth; concurrently emerging environmentally-friendly energy businesses are being developed at a fast pace. The Group's overall recurrent businesses recorded good results in 2013.

Profit after taxation attributable to shareholders of the Group for the year amounted to HK$6,854 million, a decrease of HK$858 million compared to 2012. Earnings per share for the year amounted to HK71.7 cents. Exclusive of the Group's share of a revaluation surplus from investment properties and a one-off net gain, the Group's profit after taxation for the year increased by HK$767 million to HK$6,680 million, an increase of 13 per cent compared to 2012 mainly attributable to a rise in profit from the Group's local businesses and mainland utility businesses.

During the year under review, the Group invested HK$5,294 million in production facilities, pipelines, plants and other fixed assets for the sustainable development of its various existing and new businesses in Hong Kong and mainland China.

Gas Business in Hong Kong

The local economy continued to grow moderately in 2013. Tourism, restaurant and hotel sectors, all still benefiting from an increase in the number of inbound tourists, continued to prosper. As a result, commercial and industrial gas sales achieved good growth in 2013. However, as the average temperature in the first quarter of 2013 in Hong Kong was slightly higher than the same period in 2012, residential gas sales were affected. Overall, total volume of gas sales in Hong Kong for the year increased slightly by approximately 0.7 per cent to 28,556 million MJ whereas appliance sales increased by approximately 3.3 per cent, both compared to 2012.

As at the end of 2013, the number of customers was 1,798,731, an increase of 22,371 compared to 2012.

Business Development in Mainland China

The Group's mainland businesses progressed well in 2013 in respect of the number of projects and profit.

The mainland economy continued to grow steadily during 2013 maintaining an annual growth rate similar to that of 2012. The Group's city-gas and natural gas businesses, benefiting from both on-going economic advancement of the country and a significant increase in production, import volume and consumption of natural gas on the mainland, recorded continuous growth during 2013. The Group's development of emerging environmentally-friendly energy projects and related research and development of new technologies, through its wholly-owned subsidiary ECO Environmental Investments Limited and the latter's subsidiaries (together known as "ECO"), are progressing well. A number of projects are now at various stages of investment, construction and gradual commissioning which is laying a new foundation for the long-term development of the Group's businesses.

The Chinese government is proactively advocating urbanisation which is favourable to the development of utility businesses. With regard to environmental protection, a natural gas utilisation policy, formulated to improve air quality, is encouraging faster exploration and utilisation of natural gas. Therefore it is expected that there will be increasing demand for clean energy in mainland China in the long run. This, coupled with increasing upstream natural gas supplies, is creating good prospects and investment value for the Group's mainland city-gas and emerging environmentally-friendly energy businesses. In addition, following the development of its telecommunications businesses in Hong Kong and the mainland over the last few years, several data centre and telecommunications conduit system project companies have since been established, which are now contributing to ever-more diversification of the Group's businesses.

Overall, inclusive of projects of the Group's subsidiary, Towngas China Company Limited ("Towngas China"; stock code: 1083.HK), the Group had 173 projects on the mainland, as at the end of 2013, 23 more than at the end of 2012, spread across 22 provinces, autonomous regions and municipalities. These projects encompass upstream, midstream and downstream natural gas sectors, water sectors, environmentally-friendly energy applications, energy resources' exploration and utilisation, as well as telecommunications.

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

Utility Businesses in Mainland China

The Group's city-gas businesses are progressing well with a total of 15 new projects added to its portfolio in 2013, including one located in economically vibrant Hangzhou city, the provincial capital of Zhejiang province and a world famous tourist city with great potential for growth in the number of customers and increase in gas consumption.
As at the end of 2013, inclusive of Towngas China, the Group had a total of 119 city-gas projects in mainland cities spread across 20 provinces, autonomous regions and municipalities. The total volume of gas sales for these projects in 2013 was approximately 13,400 million cubic metres, an increase of 13 per cent over 2012. As at the end of 2013, the Group's mainland gas customers stood at approximately 17.29 million, an increase of 17 per cent over 2012.

The Group continues to be a large-scale city-gas enterprise with outstanding performance on the mainland.

A rise in the gate price of natural gas for non-residential use, following the implementation of natural gas price reform on the mainland in July 2013, has impacted demand in the commercial and industrial gas market in the short term. However, in the medium to long term, natural gas is still projected to be the clean energy of choice on the mainland for reducing pollutant emissions to improve foggy atmospheric conditions. With gradual commissioning of the country's large-scale natural gas projects including transmission pipelines from Sichuan province to eastern and southern China and phase two of the West-to-East pipeline, and pipeline projects for importing natural gas from Central Asia and Burma coming on stream, as well as a rise in the quantity of imported and domestic liquefied natural gas ("LNG"), supply of natural gas on the mainland is increasing. Thus, with increasing sources of gas supply, expanding pipeline networks and the public's aspiration for greater environmental protection, the Group anticipates its mainland city-gas businesses will continue to thrive in the future.

The Group's midstream natural gas projects are making good progress. These include natural gas pipeline projects in Anhui province, in Hebei province and in Hangzhou city, Zhejiang province; natural gas extension projects in Jilin and Henan provinces; the Guangdong LNG Receiving Terminal project; and Towngas China's midstream pipeline project located in Wafangdian, Dalian city, Liaoning province. These kinds of high-pressure, natural gas pipeline projects generate good returns and help the Group develop its downstream city-gas markets.

The Group has so far invested in, and operates, six water projects, including water supply joint venture projects in Wujiang district, Suzhou city, Jiangsu province and in Wuhu city, Anhui province; a wholly-owned water supply project in Zhengpugang Xin Qu, Maanshan city, Anhui province; an integrated water supply and wastewater joint venture project, together with an integrated wastewater treatment project for a special industry, both in Suzhou Industrial Park, Suzhou city, Jiangsu province; and a water supply project in the starting area of Jiangbei Concentration Zone, Wuhu city, Anhui province, acquired in December 2013. With increasing demand for clean water resources across the country, the Group's water projects are progressing well, with steady growth in volume of water sales.

Operation and management of businesses encompassing city-gas, city-water and midstream natural gas projects create positive synergy and mutual advantages. Furthermore, these businesses generate stable income and provide good environmental benefits, with room for expansion. The Group will therefore keep on looking for opportunities to invest in high-quality utility projects on the mainland.

Emerging Environmentally-Friendly Energy Businesses

ECO's two major businesses in Hong Kong – an aviation fuel facility servicing Hong Kong International Airport, and dedicated liquefied petroleum gas ("LPG") vehicular filling stations – are operating smoothly. Total turnover for the aviation fuel facility for 2013 was 5.56 million tonnes, providing a safe and reliable fuel supply to Hong Kong International Airport and continuing to contribute to ECO's steady profit growth. Profit margins for the LPG refilling station business for 2013 were significantly higher than those of 2012.

Haze and air pollution on the mainland are a growing concern. The Chinese government is therefore increasing its efforts to promote the utilisation of natural gas with the aim to improve air quality. Developing refilling station networks supplying LNG as a fuel for vehicles and vessels, and gradually replacing diesel as a fuel for heavy-duty trucks, are gaining momentum. In response to this trend, ECO has started to reinforce its LNG supply capacity with unconventional gas resources such as coalbed gas and coke oven gas. ECO's coalbed methane liquefaction facility, located in Jincheng city, Shanxi province, is operating smoothly and its liquefied products' selling prices have risen significantly, benefiting from a recent upward adjustment of the gate price of natural gas on the mainland, thus creating good prospects for this business. ECO is now seeking more natural gas and coalbed gas supply sources on the mainland in order to expand its liquefaction capacity and extend its distribution areas.

In addition, ECO has recently endeavoured to speed up its negotiations with several coking plants to conclude long-term supply agreements of coke oven gas to be used for producing LNG through methanation and then liquefaction. Preparatory work for ECO's first project of this kind, located in Xuzhou city, Jiangsu province, has commenced; commissioning is expected in the first half of 2015. A similar project located in Jiexiu city, Shanxi province, is also expected to be concluded in the near future; construction will then start immediately.

When ECO extended its business into the mainland in 2008, its first project was the construction of a compressed natural gas refilling station for heavy-duty trucks in Shaanxi province. After several years of development, a network of ECO natural gas refilling stations has gradually taken shape in provinces including Shaanxi, Shandong, Shanxi, Henan and Liaoning. ECO is also now planning to provide LNG refilling facilities for incoming and outgoing heavy-duty trucks and river transport vessels at the logistics port of Jining city, Shandong province – a port which links an upstream railway with the nearby downstream Beijing-Hangzhou canal. All in all, ECO currently has 25 refilling stations in operation, under planning or construction, and further expansion of this business into other provinces is actively in progress. As the number of refilling stations increases, the ECO brand name will gradually become more well-known in the market.

In view of a worldwide shortage and rising prices of petroleum, the country is developing alternative substitutes at a faster pace in order to reduce its reliance on importing crude oil. ECO is proactively studying the utilisation of innovative resource conversion technologies to produce high value-added, and environmentally-friendly, energy. It is making progress with converting low-value raw materials into high value-added energy and related research and development work has shown promising results recently, which could help strengthen ECO's competitive edge in this new energy sector in future. ECO has completed testing verification for upgrading plant fatty-acids (palm oil residue) to petrol or diesel and has applied for a patent for this technology. The company's first project in this field, with an annual capacity to upgrade 150,000 tonnes of plant fatty-acid and to be located in the Chemical Industrial Park of Zhangjiagang city, Jiangsu province, will be an important step forward in developing ECO's biomass energy business.

ECO's methanol production plant in Inner Mongolia finished trial production in late 2013 and has been running smoothly since commissioning. Methanol, a good chemical feedstock, can be further processed into the high value-added products of olefin and paraffin using cracking and polymerisation techniques. ECO's self-developed technology can upgrade methanol into high value-added products which can substitute for gasoline, and this has also led to the commencement of a new project in Inner Mongolia to upgrade methanol into 140,000 tonnes of high-quality gasoline substitute, an important milestone for ECO's methanol upgrading business. This project is expected to be commissioned before the end of 2014.

With regard to ECO's upstream resources business, the operation of the oilfield project in Thailand is relatively stable, now mainly focusing on stepping up exploration activities so as to optimise oil drilling plans. In contrast, coal mining businesses in Inner Mongolia have suffered as the decrease in demand for coal on the mainland has adversely impacted direct sales. However, the Group's investment in coal mine exploration is not substantial. In the long term, such businesses will help towards stabilising material costs in the Group's utilisation of coal for clean energy.

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

Towngas China, a subsidiary of the Group, continued to record good growth in profit after taxation attributable to its shareholders, amounting to HK$1,106 million in 2013, an increase of approximately 32 per cent over 2012. As at the end of December 2013, the Group had an approximately 62.31 per cent interest in Towngas China.

Towngas China is also progressing well with project development. It acquired 14 new piped-gas projects in 2013 located in Zhengpugang Xin Qu Modern Industrial Zone, Maanshan city, in Fanchang county, Wuhu city and in Bozhou-Wuhu Modern Industrial Zone, Bozhou city all in Anhui province; in Cang county, in Mengcun Hui Autonomous County and in Yanshan county, all in Cangzhou city, and in Shijiazhuang Southern Industrial Zone all in Hebei province; in the Economic Development Zone, Boxing county, Binzhou city and in Shiheng town, Feicheng city both in Shandong province; in Mianzhu city, Sichuan province; in Dafeng city, Jiangsu province; in Fengxi district, Chaozhou city, Guangdong province; in Jianping county, Liaoning province; and Zhongwei piped city-gas project in Guangxi Zhuang Autonomous Region.

To capture investment opportunities resulting from both the mainland's commitment to promote the utilisation of natural gas during the period of the Twelfth Five-Year Plan (2011 – 2015) and from related national policies which facilitate sustainable growth of city-gas businesses, Towngas China will continue to both increase its investment in city-gas industries and proactively develop new projects.

Development of Town Gas Network and Facilities in Hong Kong

The network supply capability of the Company is expanding at a good pace in line with market growth. Several network development projects are in progress to meet long-term demand.

Laying of a 15 km pipeline to bring natural gas from Tai Po to Ma Tau Kok gas production plant, to partially replace naphtha as feedstock for the production of town gas, was substantially completed in 2013. Modification of associated stations and Ma Tau Kok plant's facilities is progressing to cope with the natural gas supply. Commissioning of the pipeline is expected in the third quarter of 2014. Construction of a 9 km pipeline in the western New Territories to strengthen supply capability and reliability is more than halfway complete. In tandem with the government's development of West Kowloon and South East Kowloon, network planning, design and construction in these locations are underway. The gas supply pipeline to the Kai Tak Cruise Terminal was commissioned in mid-2013. Construction of pipelines to supply a large housing development at Anderson Road in East Kowloon, which is now at the planning stage, has commenced. Construction of a new submarine pipeline from Ma Tau Kok to North Point is progressing well with commissioning expected in the coming year.

The Group will constantly allocate resources towards renovating Hong Kong's town gas network to ensure safety of the whole system and a reliable supply.

Property Developments

Leasing of the commercial area of the Grand Waterfront property development project located at Ma Tau Kok is good. The Group also has an approximately 15.8 per cent interest in the International Finance Centre ("IFC") complex. Rental demand for the shopping mall and office towers of IFC continues to be robust. The occupancy rate of the project's hotel complex, comprising the Four Seasons Hotel and rental serviced apartments, remains high.

Financing Programmes

In order to tap funding in a timely and flexible manner, the Group established a medium term note programme in 2009 under HKCG (Finance) Limited, a wholly-owned subsidiary of the Group. In line with the Group's long-term business investments, the Group had issued, as at 31st December 2013, medium term notes of an aggregate amount equivalent to HK$10.2 billion with tenors ranging from 5 to 40 under this programme.

In January 2014, the Group also issued its first perpetual subordinated guaranteed capital securities (the "Perpetual Securities"), amounting to US$300 million, through Towngas (Finance) Limited, another wholly-owned subsidiary of the Group. These Perpetual Securities have a nominal interest rate of 4.75 per cent per annum for the first five years, a record low for securities of the same kind issued by corporations in Asia, and thereafter will have a floating interest rate. With no fixed maturity, the Perpetual Securities are redeemable, at the option of the Group, in January 2019 or thereafter every six months on the coupon payment date. The issuance of the Perpetual Securities, rated A3 and A- by international rating agencies Moody's Investors Service and Standard and Poor's Rating Services respectively, received an overwhelming response with six times subscription. The Perpetual Securities, guaranteed by the Company, were listed on The Stock Exchange of Hong Kong Limited on 29th January 2014 (stock code: 6018.HK). The issuance helps further strengthen the Group's balance sheet, improve its financing maturity profile, diversify its funding sources and maintain solid investment grade ratings. The proceeds will be used for refinancing and general corporate purposes.

Company Awards

The Company reached "Forbes Global 2000 Leading Companies" in 2013, with an overall ranking of 878th, and a local ranking of 24th from 46 Hong Kong companies on the list, based on a mix of four metrics: sales, profits, total assets and market capitalisation. The Company was also once again listed by Yazhou Zhoukan in 2013 in its "Global Chinese Business 1000" with eighth ranking for Hong Kong.

By virtue of their outstanding performance in corporate sustainability, both the Company and Towngas China have been selected as constituent companies of the Hang Seng Corporate Sustainability Index Series for the last three consecutive years, indicating the Group's high standard of performance regarding environmental, social and corporate governance aspects as well as workplace practices. Towngas China also won "Hong Kong Corporate Governance Excellence Award 2013", in the Hang Seng Composite Index Constituent Companies category, presented jointly by The Chamber of Hong Kong Listed Companies and the Centre for Corporate Governance and Financial Policy of Hong Kong Baptist University.

With good business results and comprehensive strengths in its business operations, the Company once again reached the "Top 100 – Comprehensive Strength", the main ranking of the "Top 100 Hong Kong Listed Companies" jointly organised by Finet Group Limited and Tencent, moving from 61st in 2012 to 43rd in 2013. The Company also received "The Outstanding Listed Company Award" from The Hong Kong Institute of Financial Analysts and Professional Commentators Limited in recognition of its performance in promoting investor relations and greater transparency over the past year.

The Company's self-developed multi-functional robot won the "2013 Hong Kong Awards for Industries: Innovation and Creativity Grand Award". This robot makes underground pipeline repair work safer, faster, more environmentally-friendly and cost-effective.

The Company also won the "Hang Seng Pearl River Delta Environmental Awards – Silver Award" for 2011/12 presented in 2013 by the Federation of Hong Kong Industries and Hang Seng Bank, and the "Green Enterprise Awards 2013" presented by CAPITAL Entrepreneur, both for outstanding performance in environmental protection. The Company also received the "Supreme Public Utility Service Award" presented by CAPITAL CEO and CAPITAL Entrepreneur for commitment and excellent service to customers. Several overseas' awards were gained for outstanding performance in both training and development, and information technology, namely "Excellence in Practice Citation (2012)" presented by the American Society for Training and Development, the "United Nations' World Summit Award 2012", and the "Best Deployment of Emerging Technology" in the IT Excellence Awards 2013.

Hong Kong Employees and Productivity

As at the end of 2013, the number of employees engaged in the town gas business in Hong Kong was 1,966 (2012 year end: 1,943), the number of customers was 1,798,731, and each employee served the equivalent of 915 customers, slightly up compared to 2012. Inclusive of employees engaged in local businesses such as telecommunications, LPG vehicular refilling stations and engineering contractual works, the total number of the Group's employees engaged in businesses in Hong Kong was 2,327 as at the end of 2013 compared with 2,282 as at the end of 2012. Related manpower costs amounted to HK$883 million for 2013. In 2013, there was an approximately 4.7 per cent average increase in remuneration over 2012. The Group will continue to offer employees rewarding careers based on their capabilities and performance and arrange a variety of training programmes in order to constantly enhance the quality of the Group's customer services.

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

Bonus Issue of Shares

The Directors propose to make a bonus issue of one new share for every ten existing shares held on the Register of Members on 12th June 2014. The necessary resolution will be proposed at the forthcoming Annual General Meeting on 4th June 2014, and if passed, share certificates will be posted on 20th June 2014.

Final Dividend

The Directors are pleased to recommend a final dividend of HK23 cents per share payable to shareholders whose names are on the Register of Members as at 12th June 2014. Including the interim dividend of HK12 cents per share paid on 2nd October 2013, the total dividend payout for the whole year shall be HK35 cents per share.

Barring unforeseen circumstances, the forecast dividends per share for 2014 after bonus share issue shall not be less than the interim and final dividends for 2013.

Business Outlook for 2014

The Company predicts steady growth in the number of customers in Hong Kong during 2014. Restaurant, hotel and retail sectors in Hong Kong are all benefiting from a prospering tourism industry. Nevertheless, the local economy is expected to continue to be affected by the uncertain global economic outlook. In Hong Kong, operating costs for all business sectors are increasing. However, an increase in the standard gas tariff with effect from 1st April 2013 is offsetting some of the Company's own rising operating costs. The Company will continue to enhance its operational efficiency so as to maintain stable development of its gas business in the territory.

In mainland China, the government is advocating increasing urbanisation and is endeavouring to optimise its energy mix and to promote energy conservation, emission reductions and utilisation of clean energy to improve air quality. Combined with the state's advocate of expanding domestic consumption of goods and services to boost economic growth, it is anticipated that there will be a continuing rise in demand for utility services and energy. Recent natural gas price reform better reflects the market situation on the mainland and favours a healthier development of the natural gas business sector in the long term. The Group's city-gas and natural gas businesses on the mainland are therefore expected to continue to achieve good growth. In respect of emerging environmentally-friendly energy businesses, following the Chinese government's move towards greater energy diversification, environmental protection and the creation of a more circular economy, there is a trend for the continuous development of new application technologies and use of low-sulfur, high-quality oil and natural gas as fuels for vehicles and vessels, to reduce atmospheric pollution. This trend is beginning to ignite a new light illuminating the way for the Group's long-term development of its emerging environmentally-friendly energy businesses and business growth strategy.

With the Group's solid foundation in Hong Kong and its diverse business sectors spread across extensive areas on the mainland, together with its successful corporate brand names and sales channels built there over the last 20 years, and the mainland's rising concern over air quality and an anticipated rising demand for clean energy, coupled with a sizeable customer base of over 19 million in Hong Kong and mainland China for its piped-gas business amid an expanding business coverage ensuring a promising return, the Group predicts good prospects and an even broader and better future for all its businesses in the years to come.

LEE Shau Kee
Chairman
Hong Kong, 19th March 2014

BOARD OF DIRECTORS

From left to right

Front Row

David Li Kwok Po

Lee Shau Kee
Chairman

Poon Chung Kwong

Back Row

Peter Wong Wai Yee

Alfred Chan Wing Kin

Colin Lam Ko Yin

Lee Ka Kit

Leung Hay Man

Lee Ka Shing

Dr. the Hon. LEE Shau Kee

G.B.M., D.B.A. (Hon.), D.S.Sc. (Hon.), LL.D. (Hon.),

Chairman & Non-executive Director

Age 85. Dr. Lee was appointed to the Board of Directors of the Company in 1978 and subsequently appointed Chairman in 1983. He has been engaged in property development in Hong Kong for more than 55 years. Dr. Lee is the Chairman and Managing Director of Henderson Land Development Company Limited ("Henderson Land Development") and Henderson Investment Limited, Chairman of Miramar Hotel and Investment Company, Limited ("Miramar"), a Vice Chairman of Sun Hung Kai Properties Limited and a Non-executive Director of Hong Kong Ferry (Holdings) Company Limited. He will resign as the Chairman of Miramar and be re-designated as Non-executive Director of Miramar on 12th June 2014. He was previously an Independent Non-executive Director of The Bank of East Asia, Limited until his resignation on 24th April 2013. All the above companies are listed public companies. Dr. Lee is also a Director of Henderson Development Limited ("Henderson Development"), Hopkins (Cayman) Limited ("Hopkins"), Rimmer (Cayman) Limited ("Rimmer"), Riddick (Cayman) Limited ("Riddick"), Timpani Investments Limited ("Timpani Investments"), Disralei Investment Limited ("Disralei Investment"), Medley Investment Limited ("Medley Investment") and Macrostar Investment Limited ("Macrostar Investment"). Henderson Land Development, Henderson Development, Hopkins, Rimmer, Riddick, Timpani Investments, Disralei Investment, Medley Investment and Macrostar Investment have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance (please refer to the notes on "Substantial Shareholders and Others" on page 62 of this Annual Report for details). Dr. Lee was awarded the Grand Bauhinia Medal by the Government of the Hong Kong Special Administrative Region in 2007. Dr. Lee is the father of Mr. Lee Ka Kit and Mr. Lee Ka Shing, Non-executive Directors of the Company.

Mr. LEUNG Hay Man

F.R.I.C.S., F.C.I.Arb., F.H.K.I.S.,

Independent Non-executive Director

Age 79. Mr. Leung was appointed to the Board of Directors of the Company in 1981. He is an Independent Non-executive Director of Henderson Land Development Company Limited ("Henderson Land Development"), Henderson Investment Limited and Hong Kong Ferry (Holdings) Company Limited, all of which are listed public companies. Henderson Land Development has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance (please refer to the notes on "Substantial Shareholders and Others" on page 62 of this Annual Report for details). Mr. Leung is a Fellow of the Royal Institute of Chartered Surveyors, Fellow of the Chartered Institute of Arbitrators and Fellow of the Hong Kong Institute of Surveyors.

Mr. Colin LAM Ko Yin

F.C.I.L.T., F.H.K.I.o.D.,

Non-executive Director

Age 62. Mr. Lam was appointed to the Board of Directors of the Company in 1983. He has more than 40 years' experience in banking and property development. He is the Deputy Chairman of The University of Hong Kong Foundation for Educational Development and Research and a Director of Fudan University Education Development Foundation. Mr. Lam was awarded an Honorary University Fellowship by The University of Hong Kong in 2008. He is a Fellow of The Chartered Institute of Logistics and Transport in Hong Kong and a Fellow of The Hong Kong Institute of Directors. Mr. Lam is a Vice Chairman of Henderson Land

Development Company Limited ("Henderson Land Development") and Henderson Investment Limited, Chairman of Hong Kong Ferry (Holdings) Company Limited, and an Executive Director of Miramar Hotel and Investment Company, Limited, all of which are listed public companies. Mr. Lam is a Director of Henderson Development Limited ("Henderson Development"), Hopkins (Cayman) Limited ("Hopkins"), Rimmer (Cayman) Limited ("Rimmer"), Riddick (Cayman) Limited ("Riddick"), Disralei Investment Limited ("Disralei Investment"), Medley Investment Limited ("Medley Investment") and Macrostar Investment Limited ("Macrostar Investment"). Henderson Land Development, Henderson Development, Hopkins, Rimmer, Riddick, Disralei Investment, Medley Investment and Macrostar Investment have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance (please refer to the notes on "Substantial Shareholders and Others" on page 62 of this Annual Report for details).

Dr. the Hon. David LI Kwok Po

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

Independent Non-executive Director

Age 75. Dr. Li was appointed to the Board of Directors of the Company in 1984. He is the Chairman and Chief Executive of The Bank of East Asia, Limited. Dr. Li is a Director of CaixaBank, S.A., an Independent Non-executive Director of Guangdong Investment Limited, The Hongkong and Shanghai Hotels, Limited, PCCW Limited, San Miguel Brewery Hong Kong Limited, SCMP Group Limited and Vitasoy International Holdings Limited, all being companies listed either in Hong Kong or overseas. He was previously a Non-independent Non-executive Director of AFFIN Holdings Berhad, an Independent Non-executive Director of COSCO Pacific Limited and China Overseas Land & Investment Limited. Dr. Li is the Chairman of The Chinese Banks' Association Limited. Dr. Li is currently a Member of the Council of the Treasury Markets Association. He was a Member of the Legislative Council of the Hong Kong Special Administrative Region from 1985 until 2012. Dr. Li was awarded the Grand Bauhinia Medal by the Government of the Hong Kong Special Administrative Region in 2007 and he also received the Business Person of the Year Award in the Hong Kong Business Awards 2006. Dr. Li is a Fellow of Hong Kong Institute of Certified Public Accountants, Fellow of Institute of Chartered Accountants in England and Wales, Fellow of The Australian Society of Certified Practising Accountants, Fellow of Chartered Institute of Bankers, Fellow of The Hong Kong Institute of Bankers, Chartered Fellow of British Computer Society, Chartered IT Professional, Fellow of Chartered Institute of Arbitrators in England, an Honorary Fellow of the School of Accountancy, Central University of Finance and Economics and a Companion of the Chartered Management Institute.

Mr. LEE Ka Kit

J.P.,

Non-executive Director

Age 50. Mr. Lee was appointed to the Board of Directors of the Company in 1990. He was educated in the United Kingdom. He is a Vice Chairman of Henderson Land Development Company Limited ("Henderson Land Development") and Henderson Investment Limited as well as a Non-executive Director of The Bank of East Asia, Limited. He was previously a Non-executive Director of Intime Department Store (Group) Company Limited (now known as Intime Retail

(Group) Company Limited) until his retirement on 31st May 2013. All the above companies are listed public companies. He is also a Vice Chairman of Henderson Development Limited ("Henderson Development"). Henderson Land Development and Henderson Development have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance (please refer to the notes on "Substantial Shareholders and Others" on page 62 of this Annual Report for details). Mr. Lee is a Member of the Standing Committee of the 12th National Committee of the Chinese People's Political Consultative Conference. He was appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region and awarded an Honorary University Fellowship by The University of Hong Kong in 2009 respectively. Mr. Lee is the son of Dr. Lee Shau Kee, the Chairman of the Company and the brother of Mr. Lee Ka Shing, a Non-executive Director of the Company.

Mr. LEE Ka Shing

Non-executive Director

Age 42. Mr. Lee was appointed to the Board of Directors of the Company in 1999. He was educated in Canada. He is a Vice Chairman of Henderson Land Development Company Limited ("Henderson Land Development") and Henderson Investment Limited and Chief Executive Officer of Miramar Hotel and Investment Company, Limited ("Miramar"), all of which are listed public companies. He will be re-designated as the Chairman and Chief Executive Officer of Miramar on 12th June 2014. Mr. Lee is also a Vice Chairman of Henderson Development Limited ("Henderson Development") and a Director of Disralei Investment Limited ("Disralei Investment"), Medley Investment Limited ("Medley Investment"), Faxson Investment Limited ("Faxson Investment"), Chelco Investment Limited ("Chelco Investment") and Macrostar Investment Limited ("Macrostar Investment"). Henderson Land Development, Henderson Development, Disralei Investment, Medley Investment, Faxson Investment, Chelco Investment and Macrostar Investment have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance (please refer to the notes on "Substantial Shareholders and Others" on page 62 of this Annual Report for details). Mr. Lee is a Member of the 12th Beijing Committee, and previously a Member of the 10th Guangxi Zhuangzu Zizhiqu Committee and of the 10th Foshan Committee, of the Chinese People's Political Consultative Conference. Mr. Lee is the son of Dr. Lee Shau Kee, the Chairman of the Company and the brother of Mr. Lee Ka Kit, a Non-executive Director of the Company.

Professor POON Chung Kwong

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

Independent Non-executive Director

Aged 74. Professor Poon was appointed to the Board of Directors of the Company in 2009. Professor Poon is currently the Chairman of Virya Foundation Limited (a registered non-profit charitable organisation) and the President Emeritus of The Hong Kong Polytechnic University. He had devoted 40 years of his life to advancing university education in Hong Kong before he retired in January 2009 from his 18-year presidency at The Hong Kong Polytechnic University. Professor Poon is a Non-executive Director of Lee & Man Paper Manufacturing Limited and an Independent Non-executive Director of Henderson Land Development Company Limited ("Henderson Land Development"), Chevalier International Holdings Limited, Hopewell Highway Infrastructure Limited and K. Wah International Holdings Limited, all of which are listed public companies. Henderson Land Development has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance (please refer to the notes on "Substantial Shareholders and Others" on page 62 of this Annual Report for details). Professor Poon received the OBE award in 1991, the Gold Bauhinia Star (GBS) award in 2002 and also the "Leader of the Year Awards 2008 (Education)" and the Honorary

Degree of Doctor of Humanity from The Hong Kong Polytechnic University in 2009. In addition, Professor Poon was appointed as a member of the Legislative Council (1985 – 1991) and a member of the National Committee of the Chinese People's Political Consultative Conference (1998 – 2013).

Mr. Alfred CHAN Wing Kin

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

Managing Director

Age 63. Mr. Chan joined the Company as the General Manager–Marketing in 1992 and was appointed as the General Manager–Marketing & Customer Service in 1995. He was appointed to the Board of Directors of the Company in January 1997 and as the Managing Director in May 1997. Mr. Chan is a director of major local and overseas subsidiary companies of the Group. He is also the Chairman and President of Hong Kong & China Gas Investment Limited, the Group's investment holding company in mainland China and chairman, vice chairman or a director of several of the Group's project companies in mainland China. Mr. Chan is the Chairman of Towngas China Company Limited and a director of Shenzhen Gas Corporation Ltd., both of which are listed public companies. He is also an Independent Non-executive Director of Standard Chartered Bank (Hong Kong) Limited. He is a Vice Chairman of China Gas Association. Mr. Chan received the Executive Award under the DHL/SCMP Hong Kong Business Awards 2005 and the Director of the Year Awards – Listed Companies (SEHK – Hang Seng Index Constituents) Executive Directors from The Hong Kong Institute of Directors in 2006. Mr. Chan is a Chartered Engineer, Fellow of The Hong Kong Institution of Engineers; Fellow of The Institution of Mechanical Engineers, Fellow of The Institution of Gas Engineers & Managers and Fellow of The Energy Institute of the United Kingdom.

Mr. Peter WONG Wai Yee

C.P.A., C.M.A., A.C.I.S., A.C.S., C.I.G.E.M., F.H.K.I.o.D., M.B.A.,

Executive Director and Chief Operating Officer – Utilities Business

Age 62. Mr. Wong joined the Group in 1997, initially as its Financial Controller. Since 2002, he has been deeply involved in the development of the Group's mainland utilities business, operating from its headquarters in Shenzhen, China. Mr. Wong was appointed to the Board of Directors of the Company in February 2013. Mr. Wong is currently the Executive Director and Chief Operating Officer of the Utilities Business and also holds directorships in various subsidiaries of the Group. He is also an Executive Director and the Chief Executive Officer of Towngas China Company Limited and a director of Shenzhen Gas Corporation Ltd., both of which are listed public companies. Mr. Wong was named consecutively as one of "The Best CEO of Chinese Listed Companies" by Forbes in 2012 and 2013. He is a chartered professional accountant of Canada and a chartered company secretary both in Hong Kong and the United Kingdom. He was formerly a director of the Certified Management Accountants Society of British Columbia, Canada and the president of its Hong Kong branch. He is a member of the Advisory Board of the Department of Accounting of Hong Kong Shue Yan University. Mr. Wong has over 37 years of experience in corporate finance, management and international working experience.

EXECUTIVE COMMITTEE

From left to right

Peter Wong Lam Sang
Head of Commercial –
Hong Kong Utilities

Fan Kit Yee
Head of Corporate Human Resources

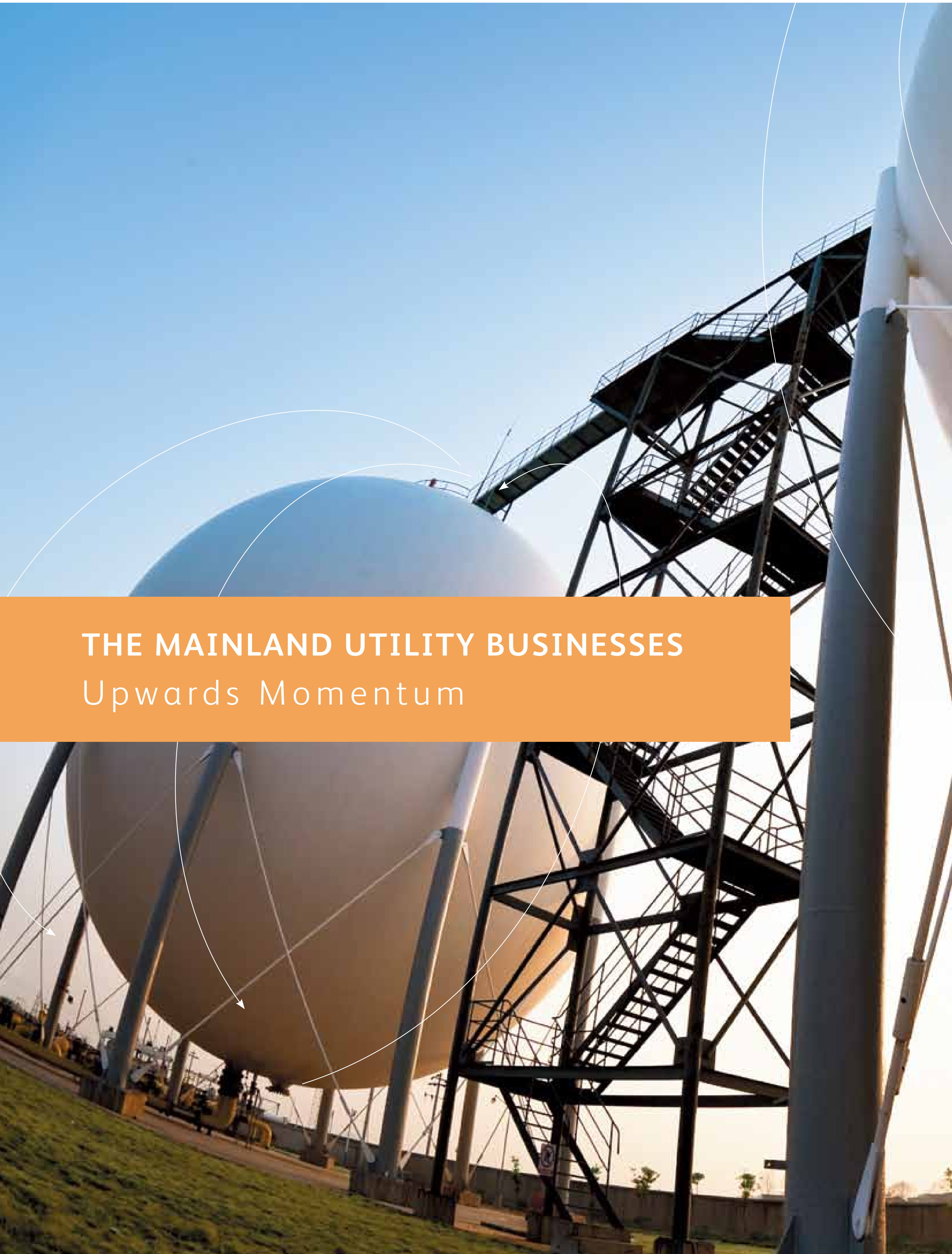
Peter Wong Wai Yee
Executive Director and Chief
Operating Officer – Utilities Business

Alfred Chan Wing Kin
Managing Director

John Ho Hon Ming
Chief Financial Officer and
Company Secretary

Simon Ngo Siu Hing
Head of Engineering –
Hong Kong Utilities

Philip Siu Kam Shing
Chief Operating Officer –
New Energy Business



THE MAINLAND UTILITY BUSINESSES

Upwards Momentum

119 city-gas projects with gas sales reaching **13.4 billion** cubic metres

Sales of Bauhinia appliances reached **650,000** units, an increase of 30 per cent

The first city-gas supplier to invest in an **underground gas storage** project in mainland China

THE MAINLAND UTILITY BUSINESSES

As we look towards the future of the energy sector, the increasing significance of mainland China to our operations is clear. The market for clean energy is buoyed by the country's on-going economic development, urbanisation and investments in infrastructure as well as a determination to improve the environment. As a respected public utility and energy provider, we are well positioned to make the most of promising developments as they arise and are actively pursuing a range of projects and investments in the country.

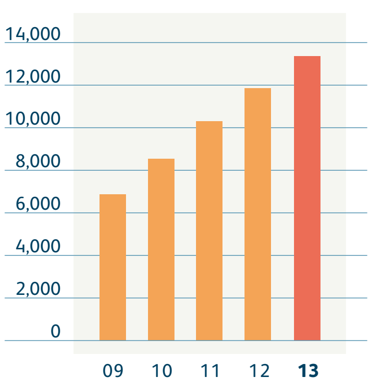
Our City-gas Operations

In mainland China, the energy market remains buoyant, supported by a strong industrial and manufacturing base, solid infrastructure and sound logistics. Both environmental considerations and a desire for clean-burning energy are feeding the country's increasing appetite for natural gas.

To capitalise on this demand, we are pursuing a strategy of sustainable growth through strong partnerships and a complete commitment to safety, service, product and engineering excellence.

In 2013, our city-gas operations enjoyed another year of strong growth. We welcomed 15 new city-gas ventures to our business, bringing the total to 119 in 20 provinces, autonomous regions and municipalities. Our sales volume increased by 13 per cent to reach 13.4 billion cubic metres. Our network comprises 68,067 kilometres of gas pipes, serving 17.29 million customer accounts.

China Joint Ventures Gas Sales (million m^3)



Natural gas torches are used to cut machine tools by a large-scale manufacturer in Jinan.

Including a midstream transmission network, our new city-gas project in Hangzhou is expected to achieve an annual gas sales of 1,000 million cubic metres in three years.

The Chinese government is implementing an on-going policy to develop rural areas and promote urbanisation. With the number of metropolitan inhabitants topping 700 million – more than half of the population – and the progressive shift to cleaner fuels, we believe that these measures will stimulate domestic demand for property, utilities and consumer goods, which will place our city-gas business in an advantageous position. As the use of natural gas widens, we will seize opportunities to meet the increasing demand for this essential resource.

Despite China's 2013 measures to cool down the nation's real estate environment, the Group recorded a continuous increase in new residential installations. Natural gas utilisation is still low, representing 5.9 per cent of the nation's total primary energy consumption. Despite the lower GDP growth forecast, we expect to see gas consumption expand at 15 per cent across mainland China in the coming years.

Midstream Facilities

Our goal to become a leader in the region's energy market advanced again in 2013 as we expanded our midstream business and became the first city-gas supplier to invest in an underground gas storage project in mainland China.

Our midstream natural gas projects in the country include the Guangdong LNG Receiving Terminal project, natural gas pipeline projects in Anhui province, in Hebei province and in Hangzhou, Zhejiang province; natural gas extension projects in Jilin and Henan provinces as well as midstream pipeline project located in Wafangdian, Dalian, Liaoning province. While helping the Group develop its downstream city-gas markets, these midstream projects generate good returns and in 2013, the overall gas sales grew 22 per cent to 3.1 billion cubic metres compared to 2012.

Located in Jintan, Jiangsu province, our underground natural gas storage facility repurposes the cavern of a former salt mine in order to store natural gas throughout the year. This facility will help us to manage our inventory of gas to mitigate supply bottlenecks during peak seasons and to meet downstream demand. Not only is this expected to offset supply-demand imbalance, but there is also the potential to trade with other suppliers and expand our gas supply network in mainland China.

Water Supply and Wastewater Operations

One of the Group's core strengths is managing and operating utility businesses. Leveraging the similarities between natural gas and water supply – location, brand, connections, technical skills and service – our water supply and wastewater operations business in mainland China is managed and run by Hong Kong & China Water Limited (Hua Yan Water). Our portfolio currently comprises six projects including water supply projects in Wujiang, Jiangsu province and in Wuhu and Maanshan, Anhui province; an integrated water supply and wastewater project, together with an integrated wastewater treatment project for a special industry, both in Suzhou Industrial Park, Jiangsu province.

Following the rapid expansion of the mainland Chinese economy, demand for clean water has grown steadily. A natural complement to our city-gas business, our water supply and wastewater operations concurrently enjoyed another successful year as annual sales of city-water increased by 5.5 per cent to 414 million tonnes.

Respected for our reliability and high quality service, we have been able to forge close ties with provincial and local authorities. In 2013, we won contracts covering two new water supply projects in Anhui province, including Zhengpugang Xin Qu in Maanshan and the starting area of Jiangbei Concentration Zone in Wuhu. We are now in a good position to capture more quality city-water projects in other provinces.

Serving Our Customers

As a Group, we take pride in our one-stop service model and make great efforts to cultivate a friendly and caring service mindset among all our employees. Improving our processes and nurturing a "customer-oriented" culture is one of our top priorities and we constantly strive to better our service with new caring initiatives.

To complement our service excellence, we expanded our network of customer service centres by 15 in 2013 for a total of 215 in 80 cities. The centres, many of which have undergone a modern facelift and now feature our new design concept "Sunlight, Happiness, Home", offer our customers a truly inviting one-stop experience.

To further monitor, review and standardise our level of customer service, we conducted a mystery shopping study across the country covering our customer service centres, hotlines and on-site visits. In 2013, our satisfaction ratings improved by 8 per cent compared to 2012, showing a steady upward trend in the level and consistency of our service.

We were pleased to have our efforts recognised when we received the "Best Customer Services in China Award 2012 – 2013" from the China Association of Trade in Services, the China Information Industry Association and the China Customer Service Committee.

Our Bauhinia appliance brand forms part of Towngas' all-round commitment to superior quality and safety. Complemented by a professional after-sales service, this approach has proved popular with our customers. Since its launch in 2005, Bauhinia has a sales record of over 2 million units across 70 cities, driving customer recognition of our brand throughout the country. In 2013, sales reached 650,000 units, an increase of 30 per cent from the previous year.

Our television series titled "A Journey of Flame Cooking and Chinese Cuisine" showed how to prepare a variety of local dishes from different cities across mainland China.

Leveraging our "Peace of Mind" positioning, we not only encouraged customers to replace outdated appliances with special discounts but also launched a 24-episode television show to promote flame cooking, which broadcasted on five provincial TV stations and key online video platforms.

During the year, we also patented a cost-effective, high-efficiency gas burner, which attained the Grade A national energy efficiency standard and won a number of industry awards. Our glass-ceramic hob was also named one of China's "Top 10 Innovative New Gas Appliances" by the China National Hardware Association.

Efficient service delivery is impossible without integrated knowledge management. Our core values of leadership and creativity enable our people and our organisation to excel in this field. This is particularly evident in our deployment of IT solutions, including our Towngas Customer Information System (TCIS) Private Cloud, which provides our businesses in mainland China with a unified and convenient cloud-based customer information and billing system. The cloud reduces the need for on-site IT support while standardising processes and enabling our teams to deliver an enhanced customer experience based on timely, reliable and consolidated customer information.

We opened China's first inland LNG fuelling station for vessels on the Yangtze River in Nanjing, Jiangsu province.

In 2013, our TCIS Private Cloud received the "Best Deployment of Emerging Technology" in the IT Excellence Awards, recognising our progressive and effective use of information technology.

A Proactive Approach to Safety

At Towngas, the safety of the public, customers and our employees is the highest priority. This safety mindset drives our stringent safety programmes, guidelines, training, drills and related exercises. We are determined to protect every one of our stakeholders and maintain the Group's hard-earned position as a health and safety leader.

In mainland China, the "Year of Safe Operation" campaign represents an aspect of our proactive approach to safety. The campaign, which was first launched in Xi'an in 2008, has been successfully rolled out across different areas of the Group's operations on a yearly basis and helps us to identify and promptly address key risk areas in the locations in which we operate. To promote safety and risk management, we arranged various photo, leaflet design and essay writing competitions focused on reinforcing the Group's core safety measures.

At the Group level, our senior managers make a public commitment to uphold our safety standards with direct involvement in safety processes and procedures at our monthly Group Safety Committee Meetings. The safety and risk management audits and General Manager Monthly Safety

Inspection Programme continue to play important roles in the Group's safety and risk management system. During the year, we also began to implement a cross joint venture General Manager Safety Inspection Programme within each region so as to encourage experience sharing between different businesses. This depth of engagement positively reinforces our "safety-first" culture.

Furthermore, forums on safety and risk management, engineering practices and customer service were organised for newly-established businesses to bring them up to speed on the quality standards demanded by the Group, as well as to establish qualification requirements for engineering supervision personnel. We also organised experience sharing visits for safety and risk management personnel from our mainland businesses, providing opportunities for them to learn, share and discuss important safety issues.

Combined, these activities effectively help us uphold the highest standards of safety across the Group. As a result, there has been a significant improvement in accident and safety figures. We are delighted to report that in 2013, the number of serious gas-related incidents fell again by a positive and encouraging 19 per cent.

Utility Businesses in Mainland China in 2013

	Year of Establishment	Project Investment Rmb M	Registered Capital Rmb M	Equity Share %
TOWNGAS PIPED CITY-GAS PROJECTS				
Guangdong Province				
Panyu	1994	260	105	80%
Zhongshan	1995	240	96	70%
Dongyong	1998	178	75	82.6%
Shenzhen	2004	–	1,980	26.8%
Chaoan	2007	185	99	60%
Chaozhou Raoping	2011	189	106	60%
Central China				
Wuhan	2003	1,200	420	49%
Xinmi	2009	205	85	100%
Eastern China				
Yixing	2001	246	124	80%
Taizhou	2002	200	83	65%
Zhangjiagang	2003	200	100	50%
Wujiang	2003	150	60	80%
Xuzhou	2004	245	125	80%
Suining	2009	85	34	100%
Fengxian	2009	60	31	100%
Danyang	2004	150	60	80%
Jintan	2006	150	60	60%
Tongling	2006	240	100	70%
Suzhou Industrial Park	2001	600	200	55%
Changzhou	2003	248	166	50%
Nanjing	2003	1,200	600	50%
Fengcheng	2007	206	88	55%
Pingxiang	2009	87	35	100%
Jiangxi	2009	52	26	56%
Zhangshu	2009	86	34	100%
Yonganzhou	2010	100	68	93.9%
Hangzhou	2013	2,988	1,195	24%
Shandong Province				
Jinan East	2003	610	470	50%
Northern China				
Jilin	2005	247	100	63%
Beijing Economic-technological Development Area	2005	111	44	50%
Hebei Jingxian	2011	186	79	81%
Northwestern China				
Xi'an	2006	1,668	1,000	49%
Hainan Province				
Qionghai	2008	110	50	49%

	Year of Establishment	Project Investment Rmb M	Registered Capital Rmb M	Equity Share %
TOWNGAS MIDSTREAM PROJECTS				
Guangdong LNG	2004	8,595	2,578	3%
Anhui NG	2005	750	252	27.5%
Hebei NG	2005	1,560	520	45%
Jilin NG	2007	360	220	49%
Suzhou NG	2009	60	40	29%
Henan NG	2012	125	50	49%
Jintan NG	2013	180	100	64%
WATER PROJECTS				
Wujiang	2005	2,450	860	80%
Suzhou Industrial Park	2005	3,685	2,197	50%
Wuhu	2005	1,000	400	75%
Suzhou Industrial Park (Industrial Wastewater Treatment)	2011	550	185	49%
Maanshan	2013	157	63	100%
Jiangbei	2013	150	75	100%

TOWNGAS CHINA PIPED CITY-GAS PROJECTS

Guangdong Province
Foshan
Shaoguan
Qingyuan
Yangdong
Fengxi

Eastern China
Nanjing Gaochun
Dafeng
Maanshan
Zhengpugang Xin Qu Modern Industrial Zone
Wuhu Fanchang
Bozhou-Wuhu Modern Industrial Zone
Bowang
Anqing
Chizhou
Tunxi
Huangshan
Huizhou
Tongxiang
Huzhou
Yuhang
Changjiu
Fuzhou
Jiujiang
Wuning
Xiushui
Yifeng
Changting

Shandong Province
Jimo
Laoshan
Zibo
Zibo Lubo
Longkou
Jinan West
Weifang
Weihai
Taian
Chiping
Linqu
Laiyang
Zhaoyuan
Pingyin
Feicheng
Boxing Economic Development Zone

Hunan Province
Miluo

Northeastern China
Benxi
Chaoyang
Tieling
Fuxin
Shenyang Coastal Economic Zone
Yingkou
Dalian Changxingdao
Dalian Economic and Technical Development Zone
Anshan
Lvshun
Kazuo
Beipiao
Wafangdian
Xinqiu
Jianping
Changchun
Gongzhuling
Qiqihar

Hebei Province
Qinhuangdao
Yanshan
Cangxian
Mengcun
Shijiazhuang

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

MIDSTREAM PROJECT

Wafangdian NG

THE HONG KONG GAS BUSINESS

Energising Lives

Won the **Innovation and Creativity Grand Award** at the 2013 Hong Kong Awards for Industries

Gas sales in the industrial sector grew by **21 per cent**

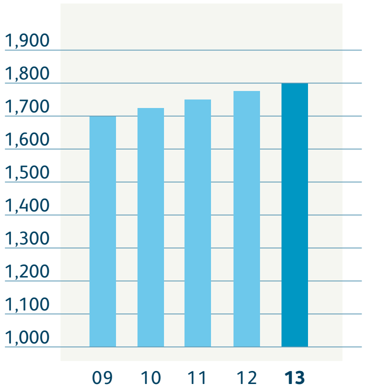
Saved about **one million** pieces of paper after adopting mobile devices for service inspections

THE HONG KONG GAS BUSINESS

Since 1862, our operations in Hong Kong have set the benchmark in terms of service, operational excellence, engineering and safety. We remain committed to innovation, to broadening the scope of our activities and expanding our horizons to retain our leading position in our home market.

Number of Customers

Company (Thousand)



Our Residential and Commercial Activities

The Hong Kong business continued to grow steadily throughout 2013. The volume of gas sales rose by 0.7 per cent, while our customer base further expanded to a total of 1,798,731 accounts, an increase of 22,371 over the previous year.

Faced with rising operational expenses and manpower costs, in April 2013, we adjusted our standard gas tariff by HK1 cent per megajoule, an increase of 4.6 per cent, with a commitment to no further increase in the following two years.

Renowned French chef and celebrity were invited to demonstrate the product features of Scholtès, a premium kitchen appliance brand from Europe at our grand launch event.

A leading manufacturer of traditional Chinese cakes and pastries adopts our high efficiency appliances.

Buoyed by Hong Kong's tourism boom, which stimulated the catering and hotel industries, and a widespread desire to use cleaner fuels, our gas supply to commercial and industrial businesses remained strong, particularly in the industrial sector where we saw growth of 21 per cent in gas sales. We have been actively promoting the conversion and application of diesel into town gas, a low-carbon, highly efficient fuel, while also providing businesses with incentives and technical solutions to facilitate the change. During the year, we succeeded in acquiring a number of major new customers such as commercial launderers, food processing facilities, crematoriums, etc and will continue to develop these markets by working closely with our customers to offer a complete energy solution tailored to their requirements.

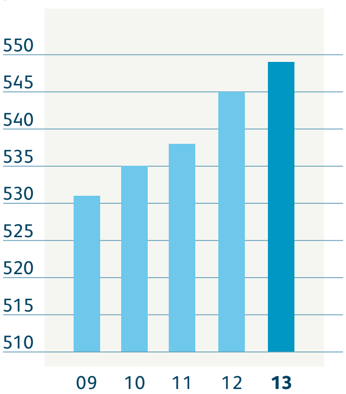
As part of the Hong Kong Government's plan to upgrade public swimming pools in the territory, we won a number of contracts to provide water heating services. The programme will leverage our expertise in energy-efficient and green gas water heating systems to serve the general public.

In addition, Towngas contributed to phase one of the Government's "Pilot Scheme on Community Care Service Voucher for the Elderly". We provided licensed non-governmental organisations (NGOs) with subsidised appliances and favourable maintenance contracts to support their work with elderly citizens in need. While offering an additional business opportunity, we also relished the chance to fulfil our corporate social responsibility.

On the residential front, we sold a total of 244,000 appliances in Hong Kong – a sign of customer confidence in the quality of our products and services. Sales were also enhanced by our marketing efforts throughout the year. For the first time, we participated in the 47th Hong Kong Brands and Products Expo 2012 – 2013, showcasing the Group's historical development together with a wide range of appliances and merchandise. Our efforts not only won us the "Best Booth Design Award" but also resulted in encouraging appliance sales.

We won the "Innovation and Creativity Grand Award" at the 2013 Hong Kong Awards for Industries for our proprietary invention, the Laparobot. A testament to our innovative culture, this tool was developed in-house to remotely inspect and repair underground pipes.

Number of Customers per km of Mains Company



Our kitchen appliance range was further expanded with the introduction of Scholtès. This upmarket European brand offers a complete range of kitchen appliances complemented by the Towngas quality service package for a thoughtfully premium experience. Since its launch, the brand has been well received by the market. Feedback from customers has been superb with regards to the quality of the products, our superior installation service and level of after-sales care.

The Mia Cucina line of high-end kitchen cabinets has enjoyed pleasing growth. With our high quality products and proactive levels of end-to-end service delivery, it has been widely adopted by local property developers for bulk installations in new residential developments. Compared to 2012, overall sales have grown by 63 per cent as market awareness continues to gain momentum.

A Commitment to Customer Service

Technology has offered us a number of exciting and innovative ways to enhance the service we offer our customers. In 2013, we broadened our call centre communication channels to include multimedia and social media. We also began disseminating SMS reminders to customers prior to their appointments, reminding them of their service time and providing them with the technician's contact number. This small gesture is one more way we aim to enrich our communication with our customers and is an extension of our "5-Heart" caring service programme, which was launched in 2012.

Hand-in-hand with technology developments, the mobile revolution is enabling us to reduce our reliance on paper. Equipped with mobile devices to replace traditional forms, this technology enables our frontline technicians to conduct inspections in a paperless fashion, and will soon be implemented across all maintenance calls in order to provide our customers with the relevant information in a timely manner. The move to mobile will save approximately one million pieces of paper a year, mostly in the form of records and orders.

In 2013, we implemented an innovative method to replace aging water heaters without the need to erect scaffolding. The specially-designed kits reduce the cost of installation, are more efficient and enhance work safety by eliminating the need for the construction and use of elevated work platforms.

Our commitment to innovation also manifested at a retail level as we applied QR codes across our outlets and on marketing materials to offer our customers a simple way to access an in-depth range of products and service information.

Results of Towngas Service Pledge 2013

RELIABILITY

Uninterrupted gas supply (over 99.99 %)
99.992%

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

Restoration of gas supply within 12 hours
100%

SAFETY

Emergency Team arrived on site within 30 minutes
95.84%

APPOINTMENTS

Availability of maintenance and installation services within two working days
Average 1.13 day

SPEED AND CONVENIENCE

Customer Service Hotline (calls answered within four rings)
94.06%

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

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

SERVICE QUALITY

Efficiency[1]
8.79

Courteous and friendly attitude[1]
8.80

HANDLING SUGGESTIONS

Reply within three working days
100%

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

1. The result was based on monthly surveys conducted from January to December 2013 by an independent research company. Our target is to exceed a score of 8 out of 10.

Equipped with Mia Cucina height-adjustable kitchen cabinets, Towngas KIDchen at our new cooking centre offered more workshops for parents and children to share the joy of flame cooking.

This year marked our first foray into e-commerce with the launch of the Towngas Shop (www.towngasshop.com). The site has been designed to meet the needs of customers who prefer to shop online and offers a convenient way to purchase some of our most popular health and beauty, eco-friendly and cooking-related lifestyle products with a door-to-door delivery service.

During the year, the Towngas Cooking Centre moved to Lee Theatre in Causeway Bay and introduced a new concept: the KIDchen, an inspiring space that encourages children to enjoy flame cooking with their parents. With new and spacious practical and demonstration classrooms, the Towngas Cooking Centre remains a cornerstone of our commitment to ignite the passion of flame cooking in Hong Kong.

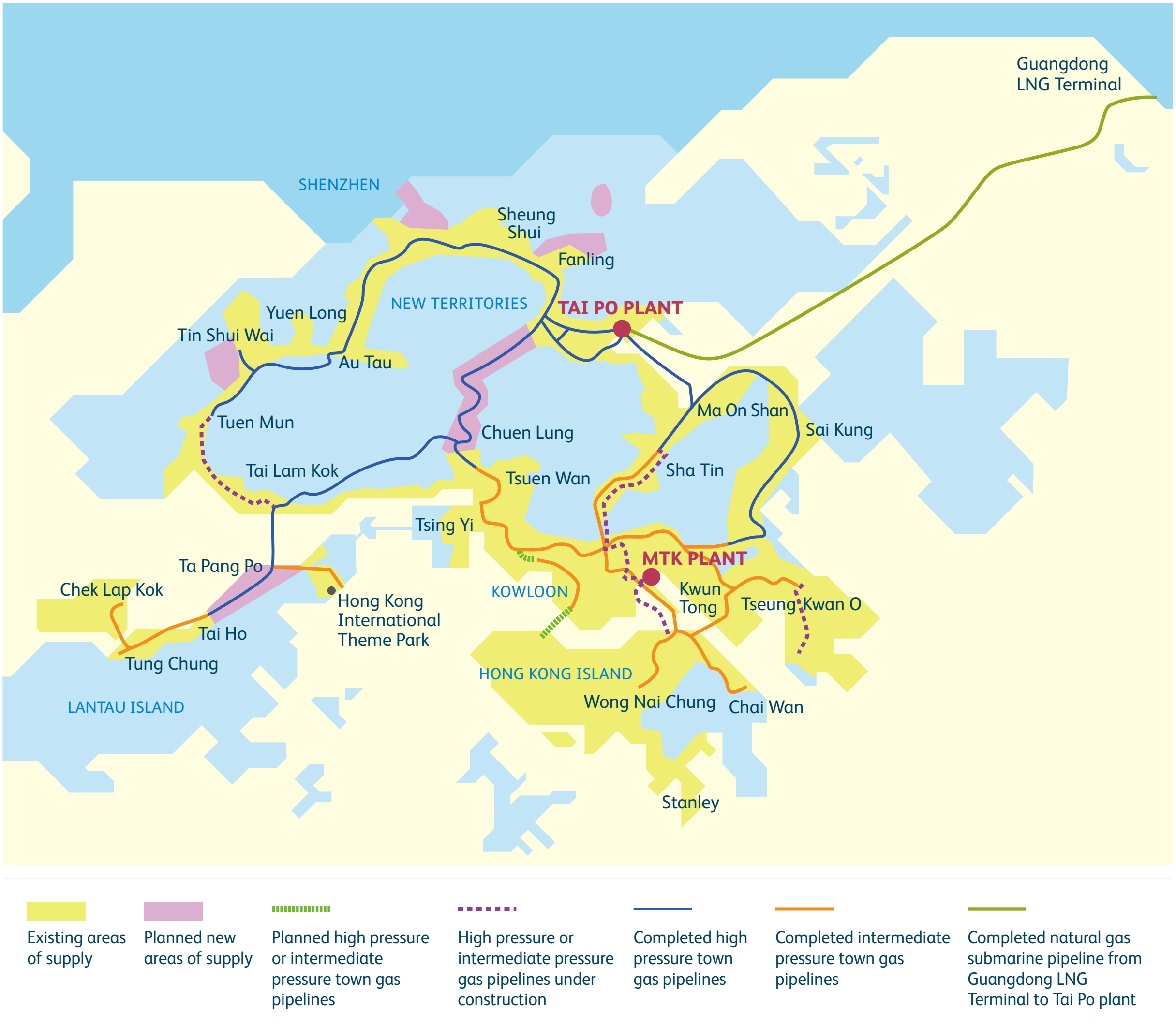
Gas Infrastructure

Creativity is one of Towngas' key organisational values and one that drives innovation in our gas supply infrastructure projects. This year, our team developed several leading technologies that will help enhance our efficiencies.

The first, a Smart Pipe, offers a cost-efficient way to repair corroded service branches from the main riser that crosses building walls without the need to erect scaffolding. This minimises the impact of time, cost and disruption to customers. The second, named the Quadricopter Inspector, saves time and manpower by performing aerial inspections of exposed gas pipes on slopes,

To cope with the Government's development of South East Kowloon, we relocated a twin submarine pipeline between To Kwa Wan and North Point.

Towngas Network in Hong Kong



bridges or otherwise difficult to access locations.

The upgrade of our Ma Tau Kok plant is also underway. Natural gas will replace naphtha as part of the feedstock for the production of town gas. This is more economical and also emits fewer polluting elements into our atmosphere, providing tangible environmental benefits.

In addition to modernising our network and infrastructure, Towngas is also committed to expanding the piped gas network in Hong Kong. To this end, we are working on pipelines to support the future development and expansion of South East Kowloon and the North East New Territories. The extension of this network is expected to serve a combined population of over 260,000 in the future.

At a service level, we focused on encouraging our customers to replace ageing gas pipes when renovating their estate properties – a successful campaign that saw pipe replacement grow 33.8 per cent compared to 2012. Replacing ageing pipes is a critical part of our mission to provide a safe and reliable gas supply throughout Hong Kong.

NEW ENERGY AND DIVERSIFIED BUSINESSES

Moving Forward

Cutting-edge technology enables us to use **coke oven gas** as feedstock for the production of LNG

Our plant in Inner Mongolia paves the way to upgrade methanol into **high-value fuel products**

G-Tech, which provides PE pipe system solutions, is now fully operational

NEW ENERGY AND DIVERSIFIED BUSINESSES

It has been another dynamic year for our new energy business. We continued to develop our liquefied natural gas (LNG) value chain, advanced our capability to upgrade methanol into clean and high-value gasoline-type chemical products, and embarked on a new project to transform plant fatty-acids into green diesel-type products. As we focus on "Expanding New Horizons", we are primed to move ahead and build the next chapter in the story of our growth.

New ECO Energy

Since the company was founded as a wholly-owned subsidiary of the Group in 2000, ECO Environmental Investments Limited (ECO) has been playing a key role in our business expansion to become a new energy pioneer. A trailblazer in the field of new energy and committed to protecting the environment, ECO drives innovation in new technologies and environmentally-friendly energy businesses by focusing on fuel products that are low in emissions and pollutions. With a rich breadth of chemical processing knowledge and depth of engineering experience, we have refined our business portfolio and are ready to swiftly capture market demand.

In the fast-paced world of new energy, we remain focused on finding ways to turn low-grade resources and waste into high-grade products. Our Research and Development (R&D) Centre continues to develop innovative technologies for the production of clean fuels and chemicals, which include converting coke oven gas into methane, cooling methane into LNG, converting coal to methanol, upgrading methanol to clean gasoline-type chemical products and transforming plant fatty-acids into green diesel-type chemical products.

Road tankers transport liquefied coalbed methane from our plant in Jincheng, Shanxi province.

Our clean coal-based methanol plant in Inner Mongolia is fully operational with an annual capacity of 240,000 tonnes.

Furthermore, research into the gasification of unwanted agricultural waste into sought-after fuels and chemicals is on-going. As our R&D and project implementation capabilities have evolved, we believe that encouraging economic benefits resulting from innovation lie ahead.

Meanwhile, our ECO Aviation Fuel Facility, which was opened in 2010 in Hong Kong, enjoyed another year of smooth operations providing aircraft fuel to Hong Kong International Airport. This specialised facility, which is capable of storing up to 264,000 cubic metres of aviation fuel, handled 5.56 million tonnes of fuel in 2013.

Following the gradual strain on global petroleum resources and associated price increases, mainland China is proactively developing alternative substitutes to meet its growing demand for energy and to reduce its reliance on imported crude oil. This has been reflected in the country's Twelfth Five-Year Plan to enhance environmental protection and drive consumption towards clean energy.

One way to achieve this is through the use of unconventional resources such as coalbed methane, a natural gas equivalent that exists in coal seams. After extraction, the gas can be processed through cryogenic liquefaction technology, reducing the gas to 1/625th of its original volume. The resulting liquefied coalbed methane (LCBM) therefore has a higher energy density and is easily transportable. LCBM has a wide range of applications: it can be used as vehicular fuel, for industrial products, and to meet peak periods of demand for city-gas.

Our pioneering LCBM plant in Shanxi province has an annual production capacity of 250 million cubic metres. The facility has been operating smoothly, and we are currently exploring additional expansion opportunities. Our current efforts focus on the Qinshui Basin in southern Shanxi province, a region with some of the most abundant reserves of coalbed methane in China.

ECO gas filling stations in mainland China provide heavy-duty vehicles with a cleaner and more economical fuel.

Our LNG initiative accelerated this year as we began to utilise another unconventional gas resource – coke oven gas. Coke oven gas is a by-product of the coke making industry. The gas is rich in hydrogen and carbon monoxide, which can be synthesised into methane and further refrigerated into LNG. We will soon launch two facilities in Jiangsu and Shanxi provinces respectively that will greatly enhance our supply capability when the plants are operational in 2015.

On the demand side, we have 25 vehicular fuel stations in operation, under planning or construction on the mainland. Operations are continuing to run smoothly. The stations provide clean LNG and compressed natural gas primarily to commercial vehicles including taxis and heavy-duty trucks. In line with the mainland Government's initiative to deal with issues on air pollution, we will maintain our momentum to develop more stations in the future.

Another exciting venture is our coal-based methanol plant in Inner Mongolia, which employs clean coal technology to generate syngas before it is further synthesised into methanol, an excellent feedstock for additional chemical upgrading. The plant is now fully operational. Annual production in 2013 reached 240,000 tonnes, 20 per cent higher than originally planned. To further enhance our production capacity, we will look into de-bottlenecking current processes. Moreover, we began constructing an add-on methanol upgrading process to turn methanol into high-value gasoline-type chemicals, for which there is superb market potential.

After years of consistently strengthening our R&D capabilities, in 2014, we will start to upgrade plant fatty-acids, including palm acid oil and used cooking oil, into green diesel-type chemical products in Jiangsu province. This patented process is particularly significant as it was developed in-house. The planned capacity for phase one is to turn 150,000 tonnes of feedstock into 120,000 tonnes of clean fuel products.

Telecommunications

Towngas Telecommunications Limited (Towngas Telecom) is strongly positioned to capitalise on the boom in cloud computing and rapid digitalisation of our workplace. The ability to lay fibre optic infrastructure inside gas pipes or alongside newly-constructed gas networks provides us with an unparalleled competitive advantage in terms of cost and speed of deployment. Consequently, the move towards cloud computing and the cost efficiencies of contracting out data centres and data management has been an area of rapid growth for the Company.

Large corporations, service providers and telecommunications carriers rely on us for our well-developed infrastructure facilities to host a number of cloud computing applications. To support our operations, we open the second data centre, with a floor area of 22,000 square metres in the Tseung Kwan O Industrial Estate, in 2014.

In mainland China, to meet the increasing demands of the IT industry, Towngas Telecom is currently establishing world-class data centre clusters in the provinces of Guangdong, Liaoning and Heilongjiang. Together with the existing data centres in Hong Kong and Shandong province, we are primed to capture the data storage, processing and transmission businesses between Hong Kong and mainland China. Given the continued trend towards outsourcing hosting and telecommunication services, we believe this will be a lively area of potential growth as the market is expected to expand exponentially.

Civil and Building Services Engineering

U-Tech Engineering Company Limited (U-Tech) enjoyed another excellent year providing consultancy services and working on utilities installation, infrastructure and building services projects for public and private organisations in Hong Kong and Macau.

During the year, we completed the electrical installation at a new residential complex of 2,500 flats in Yuen Long. Another electrical installation project covering 2,000 flats across phases two and three of a residential development in Lok Wo Sha, Shatin also made good progress. Furthermore, we participated in the construction of infrastructure for the Kai Tak Development Area and also began laying a 2 kilometre-long main water pipe in Tai Po, due to be finished at the end of 2016.

These projects, once completed, will continue to enhance our reputation as a leading one-stop utility contractor for gas, water, drainage, sewerage, telecommunications and building services projects in Hong Kong.

M-Tech's new generation of gas meter uses Micro-Electro-Mechanical Systems technology to measure mass flow and is now in production at the manufacturing plant in Longgang, Guangdong province.

G-Tech's manufacturing plant in Zhongshan was fully operational in 2013.

Manufacturing Facilities

As part of our commitment to maintaining the highest standards of safety across the supply chain, we design and manufacture polyethylene (PE) fittings and jointing parts for both gas and water systems. This year, G-Tech Piping System (Zhongshan) Company Limited, our wholly-owned subsidiary, began to supply piped gas operators with quality PE pipes manufactured under a stringent quality control system. We also established logistics hubs and regional warehouses in Jiangsu and Liaoning provinces to support the expansion of the business and supply to our customers across a diverse geographical network. The business has been supported by GH-Fusion Corporation Limited, our joint venture with the British Fusion Group, which develops additional PE fittings to more comprehensively serve the mainland China gas market.

Advancing this approach, M-TECH Metering Solutions Company Limited (M-Tech) has developed and offered new smart metering solutions that have been well received in the market. In the past year, over 60 of our mainland ventures have purchased the Micro-Electro-Mechanical Systems meters, the first of its kind in the gas metering industry, and we have also been granted a licence to produce industrial meters. These smart meters can help reduce unaccounted gas losses due to ambient temperature and pressure fluctuations. M-Tech will also release a new series of products to replace the traditional diaphragm meters currently used by small commercial businesses. At the same time, we are actively looking into entering the European market and preparing for the launch of our new residential meters to capture the vast markets in mainland China and abroad.

New Energy and Other Projects in 2013

	Year of Establishment	Project Investment Rmb M	Registered Capital Rmb M	Equity Share %
NEW ENERGY PROJECTS				
Coal Mining				
Jiangxi Fengcheng	2008	1,100	236	25%
Inner Mongolia Erdos Xiaoyugou	2009	447	120	70.1%
Inner Mongolia Erdos Kejian	2011	450	150	100%
Coal-based Chemical				
Jiangxi Fengcheng	2009	1,250	350	40%
Inner Mongolia Erdos	2009	1,170	400	70.1%
CNG/LNG Filling Stations				
Shaanxi Xianyang	2008	12	12	100%
Shaanxi Huitai	2010	54	27	100%
Anhui Maanshan	2006	15	11	30%
Shanxi Yuanping	2008	40	20	42%
Dalian DETA	2010	40	20	49%
Shandong Chiping	2010	30	15	70%
Shandong Jining	2010	30	15	51%
Shandong Dongping	2010	43	26	91%
Henan Xinmi	2010	29	15	100%
Shandong Jiaxiang	2012	50	28	70%
Henan Anyang	2012	29	14	100%
Shanxi Lingshi	2013	25	20	75%
Guangdong Guangzhou	2013	26	13	100%
Henan Kaifeng	2013	29	15	100%
Henan Linzhou	2013	30	20	100%
Upstream Projects				
Shanxi LCBM	2006	600	200	70%
Jilin Tianyuan	2007	140	5	50%
LCMM Project	2010	520	180	50%
Coal Logistic Project				
Shandong Jining Jiaxianggang Logistic Port	2011	540	180	55%
TELECOMMUNICATION PROJECTS				
Shandong Jinan	2008	80	40	90.1%
Shandong Jinan Chibo	2009	170	68	65.5%
Liaoning Dalian DETA	2010	14	10	49%
Dalian Yida	2011	190	76	90%
Shandong Laiyang	2011	14	10	90%
Xuzhou Fengxian	2011	11	8	100%
Xuzhou Peixian	2013	13	9	100%
Harbin	2013	158	63	80%
Dongguan	2013	240	80	60%
OTHER PROJECTS				
Shenyang Sanquan Construction Supervisory	2011	4	3	60%
M-Tech	2011	30	30	100%
GH-Fusion	2002	87	43	50%
Towngas Technology	2011	30	21	90.1%
Suzhou Industrial Park Broad Energy Services	2012	170	71	25%
G-Tech	2013	27	13.5	100%
GH Yixing Ecology	2013	184	184	100%

	Year of Establishment	Project Investment USD M	Registered Capital USD	Equity Share %
OILFIELD PROJECT				
Phetchabun Province in Thailand	2012	181	12,000	100%

CORPORATE SOCIAL RESPONSIBILITY

Shaping a Sustainable Future

Donated HK$1.5 million to deliver **fresh food packs** to underprivileged families in Hong Kong

Launched the **Gentle Breeze Movement** community programme in mainland China

Engaged employees with our **Healthy Living Every Day** campaign

CORPORATE SOCIAL RESPONSIBILITY

As Hong Kong's leading supplier of low-carbon clean energy, the success and sustainability of our business is built on the trust of our people, customers, business partners and the public. As such, we make a total and uncompromising commitment to conduct our business in an ethical and responsible manner. This is the foundation of our promise to care for our employees, the communities we serve and our planet.

Protecting Our Environment

As a responsible energy company, we aim to provide our customers with quality products and services while minimising any impact of our operations on the environment. To this end, we were proud to be one of the first local companies to commit to the Environment Bureau's Energy Saving Charters on Indoor Temperature and No Incandescent Light Bulbs. This will complement our current efforts to reduce our carbon footprint, for which we were awarded the CarbonCare® Label, which recognises a 5 per cent reduction in office-related carbon emissions.

In 2013, we continued to participate in and support a series of initiatives organised by green groups, including the annual Tree Planting Challenge organised by Friends of the Earth (HK), Green Power's liberal studies programme entitled "Waste to Energy", WWF's annual "lights-out" Earth Hour initiative, Greeners Action's Lai See Packet Reuse and Recycle Programme and Hong Kong Green

To mark International Senior Citizens' Day 2013, we reinforced our commitment of caring for the elderly by organising an event which offered free haircuts to 800 senior citizens.

We joined forces with The Conservancy Association to organise the Green Leaders Bloc training programme and foster the spirit of greening among the younger generation.

Day organised by the Green Council. Moreover, we were the exclusive sponsor of the World Green Organisation's Food Waste Reduction Pilot Scheme and one of the first corporations to join the organisation's GOALS Programme, sharing our green office best practices through workshops and media interviews.

In order to promote green cooking, we completed a study examining the carbon footprint of gas stoves and developed a series of eco-friendly cooking tips to help customers not only save on fuel costs but also protect the environment by reducing carbon emissions.

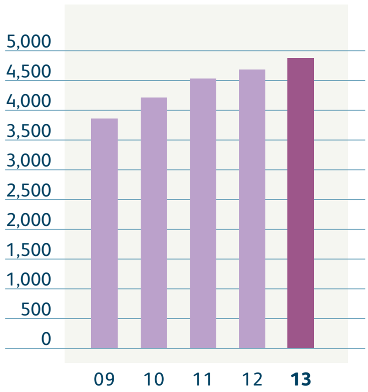
In mainland China, the Group collaborated with its subsidiaries to kick-start the Towngas China Green Journey programme in a bid to reduce smog. The initiative encouraged employees to implement the Green Convention through small but vital steps such as taking the stairs and using handkerchiefs. Thanks to the concerted efforts of our employees, about 20,000 trees have been planted covering a greening area of almost 50,000 square metres. Meanwhile, our Carbon Reduction Competition for our mainland business ventures remains a cornerstone of our efforts to reduce our carbon footprint in the country. In the four years since the competition launched, we have prevented approximately 23,000 tonnes of carbon per year from entering the earth's atmosphere.

Supporting Our Communities

2013 marked a significant milestone in our community and volunteer programmes. We have contributed over 466,000 hours of community service since 1999 and received the championship of the "Highest Service Hour Award" in the category of "Private Organisations – Best Customer Participation" for the sixth consecutive year from the Social Welfare Department. The generous efforts of our volunteers

Revenue per Employee

Company (HK$ thousand)



were also recognised when we were awarded the Community Chest's "President Award" and named a "Friend of Social Enterprise" by the Home Affairs Department.

In partnership with The Salvation Army and CookEasy, we donated HK$1.5 million to launch the Warmth and Care Fresh Food Aid Programme. In 2013, we distributed 15,600 nutritious fresh food packs to underprivileged single-parent families in Tung Chung and Kwai Chung, with deliveries being made twice a week for a year. The programme was a great success and will be extended for another year to help single-parent and low-income families living in Sham Shui Po and Kowloon City.

Our Volunteer Service Team plays an active role in our community activities. This year, we worked with the Kwong Wah Hospital to promote a balanced diet as part of the Healthy Diet – Healthy Life for Diabetes Mellitus campaign. The team also launched the Farming for Fun initiative and donated the crops grown to food banks and other charitable groups helping those in need. The volunteer team invited students from the Ebenezer School and Home for the Visually Impaired to experience organic farming, further spreading the spirit of warmth and care throughout the community.

Our on-going Rice Dumplings and Mooncakes for the Community initiatives are now a much-loved part of our annual programmes. This year, volunteers wrapped and distributed 230,000 low-carbon rice dumplings to elderly people living alone. In September, we held our annual mooncake drive and distributed 250,000 mooncakes across Hong Kong.

In March 2013, the "Gentle Breeze Movement" was launched in mainland China as the umbrella name for our community projects. During the year, we helped seven schools in Jiangxi and Anhui provinces to upgrade their facilities. Moreover, we provided financial assistance to enable 100 promising students from underprivileged families affected by the Ya'an earthquake in Sichuan province to attend university in partnership with the Sichuan Youth Foundation. We also continued our Book Donation with Love and Care Programme and have set up 22 book corners in nine provinces.

Recognising our innovative approach to business and commitment to good citizenship, we were honoured with the "Five Stars Outstanding Corporate Citizen in China 2013" by the China Association of Social Workers. Furthermore, the China News Service and China Newsweek named Towngas China the "Enterprise with the Best Corporate Social Responsibilities 2013". Caring for the community, our customers and our planet will remain an integral part of the way we do business now and in the future.

Caring for the Well-being of Our Employees

At Towngas, we believe that healthy, happy and motivated employees are the key to our success. As a result, we are committed to nurturing our people and providing them with a pleasant and harmonious workplace.

As part of our continuing efforts to promote a family-friendly environment, this year we opened a dedicated mother and baby room to support breastfeeding mothers returning to work. Our mainland utilities business also launched a programme aimed at the children of our employees, offering promising students with good results the opportunity to apply for a scholarship to attend university. This scheme has been a resounding success as ten children from eight joint ventures have been awarded scholarships, enabling them to further their education.

We also organised a number of activities designed to boost the well-being of our employees. One such initiative was the Healthy Living Every Day campaign. Promoting a balanced diet alongside physical and mental well-being, the programme included informative health talks, health checks and smoking cessation seminars, while particularly keen employees took part in marathon race and stairs climbing competition to boost their fitness.

In addition to meeting the needs of current employees, we also reached out to our retirees by forming the Towngas Buddy Club. Offering retirees a way to participate in regular social activities and continue socialising with former colleagues, the Club organised two well-attended events for its members in 2013.

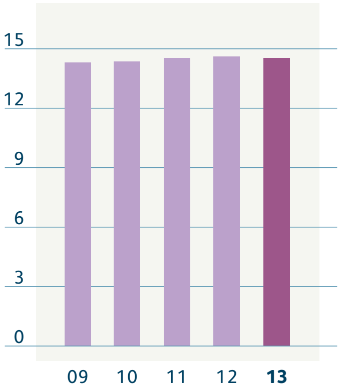
Our employees actively participated in a running race as part of our Healthy Living Every Day campaign.

Developing Our People

To cope with the rapid expansion of our business, we make every effort to build a skilled and sustainable workforce. As such, we equip our employees with essential management, leadership and technical training to enable them to excel.

Our Towngas Engineering Academy (TEA) aims to develop qualified professionals equipped with industry-leading safety, service and technical skills. During the year, TEA offered a total of 142,675 man-hours of training. To sustain our premier position and nurture a solid foundation of knowledge, the apprenticeship training course offered in Hong Kong has been extended from one year to two years, with graduates qualifying for a full Registered Gas Installer licence. In addition, we have also partnered with vocational institutions in Changzhou, Guangzhou and Shandong province to offer mainland graduates additional ways to enter the gas industry. In mainland China, TEA now has four training facilities in Jinan, Changchun, Ziyang and Shenzhen to meet the Group's demand for accredited professionals and a new training base will be opened in Suzhou in 2014.

Town Gas Sales per Employee Company (million MJ)



Our Volunteer Service Team in Thailand helped a local school to repaint its library and renovate its facilities.

The passion, interest and engagement of our employees drive Towngas' lively continuous learning culture. In 2013, our Continuous Professional Development Committee organised 3,171 hours of additional training covering the latest engineering, safety, and information technology developments alongside professional growth, healthy living and quality management.

During the year, we welcomed a further 20 graduates to our Hong Kong graduate trainee and ECO management trainee programmes. At the senior management level, two project management courses were held alongside a course in Leading Others, attended by over 350 supervisors who completed more than 5,000 hours of training. In addition, 18 managers from Hong Kong and mainland China completed an 18-month accelerated programme as part of the Corporate Towngas Leadership Competencies Scheme, designed to support the next stage of their career. Furthermore, for the sixth year running, 36 senior managers attended the week-long Tsinghua University Executive Development Programme (EDP) to keep abreast of the latest developments on the mainland.

We organised four EDPs in 2013 in partnership with various universities across mainland China, which involved 158 executives. Our Developing Learning Champions for Joint Venture Companies Programme was honoured to receive the American Society for Training and Development's "Excellence in Practice Citation (2012)". This programme aims to develop the leadership and creative skills of participants drawn from our mainland projects and, to date, has involved 1,500 employees.

Internal exchange is vital to build and enhance our corporate culture across the Group. In 2013, 523 colleagues from outside Hong Kong joined us to share experiences and best practices. Towngas Telecom also held a number of workshops to share and align strategy across the business.

In addition to technical, management and leadership competencies, we have focused on cultivating our employees' soft skills with courses on grooming, etiquette and service. Over 300 employees participated in our newly-launched Courtesy Campaign. Further activities are planned for 2014, all designed to build on our strong foundation of courteous and professional etiquette.

Safety Starts with Us

The health and safety of our employees, contractors, customers and the wider public has always been our first priority.

This year, we launched a "pointing and calling" programme at our production plants and ECO gas filling stations in Hong Kong. The programme is designed to enhance the presence of mind and concentration levels of operators by coordination among vision, thought, movement, speech, and hearing. Meanwhile, we introduced the Towngas Health, Safety, Environment (HSE) and Caring Programme to provide new employees with additional training and guidance, including mentorship and HSE online training and assessment. In order to further enhance our risk management capabilities, Corporate Risk Assessment Refresher Training was organised for all personnel responsible for managing risk within the Company.

Our ongoing Contractor HSE Programme aims to reinforce relationships between contractors and engage them in two-way communication so as to provide the safest workplace possible. Conducting regular HSE inspections at contractor workplaces is another crucial part of our approach to contractor safety. We also organised a Contractor Occupational Health and Safety Forum as part of our regular HSE Month.

In 2013, HSE Month took place between November and December and included a number of enlightening HSE sharing sessions and corporate visits, alongside seminars on occupational health and safety, fire safety and

Environmental Performance Table (Hong Kong)

OZONE LAYER PROTECTION

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

AIR QUALITY

- Total NOx output was 4.59 kg/TJ of town gas.
- Total SOx output was 0.02 kg/TJ of town gas.
- Total CO_2 output was 12.09 metric tonnes/TJ of town gas.

GREENHOUSE GAS EMISSION

- Greenhouse gas emissions from major gas production equipment was 365,981 metric tonnes in terms of CO_2 equivalent.

WATER QUALITY

- Total wastewater output was 4.2 m^3/TJ of town gas.

CHEMICAL WASTE

- Total chemical waste output was 1.94 kg/TJ of town gas.

NOISE

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

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

sustainability. This annual event is an important part of our commitment to raise awareness of work health and safety.

During the year, we added a sixth "S" – Safety – to the 5S Management System and implemented this management system across our stores. 5S is a system that aims to improve order and cleanliness in the workplace. Now incorporating safety, our 6S system was awarded the Gold Award in category of other industries in the Good Housekeeping Competition 2013 organised by the Occupational Safety and Health Council (OSHC).

In recognition of our outstanding safety performance, we were also honoured with the "Safety Performance Award" for the third year running as well as the Gold Prize in the "Occupational Safety & Health Annual Report Award" for the fourth consecutive year at the "12th Hong Kong Occupational Safety & Health Awards" organised by OSHC.

Driving Growth and Building Long Term Value

From our humble beginnings as a town gas supplier lighting Hong Kong's streets 151 years ago, we have developed into an innovative, diverse and resourceful energy pioneer.

The foundation of our success is our commitment to delivering a safe and reliable supply of energy and the caring, competent and efficient service that customers expect. As a result, the Towngas brand has come to represent a thriving business, acclaimed service and safety standards, and a promise to work responsibly with our communities.

From this base, our management theme "Expanding New Horizons" indicates how we will approach the next stage of our growth. This multidimensional and multifaceted strategy will drive a future that is sustainable, flexible and diversified. The energy market will be our core business and public utilities will serve as our platform.

As a Group, we are inspired by the enormous potential of new technology and engineering innovations. This is embodied in our investments in new energy and diversified upstream and downstream markets. These areas are both in line with our strategy and global energy trends, as we commit to developing environmentally-friendly and clean solutions to light up our future.

Business Drivers

- GROWTH
- VALUE
- IMPROVED SHAREHOLDER RETURN
- INNOVATION
- SAFETY AND RELIABILITY
- PRODUCTS AND SERVICES
- OPERATIONAL EXCELLENCE
- CORPORATE CITIZENSHIP

Organisation Values

- ACCOUNTABILITY
- CREATIVITY
- LEADERSHIP
- OPEN COMMUNICATION
- DRIVING ACHIEVEMENT
- RESPECT AND INTEGRITY
- CONTINUOUS LEARNING
- TEAMWORK
- ENTREPRENEURIAL SPIRIT

Liquidity and Capital Resources

As at 31st December 2013, the Group had a net current deposits position of HK$3,916 million (31st December 2012: HK$5,957 million) and long-term borrowings of HK$24,401 million (31st December 2012: HK$25,230 million). In addition, banking facilities available for use amounted to HK$11,200 million (31st December 2012: HK$7,100 million).

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

Financing Structure

In May 2009, the Group established a US$1 billion Medium Term Note Programme (the "Programme") which gives the Group the flexibility to issue notes at favourable terms and timing under the Programme. In May 2012, the Programme was updated with the size increased to US$2 billion. Up to 31st December 2013, the Group issued notes in the total amount of HK$10,210 million (31st December 2012: HK$10,210 million) with maturity terms of 5 years, 10 years, 12 years, 15 years, 30 years and 40 years in Renminbi, Australian dollar, Japanese yen and Hong Kong dollar under the Programme (the "MTNs"). The carrying value of the issued MTNs as at 31st December 2013 was HK$9,789 million (31st December 2012: HK$10,046 million).

As at 31st December 2013, the outstanding principal amount of the 10-year US dollar Guaranteed Notes (the "Guaranteed Notes") issued in August 2008 at a fixed coupon rate of 6.25 per cent per annum was US$995 million (31st December 2012: US$995 million) and the carrying value was HK$7,663 million (31st December 2012: HK$7,651 million).

As at 31st December 2013, the Group's borrowings amounted to HK$30,623 million (31st December 2012: HK$31,721 million). While the Notes mentioned above together with the bank and other loans of HK$1,360 million (31st December 2012: HK$1,331 million) had fixed interest rate and were unsecured, the remaining bank and other loans were unsecured and had a floating interest rate, of which HK$5,614 million (31st December 2012: HK$6,469 million) were long-term bank loans and HK$6,197 million (31st December 2012: HK$6,219 million) had maturities within one year on revolving credit or term loan facilities. As at 31st December 2013, the maturity profile of the Group's borrowings was 20 per cent within 1 year, 8 per cent within 1 to 2 years, 44 per cent within 2 to 5 years and 28 per cent over 5 years (31st December 2012: 20 per cent within 1 year, 4 per cent within 1 to 2 years, 24 per cent within 2 to 5 years and 52 per cent over 5 years).

The US dollar Guaranteed Notes, the RMB Note, AUD Note and JPY Note issued, and a bank loan of RMB500 million raised in Hong Kong are hedged to Hong Kong dollars by currency swaps and the Group's borrowings are primarily denominated in Hong Kong dollars and Renminbi; thus, the Group has no significant exposure to foreign exchange risk. The gearing ratio [net borrowing / (shareholders' funds + net borrowing)] for the Group as at 31st December 2013 remained healthy at 29 per cent (31st December 2012: 30 per cent).

In January 2013, Towngas China Company Limited, a subsidiary of the Group, successfully placed 150 million new ordinary shares at a price of HK$6.31 per share in the market with net proceeds from the placing (after deduction of commission and other expenses of the placing) amounting to approximately HK$930 million. This share placement was over-subscribed by enthusiastic investors with more than 20 times.

In January 2014, the Group issued its first Perpetual Subordinated Guaranteed Capital Securities (the "Perpetual Securities") amounting to US$300 million with nominal interest rate of 4.75 per cent per annum for the first five years and thereafter at floating interest rate. With no fixed maturity, the Perpetual Securities are redeemable at the Group's option on or after 28 January 2019 and are accounted for as equity in the financial statements. The Perpetual Securities are guaranteed by the Company. The issuance helps strengthen the Group's balance sheet, improve its financing maturity profile and diversify its funding sources.

Contingent Liabilities

As at 31st December 2013 and 2012, the Group did not provide any guarantee in respect of bank borrowing facilities made available to any associates, joint ventures or third parties.

Currency Profile

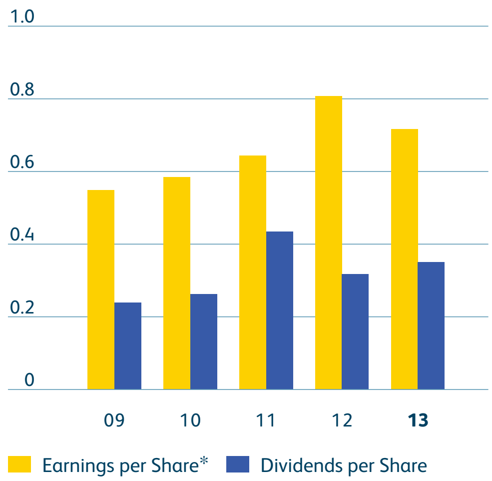
The Group's operations and activities are predominantly based in Hong Kong and mainland China. As such, its cash, cash equivalents or borrowings are mainly denominated in Hong Kong dollars, Renminbi or United States dollars, whereas borrowings for the Group's subsidiaries, associates and joint ventures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

Group's Investments in Securities

Under the guidance of the Group's Treasury Committee, investments have been made in equity and debt securities. As at 31st December 2013, the investments in securities amounted to HK$3,599 million (31st December 2012: HK$3,426 million). The performance of the Group's investments in securities was satisfactory.

FIVE-YEAR FINANCIAL STATISTICS

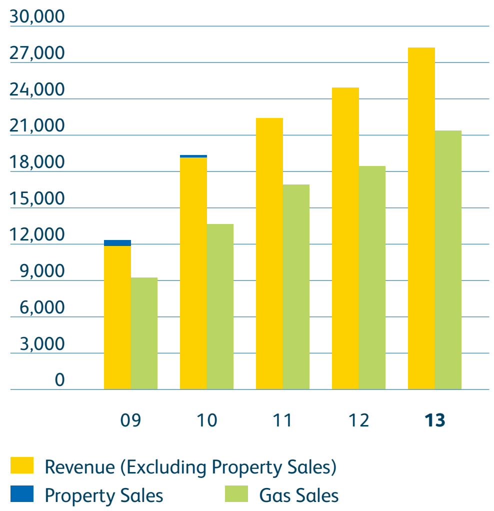
EARNINGS AND DIVIDENDS PER SHARE (HK$)



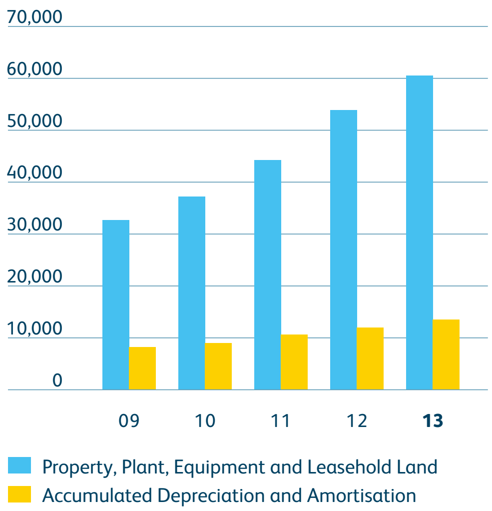
* 2012 figure has been restated for the adoption of HKAS 19 (amendment 2011)

REVENUE AND GAS SALES

(HK$ million)

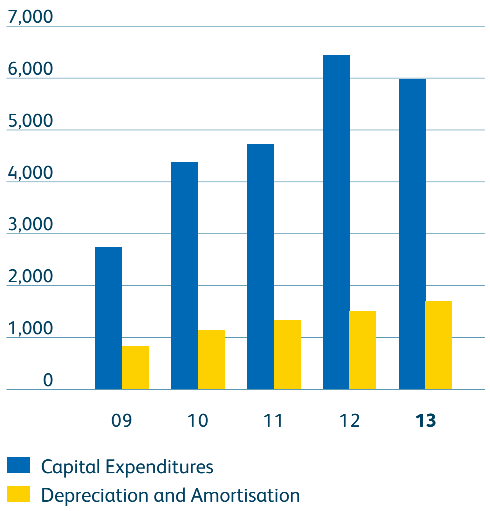


PROPERTY, PLANT, EQUIPMENT AND LEASEHOLD LAND (HK$ million)



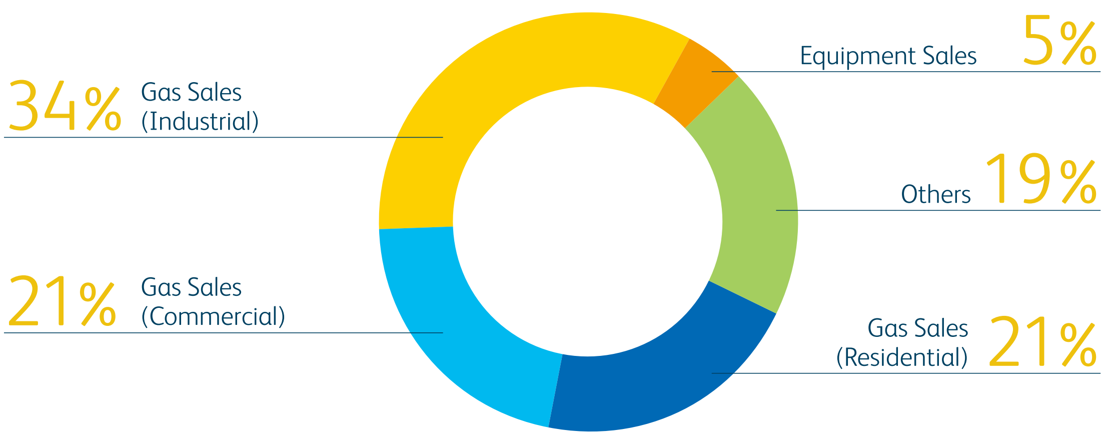
CAPITAL EXPENDITURES

(HK$ million)

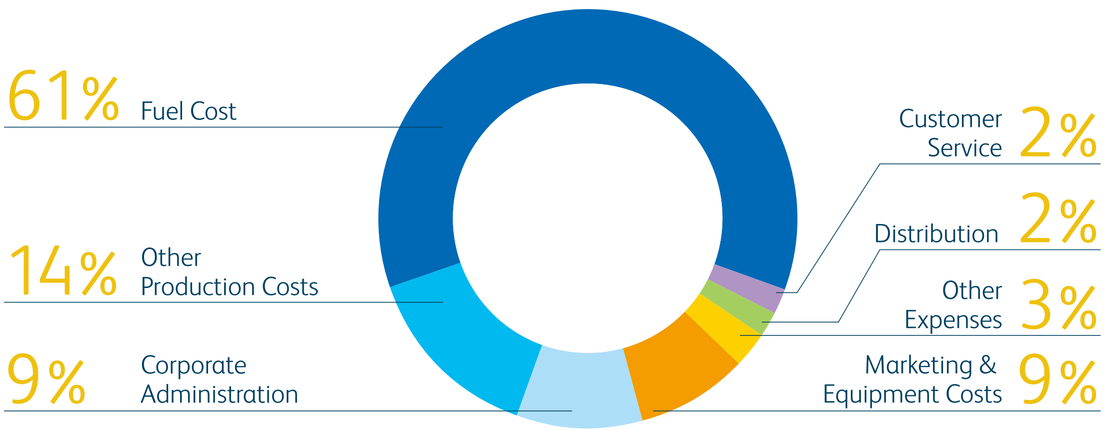


2013 FINANCIAL ANALYSIS

ANALYSIS OF REVENUE



ANALYSIS OF EXPENDITURES



COMPARISON OF TEN-YEAR RESULTS

	2013	2012*	2011*
Highlights (Company)			
Number of Customers as at 31st December	**1,798,731**	1,776,360	1,750,553
Town Gas Sales, million MJ	**28,556**	28,360	28,147
Installed Capacity, thousand m^3 per day	**12,260**	12,260	12,260
Maximum Daily Demand, thousand m^3	**6,283**	6,403	6,742
Revenue & Profit	**HK$ M**	HK$ M	HK$ M
Revenue	**28,245.9**	24,922.5	22,426.8
Profit before Taxation	**9,410.8**	9,885.6	8,068.7
Taxation	**(1,655.2)**	(1,484.6)	(1,344.0)
Profit after Taxation	**7,755.6**	8,401.0	6,724.7
Non-controlling Interests	**(901.8)**	(688.9)	(575.1)
Profit Attributable to Shareholders	**6,853.8**	7,712.1	6,149.6
Dividends	**3,345.9**	3,041.7	4,147.8
Assets & Liabilities			
Property, Plant, Equipment and Leasehold Land	**47,002.3**	41,914.1	33,606.3
Investment Property	**646.0**	540.0	518.0
Intangible Assets	**5,253.3**	3,845.4	3,434.8
Associates	**17,015.1**	16,307.1	12,706.8
Joint ventures	**8,939.0**	9,103.6	8,964.7
Available-for-sale Financial Assets	**2,937.3**	3,078.6	3,110.6
Other Non-current Assets	**2,913.5**	2,710.6	2,734.5
Current Assets	**21,688.7**	21,437.8	19,955.1
Current Liabilities	**(19,261.8)**	(17,252.9)	(13,403.4)
Non-current Liabilities	**(30,762.9)**	(31,334.1)	(25,353.3)
Net Assets	**56,370.5**	50,350.2	46,274.1
Capital & Reserves			
Share Capital	**2,389.9**	2,172.6	1,975.1
Share Premium	**2,861.0**	3,078.3	3,275.8
Reserves	**42,418.0**	37,952.1	33,075.4
Proposed Dividend	**2,198.7**	1,998.8	3,199.7
Shareholders' Funds	**49,867.6**	45,201.8	41,526.0
Non-controlling Interests	**6,502.9**	5,148.4	4,748.1
Total Equity	**56,370.5**	50,350.2	46,274.1
Earnings per Share, HK Dollar *	**0.72**	0.81	0.64
Dividends per Share, HK Dollar *	**0.35**	0.32	0.43
Dividend Cover	**2.05**	2.54	1.48

* Adjusted for the bonus issue in 2013 and the adoption of HKAS 19 (amendment 2011), where applicable.

2010	2009	2008	2007	2006	2005	2004
1,724,316	1,698,723	1,672,084	1,646,492	1,622,648	1,597,273	1,562,278
27,578	27,274	27,583	27,041	27,034	27,261	27,137
12,260	12,260	12,260	12,260	12,260	12,050	11,210
6,191	6,621	7,158	5,806	6,279	6,614	6,694
HK$ M	HK$ M	HK$ M	HK$ M	HK$ M	HK$ M	HK$ M
19,375.4	12,351.8	12,352.2	14,225.5	13,465.3	9,350.9	8,154.0
7,086.7	6,159.9	5,189.6	10,577.3	6,986.4	6,047.3	3,966.1
(1,038.8)	(750.6)	(546.3)	(933.8)	(914.6)	(628.6)	(623.0)
6,047.9	5,409.3	4,643.3	9,643.5	6,071.8	5,418.7	3,343.1
(463.1)	(134.2)	(92.3)	(64.1)	(27.0)	(10.4)	(12.9)
5,584.8	5,275.1	4,551.0	9,579.4	6,044.8	5,408.3	3,330.2
2,513.8	2,285.3	2,333.0	2,120.9	1,928.1	1,935.7	1,966.7
27,825.8	24,452.6	15,638.0	13,585.7	12,864.7	11,067.0	8,969.9
501.0	501.0	523.0	410.0	–	–	–
2,575.6	2,461.7	196.4	185.1	48.6	45.8	–
10,802.2	9,304.0	11,327.7	9,016.6	3,817.8	2,239.5	1,258.4
7,768.8	7,011.2	6,164.0	6,501.7	5,815.0	5,197.5	1,709.5
3,441.2	2,996.0	1,105.2	1,066.9	848.5	768.0	624.3
2,791.9	722.7	153.8	148.0	100.7	–	–
16,957.6	19,622.3	17,708.2	12,961.2	13,028.2	10,457.7	8,584.0
(16,523.4)	(10,628.8)	(5,407.7)	(7,188.3)	(7,141.0)	(8,182.5)	(4,182.6)
(14,932.1)	(18,635.4)	(14,989.7)	(6,517.0)	(7,803.5)	(4,570.1)	(2,022.9)
41,208.6	37,807.3	32,418.9	30,169.9	21,579.0	17,022.9	14,940.6
1,795.6	1,632.3	1,666.4	1,514.9	1,377.2	1,377.2	1,403.7
3,455.3	3,618.6	3,618.6	3,770.1	3,907.8	3,907.8	3,907.8
30,561.3	27,112.3	24,752.6	22,769.1	14,502.5	10,042.5	8,052.7
1,651.9	1,501.8	1,533.1	1,393.7	1,267.0	1,267.0	1,291.4
37,464.1	33,865.0	31,570.7	29,447.8	21,054.5	16,594.5	14,655.6
3,744.5	3,942.3	848.2	722.1	524.5	428.4	285.0
41,208.6	37,807.3	32,418.9	30,169.9	21,579.0	17,022.9	14,940.6
0.58	0.55	0.47	0.99	0.62	0.56	0.34
0.26	0.24	0.24	0.22	0.20	0.20	0.20
2.22	2.31	1.95	4.52	3.14	2.79	1.69

The Directors have pleasure in submitting to shareholders their Report and the Audited Accounts for the year ended 31st December 2013 which are to be presented at the Annual General Meeting to be held at Meeting Room N101 (Expo Drive Entrance), Hong Kong Convention and Exhibition Centre, Wanchai, Hong Kong on Wednesday, 4th June 2014.

Principal Activities

The principal activities of the Group are the production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses in Hong Kong and mainland China. Particulars of the principal subsidiaries of the Company are shown on pages 171 to 183 of this Annual Report. Revenue and contribution to operating profit are mainly derived from activities carried out in Hong Kong and mainland China.

Results and Appropriations

The results of the Group for the year ended 31st December 2013 are set out in the consolidated income statement and the consolidated statement of comprehensive income on pages 78 and 79 of this Annual Report respectively.

An interim dividend of HK12 cents per share was paid to shareholders on 2nd October 2013 and the Directors recommend a final dividend of HK23 cents per share payable on 20th June 2014 to shareholders whose names are on the register of members on 12th June 2014.

Bonus Issue of Shares

The Directors recommend a bonus issue of shares on the basis of one bonus share for every ten existing shares held by the shareholders of the Company whose names are on the register of members on 12th June 2014. The bonus issue is subject to the conditions and trading arrangements set out in the circular despatched together with this Annual Report.

Financial Summary

A summary of the results of the Group for the past nine financial years is set out on pages 56 and 57 of this Annual Report.

Reserves

Movements in reserves of the Group and the Company during the year are set out in Note 38 to the Accounts.

The distributable reserves of the Company as at 31st December 2013 amounted to HK$10,644,800,000 (restated 2012: HK$10,399,000,000) before the proposed final dividend for the year ended 31st December 2013.

Property, Plant and Equipment

Movements in property, plant and equipment of the Group and the Company are shown in Note 17 to the Accounts.

Share Capital

Movements in share capital of the Company are shown in Note 36 to the Accounts.

Borrowings

Particulars of the borrowings of the Group are provided in Note 32 to the Accounts.

Charitable Donations

Charitable donations made by the Company and its subsidiaries, operating mainly in mainland China, amounted to HK$54,500,000 and HK$4,100,000 (2012: HK$3,900,000 and HK$4,000,000) respectively in 2013.

Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

Executive Directors

Mr. Alfred CHAN Wing Kin
Mr. Peter WONG Wai Yee (appointed on 1st February 2013)
Mr. James KWAN Yuk Choi (retired on 1st February 2013)

At the annual general meeting held on 5th June 2013, Dr. the Hon. Lee Shau Kee, Mr. Leung Hay Man, Mr. Colin Lam Ko Yin, Mr. Alfred Chan Wing Kin and Mr. Peter Wong Wai Yee were re-elected as Directors of the Company. Dr. the Hon. David Li Kwok Po, Mr. Lee Ka Kit, Mr. Lee Ka Shing and Professor Poon Chung Kwong held office throughout the year. Mr. James Kwan Yuk Choi resigned as Executive Director and Chief Operating Officer of the Company on 1st February 2013 upon his retirement. Mr. Peter Wong Wai Yee was appointed as Executive Director and Chief Operating Officer – Utilities Business of the Company on 1st February 2013.

According to the Articles of Association of the Company (the "Company's Articles"), one-third of its non-executive directors and one-third of its executive directors are subject to retirement by rotation at every annual general meeting. Pursuant to Article 97 of the Company's Articles, Dr. the Hon. David Li Kwok Po, Mr. Lee Ka Kit and Mr. Lee Ka Shing, non-executive directors, and Mr. Peter Wong Wai Yee, an executive director, are due to retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment. Details of these directors proposed for re-election are set out in the circular sent together with this Annual Report.

Biographical Details of Directors

The biographical details of Directors and senior management who are also executive directors are set out on pages 15 and 18 of this Annual Report.

Disclosure of Interests

A. Directors

As at 31st December 2013, the interests and short positions of each Director of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Shares and Underlying Shares *(Long Positions)*

		Interest in Shares				Interest in Underlying Shares		
Name of Company	Director	Personal Interests	Family Interests	Corporate Interests	Other	Pursuant to Share Options	Aggregate Interest	%*
The Hong Kong and China Gas Company Limited	Dr. the Hon. Lee Shau Kee			3,967,288,023 (Note 3)			3,967,288,023	41.50
	Dr. the Hon. David Li Kwok Po	26,646,620					26,646,620	0.28
	Mr. Lee Ka Kit				3,967,288,023 (Note 2)		3,967,288,023	41.50
	Mr. Alfred Chan Wing Kin	182,156 (Note 5)					182,156	0.00
	Mr. Lee Ka Shing				3,967,288,023 (Note 2)		3,967,288,023	41.50
	Professor Poon Chung Kwong	124,460 (Note 4)					124,460	0.00
Lane Success Development Limited	Dr. the Hon. Lee Shau Kee			9,500 (Note 6)			9,500	95
	Mr. Lee Ka Kit				9,500 (Note 6)		9,500	95
	Mr. Lee Ka Shing				9,500 (Note 6)		9,500	95
Yieldway International Limited	Dr. the Hon. Lee Shau Kee			2 (Note 7)			2	100
	Mr. Lee Ka Kit				2 (Note 7)		2	100
	Mr. Lee Ka Shing				2 (Note 7)		2	100
Towngas China Company Limited ("Towngas China")	Dr. the Hon. Lee Shau Kee			1,628,172,901 (Note 8)			1,628,172,901	62.31
	Mr. Lee Ka Kit				1,628,172,901 (Note 8)		1,628,172,901	62.31
	Mr. Lee Ka Shing				1,628,172,901 (Note 8)		1,628,172,901	62.31
	Mr. Alfred Chan Wing Kin					3,618,000 (Note 9)	3,618,000	0.14
	Mr. Peter Wong Wai Yee **					3,015,000 (Note 9)	3,015,000	0.12

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

** Mr. Peter Wong Wai Yee was appointed as Executive Director and Chief Operating Officer – Utilities Business of the Company on 1st February 2013.

Disclosure of Interests (Continued)

A. Directors (Continued)

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

Pursuant to the share option scheme of Towngas China, a subsidiary of the Company, certain Directors of the Company have been granted options to subscribe for the shares of Towngas China, details of which as at 31st December 2013 were as follows:

Name of Company	Director	Date of Grant	Exercise Period	Exercise Price (HK$)	Number of Shares of Towngas China Subject to Outstanding Options as at 01.01.2013*	Number of Shares of Towngas China Subject to Outstanding Options as at 31.12.2013*
Towngas China	Mr. Alfred Chan Wing Kin	16.03.2007	16.03.2008 – 27.11.2015	3.811	1,085,400	1,085,400
		16.03.2007	16.03.2009 – 27.11.2015	3.811	1,085,400	1,085,400
		16.03.2007	16.03.2010 – 27.11.2015	3.811	1,447,200	1,447,200
	Total				3,618,000	3,618,000
	Mr. Peter Wong Wai Yee **	16.03.2007	16.03.2008 – 27.11.2015	3.811	904,500	904,500
		16.03.2007	16.03.2009 – 27.11.2015	3.811	904,500	904,500
		16.03.2007	16.03.2010 – 27.11.2015	3.811	1,206,000	1,206,000
	Total				3,015,000	3,015,000

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.
** Mr. Peter Wong Wai Yee was appointed as Executive Director and Chief Operating Officer – Utilities Business of the Company on 1st February 2013.

Save as mentioned above, as at 31st December 2013, there were no other interests or short positions of the Directors of the Company in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Disclosure of Interests (Continued)

B. Substantial Shareholders and Others *(Long Positions)*

As at 31st December 2013, the interests and short positions of every person, other than Directors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

	Name of Company	No. of Shares in which Interested	%*
Substantial Shareholders (a person who is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting)	Disralei Investment Limited (Note 1)	2,208,599,773	23.10
	Timpani Investments Limited (Note 1)	3,066,433,895	32.08
	Faxson Investment Limited (Note 1)	3,967,288,023	41.50
	Henderson Land Development Company Limited (Note 1)	3,967,288,023	41.50
	Henderson Development Limited (Note 1)	3,967,288,023	41.50
	Hopkins (Cayman) Limited (Note 2)	3,967,288,023	41.50
	Riddick (Cayman) Limited (Note 2)	3,967,288,023	41.50
	Rimmer (Cayman) Limited (Note 2)	3,967,288,023	41.50
Persons other than Substantial Shareholders	Macrostar Investment Limited (Note 1)	900,854,128	9.42
	Chelco Investment Limited (Note 1)	900,854,128	9.42
	Medley Investment Limited (Note 1)	857,834,122	8.97
	Commonwealth Bank of Australia (Note 10)	572,043,700	5.98

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

Save as mentioned above, as at 31st December 2013, the register maintained by the Company pursuant to section 336 of the SFO recorded no other interests or short positions in shares and underlying shares of the Company.

Notes:

1. These 3,967,288,023 shares were beneficially owned by Macrostar Investment Limited ("Macrostar"), Medley Investment Limited ("Medley") and Disralei Investment Limited ("Disralei"). Macrostar was a wholly-owned subsidiary of Chelco Investment Limited, which was in turn, a wholly-owned subsidiary of Faxson Investment Limited ("FIL"). Medley and Disralei were wholly-owned subsidiaries of Timpani Investments Limited, which was in turn, a wholly-owned subsidiary of FIL. FIL was a wholly-owned subsidiary of Henderson Land Development Company Limited ("HLD"). Henderson Development Limited ("HD") was entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of HLD.
2. These 3,967,288,023 shares are duplicated in the interests described in Note 1. Hopkins (Cayman) Limited ("Hopkins") owned all the issued ordinary shares which carry the voting rights in the share capital of HD as trustee of a unit trust ("Unit Trust"). Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"), as trustees of the respective discretionary trusts, held units in the Unit Trust. Mr. Lee Ka Kit and Mr. Lee Ka Shing, as discretionary beneficiaries of the discretionary trusts, were taken to have duties of disclosure in relation to these shares by virtue of Part XV of the SFO.
3. These 3,967,288,023 shares are duplicated in the interests described in Notes 1 and 2. Dr. the Hon. Lee Shau Kee beneficially owned all the issued shares in Rimmer, Riddick and Hopkins and was taken to be interested in these shares by virtue of Part XV of the SFO.
4. These 124,460 shares were jointly held by Professor Poon Chung Kwong and his spouse.
5. These 182,156 shares were jointly held by Mr. Alfred Chan Wing Kin and his spouse.
6. These 9,500 shares in Lane Success Development Limited were beneficially owned by a wholly-owned subsidiary of the Company (as to 4,500 shares) and a wholly-owned subsidiary of HLD (as to 5,000 shares). Dr. the Hon. Lee Shau Kee, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in HLD and the Company as set out in Notes 1 to 3 by virtue of Part XV of the SFO.
7. These 2 shares in Yieldway International Limited were beneficially owned by a wholly-owned subsidiary of the Company (as to 1 share) and a wholly-owned subsidiary of HLD (as to 1 share). Dr. the Hon. Lee Shau Kee, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in HLD and the Company as set out in Notes 1 to 3 by virtue of Part XV of the SFO.
8. These 1,628,172,901 shares in Towngas China representing 62.31% of the total issued shares in Towngas China were beneficially owned by Hong Kong & China Gas (China) Limited (as to 1,585,202,901 shares), Planwise Properties Limited (as to 40,470,000 shares) and Superfun Enterprises Limited (as to 2,500,000 shares), wholly-owned subsidiaries of the Company. Dr. the Hon. Lee Shau Kee, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in the Company as set out in Notes 1 to 3 by virtue of Part XV of the SFO.
9. These options represent personal interests held by the Directors.
10. Commonwealth Bank of Australia ("Commonwealth Bank") was taken to be interested in these 572,043,700 shares which were held by indirect wholly-owned subsidiaries of Commonwealth Bank.

Share Option Scheme of Towngas China

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

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

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

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

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

As at the date of this Report, the outstanding number of shares of Towngas China in respect of which options had been granted under the 2005 Main Board Scheme was 13,535,800 (2012: 16,240,800), representing approximately 0.52% (2012: approximately 0.62%) of the issued share capital of Towngas China as at the date of this Report.

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

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

Share Option Scheme of Towngas China (Continued)

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

	Option Types	Date of Grant	Exercise Period	Exercise Price (HK$)	Number of Shares of Towngas China Subject to Outstanding Options as at 01.01.2013	Exercised during the Year	Number of Shares of Towngas China Subject to Outstanding Options as at 31.12.2013	Weighted Average Closing Price of Shares of Towngas China Immediately before the Date(s) on which Options were Exercised (HK$)
Category 1: Directors of Towngas China								
Mr. Alfred Chan Wing Kin	2007 Options	16.03.2007	16.03.2008 – 27.11.2015	3.811	1,085,400	–	1,085,400	–
		16.03.2007	16.03.2009 – 27.11.2015	3.811	1,085,400	–	1,085,400	–
		16.03.2007	16.03.2010 – 27.11.2015	3.811	1,447,200	–	1,447,200	–
Mr. Peter Wong Wai Yee (Note 1)	2007 Options	16.03.2007	16.03.2008 – 27.11.2015	3.811	904,500	–	904,500	–
		16.03.2007	16.03.2009 – 27.11.2015	3.811	904,500	–	904,500	–
		16.03.2007	16.03.2010 – 27.11.2015	3.811	1,206,000	–	1,206,000	–
Other directors of Towngas China	2007 Options	16.03.2007	16.03.2008 – 27.11.2015	3.811	1,809,000	904,500	904,000	7.24
		16.03.2007	16.03.2009 – 27.11.2015	3.811	1,809,000	595,500	1,213,500	7.24
		16.03.2007	16.03.2010 – 27.11.2015	3.811	2,412,000	–	2,412,000	–
Total for Category 1					12,663,000	1,500,000	11,163,000	
Category 2: Employees of Towngas China	2006 Options	03.10.2006	04.10.2007 – 27.11.2015	2.796	301,500	–	301,500	–
		03.10.2006	04.04.2008 – 27.11.2015	2.796	542,700	–	542,700	–
		03.10.2006	04.10.2008 – 27.11.2015	2.796	723,600	–	723,600	–
	2007 Options	16.03.2007	16.03.2008 – 27.11.2015	3.811	603,000	301,500	301,500	8.06
		16.03.2007	16.03.2009 – 27.11.2015	3.811	603,000	301,500	301,500	8.06
		16.03.2007	16.03.2010 – 27.11.2015	3.811	804,000	402,000	402,000	8.06
Total for Category 2					3,577,800	1,005,000	2,572,800	
All categories					16,240,800	2,505,000	13,735,800	

Notes:

1. Mr. Peter Wong Wai Yee was appointed as Executive Director and Chief Operating Officer – Utilities Business of the Company on 1st February 2013.
2. During the year, 1,500,000 options were exercised by Mr. James Kwan Yuk Choi who resigned as Executive Director and Chief Operating Officer of the Company on 1st February 2013 upon his retirement.
3. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
4. During the year, no share option was cancelled or had lapsed.
5. During the year, no new option was granted.

Arrangements to Purchase Shares or Debentures

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

Directors' Interests in Competing Business

Pursuant to Rule 8.10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), the interests of Directors of the Company in businesses which might compete with the Group during the year ended 31st December 2013 and as at 31st December 2013 were as follows:

Directors, Mr. Alfred Chan Wing Kin, Mr. James Kwan Yuk Choi (who resigned as Executive Director and Chief Operating Officer on 1st February 2013 upon his retirement) and Mr. Peter Wong Wai Yee (who was appointed as Executive Director and Chief Operating Officer – Utilities Business of the Company on 1st February 2013), have held directorships in companies engaged in the same businesses of production, distribution and marketing of gas in mainland China as the Group. Although some of the businesses carried out by these companies are similar to the businesses carried out by the Group, they are of different scale and/or at different locations, and the Group, has been operating independently of, and at arm's length from, the businesses of those companies. Therefore, the Board is of the view that the businesses of those companies did not compete with the businesses of the Group.

Service Contracts

No Director proposed for re-election at the forthcoming Annual General Meeting has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

Interests in Contracts and Connected Transactions

The related party transactions set out in Note 41 to the Accounts include transactions that constitute connected/continuing connected transactions for which the disclosure requirements under the Listing Rules have been met.

Save as mentioned above, no contract of significance in relation to the Group's business to which any controlling shareholder of the Company or any of its subsidiaries was a party, or in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the year-end or at any time during the year.

Management Contracts

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

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

Major Customers and Suppliers

The percentages of the purchases attributable to the Group's largest supplier and the five largest suppliers were 21 per cent and 64 per cent respectively during the year. None of the Directors, their associates, or any shareholder (who to the knowledge of the Directors owned more than 5 per cent of the Company's share capital) had any interest in the Group's five largest suppliers. The percentage of the turnover attributable to the Group's five largest customers is less than 30 per cent during the year.

Corporate Governance

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 67 to 76 of this Annual Report.

Public Float

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

Auditor

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

On behalf of the Board

LEE Shau Kee
Chairman
Hong Kong, 19th March 2014

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

Corporate Governance Practices

During the year ended 31st December 2013, the Company complied with all the code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

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

Board of Directors

Responsibilities of Directors

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

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

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

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

All Directors have participated in appropriate continuous professional development and provided the Company their records of training they received for the year ended 31st December 2013.

During the year ended 31st December 2013, all the current Directors participated in the training which included reading regulatory updates or information relevant to the Group or its business and attending or giving talks at seminars and/or conference.

Board of Directors (Continued)

Responsibilities of Directors (Continued)

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

* Mr. Peter Wong Wai Yee was appointed as Executive Director and Chief Operating Officer – Utilities Business on 1st February 2013.

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

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

Corporate Governance Functions

The Board is responsible for the Group's system of corporate governance and has performed and reviewed in a timely manner the corporate governance functions as required under the Code. During the year ended 31st December 2013, the Board reviewed the Company's policies and practices on corporate governance, reviewed the disclosure in the Corporate Governance Report and adopted a board diversity policy in March 2013 setting out the approach to achieve diversity on the Board. The terms of reference for performing the corporate governance functions as set out in the Code were approved by the Board for adoption.

Board Diversity Policy

The Board adopted the Board Diversity Policy in March 2013 setting out the approach to achieve diversity on the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to professional experience, skills, knowledge, cultural and educational background, ethnicity, age and gender. All Board appointments will be based on meritocracy, and candidates will be considered against selection criteria, having regard for the benefits of diversity on the Board.

Board of Directors (Continued)

Board Composition

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

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

Non-executive Directors

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

Independent Non-executive Directors

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

Executive Directors

Mr. Alfred CHAN Wing Kin
Mr. Peter WONG Wai Yee (appointed on 1st February 2013)

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

Biographical details of the Directors and relevant relationships among them are set out on pages 15 to 18 of this Annual Report. Save as disclosed therein, there is no financial, business, family or other material/relevant relationship among the Directors.

According to the Articles of Association of the Company, one-third of its non-executive directors and one-third of its executive directors are subject to retirement by rotation at every annual general meeting. Subject to the provisions contained in the Articles of Association of the Company, the term of office of all Non-executive Directors (including Independent Non-executive Directors) shall expire on 31st December 2014.

Chairman of the Board and Managing Director

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

Board of Directors (Continued)

Board Meetings

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

During the year ended 31st December 2013, the Board met four times. The attendance of each Director at the Board meetings during the year ended 31st December 2013 is set out below:

Directors	No. of Meetings Attended / Held
Non-executive Directors	
Dr. the Hon. LEE Shau Kee (Chairman)	4/4
Mr. Colin LAM Ko Yin	4/4
Mr. LEE Ka Kit	4/4
Mr. LEE Ka Shing	4/4
Independent Non-executive Directors	
Mr. LEUNG Hay Man	4/4
Dr. the Hon. David LI Kwok Po	4/4
Professor POON Chung Kwong	4/4
Executive Directors	
Mr. Alfred CHAN Wing Kin	4/4
Mr. James KWAN Yuk Choi *	0/0
Mr. Peter WONG Wai Yee **	4/4

* Mr. James Kwan Yuk Choi resigned as Executive Director and Chief Operating Officer on 1st February 2013 upon his retirement.
** Mr. Peter Wong Wai Yee was appointed as Executive Director and Chief Operating Officer – Utilities Business on 1st February 2013.

Regular Board meetings of the year are scheduled in advance and at least 14 days' notice is given to all Directors so as to give them an opportunity to attend. Board papers are circulated not less than three days before the date of a Board meeting to enable the Directors to make informed decisions on matters to be raised at the Board meetings. All Directors are given an opportunity to include matters in the agenda for Board meetings.

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

Directors' Securities Transactions

The Company has adopted the model code as set out in Appendix 10 of the Listing Rules as the code for dealing in securities of the Company by the Directors (the "Model Code"). Following specific enquiries by the Company, all Directors have confirmed that they fully complied with the required standard set out in the Model Code throughout the year ended 31st December 2013.

Board of Directors (Continued)

Directors' Securities Transactions (Continued)

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

Directors' Responsibility for the Accounts

The Directors acknowledge their responsibilities for preparing the accounts of the Group and ensuring that the preparation of the accounts of the Group are in accordance with statutory requirements and applicable accounting standards. The Directors shall ensure the publication of the Group's accounts in a timely manner.

The statement of the Auditor of the Company about their reporting responsibilities on the accounts of the Group is set out in the Independent Auditor's Report on page 77 of this Annual Report.

Board Committees

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

Audit Committee

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

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

The Audit Committee held two meetings during the year ended 31st December 2013 and the following sets out a summary of the work of the Audit Committee during such period:

- review of the financial reports for 2012 annual results and 2013 interim results;
- recommendation to the Board, for the approval by shareholders, of the re-appointment of PricewaterhouseCoopers as the external Auditor and approval of their remuneration;
- determination of the nature and scope of the audit;
- review of the financial and accounting policies and practices of the Company;
- establishment and adoption of a Whistleblowing Policy and System;
- review of the effectiveness of the Company's financial control, internal control, and risk management system, including the review of the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function; and
- review of the terms of reference of the Audit Committee with recommendation to the Board.

Board Committees (Continued)

Audit Committee (Continued)

The attendance record of each member at the Audit Committee meetings during the year ended 31st December 2013 is set out below.

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

Remuneration Committee

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

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

The Company has not adopted any share option scheme. The emoluments of Directors are determined based on the duties and responsibilities of each Director. The Directors' fees were reviewed by the Remuneration Committee. During the year ended 31st December 2013, every Director received a Director's fee at the rate of HK$160,000 per annum while the Chairman received an additional fee at the rate of HK$160,000 per annum and each member of the Audit Committee received an additional fee at the rate of HK$160,000 per annum. The Remuneration Committee considered the fees reasonable in view of the Directors' responsibilities.

During the year ended 31st December 2013, the Remuneration Committee held its meeting once to review the above matters. The attendance record of each member at the Remuneration Committee meeting during the year ended 31st December 2013 is set out below.

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

Board Committees (Continued)

Nomination Committee

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

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

The Nomination Committee held one meeting during the year ended 31st December 2013. During the year under review, the Nomination Committee reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board and assessed the independence of all independent non-executive directors of the Company. It also recommended to the Board for approval of the re-election of the retiring Directors at the 2013 Annual General Meeting and for adoption of the Board Diversity Policy.

The attendance record of each member at the Nomination Committee meeting during the year ended 31st December 2013 is set out below.

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

Auditor's Remuneration

For the year ended 31st December 2013, the total remuneration in respect of statutory audit services provided by the Company's external auditor, PricewaterhouseCoopers, amounted to HK$9.2 million. During the year, payment to PricewaterhouseCoopers in respect of non-audit services, mainly including taxation services and interim results review services provided to the Group amounted to HK$4.3 million.

Internal Control

The Board is responsible for maintaining sound and effective internal control systems for the Group in order to safeguard the Group's assets and shareholders' interests, as well as for reviewing the effectiveness of such systems. The Board will from time to time conduct a review of the Group's internal control system. During the year ended 31st December 2013, the Board, through the Audit Committee, reviewed the overall effectiveness of the Group's internal control system over financial, operational and compliance issues, risk management process, information systems security, scope and quality of the management's monitoring of risks and the effectiveness of financial reporting and compliance with the Listing Rules. In addition, the Board established and reviewed the Whistleblowing Policy and System which provide reporting channels and guidance for employees and other parties who deal with the Group (e.g. contractors and suppliers, etc.) to report possible improprieties in matters of financial reporting or other matters. The Whistleblowing Policy has been posted on the Company's website. The Board considered that the resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function were adequate. The Board concluded that in general, the Group had set up a sound control environment and installed necessary control mechanisms to monitor and correct non-compliance.

Policy and Procedures on Disclosure of Inside Information

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

Company Secretary

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

During the year ended 31st December 2013, the Company Secretary undertook no less than 15 hours of relevant professional training.

Communication with Shareholders

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

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

Communication with Shareholders (Continued)

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

The 2013 AGM was held on 5th June 2013. The attendance record of each Director at the 2013 AGM is set out below.

Directors	No. of Meeting Attended / Held
Non-executive Directors	
Dr. the Hon. LEE Shau Kee (Chairman)	1/1
Mr. Colin LAM Ko Yin	1/1
Mr. LEE Ka Kit	1/1
Mr. LEE Ka Shing	1/1
Independent Non-executive Directors	
Mr. LEUNG Hay Man	1/1
Dr. the Hon. David LI Kwok Po	1/1
Professor POON Chung Kwong	1/1
Executive Directors	
Mr. Alfred CHAN Wing Kin	1/1
Mr. James KWAN Yuk Choi *	0/0
Mr. Peter WONG Wai Yee **	1/1

* Mr. James Kwan Yuk Choi resigned as Executive Director and Chief Operating Officer on 1st February 2013 upon his retirement.
** Mr. Peter Wong Wai Yee was appointed as Executive Director and Chief Operating Officer – Utilities Business on 1st February 2013.

Shareholders' Rights

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

Convening an Extraordinary General Meeting

Pursuant to the new Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Companies Ordinance") effective on 3rd March 2014, shareholders representing at least 5% of the total voting rights of all the shareholders are entitled to send a request to the Company to convene an extraordinary general meeting. Such request must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. A request may be sent to the Company in hard copy form or in electronic form and must also be authenticated by the person or persons making it.

Shareholders' Rights (Continued)

Putting Forward Proposals at a Shareholders' Meeting

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

Putting Forward Enquiries to the Board

The Company has maintained a policy on shareholders' communication to handle enquires put to the Board. In order to enable such enquiries be properly directed, designated contacts, email addresses and enquiry lines of the Company were provided on page 184 of this Annual Report and the Company's website.

Proposing a Person for Election as a Director

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

Investor Relations

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

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

Constitutional Documents

The Company's Memorandum and Articles of Association (in both English and Chinese) is available on both the Company's and the Exchange's websites. During the year ended 31st December 2013, there is no change in the Memorandum and Articles of Association of the Company.

pwc 羅兵咸永道

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

We have audited the consolidated accounts of The Hong Kong and China Gas Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 78 to 183, which comprise the consolidated and company balance sheets as at 31st December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the accounts

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated accounts based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

Opinion

In our opinion, the consolidated accounts give a true and fair view of the state of the affairs of the Company and of the Group as at 31st December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers

Certified Public Accountants
Hong Kong, 19th March 2014

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

CONSOLIDATED INCOME STATEMENT

for the year ended 31st December 2013

	Note	2013 HK$'M	Restated 2012 HK$'M
Revenue	5	**28,245.9**	24,922.5
Total operating expenses	6	**(21,546.3)**	(18,834.5)
		6,699.6	6,088.0
Other gains, net	7	**965.0**	1,006.6
Interest expense	9	**(925.7)**	(863.8)
Share of results of associates	22	**1,389.1**	2,455.4
Share of results of joint ventures	23	**1,282.8**	1,199.4
Profit before taxation	10	**9,410.8**	9,885.6
Taxation	13	**(1,655.2)**	(1,484.6)
Profit for the year		**7,755.6**	8,401.0
Attributable to:			
Shareholders of the Company		**6,853.8**	7,712.1
Non-controlling interests		**901.8**	688.9
		7,755.6	8,401.0
Dividends	15	**3,345.9**	3,041.7
Earnings per share – basic and diluted, HK cents	16	**71.7**	80.7 [1]

[1] Adjusted for the bonus issue in 2013 and the adoption of HKAS 19 (amendment 2011)

The notes on pages 86 to 183 form part of these accounts.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31st December 2013

	2013 HK$'M	Restated 2012 HK$'M
Profit for the year	**7,755.6**	8,401.0
Other comprehensive income:		
Item that will not be reclassified subsequently to profit or loss:		
Remeasurements of retirement benefit	**110.9**	(42.8)
Items that may be reclassified subsequently to profit or loss:		
Revaluation (deficit)/surplus of available-for-sale financial assets transferred to equity	**(178.7)**	280.3
Impairment loss on available-for-sale financial assets transferred to income statement	**66.2**	17.8
Change in fair value of cash flow hedges	**152.6**	(152.6)
Recognition of exchange reserve upon disposal of a subsidiary	**–**	(17.8)
Share of other comprehensive loss of an associate	**(1.7)**	–
Exchange differences	**892.1**	209.3
Other comprehensive income for the year, net of tax	**1,041.4**	294.2
Total comprehensive income for the year	**8,797.0**	8,695.2
Total comprehensive income attributable to:		
Shareholders of the Company	**7,722.5**	7,941.9
Non-controlling interests	**1,074.5**	753.3
	8,797.0	8,695.2

The notes on pages 86 to 183 form part of these accounts.

CONSOLIDATED BALANCE SHEET

as at 31st December 2013

	Note	2013 HK$'M	Restated 2012 HK$'M	Restated As at 1 January 2012 HK$'M
Assets				
Non-current assets				
Property, plant and equipment	17	**45,450.9**	40,550.0	32,255.1
Investment property	18	**646.0**	540.0	518.0
Leasehold land	19	**1,551.4**	1,364.1	1,351.2
Intangible assets	20	**5,253.3**	3,845.4	3,434.8
Associates	22	**17,015.1**	16,307.1	12,706.8
Joint ventures	23	**8,939.0**	9,103.6	8,964.7
Available-for-sale financial assets	24	**2,937.3**	3,078.6	3,110.6
Derivative financial instruments	35	**421.4**	381.0	452.3
Retirement benefit assets	25	**66.3**	–	23.3
Other non-current assets	26	**2,425.8**	2,329.6	2,258.9
		84,706.5	77,499.4	65,075.7
Current assets				
Inventories	27	**2,383.1**	1,831.8	1,622.4
Trade and other receivables	28	**6,567.6**	5,722.2	5,606.7
Loan and other receivables from associates	22	**116.5**	73.0	73.3
Loan and other receivables from joint ventures	23	**1,664.7**	861.3	468.1
Loan and other receivables from non-controlling shareholders		**157.2**	154.7	135.4
Financial assets at fair value through profit or loss	29	**661.3**	347.1	313.3
Time deposits over three months	30	**1,289.3**	261.3	493.7
Time deposits up to three months, cash and bank balances	30	**8,849.0**	12,186.4	11,242.2
		21,688.7	21,437.8	19,955.1
Current liabilities				
Trade and other payables	31	**(11,272.3)**	(9,329.4)	(7,990.5)
Amounts due to joint ventures	23	**(596.6)**	(392.4)	(31.7)
Loan and other payables to non-controlling shareholders		**(274.2)**	(211.5)	(282.4)
Provision for taxation		**(896.4)**	(828.8)	(878.0)
Borrowings	32	**(6,222.3)**	(6,490.8)	(4,220.8)
		(19,261.8)	(17,252.9)	(13,403.4)
Net current assets		**2,426.9**	4,184.9	6,551.7
Total assets less current liabilities		**87,133.4**	81,684.3	71,627.4

The notes on pages 86 to 183 form part of these accounts.

CONSOLIDATED BALANCE SHEET (Continued)

as at 31st December 2013

	Note	2013 HK$'M	Restated 2012 HK$'M	Restated As at 1 January 2012 HK$'M
Non-current liabilities				
Customers' deposits	33	**(1,233.4)**	(1,205.1)	(1,165.7)
Deferred taxation	34	**(4,711.3)**	(4,446.2)	(2,444.1)
Borrowings	32	**(24,401.1)**	(25,230.2)	(21,628.4)
Loan payables to non-controlling shareholders		**(22.1)**	(39.3)	–
Asset retirement obligations		**(29.2)**	(78.0)	–
Derivative financial instruments	35	**(365.8)**	(305.1)	(115.1)
Retirement benefit liabilities	25	**–**	(30.2)	–
		(30,762.9)	(31,334.1)	(25,353.3)
Net assets		**56,370.5**	50,350.2	46,274.1
Capital and reserves				
Share capital	36	**2,389.9**	2,172.6	1,975.1
Share premium	37	**2,861.0**	3,078.3	3,275.8
Reserves	38	**42,418.0**	37,952.1	33,075.4
Proposed dividend	38	**2,198.7**	1,998.8	3,199.7
Shareholders' funds		**49,867.6**	45,201.8	41,526.0
Non-controlling interests		**6,502.9**	5,148.4	4,748.1
Total equity		**56,370.5**	50,350.2	46,274.1

Approved by the Board of Directors on 19th March 2014

Lee Shau Kee
Director

David Li Kwok Po
Director

The notes on pages 86 to 183 form part of these accounts.

BALANCE SHEET

as at 31st December 2013

	Note	2013 HK$'M	Restated 2012 HK$'M	Restated As at 1 January 2012 HK$'M
Assets				
Non-current assets				
Property, plant and equipment	17	**9,778.2**	9,490.5	9,271.1
Leasehold land	19	**245.9**	218.8	225.1
Subsidiaries	21	**18,268.6**	26,551.9	25,919.8
Joint ventures	23	**910.4**	933.4	933.4
Available-for-sale financial assets	24	**44.5**	51.7	42.7
Retirement benefit assets	25	**66.3**	–	23.3
		29,313.9	37,246.3	36,415.4
Current assets				
Inventories	27	**1,198.1**	933.2	877.9
Trade and other receivables	28	**1,884.3**	1,718.4	1,612.8
Loan receivables from subsidiaries	21	**398.8**	390.0	384.7
Loan and other receivables from associates	22	**36.1**	30.2	29.5
Other receivables from joint ventures	23	**7.6**	6.0	4.5
Financial assets at fair value through profit or loss	29	**–**	–	1.8
Time deposits over three months	30	**219.5**	–	99.8
Time deposits up to three months, cash and bank balances	30	**1,220.4**	2,024.0	1,481.4
		4,964.8	5,101.8	4,492.4
Current liabilities				
Trade and other payables	31	**(888.5)**	(862.9)	(712.4)
Amounts due to joint ventures	23	**(0.6)**	(1.1)	(1.9)
Provision for taxation		**(168.9)**	(138.4)	(151.8)
Borrowings	32	**–**	(800.0)	–
		(1,058.0)	(1,802.4)	(866.1)
Net current assets		**3,906.8**	3,299.4	3,626.3
Total assets less current liabilities		**33,220.7**	40,545.7	40,041.7
Non-current liabilities				
Loan and other payables to subsidiaries	21	**(14,416.2)**	(22,011.0)	(19,671.4)
Customers' deposits	33	**(1,225.0)**	(1,198.1)	(1,158.9)
Deferred taxation	34	**(1,148.9)**	(1,121.3)	(1,097.3)
Retirement benefit liabilities	25	**–**	(30.2)	–
Borrowings	32	**(300.0)**	(300.0)	(1,100.0)
		(17,090.1)	(24,660.6)	(23,027.6)
Net assets		**16,130.6**	15,885.1	17,014.1
Capital and reserves				
Share capital	36	**2,389.9**	2,172.6	1,975.1
Share premium	37	**2,861.0**	3,078.3	3,275.8
Reserves	38	**8,681.0**	8,635.4	8,563.5
Proposed dividend	38	**2,198.7**	1,998.8	3,199.7
		16,130.6	15,885.1	17,014.1

Approved by the Board of Directors on 19th March 2014

Lee Shau Kee
Director

David Li Kwok Po
Director

The notes on pages 86 to 183 form part of these accounts.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31st December 2013

	Note	2013 HK$'M	2012 HK$'M
Net cash from operating activities	42	**6,992.3**	6,665.7
Investing activities			
Receipt from sale of property, plant and equipment		**38.8**	44.6
Receipt from sale of leasehold land		**2.6**	35.5
Purchase of property, plant and equipment		**(5,086.0)**	(5,816.1)
Payment for leasehold land		**(207.9)**	(89.4)
Increase in investments in associates		**(474.7)**	(549.8)
Increase in loans to associates		**(207.9)**	(1,306.1)
Repayment of loans by associates		**613.8**	–
Increase in investments in joint ventures		**(5.1)**	–
Increase in loans to joint ventures		**(290.2)**	(93.2)
Increase in loans from joint ventures		**148.0**	351.6
Repayment of loans by joint ventures		**538.2**	176.9
Consideration paid for acquisition of subsidiaries in prior periods		**(347.9)**	(152.8)
Deferred consideration received		**40.0**	40.0
Acquisition of subsidiaries	45	**(1,200.3)**	(1,485.8)
Further acquisition of subsidiaries		**(115.7)**	(38.7)
Disposal of a subsidiary	44	**1.8**	180.1
Sale of financial assets at fair value through profit or loss		**283.3**	56.3
Sale of available-for-sale financial assets		**44.9**	424.4
Purchase of available-for-sale financial assets		**(90.6)**	(24.7)
Purchase of financial assets at fair value through profit or loss		**(590.5)**	(100.6)
(Increase)/decrease in time deposits over three months		**(968.4)**	238.4
Interest received		**325.2**	312.6
Dividends received from investments in securities		**202.7**	183.8
Dividends received from associates		**968.5**	731.8
Dividends received from joint ventures		**643.8**	578.6
Net cash used in investing activities		**(5,733.6)**	(6,302.6)
Financing activities			
Issue of shares of a subsidiary under share option scheme		**9.5**	–
Issue of shares of a subsidiary		**930.3**	–
Change in loans with non-controlling shareholders		**26.7**	(50.3)
Capital injection by non-controlling shareholders		**94.8**	93.8
Increase in borrowings		**4,052.6**	7,041.1
Repayment of borrowings		**(5,102.5)**	(807.1)
Interest paid		**(1,205.9)**	(1,101.9)
Dividends paid to shareholders of the Company	38	**(3,146.0)**	(4,242.6)
Dividends paid to non-controlling shareholders		**(335.0)**	(353.5)
Net cash (used in)/inflow from financing activities		**(4,675.5)**	579.5
(Decrease)/increase in cash and cash equivalents		**(3,416.8)**	942.6
Cash and cash equivalents at 1st January		**12,186.4**	11,242.2
Effect of foreign exchange rate changes		**79.4**	1.6
Cash and cash equivalents at 31st December		**8,849.0**	12,186.4
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		**5,139.4**	7,037.7
Time deposits up to three months		**3,709.6**	5,148.7
		8,849.0	12,186.4

The notes on pages 86 to 183 form part of these accounts.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31st December 2013

	Attributable to shareholders of the Company				
	Share capital HK$'M	Share premium HK$'M	Reserves HK$'M	Non-controlling interests HK$'M	Total HK$'M
Balance at 1st January 2013, as previously reported	2,172.6	3,078.3	40,067.6	5,148.4	50,466.9
Effect of adoption of HKAS 19 (amendment 2011)	–	–	(116.7)	–	(116.7)
Total equity as at 1st January 2013, as restated	2,172.6	3,078.3	39,950.9	5,148.4	50,350.2
Profit for the year	–	–	6,853.8	901.8	7,755.6
Other comprehensive income:					
Remeasurements of retirement benefit	–	–	110.9	–	110.9
Revaluation deficit of available-for-sale financial assets transferred to equity	–	–	(178.7)	–	(178.7)
Impairment loss on available-for-sale financial assets transferred to income statement	–	–	66.2	–	66.2
Change in fair value of cash flow hedges	–	–	149.3	3.3	152.6
Share of other comprehensive loss of an associate	–	–	(1.7)	–	(1.7)
Exchange differences	–	–	722.7	169.4	892.1
Total comprehensive income for the year	–	–	7,722.5	1,074.5	8,797.0
Capital injection	–	–	–	94.8	94.8
Share of capital reserve of a joint venture	–	–	(155.5)	–	(155.5)
Acquisition of businesses (Note 45)	–	–	–	47.9	47.9
Further acquisition of subsidiaries	–	–	(66.3)	(49.4)	(115.7)
Disposal of a subsidiary (Note 44)	–	–	–	(107.0)	(107.0)
Partial disposal of a subsidiary	–	–	(13.6)	13.6	–
Issue of shares of a subsidiary	–	–	327.0	603.3	930.3
Issue of shares of a subsidiary under share option schemes	–	–	(2.3)	11.8	9.5
Dividends paid to shareholders of the Company	–	–	(3,146.0)	–	(3,146.0)
Dividends paid to non-controlling shareholders	–	–	–	(335.0)	(335.0)
Bonus issue	217.3	(217.3)	–	–	–
Total equity as at 31st December 2013	2,389.9	2,861.0	44,616.7	6,502.9	56,370.5

The notes on pages 86 to 183 form part of these accounts.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

for the year ended 31st December 2013

	Attributable to shareholders of the Company				
	Share capital HK$'M	Share premium HK$'M	Reserves HK$'M	Non-controlling interests HK$'M	Total HK$'M
Total equity as at 1st January 2012	1,975.1	3,275.8	36,333.2	4,748.1	46,332.2
Effect of adoption of HKAS 19 (amendment 2011)	–	–	(58.1)	–	(58.1)
Total equity as at 1st January 2012, as restated	1,975.1	3,275.8	36,275.1	4,748.1	46,274.1
Profit for the year	–	–	7,712.1	688.9	8,401.0
Other comprehensive income:					
Remeasurements of retirement benefit	–	–	(42.8)	–	(42.8)
Revaluation surplus of available-for-sale financial assets transferred to equity	–	–	280.3	–	280.3
Impairment loss on available-for-sale financial assets transferred to income statement	–	–	17.8	–	17.8
Change in fair value of cash flow hedges	–	–	(150.5)	(2.1)	(152.6)
Recognition of exchange reserve upon disposal of a subsidiary	–	–	(17.8)	–	(17.8)
Exchange differences	–	–	142.8	66.5	209.3
Total comprehensive income for the year	–	–	7,941.9	753.3	8,695.2
Capital injection	–	–	–	93.8	93.8
Acquisition of subsidiaries	–	–	–	2.8	2.8
Further acquisition of subsidiaries	–	–	(23.5)	(15.2)	(38.7)
Disposal of a subsidiary	–	–	–	(80.9)	(80.9)
Dividends paid to shareholders of the Company	–	–	(4,242.6)	–	(4,242.6)
Dividends paid to non-controlling shareholders	–	–	–	(353.5)	(353.5)
Bonus issue	197.5	(197.5)	–	–	–
Total equity as at 31st December 2012	2,172.6	3,078.3	39,950.9	5,148.4	50,350.2

The notes on pages 86 to 183 form part of these accounts.

1 General information

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

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

These consolidated accounts have been approved for issue by the Board of Directors on 19th March 2014.

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

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

(i) New or revised standards, interpretations and amendments adopted in 2013

The Group has adopted the following new or revised standards, interpretations and amendments to standards which are effective for the Group's financial year beginning 1st January 2013 and relevant to the Group.

HKAS 1 (amendment)	"Presentation of Financial Statements – Presentation of Items on Other Comprehensive Income"
HKFRS 7 (amendment)	"Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities"
HKFRS 10	"Consolidated Financial Statements"
HKFRS 11	"Joint Arrangements"
HKFRS 12	"Disclosure of Interests in Other Entities"
HKFRS 13	"Fair Value Measurement"
HKAS 19 (amendment 2011)	"Employee Benefits"
HKAS 27 (revised 2011)	"Separate Financial Statements"
HKAS 28 (revised 2011)	"Investments in Associates and Joint Ventures"
HK (IFRIC) – Int 20	"Stripping Costs in the Production Phase of a Surface Mine"

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(i) New or revised standards, interpretations and amendments adopted in 2013 (Continued)

The adoption of the new or revised standards, interpretations and amendments to standards has no significant impact on the Group's results and financial position nor any substantial changes in Group's accounting policies, except for those disclosed as follows:

(i) HKAS 1 (amendment) – "Presentation of Financial Statements – Presentation of Items on Other Comprehensive Income" requires to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

(ii) HKAS 19 (amendment 2011) – "Employee Benefits" eliminates the corridor approach with all actuarial gains or losses be recorded in other comprehensive income. It also replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost based on the net defined benefit asset or liability and the discount rate. All past service costs is recognised immediately in the income statement instead of recognising on a straight-line basis over the average period until the benefits become vested in prior years.

Retirement benefit assets/liabilities as previously reported have been restated at the reporting dates to reflect the effect of the above. Amounts have been restated to retirement benefit liabilities as at 31st December 2012 as HK$30.2 million (previously as retirement benefit assets of HK$86.5 million).

The Group's retained earnings have been restated to HK$33,744.4 million as at 31st December 2012 (previously HK$33,861.1 million) and HK$29,140.3 million as at 1st January 2012 (previously HK$29,198.4 million).

The impact to income statement and earnings per share is insignificant for the adoption of HKAS 19 (amendment 2011).

(iii) HKFRS 12 – "Disclosures of interests in other entities" includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in Notes 21 and 22 below respectively.

(iv) HKFRS 13 – "Fair Value Measurement" – measurement and disclosure requirements are applicable for the year ended 31st December 2013. Relevant disclosures for financial assets, financial liabilities and investment property included in Notes 3 and 18 below respectively.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) New or revised standards, interpretations and amendments that are not yet effective for the year ended 31st December 2013 but relevant to the Group and have not been early adopted by the Group

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

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

(b) Consolidation

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

(i) Subsidiaries

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

2 Summary of significant accounting policies (Continued)

(b) Consolidation (Continued)

(i) Subsidiaries (Continued)

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

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

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

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

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

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

(iii) Disposal of subsidiaries

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

2 Summary of significant accounting policies (Continued)

(b) Consolidation (Continued)

(iv) Associates

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

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

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

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

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

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

(v) Joint ventures

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

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

2 Summary of significant accounting policies (Continued)

(b) Consolidation (Continued)

(v) Joint ventures (Continued)

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

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

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

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

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

The application of HKFRS 11 has no material impact on the Group's accounting treatment for joint ventures.

(c) Segment reporting

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

(d) Foreign currency translation

(i) Functional and presentation currency

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

2 Summary of significant accounting policies (Continued)

(d) Foreign currency translation (Continued)

(ii) Transactions and balances

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

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

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

(iii) Group companies

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

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

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

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

2 Summary of significant accounting policies (Continued)

(e) Exploration and evaluation expenditure

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

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

(f) Property, plant and equipment

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

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

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

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

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

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

2 Summary of significant accounting policies (Continued)

(g) Deferred overburden removal costs

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

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

(h) Investment property

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

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

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

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

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

Changes in fair values are recognised in the income statement.

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

2 Summary of significant accounting policies (Continued)

(h) Investment property (Continued)

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

(i) Leases

(i) Operating leases

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

(ii) Finance leases

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

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

(j) Intangible assets

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

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

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

2 Summary of significant accounting policies (Continued)

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

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

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

(l) Financial assets

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

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

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

(ii) Loans and receivables

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

(iii) Available-for-sale financial assets

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

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

2 Summary of significant accounting policies (Continued)

(l) Financial assets (Continued)

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

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

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

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

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

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

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

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

2 Summary of significant accounting policies (Continued)

(m) Derivative financial instruments and hedging activities

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

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

The fair values of the derivative instruments used for hedging purposes are disclosed in Note 35. Movements on the hedging reserve in shareholders' equity are shown in Note 38. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedge

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

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

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

(n) Inventories

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

2 Summary of significant accounting policies (Continued)

(o) Construction contracts

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

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

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

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

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

(p) Trade and other receivables

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

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

(q) Impairment of financial assets

(i) Assets carried at amortised cost

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

2 Summary of significant accounting policies (Continued)

(q) Impairment of financial assets (Continued)

(i) Assets carried at amortised cost (Continued)

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

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

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

(ii) Assets classified as available-for-sale

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

2 Summary of significant accounting policies (Continued)

(r) Cash and cash equivalents

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

(s) Trade payables and customers' deposits

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

(t) Borrowings and borrowing costs

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

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

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

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

(u) Current and deferred taxation

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

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

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

2 Summary of significant accounting policies (Continued)

(u) Current and deferred taxation (Continued)

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

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

(v) Revenue and income recognition

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

(w) Employee benefits

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

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

(i) Defined contribution retirement schemes

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

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

2 Summary of significant accounting policies (Continued)

(w) Employee benefits (Continued)

(ii) Defined benefit retirement scheme

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

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

(x) Provisions and contingencies

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

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

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

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

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

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

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

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

3 Financial risk management

Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

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

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

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

At 31st December 2013, if the RMB had weakened/strengthened by 2 per cent (2012: 2 per cent) against HKD with all other variables held constant, pre-tax profit for the year would have been HK$214.6 million (2012: HK$154.0 million) lower/higher.

(ii) Price risk

The Group is exposed to equity securities price risk for the listed equity investments held by the Group which are classified as available-for-sale financial assets and financial assets at fair value through profit or loss of HK$1,353.8 million (2012: HK$1,472.2 million) and HK$42.5 million (2012: HK$64.4 million) respectively.

The Group also held unlisted equity investments which are classified as available-for-sale financial assets of HK$352.1 million (2012: HK$302.2 million). The underlyings of the investments are listed equity securities, which making them subject to equity securities price risk.

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

3 Financial risk management (Continued)

(a) Market risk (Continued)

(ii) Price risk (Continued)

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

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

	Group			
	Impact on pre-tax profit		Impact on equity	
	2013 HK$'M	2012 HK$'M	**2013 HK$'M**	2012 HK$'M
Hang Seng Index	**3.0**	4.5	**127.1**	144.3
S&P 500 Index	**0.3**	0.2	**7.6**	3.2
FTSE 100 Index	**0.5**	–	**9.7**	10.6
MSCI Asia Pacific ex-Japan Index	**–**	–	**37.5**	33.9

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

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

(iii) Cash flow and fair value interest rate risk

The Group

Financial instruments at fixed and variable rates expose the Group to fair value interest rate risk and cash flow interest rate risk respectively. The Group's interest-bearing assets mainly comprise floating and fixed rate bank deposits of HK$10,138.3 million (2012: HK$12,447.7 million). The Group's interest bearing liabilities mainly comprises floating rate borrowings of HK$11,810.9 million (2012: HK$12,693.0 million), fixed rate borrowings of HK$18,812.5 million (2012: HK$19,028.0 million) and floating rate deposits received from customers of HK$1,233.4 million (2012: HK$1,205.1 million).

At 31st December 2013, if market interest rates on bank deposits had been 100 basis points (2012: 100 basis points) higher/lower with all other variables held constant, pre-tax profit for the year would have been HK$128.0 million (2012: HK$119.6 million) higher/lower, mainly as a result of higher/lower interest income on floating rate bank deposits.

At 31st December 2013, if market interest rates on borrowings and customers' deposits had been 100 basis points (2012: 100 basis points) higher/lower with all other variables held constant, pre-tax profit for the year would have been HK$152.1 million (2012: HK$136.9 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings and customers' deposits.

3 Financial risk management (Continued)

(a) Market risk (Continued)

(iii) Cash flow and fair value interest rate risk (Continued)

The Company

The Company's interest bearing assets mainly comprise floating and fixed rates bank deposits of HK$1,439.9 million (2012: HK$2,024.0 million). The Company's interest rate risk arises from floating rate borrowings of HK$300.0 million (2012: HK$1,100.0 million) and floating rate deposits received from customers of HK$1,225.0 million (2012: HK$1,198.1 million).

At 31st December 2013, if market interest rates on bank deposits had been 100 basis points (2012: 100 basis points) higher/lower with all other variables held constant, pre-tax profit for the year would have been HK$13.4 million (2012: HK$11.3 million) higher/lower, mainly as a result of higher/lower bank deposits interest income on floating rate bank deposits.

At 31st December 2013, if market interest rates on borrowings and customers' deposits had been 100 basis points (2012: 100 basis points) higher/lower with all other variables held constant, pre-tax profit for the year would have been HK$21.1 million (2012: HK$22.7 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings and customers' deposits.

(b) Credit risk

Credit risk of the Group and Company mainly arises from:

	Group		Company	
	2013 HK$'M	2012 HK$'M	**2013 HK$'M**	2012 HK$'M
Cash and bank deposits	**10,138.3**	12,447.7	**1,439.9**	2,024.0
Debt securities and derivative financial instruments	**1,786.5**	1,465.7	**–**	–
Trade receivables	**3,517.3**	3,065.1	**1,707.7**	1,573.2
Other receivables	**1,286.7**	1,160.2	**171.4**	144.2
Loan and other receivables from joint ventures	**2,066.6**	2,068.7	**67.2**	88.6
Loan and other receivables from associates	**1,163.3**	1,569.1	**36.1**	30.2
Loan and other receivables from non-controlling interests	**157.2**	154.7	**–**	–
Loan and other receivables from subsidiaries	**–**	–	**18,328.2**	26,602.7
Other non-current assets	**2,425.8**	2,329.6	**–**	–

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

3 Financial risk management (Continued)

(b) Credit risk (Continued)

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

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

	Group		Company	
	2013 **%**	2012 %	**2013** **%**	2012 %
Cash and bank deposits				
AA	**8.0**	14.1	**36.2**	8.1
A	**58.4**	56.0	**62.8**	73.3
BBB	**23.9**	21.9	**1.0**	18.6
BB	**2.6**	2.4	**–**	–
Unrated	**7.1**	5.6	**–**	–
	100.0	100.0	**100.0**	100.0
Debt securities and derivative financial instruments				
AA	**14.7**	18.4	**N/A**	N/A
A	**41.7**	64.8	**N/A**	N/A
BBB	**5.8**	7.9	**N/A**	N/A
Unrated	**37.8**	8.9	**N/A**	N/A
	100.0	100.0	**N/A**	N/A

Credit ratings are quoted from Bloomberg.

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

(c) Liquidity risk

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

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

3 Financial risk management (Continued)

(c) Liquidity risk (Continued)

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

	Less than 1 year HK$'M	Between 1 and 2 years HK$'M	Between 2 and 5 years HK$'M	Over 5 years HK$'M
Group				
At 31st December 2013				
Trade and other payables	**8,788.5**	**–**	**–**	**–**
Amounts due to joint ventures	**596.6**	**–**	**–**	**–**
Loan and other payables to non-controlling shareholders	**274.2**	**–**	**22.1**	**–**
Borrowings	**7,215.5**	**3,178.0**	**15,671.9**	**11,923.6**
Derivative financial instruments	**4.0**	**–**	**7.1**	**355.5**
At 31st December 2012				
Trade and other payables	6,242.2	–	–	–
Amounts due to joint ventures	392.4	–	–	–
Loan and other payables to non-controlling shareholders	211.5	–	39.3	–
Borrowings	7,501.3	2,059.0	10,043.4	20,512.8
Derivative financial instruments	–	–	63.2	241.9
Company				
At 31st December 2013				
Trade and other payables	**656.4**	**–**	**–**	**–**
Borrowings	**2.4**	**302.3**	**–**	**–**
At 31st December 2012				
Trade and other payables	755.2	–	–	–
Borrowings	806.3	2.6	302.4	–

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

3 Financial risk management (Continued)

Capital risk management

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

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

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

The gearing ratios at 31st December 2013 and 2012 are as follows:

	2013 HK$'M	Restated 2012 HK$'M
Total borrowings	**(30,623.4)**	(31,721.0)
Less: Time deposits, cash and bank deposits	**10,138.3**	12,447.7
Net borrowing	**(20,485.1)**	(19,273.3)
Shareholders' funds	**(49,867.6)**	(45,201.8)
	(70,352.7)	(64,475.1)
Gearing ratio	**29%**	30%

Fair value estimation

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

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

– Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 Financial risk management (Continued)

Fair value estimation (Continued)

The following table presents the Group's assets that are measured at fair value at 31st December 2013 and 2012. See Note 18 for disclosures of the investment properties that are measured at fair value.

	Level 1		Level 2		Total	
	2013 HK$'M	2012 HK$'M	**2013 HK$'M**	2012 HK$'M	**2013 HK$'M**	2012 HK$'M
Assets						
Financial assets at fair value through profit or loss						
– Debt securities	**618.8**	74.1	**–**	208.6	**618.8**	282.7
– Equity securities	**42.5**	64.4	**–**	–	**42.5**	64.4
Derivative financial instruments	**–**	–	**421.4**	381.0	**421.4**	381.0
Available-for-sale financial assets						
– Debt securities	**746.3**	782.8	**–**	19.2	**746.3**	802.0
– Equity investments	**1,705.9**	1,774.4	**–**	–	**1,705.9**	1,774.4
Loans to associates	**–**	–	**1,046.8**	1,496.1	**1,046.8**	1,496.1
Loans to joint ventures	**–**	–	**401.9**	1,207.4	**401.9**	1,207.4
Aviation fuel facility construction receivable	**–**	–	**2,133.6**	2,015.2	**2,133.6**	2,015.2
Total assets	**3,113.5**	2,695.7	**4,003.7**	5,327.5	**7,117.2**	8,023.2
Liabilities						
Derivative financial instruments	**–**	–	**365.8**	305.1	**365.8**	305.1

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

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

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. As at 31st December 2013, the Group did not have financial instruments under this category.

3 Financial risk management (Continued)

Fair value estimation (Continued)

Specific valuation techniques used to value financial instruments includes:

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

4 Critical accounting estimates and judgements

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

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

(a) Estimated impairment of assets

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

(b) Useful lives of property, plant and equipment

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

4 Critical accounting estimates and judgements (Continued)

(c) Estimate of fair value of investment property

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

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

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

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

(d) Estimate of gas and water consumption

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

(e) Reserve estimates

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

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

4 Critical accounting estimates and judgements (Continued)

(e) Reserve estimates (Continued)

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

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

5 Segment information

The Group's principal activities are the production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses ("New Energy") in Hong Kong and mainland China. The revenue comprises the following:

	2013 HK$'M	2012 HK$'M
Gas sales before fuel cost adjustment	**19,445.6**	16,754.4
Fuel cost adjustment	**1,961.9**	1,708.5
Gas sales after fuel cost adjustment	**21,407.5**	18,462.9
Equipment sales	**1,365.4**	1,305.1
Maintenance and services	**350.6**	336.2
Water sales	**622.2**	490.1
Coal and oil sales	**746.9**	1,241.3
Rental income	**42.3**	37.9
Other sales	**3,711.0**	3,049.0
	28,245.9	24,922.5

The chief operating decision-maker has been identified as the executive committee members (the "ECM") of the Company. The ECM reviews the Group's internal reporting in order to assess performance and allocate resources. The ECM considers the business from both a product and geographical perspective. From a product perspective, management assesses the performance of (a) gas, water and related businesses; (b) New Energy and (c) property business. Gas, water and related businesses is further evaluated on a geographic basis (Hong Kong and Mainland China).

5 Segment information (Continued)

The ECM assesses the performance of the operating segments based on a measure of adjusted profit before interest, tax, depreciation and amortisation (the "adjusted EBITDA"). Other information provided, except as noted below, to the ECM is measured in a manner consistent with that in the accounts.

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

2013 in HK$'M	Gas, water and related businesses Hong Kong	 Mainland China	New Energy	Property	Other segments	Total
Revenue	9,620.1	15,738.5	2,423.1	42.3	421.9	28,245.9
Adjusted EBITDA	4,207.7	3,716.9	856.3	22.4	75.3	8,878.6
Depreciation and amortisation	(639.3)	(751.6)	(210.0)	–	(36.8)	(1,637.7)
Unallocated expenses						(541.3)
						6,699.6
Other gains, net						965.0
Interest expense						(925.7)
Share of results of associates	–	806.3	(1.5)	580.3	4.0	1,389.1
Share of results of joint ventures	–	1,276.0	1.4	5.4	–	1,282.8
Profit before taxation						9,410.8
Taxation						(1,655.2)
Profit for the year						7,755.6

Share of results of associates includes HK$126.6 million (2012: HK$1,394.5 million) being the Group's share of change in valuation of investment properties at the International Finance Centre (the "IFC") complex for the year.

5 Segment information (Continued)

2012 in HK$'M	Gas, water and related businesses Hong Kong	 Mainland China	New Energy	Property	Other segments	Restated Total
Revenue	9,117.2	12,790.4	2,679.5	37.9	297.5	24,922.5
Adjusted EBITDA	4,045.7	2,949.1	975.8	20.6	61.6	8,052.8
Depreciation and amortisation	(617.1)	(629.6)	(180.6)	(0.1)	(27.9)	(1,455.3)
Unallocated expenses						(509.5)
						6,088.0
Other gains, net						1,006.6
Interest expense						(863.8)
Share of results of associates	–	630.4	(0.6)	1,822.8	2.8	2,455.4
Share of results of joint ventures	–	1,194.6	(0.9)	5.5	0.2	1,199.4
Profit before taxation						9,885.6
Taxation						(1,484.6)
Profit for the year						8,401.0

The segment assets at 31st December 2013 and 2012 are as follows:

2013 **in HK$'M**	**Gas, water and related businesses** **Hong Kong**	 **Mainland China**	**New Energy**	**Property**	**Other segments**	**Total**
Segment assets	**16,058.1**	**51,507.3**	**19,489.8**	**10,562.7**	**1,505.3**	**99,123.2**
Unallocated assets:						
Available-for-sale financial assets						**2,937.3**
Financial assets at fair value through profit or loss						**661.3**
Time deposits, cash and bank balances excluded from segment assets						**2,777.2**
Others (Note)						**896.2**
Total assets	**16,058.1**	**51,507.3**	**19,489.8**	**10,562.7**	**1,505.3**	**106,395.2**

Note

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

5 Segment information (Continued)

2012 in HK$'M	Gas, water and related businesses Hong Kong	Gas, water and related businesses Mainland China	New Energy	Property	Other segments	Restated Total
Segment assets	16,747.5	43,913.9	18,850.9	10,967.3	1,140.1	91,619.7
Unallocated assets:						
Available-for-sale financial assets						3,078.6
Financial assets at fair value through profit or loss						347.1
Time deposits, cash and bank balances excluded from segment assets						3,085.9
Others						805.9
Total assets	16,747.5	43,913.9	18,850.9	10,967.3	1,140.1	98,937.2

The Company is domiciled in Hong Kong. The Group's revenue from external customers in Hong Kong for the year ended 31st December 2013 is HK$10,926.0 million (2012: HK$10,296.2 million), and the revenue from external customers in other geographical locations is HK$17,319.9 million (2012: HK$14,626.3 million).

At 31st December 2013, the total of non-current assets other than financial instruments and retirement benefit assets located in Hong Kong and other geographical locations are HK$21,662.7 million and HK$57,193.0 million (2012: HK$21,172.7 million and HK$50,537.5 million) respectively.

For the years ended 31st December 2013 and 2012, the percentage of revenues attributable to the Group's five largest customers is less than 30 per cent.

6 Total operating expenses

	Group	
	2013 **HK$'M**	Restated 2012 HK$'M
Stores and materials used	**14,721.8**	12,643.5
Manpower costs (Note 11)	**2,281.7**	2,013.2
Depreciation and amortisation	**1,649.3**	1,465.1
Other operating items	**2,893.5**	2,712.7
	21,546.3	18,834.5

7 Other gains, net

	Group	
	2013 **HK$'M**	2012 HK$'M
Net investment gains (Note 8)	**937.6**	557.9
Fair value gain on investment property (Note 18)	**106.0**	22.0
Net gain on acquisition of subsidiaries	**–**	598.1
(Loss)/gain on disposal of a subsidiary (Note 44)	**(34.7)**	66.3
Provision for investment in a joint venture	**–**	(20.0)
Project research and development costs	**(39.8)**	(120.1)
Provision for other receivables	**–**	(100.3)
Ineffective portion on cash flow hedges (Note 35)	**0.9**	0.8
Others	**(5.0)**	1.9
	965.0	1,006.6

8 Net investment gains

	Group 2013 HK$'M	Group 2012 HK$'M
(a) Interest income		
Bank deposits	**177.9**	166.5
Listed available-for-sale financial assets	**18.5**	20.1
Unlisted available-for-sale financial assets	**0.5**	1.2
Loans to associates and joint ventures	**103.3**	103.3
Others	**26.5**	22.1
	326.7	313.2
(b) Net realised and unrealised gains/(losses) and interest income on financial assets at fair value through profit or loss and derivative financial instruments		
Listed securities	**16.7**	56.2
Unlisted securities	**61.3**	(5.5)
Exchange differences	**4.7**	5.4
	82.7	56.1
(c) Net realised (losses)/gains on available-for-sale financial assets		
Listed securities	**(61.7)**	18.2
Exchange differences	**1.6**	(6.3)
	(60.1)	11.9
(d) Dividend income		
Listed available-for-sale financial assets	**93.1**	87.2
Unlisted available-for-sale financial assets	**108.5**	96.2
Listed financial assets at fair value through profit or loss	**1.1**	0.4
	202.7	183.8
(e) Other investment and exchange gains/(losses)	**385.6**	(7.1)
	937.6	557.9

9 Interest expense

	Group	
	2013 HK$'M	2012 HK$'M
Interest on bank loans and overdrafts wholly repayable within five years	**462.9**	431.0
Interest on guaranteed notes wholly repayable within five years	**455.3**	21.5
Interest on guaranteed notes not wholly repayable within five years	**351.2**	711.7
	1,269.4	1,164.2
Less: Amount capitalised	**(343.7)**	(300.4)
	925.7	863.8

The interest expense is capitalised at average rates from 3.50 per cent to 7.68 per cent (2012: 3.55 per cent to 7.32 per cent) per annum.

10 Profit before taxation

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

	Group	
	2013 HK$'M	2012 HK$'M
Cost of inventories sold	**15,834.9**	13,828.1
Depreciation and amortisation	**1,649.3**	1,465.1
Loss on disposal/write off of property, plant and equipment	**35.2**	26.0
Loss/(gain) on disposal of leasehold land	**4.8**	(6.6)
Impairment loss of trade receivables	**31.0**	21.1
Impairment loss of available-for-sale financial assets	**66.2**	17.8
Operating lease rentals		
– land and buildings	**98.4**	77.6
– plant and equipment	**11.0**	10.7
Rental income from investment property		
– gross rental income	**(42.3)**	(37.9)
– outgoing expenses	**19.7**	17.1
Auditors' remuneration	**23.0**	19.7
Net loss on residential maintenance (Note)	**19.3**	13.4

Note

Analysis of net loss on residential maintenance:

Residential maintenance revenue	**(194.0)**	(191.8)
Less expenses:		
Manpower costs	**117.1**	112.2
Other operating and administrative expenses	**96.2**	93.0
Net loss	**19.3**	13.4

11 Manpower costs

	Group	
	2013 HK$'M	Restated 2012 HK$'M
Salaries and wages	**1,986.5**	1,760.7
Pension costs – defined contribution retirement schemes	**276.1**	237.1
Pension costs – defined benefit retirement scheme (Note 25)	**19.1**	15.4
	2,281.7	2,013.2

12 Directors' and senior management's emoluments

(a) Directors' emoluments

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

Name of director	**Fees HK$'M**	**Salary, allowances and benefits in kind HK$'M**	**Performance bonus HK$'M**	**Contributions to retirement scheme HK$'M**	**Total HK$'M**
Alfred Chan Wing Kin (Note)	**0.2**	**5.6**	**25.7**	**5.2**	**36.7**
Peter Wong Wai Yee[1] (Note)	**0.1**	**2.5**	**2.0**	**2.8**	**7.4**
Lee Shau Kee	**0.3**	**0.2**	**–**	**–**	**0.5**
Leung Hay Man	**0.3**	**–**	**–**	**–**	**0.3**
Colin Lam Ko Yin	**0.2**	**–**	**–**	**–**	**0.2**
Lee Ka Kit	**0.2**	**–**	**–**	**–**	**0.2**
Lee Ka Shing	**0.2**	**–**	**–**	**–**	**0.2**
David Li Kwok Po	**0.3**	**0.1**	**–**	**–**	**0.4**
Poon Chung Kwong	**0.3**	**–**	**–**	**–**	**0.3**
James Kwan Yuk Choi[1] (Note)	**–**	**1.5**	**0.8**	**0.3**	**2.6**
	2.1	**9.9**	**28.5**	**8.3**	**48.8**

Note

Mr. Alfred Chan Wing Kin, Mr. Peter Wong Wai Yee and Mr. James Kwan Yuk Choi are also directors of Towngas China Company Limited ("Towngas China"), a significant subsidiary of the Group. In this connection, Mr. Alfred Chan Wing Kin, Mr. Peter Wong Wai Yee and Mr. James Kwan Yuk Choi each received directors' emoluments of HK$0.2 million, HK$5.0 million and HK$0.2 million (2012: HK$0.2 million, HK$4.6 million and HK$0.2 million) respectively, and no share-based payments were received during the year and 2012.

[1] Mr. James Kwan Yuk Choi resigned as Executive Director and Chief Operating Officer on 1st February 2013 upon his retirement. At the same date, Mr. Peter Wong Wai Yee was appointed as Executive Director and Chief Operating Officer-Utilities Business.

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

(a) Directors' emoluments (Continued)

The remuneration paid to every director for the year ended 31st December 2012 for their service on the Board of the Company is set out below:

Name of director	Fees HK$'M	Salary, allowances and benefits in kind HK$'M	Performance bonus HK$'M	Contributions to retirement scheme HK$'M	Total HK$'M
Alfred Chan Wing Kin	0.2	5.5	25.0	4.8	35.5
James Kwan Yuk Choi	0.2	3.2	8.6	3.3	15.3
Lee Shau Kee	0.3	0.2	–	–	0.5
Leung Hay Man	0.3	–	–	–	0.3
Colin Lam Ko Yin	0.2	–	–	–	0.2
Lee Ka Kit	0.2	–	–	–	0.2
Lee Ka Shing	0.2	–	–	–	0.2
David Li Kwok Po	0.3	0.1	–	–	0.4
Poon Chung Kwong	0.3	–	–	–	0.3
	2.2	9.0	33.6	8.1	52.9

The above remuneration paid to directors of the Company also represents the amount of short-term employee benefits of HK$40.5 million (2012: HK$44.8 million) and post-employment benefits of HK$8.3 million (2012: HK$8.1 million) paid to the Group's senior management during the year ended 31st December 2013. There were no other long-term benefits, termination benefits and share-based payment paid to the Group's senior management during the year (2012: nil).

(b) Five highest paid individuals

The above analysis includes two (2012: two) individuals whose emoluments were among the five highest in the Group. Details of the emoluments payable to the remaining three (2012: three) individuals are as follows:

	Group 2013 HK$'M	Group 2012 HK$'M
Fee, salaries, allowances and benefits in kind	**8.0**	9.7
Performance bonus	**11.7**	13.0
Contributions to retirement scheme	**2.8**	3.1
	22.5	25.8

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

(b) Five highest paid individuals (Continued)

Number of individuals whose emoluments fell within:

Emoluments band (HK$'M)	**2013**	2012
10.0 – 11.0	**–**	1
8.0 – 9.0	**1**	1
7.0 – 8.0	**1**	1
5.0 – 6.0	**1**	–

(c) Emoluments of senior management

Senior management for the years ended 31st December 2013 and 2012 were all executive directors of the Company whose emoluments have been shown in directors' emoluments above.

13 Taxation

The amount of taxation charged to the income statement represents:

	Group	
	2013 HK$'M	2012 HK$'M
Current taxation – provision for Hong Kong Profits Tax at the rate of 16.5 % (2012: 16.5 %) on the estimated assessable profits for the year	**636.2**	642.5
Current taxation – provision for other countries income tax at the prevailing rates on the estimated assessable profits for the year	**640.4**	536.0
Current taxation – over provision in prior years	**(2.1)**	(8.4)
Deferred taxation – origination and reversal of temporary differences	**249.1**	193.0
Withholding tax	**131.6**	121.5
	1,655.2	1,484.6

13 Taxation (Continued)

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

	Group	
	2013 HK$'M	Restated 2012 HK$'M
Profit before taxation	**9,410.8**	9,885.6
Less: Share of results of associates	**(1,389.1)**	(2,455.4)
Share of results of joint ventures	**(1,282.8)**	(1,199.4)
	6,738.9	6,230.8
Calculated at a tax rate of 16.5% (2012: 16.5%)	**1,111.9**	1,028.1
Effect of different tax rates in other countries	**301.2**	242.7
Income not subject to taxation	**(142.1)**	(217.5)
Expenses not deductible for taxation purposes	**224.1**	250.0
Utilisation of previously unrecognised tax losses	**(7.1)**	(7.6)
Over provision in prior years	**(2.1)**	(8.4)
Withholding tax	**131.6**	121.5
Others	**37.7**	75.8
	1,655.2	1,484.6

Share of associates' taxation for the year ended 31st December 2013 of HK$400.1 million (2012: HK$287.6 million) is included in the income statement as share of results of associates.

Share of joint ventures' taxation for the year ended 31st December 2013 of HK604.5 million (2012: HK$474.3 million) is included in the income statement as share of results of joint ventures.

14 Profit attributable to shareholders of the Company

Profit attributable to shareholders of the Company is dealt with in the accounts of the Company to the extent of HK$3,280.9 million (restated 2012: HK$3,147.5 million).

15 Dividends

	Company	
	2013 HK$'M	2012 HK$'M
Interim, paid of HK12 cents per ordinary share (2012: HK12 cents per ordinary share)	**1,147.2**	1,042.9
Final, proposed of HK23 cents per ordinary share (2012: HK23 cents per ordinary share)	**2,198.7**	1,998.8
	3,345.9	3,041.7

At a meeting held on 19th March 2014, the directors of the Company declared a final dividend of HK23 cents per ordinary share for the year ended 31st December 2013. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ended 31st December 2013.

16 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK$6,853.8 million (restated 2012: HK$7,712.1 million) and the weighted average of 9,559,670,503 shares (2012: 9,559,670,503 shares[1]) in issue during the year.

As the impact of diluted potential ordinary shares of a subsidiary is insignificant during the years 2013 and 2012, the diluted earnings per share for the years ended 31st December 2013 and 2012 are approximately the same as the basic earnings per share.

[1] Adjusted for the bonus issue in 2013

17 Property, plant and equipment

	Buildings, plant and equipment HK$'M	Mains and risers HK$'M	Meters and installations HK$'M	Mining and oil properties HK$'M	Others HK$'M	Capital work in progress HK$'M	Total HK$'M
Group							
Cost							
At 1st January 2013	**11,505.7**	**22,322.7**	**2,880.0**	**5,836.1**	**798.4**	**8,968.4**	**52,311.3**
Additions	**408.0**	**461.2**	**220.7**	**147.9**	**42.4**	**4,496.3**	**5,776.5**
Acquisition of subsidiaries (Note 45)	**90.4**	**159.6**	**–**	**–**	**–**	**67.3**	**317.3**
Disposal of a subsidiary (Note 44)	**(71.7)**	**(124.6)**	**–**	**–**	**–**	**(36.0)**	**(232.3)**
Transfers from capital work in progress	**3,926.8**	**2,202.7**	**0.3**	**–**	**–**	**(6,129.8)**	**–**
Disposals/write off	**(162.2)**	**(39.7)**	**(59.6)**	**(2.4)**	**–**	**(2.5)**	**(266.4)**
Exchange differences	**171.8**	**466.8**	**4.9**	**(121.4)**	**29.5**	**281.6**	**833.2**
At 31st December 2013	**15,868.8**	**25,448.7**	**3,046.3**	**5,860.2**	**870.3**	**7,645.3**	**58,739.6**
Accumulated depreciation							
At 1st January 2013	**4,894.9**	**4,843.9**	**1,848.6**	**108.0**	**65.9**	**–**	**11,761.3**
Charge for the year	**670.7**	**628.8**	**231.9**	**90.9**	**27.5**	**–**	**1,649.8**
Disposal of a subsidiary (Note 44)	**(32.2)**	**(16.6)**	**–**	**–**	**–**	**–**	**(48.8)**
Disposals/write off	**(129.9)**	**(20.4)**	**(41.9)**	**(0.2)**	**–**	**–**	**(192.4)**
Exchange differences	**46.4**	**65.3**	**2.4**	**1.4**	**3.3**	**–**	**118.8**
At 31st December 2013	**5,449.9**	**5,501.0**	**2,041.0**	**200.1**	**96.7**	**–**	**13,288.7**
Net book value							
At 31st December 2013	**10,418.9**	**19,947.7**	**1,005.3**	**5,660.1**	**773.6**	**7,645.3**	**45,450.9**
At 31st December 2012	6,610.8	17,478.8	1,031.4	5,728.1	732.5	8,968.4	40,550.0

17 Property, plant and equipment (Continued)

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

17 Property, plant and equipment (Continued)

	Buildings, plant and equipment HK$'M	Mains and risers HK$'M	Meters and installations HK$'M	Mining and oil properties HK$'M	Others HK$'M	Capital work in progress HK$'M	Total HK$'M
Group							
Cost							
At 1st January 2012	9,991.0	20,582.4	2,721.3	2,430.5	308.2	6,703.0	42,736.4
Additions	779.8	554.2	199.5	46.1	391.5	4,377.8	6,348.9
Acquisition of subsidiaries	473.4	102.3	–	3,257.6	–	–	3,833.3
Disposal of a subsidiary	(151.4)	(370.8)	–	–	(4.9)	(82.2)	(609.3)
Transfers from capital work in progress	508.5	1,425.0	0.6	–	101.6	(2,035.7)	–
Disposals/write off	(135.1)	(29.3)	(41.4)	–	–	(5.7)	(211.5)
Exchange differences	39.5	58.9	–	101.9	2.0	11.2	213.5
At 31st December 2012	11,505.7	22,322.7	2,880.0	5,836.1	798.4	8,968.4	52,311.3
Accumulated depreciation							
At 1st January 2012	4,433.7	4,319.4	1,654.3	36.3	37.6	–	10,481.3
Charge for the year	578.5	564.1	222.7	71.7	28.7	–	1,465.7
Disposal of a subsidiary	(35.9)	(34.7)	–	–	(0.9)	–	(71.5)
Disposals/write off	(93.5)	(13.5)	(28.4)	–	–	–	(135.4)
Exchange differences	12.1	8.6	–	–	0.5	–	21.2
At 31st December 2012	4,894.9	4,843.9	1,848.6	108.0	65.9	–	11,761.3
Net book value							
At 31st December 2012	6,610.8	17,478.8	1,031.4	5,728.1	732.5	8,968.4	40,550.0
At 31st December 2011	5,557.3	16,263.0	1,067.0	2,394.2	270.6	6,703.0	32,255.1

17 Property, plant and equipment (Continued)

	Buildings, plant and equipment HK$'M	Mains and risers HK$'M	Meters and installations HK$'M	Capital work in progress HK$'M	Total HK$'M
Company					
Cost					
At 1st January 2012	4,453.6	9,241.6	2,596.4	949.4	17,241.0
Additions	82.4	–	200.1	568.4	850.9
Transfers from capital work in progress	17.1	319.8	0.3	(337.2)	–
Disposals/write off	(40.5)	(17.8)	(37.6)	–	(95.9)
At 31st December 2012	4,512.6	9,543.6	2,759.2	1,180.6	17,996.0
Accumulated depreciation					
At 1st January 2012	3,181.2	3,194.3	1,594.4	–	7,969.9
Charge for the year	158.3	236.2	216.6	–	611.1
Disposals/write off	(40.4)	(9.8)	(25.3)	–	(75.5)
At 31st December 2012	3,299.1	3,420.7	1,785.7	–	8,505.5
Net book value					
At 31st December 2012	1,213.5	6,122.9	973.5	1,180.6	9,490.5
At 31st December 2011	1,272.4	6,047.3	1,002.0	949.4	9,271.1

18 Investment property

	Group	
	2013 HK$'M	2012 HK$'M
At 1st January	**540.0**	518.0
Fair value gain (Note 7)	**106.0**	22.0
At 31st December	**646.0**	540.0

The Group's interest in the commercial investment property is located in Hong Kong under a land lease of over 50 years. The investment property was revalued at 31st December 2013 by an independent professionally qualified valuer, Knight Frank Petty Limited which conform to the The HKIS Valuation Standards on Properties (2012 Edition) shown in Note 4 (c).

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

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

Unobservable inputs	Commercial complex	Car Park	Relationship of unobservable inputs to fair value
Capitalisation rate	5.4 %	9.5 %	The higher the capitalisation rate, the lower the fair value
Monthly rent	HK$15.5/sq.ft.	N/A	The higher the market rent, the higher the fair value

Valuation processes of the Group
The Group's finance division includes a team that review and analyse the valuation performed by the independent valuer for financial reporting purposes. At each financial year end the finance division:

– Verifies all major inputs to the independent valuation report;

– Assesses property valuation movements when compared with the prior year valuation report;

– Holds discussions with the independent valuer.

19 Leasehold land

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

	Group		Company	
	2013 HK$'M	2012 HK$'M	**2013 HK$'M**	2012 HK$'M
Held in Hong Kong:				
Leases of 10 to 50 years	**334.6**	310.1	**245.9**	218.8
Held outside Hong Kong:				
Leases of 10 to 50 years	**1,216.8**	1,054.0	**–**	–
	1,551.4	1,364.1	**245.9**	218.8

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

	Group		Company	
	2013 HK$'M	2012 HK$'M	**2013 HK$'M**	2012 HK$'M
At 1st January	**1,364.1**	1,351.2	**218.8**	225.1
Additions	**207.9**	89.4	**33.4**	–
Acquisition of subsidiaries (Note 45)	**17.3**	12.4	**–**	–
Disposal of a subsidiary	**–**	(29.9)	**–**	–
Disposals	**(34.5)**	(28.9)	**–**	–
Amortisation	**(41.5)**	(34.6)	**(6.3)**	(6.3)
Exchange differences	**38.1**	4.5	**–**	–
At 31st December	**1,551.4**	1,364.1	**245.9**	218.8

No bank borrowing of the Group is secured on land use rights as at 31st December 2013 (2012: HK$9.5 million).

20 Intangible assets

	Group 2013 HK$'M	Group 2012 HK$'M
(a) Goodwill		
At 1st January	**3,769.7**	3,353.5
Additions	**1,359.6**	416.1
Exchange differences	**53.9**	0.1
At 31st December	**5,183.2**	3,769.7
(b) Other intangible asset		
Cost		
At 1st January and 31st December	**83.1**	83.1
Accumulated amortisation		
At 1st January	**(7.4)**	(1.8)
Amortisation	**(5.6)**	(5.6)
At 31st December	**(13.0)**	(7.4)
Net book value		
At 31st December	**70.1**	75.7
Total intangible assets	**5,253.3**	3,845.4

Goodwill is allocated to cash-generating units that are expected to benefit from the business combination in which the goodwill arose, majority related to segment – gas, water and related businesses in mainland China. The Group tests goodwill annually for impairment, or more frequently if there are indications that it might be impaired. For the purpose of impairment test, the recoverable amount of the cash-generating units is determined based on either fair value less costs of disposal or value in use calculations. The fair value less costs of disposal is by referencing to an active market. The value in use calculations are derived from cash flow projections based on the most recent financial budget for the next five years approved by management. Cash flows beyond five year period have been extrapolated using growth rates from 0.0 per cent to 15.0 per cent (2012: 0.0 per cent to 10.0 per cent) per annum which are determined by considering both internal and external factors relating to the cash-generating units. Discount rate used of 7.6 per cent or 10.0 per cent (2012: 8.0 per cent or 10.0 per cent) is adopted to reflect specific risks relating to the relevant cash-generating units. Based on impairment tests prepared, there is no impairment for intangible assets as at 31st December 2013 and 2012.

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

21 Subsidiaries

	Company	
	2013 HK$'M	2012 HK$'M
Investments in subsidiaries	**339.2**	339.2
Loan and other receivables from subsidiaries – non-current	**17,929.4**	26,212.7
	18,268.6	26,551.9
Loan receivables from subsidiaries – current	**398.8**	390.0
Loan and other payables to subsidiaries – non-current	**(14,416.2)**	(22,011.0)

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

(i) Loan receivables from subsidiaries in Hong Kong of HK$2,428.7 million (2012: HK$2,552.8 million) with effective interest rate ranging from 2.38 per cent to 3.86 per cent per annum (2012: 2.40 per cent to 3.88 per cent per annum) are unsecured. Except for HK$1,434.9 million (2012: HK$1,559.0 million) with no fixed term of repayment, remaining balance is fully repayable in 2016 to 2018 (2012: 2014 to 2017).

(ii) Loan receivables from subsidiaries in the PRC of HK$398.8 million (2012: HK$390.0 million) are denominated in USD, unsecured and bear interest at the prevailing lending rate quoted by The People's Bank of China Rate and repayable on demand.

(iii) Loan payable to a subsidiary in Hong Kong of HK$1,350.0 million (2012: HK$1,350.0 million) with fixed interest rate of 6 per cent per annum (2012: 6 per cent) is unsecured and have no fixed terms of repayment.

(iv) Remaining balance of HK$2,434.5 million (2012: HK$2,998.9 million) is unsecured, interest free and have no fixed terms of repayment.

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

	Company	
	2013 HK$'M	2012 HK$'M
HKD	**7,819.5**	15,503.7
USD	**5,386.7**	5,588.1
RMB	**1,201.9**	911.1
Others	**8.1**	8.1
	14,416.2	22,011.0

Other receivables from subsidiaries are neither past due nor impaired and there is no history of default. The principal subsidiaries of the Company are shown on pages 171 to 183 of the accounts.

Towngas China is a company listed in The Stock Exchange of Hong Kong Limited. The market value of the Group's investment in Towngas China amounted to HK$14,637.3 million as at 31st December 2013 (2012: HK$10,371.5 million).

21 Subsidiaries (Continued)

Material non-controlling interests

The total non-controlling interest as at 31st December 2013 is HK$6,502.9 million (2012: HK$5,148.4 million) of which HK$4,176.9 million (2012: HK$3,052.7 million) is attributable to Towngas China and for the non-controlling interest in respect of other individual subsidiaries of the Group is not material.

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

	Towngas China	
Summarised balance sheet	**2013 HK$'M**	2012 HK$'M
Assets		
Non-current assets	**16,631.6**	13,081.1
Current assets	**5,042.1**	4,410.5
	21,673.7	17,491.6
Liabilities		
Non-current liabilities	**(4,994.2)**	(4,427.6)
Current liabilities	**(7,162.8)**	(5,613.3)
	(12,157.0)	(10,040.9)
Net assets	**9,516.7**	7,450.7

	Towngas China	
Summarised income statement and comprehensive income statement	**2013 HK$'M**	2012 HK$'M
Revenue	**6,715.7**	5,183.5
Profit before taxation	**1,608.8**	1,235.5
Taxation	**(382.5)**	(299.4)
Profit for the year	**1,226.3**	936.1
Other comprehensive income	**302.7**	151.4
Total comprehensive income	**1,529.0**	1,087.5
Total comprehensive income attributable to non-controlling interests	**144.2**	98.1
Dividend paid to non-controlling shareholders	**34.4**	24.2

21 Subsidiaries (Continued)

Summarised cash flows	Towngas China 2013 HK$'M	2012 HK$'M
Net cash generated from operating activities	**1,050.5**	1,074.8
Net cash used in investing activities	**(2,983.2)**	(1,650.9)
Net cash inflow from financing activities	**1,607.0**	1,089.4
Net (decrease)/increase in cash and cash equivalents	**(325.7)**	513.3
Cash and cash equivalents at beginning of year	**2,479.5**	1,922.5
Effect of foreign exchange rate changes	**76.6**	43.7
Cash and cash equivalents at end of year	**2,230.4**	2,479.5

22 Associates

	Group		Company	
	2013 HK$'M	2012 HK$'M	**2013 HK$'M**	2012 HK$'M
Investments in associates, including goodwill	**15,968.3**	14,811.0	**–**	–
Loans to associates – non-current	**1,046.8**	1,496.1	**–**	–
	17,015.1	16,307.1	**–**	–
Loan and other receivables from associates – current	**116.5**	73.0	**36.1**	30.2

Loan and other receivables from associates are analysed below:

(i) Loans to associates in mainland China of HK$506.9 million (2012: HK$367.1 million) with effective interest rates ranging from 6.55 per cent to 7.26 per cent per annum (2012: 1.13 per cent to 7.26 per cent per annum) are unsecured and fully repayable in 2014 to 2017 (2012: 2013 to 2017).

(ii) Loan to an associate in Hong Kong of HK$559.1 million (2012: HK$1,162.5 million) with effective interest rate of 2.00 per cent per annum (2012: 1.80 per cent) is unsecured and fully repayable in 2015.

(iii) Remaining balance of HK$97.3 million (2012: HK$39.5 million) is unsecured, interest free and have no fixed terms of repayment.

(iv) Loan and other receivables from associates are neither past due nor impaired and there is no history of default.

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

	Group		Company	
	2013 HK$'M	2012 HK$'M	**2013 HK$'M**	2012 HK$'M
HKD	**559.1**	1,162.5	**–**	–
USD	**487.7**	333.9	**36.1**	30.2
RMB	**116.5**	72.7	**–**	–
	1,163.3	1,569.1	**36.1**	30.2

22 Associates (Continued)

Particulars of the principal associates as at 31st December 2013 are listed below:

Name	Note	Issued share capital/ registered capital	Percentage of the Group's equity interest	Place of incorporation/ operation	Principal activity
Anhui Province Natural Gas Development Company Limited		RMB252.0 million	27.5	PRC	Mid-stream natural gas project
China-Singapore Suzhou Industrial Park Broad Energy Services Co. Ltd.		RMB71.1 million	25	PRC	Cooling and heating system business
Dalian DETA ECO Environmental Energy Company Limited		RMB20.0 million	49	PRC	Vehicular fuel refilling station
Fengcheng Xingao Coking Co., Ltd.		RMB350.0 million	40	PRC	New Energy project
GH-Fusion Limited		200 shares of US$1 each	50	British Virgin Islands	Investment holding
[1] Hangzhou Natural Gas Company Limited		RMB1,195.0 million	24	PRC	Mid-stream natural gas and piped city-gas project
Hebei Natural Gas Company Limited		RMB520.0 million	45	PRC	Mid-stream natural gas project
Lane Success Development Limited		10,000 shares of HK$1 each	45	Hong Kong	Property development
Central Waterfront Property Investment Holdings Limited	(i)	100 shares of US$1 each	15.8	British Virgin Islands/ Hong Kong	Investment holding
Shenzhen Gas Corporation Limited	(ii)	RMB1,980.5 million	26.8	PRC	Gas sales and related businesses
Jiangxi Feng Long Mining Company Limited		RMB236.1 million	25	PRC	Coal mining and related businesses
Hainan Petrochina Kunlun Hong Kong & China Gas Company Limited		RMB50.4 million	49	PRC	Gas sales and related businesses
Towngas DETA Telecom (Dalian) Co., Limited		RMB10.0 million	49	PRC	Telecommunications pipe laying project
Shanxi Yuanping Guoxin Compressed Natural Gas Co. Limited		RMB20.0 million	42	PRC	Vehicular fuel refilling station
Suzhou Petrochina Kunlun Hong Kong and China Gas Company Limited		RMB40.0 million	29	PRC	Mid-stream natural gas project
杭州西園管道燃氣有限公司		RMB15.0 million	29.9	PRC	Investment holding
中新蘇州工業園區環保技術有限公司		RMB185.0 million	49	PRC	Water treatment project
河南省中原石油天然氣管網有限公司		RMB50.0 million	49	PRC	Mid-stream natural gas project
[2] 港華儲氣有限公司		RMB100 million	64	PRC	Gas storage project

[1] Newly acquired during the year
[2] Newly formed during the year

22 Associates (Continued)

Particulars of the principal associates as at 31st December 2013 are listed below:

Name	Note	Issued share capital/ registered capital	Percentage of the Group's equity interest	Place of incorporation/ operation	Principal activity
Held by Towngas China					
[2] Bozhou WanHua Gas Company Ltd.		RMB30.0 million	49	PRC	Gas sales and related businesses
Changchun Gas Company Limited		RMB529.6 million	25	PRC	Gas sales and related businesses
Dalian DETA Hong Kong and China Gas Co., Ltd.		RMB137.2 million	40	PRC	Gas sales and related businesses
Foshan Gas Group Ltd.		RMB500.0 million	43	PRC	Gas sales and related businesses
Fuzhou Fubei Natural Gas Co., Ltd.		RMB16.0 million	40	PRC	Gas sales and related businesses
Linqu Hong Kong & China Gas Company Limited		US$2.1 million	42.4	PRC	Gas sales and related businesses
Shandong Jihua Gas Co., Ltd.		RMB400.0 million	49	PRC	Gas sales and related businesses
[1] Shijiazhuang Huabo Gas Co., Ltd.		RMB5.0 million	45	PRC	Gas sales and related businesses
Zibo Lubo Gas Company Ltd.		RMB100.0 million	27	PRC	Gas sales and related businesses

[1] Newly acquired during the year
[2] Newly formed during the year

Notes

(i) The Group has an effective interest of approximately 15.8 per cent in the IFC complex through its interest in Central Waterfront Property Investment Holdings Limited ("CWPI"). With the Group's presence on the board of directors of CWPI and participation in the financial and operating policies of the IFC complex, the Group could exercise significant influence over CWPI and accordingly the investment is accounted for as an associate.

(ii) On 25th December 2009, Shenzhen Gas Corporation Limited ("SGCL") was listed on the Shanghai Stock Exchange. As at 31st December 2013, the Group held 531,341,235 shares (2012: 531,341,235 shares) of SGCL or approximately 26.8 per cent equity interest of SGCL. The carrying value and the market value of the Group's investment as at 31st December 2013 in SGCL amounted to HK$1,656.8 million (2012: HK$1,452.2 million) and HK$5,381.0 million (2012: HK$6,245.0 million) respectively.

22 Associates (Continued)

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

	Group	
	2013 HK$'M	2012 HK$'M
Income	**10,030.2**	9,064.1
Expenses, including taxation	**(8,641.1)**	(6,608.7)
Profit after taxation	**1,389.1**	2,455.4
Other comprehensive loss	**(1.7)**	–
Total comprehensive income	**1,387.4**	2,455.4

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

	CWPI	
Summarised balance sheet	**2013 HK$'M**	2012 HK$'M
Assets		
Non-current assets	**77,349.3**	76,601.0
Current assets	**1,019.2**	921.1
	78,368.5	77,522.1
Liabilities		
Non-current liabilities	**(18,236.6)**	(18,090.7)
Current liabilities	**(1,744.8)**	(1,661.1)
	(19,981.4)	(19,751.8)
Net assets	**58,387.1**	57,770.3

	CWPI	
Summarised income statement and comprehensive income statement	**2013 HK$'M**	2012 HK$'M
Income	**6,222.9**	13,892.3
Expenses, including taxation	**(2,525.4)**	(2,342.2)
Profit after taxation	**3,697.5**	11,550.1
Other comprehensive loss	**(10.7)**	–
Total comprehensive income	**3,686.8**	11,550.1
Dividend received from the associate	**484.8**	445.3

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

22 Associates (Continued)

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

	CWPI	
	2013 HK$'M	2012 HK$'M
Net assets		
At 1st January	**57,770.3**	49,040.2
Profit for the year	**3,697.5**	11,550.1
Other comprehensive loss	**(10.7)**	–
Dividend paid	**(3,070.0)**	(2,820.0)
At 31st December	**58,387.1**	57,770.3

	Group	
	2013 HK$'M	2012 HK$'M
Carrying value		
Interest in associate (15.79 %)	**9,219.3**	9,121.9

23 Joint ventures

	Group		Company	
	2013 HK$'M	2012 HK$'M	**2013 HK$'M**	2012 HK$'M
Investments in joint ventures, including goodwill	**8,537.1**	7,896.2	**850.8**	850.8
Loans to joint ventures – non-current	**401.9**	1,207.4	**59.6**	82.6
	8,939.0	9,103.6	**910.4**	933.4
Loan and other receivables from joint ventures – current	**1,664.7**	861.3	**7.6**	6.0
Amounts due to joint ventures – current	**(596.6)**	(392.4)	**(0.6)**	(1.1)

23 Joint ventures (Continued)

Loan and other receivables from joint ventures are analysed below:

(i) Loans to joint ventures in mainland China of HK$1,197.6 million (2012: HK$1,346.7 million) with effective interest rates ranging from 2.88 per cent to 7.87 per cent per annum (2012: 2.88 per cent to 7.87 per cent per annum) are unsecured and fully repayable in 2014 to 2016 (2012: 2013 to 2016).

(ii) Loans to a joint venture in Hong Kong of HK$97.0 million (2012: HK$93.8 million) with effective interest rates of 2.8 per cent per annum (2012 : 2.50 per cent per annum) is unsecured and have no fixed terms of repayment.

(iii) Remaining balance of HK$772.0 million (2012: HK$628.2 million) is unsecured, interest free and with no fixed terms of repayment.

(iv) Loan and other receivables from joint ventures are neither past due nor impaired and there is no history of default.

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

	Group		Company	
	2013 HK$'M	2012 HK$'M	**2013 HK$'M**	2012 HK$'M
HKD	**156.5**	176.3	**67.2**	88.6
USD	**173.3**	211.7	**–**	–
RMB	**1,736.8**	1,680.7	**–**	–
	2,066.6	2,068.7	**67.2**	88.6

Amounts due to joint ventures are analysed below:

(i) Amount due to a joint venture of HK$260.0 million (2012: HK$252.0 million) with effective interest rate of 6.12 per cent per annum (2012: 6.67 per cent per annum) is unsecured and repayable in 2014.

(ii) Amounts due to joint ventures of HK$265.7 million (2012: HK$138.8 million) with effective interest rate of 3.60 per cent per annum (2012: 3.60 per cent per annum) are unsecured and have no fixed terms of repayment.

(iii) Remaining balance of HK$70.9 million (2012: HK$1.6 million) is unsecured, interest free and with no fixed terms of repayment.

(iv) Amounts due to joint ventures are denominated in RMB (2012: denominated in RMB).

23 Joint ventures (Continued)

Particulars of the principal joint ventures as at 31st December 2013 are listed below:

Name	Issued share capital/ registered capital	Percentage of the Group's equity interest	Place of incorporation/ operation	Principal activity
# Beijing Beiran & HKCG Gas Company Limited	RMB44.4 million	50	PRC	Gas sales and related businesses
Changzhou Hong Kong and China Gas Company Limited	RMB166.0 million	50	PRC	Gas sales and related businesses
Chongqing Energy ECO CBM Company Limited	RMB180.0 million	50	PRC	Coalbed methane project
Jilin Province Natural Gas Limited Company	RMB220.0 million	49	PRC	Mid-stream natural gas project
Jinan Hong Kong and China Gas Company Limited	RMB470.0 million	50	PRC	Gas sales and related businesses
Maanshan ECO Auto Fuel Company Limited	RMB10.5 million	30	PRC	Vehicular fuel refilling station
Nanjing Hong Kong and China Gas Company Limited	RMB600.0 million	50	PRC	Gas sales and related businesses
Suzhou Hong Kong and China Gas Company Limited	RMB200.0 million	55	PRC	Gas sales and related businesses
Suzhou Industrial Park Qingyuan Hong Kong & China Water Company Limited	RMB2,197.0 million	50	PRC	Water supply and sewage treatment
# Tongling Hong Kong and China Gas Company Limited	RMB100.0 million	70	PRC	Gas sales and related businesses
Wuhan Natural Gas Company Limited	RMB420.0 million	49	PRC	Gas sales and related businesses
# Xian Qinhua Natural Gas Company Limited	RMB1,000.0 million	49	PRC	Gas sales and related businesses
Yieldway International Limited	2 shares of HK$1 each	50	Hong Kong	Property development
Zhangjiagang Hong Kong and China Gas Company Limited	RMB100.0 million	50	PRC	Gas sales and related businesses
吉林天元石油有限公司	RMB5.0 million	50	PRC	Natural gas exploitation

Direct joint ventures of the Company

23 Joint ventures (Continued)

Name	Issued share capital/ registered capital	Percentage of the Group's equity interest	Place of incorporation/ operation	Principal activity
Held by Towngas China				
Zibo Hong Kong and China Gas Company Limited	RMB56.0 million	50	PRC	Gas sales and related businesses
Weifang Hong Kong and China Gas Company Limited	US$16.9 million	50	PRC	Gas sales and related businesses
Weihai Hong Kong and China Gas Company Limited	RMB99.2 million	50	PRC	Gas sales and related businesses
Taian Taishan Hong Kong and China Gas Company Limited	RMB80.0 million	50	PRC	Gas sales and related businesses
Maanshan Hong Kong and China Gas Company Limited	US$13.0 million	50	PRC	Gas sales and related businesses
Anqing Hong Kong and China Gas Company Limited	RMB73.0 million	50	PRC	Gas sales and related businesses
Chongqing Hong Kong and China Gas Company Limited	RMB20.0 million	50	PRC	Gas sales and related businesses
Hangzhou Hong Kong and China Gas Company Limited	US$20.0 million	50	PRC	Gas sales and related businesses
[1] Wuhu Hong Kong & China Gas Company Limited	RMB52.8 million	50	PRC	Gas sales and related businesses

[1] Newly acquired during the year

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

	Group	
	2013 HK$'M	2012 HK$'M
Income	**11,173.6**	9,763.2
Expenses, including taxation	**(9,890.8)**	(8,563.8)
Profit after taxation and total comprehensive income	**1,282.8**	1,199.4

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

24 Available-for-sale financial assets

	Group		Company	
	2013 HK$'M	2012 HK$'M	**2013 HK$'M**	2012 HK$'M
Debt securities (Note (a))	**746.3**	802.0	**–**	–
Equity securities (Note (b))	**2,191.0**	2,276.6	**44.5**	51.7
	2,937.3	3,078.6	**44.5**	51.7
Market value of listed investments	**2,100.1**	2,255.0	**44.5**	51.7

	Group		Company	
	2013 HK$'M	2012 HK$'M	**2013 HK$'M**	2012 HK$'M
Notes				
(a) Debt securities				
Listed – Hong Kong	**147.3**	147.1	**–**	–
Listed – overseas	**599.0**	635.7	**–**	–
Unlisted	**–**	19.2	**–**	–
	746.3	802.0	**–**	–
(b) Equity securities				
Listed – Hong Kong	**1,169.4**	1,323.9	**44.5**	51.7
Listed – overseas	**184.4**	148.3	**–**	–
Unlisted (Note (c))	**837.2**	804.4	**–**	–
	2,191.0	2,276.6	**44.5**	51.7

(c) Included in the unlisted equity securities of HK$485.1 million (2012: HK$502.2 million) are carried at cost less impairment as these investments do not have a quoted market price and range of reasonable fair value estimate is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably.

(d) In 2008 under a rare circumstance, the Group reclassified debt and equity securities that are no longer held for the purpose of selling in the near term out of the financial assets at fair value through profit or loss category into available-for-sale category.

As at 31st December 2013, the fair values of debt and equity securities assets reclassified during 2008 are HK$37.2 million (2012: HK$76.8 million).

If the Group had not reclassified the debt and equity securities during 2008, fair value gain recognised for the year in the income statement will be decreased by HK$6.7 million (2012: increased by HK$10.8 million).

24 Available-for-sale financial assets (Continued)

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

	Group		Company	
	2013 **HK$'M**	2012 HK$'M	**2013** **HK$'M**	2012 HK$'M
HKD	**1,169.4**	1,338.8	**44.5**	51.7
USD	**1,219.9**	1,153.3	**–**	–
RMB	**525.8**	561.4	**–**	–
Others	**22.2**	25.1	**–**	–
	2,937.3	3,078.6	**44.5**	51.7

25 Retirement benefit assets / (liabilities)

	Group and Company	
	2013 **HK$'M**	Restated 2012 HK$'M
At 31st December	**66.3**	(30.2)

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

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

	Group and Company		
	2013 **HK$'M**	Restated 2012 HK$'M	Restated At 1st January 2012 HK$'M
Fair value of plan assets	**529.9**	508.0	453.2
Present value of funded obligations	**(463.6)**	(538.2)	(429.9)
Net assets/(liabilities) in the balance sheet	**66.3**	(30.2)	23.3

The plan assets did not include any ordinary shares of the Company as at 31st December 2013 (2012: nil).

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

	Group and Company	
	2013 **HK$'M**	Restated 2012 HK$'M
Current service cost	**18.8**	15.7
Net interest cost/(income)	**0.2**	(0.4)
Administrative expenses	**0.1**	0.1
Total (Note 11)	**19.1**	15.4

25 Retirement benefit assets / (liabilities) (Continued)

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

	Group and Company	
	2013 HK$'M	Restated 2012 HK$'M
Actuarial loss due to liability experience	**7.6**	18.4
Actuarial (gain)/loss due to financial assumption changes	**(86.9)**	76.3
Actuarial loss due to demographic assumption changes	**–**	0.1
Actuarial (gains)/losses	**(79.3)**	94.8
Return on plan assets, excluding amounts included in interest income	**(31.6)**	(52.0)
Total	**(110.9)**	42.8

The movements in the defined benefit obligations are as follows:

	Group and Company	
	2013 HK$'M	Restated 2012 HK$'M
At 1st January	**538.2**	429.9
Current service cost	**18.8**	15.7
Interest cost	**4.2**	6.3
Benefits paid	**(18.3)**	(8.5)
Actuarial (gains)/losses	**(79.3)**	94.8
At 31st December	**463.6**	538.2

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

	Group and Company	
	2013 HK$'M	Restated 2012 HK$'M
At 1st January	**508.0**	453.2
Return on plan assets, excluding amounts included in interest income	**31.6**	52.0
Interest income recognised in income statement	**4.0**	6.7
Contribution paid by employer	**4.7**	4.7
Benefits paid	**(18.3)**	(8.5)
Administrative expenses	**(0.1)**	(0.1)
At 31st December	**529.9**	508.0

25 Retirement benefit assets / (liabilities) (Continued)

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

	Group and Company	
	2013 **HK$'M**	Restated 2012 HK$'M
At 1st January, as previously reported	**86.5**	81.4
Adjustment for adoption of HKAS 19 (amendment 2011)	**(116.7)**	(58.1)
At 1st January, as restated	**(30.2)**	23.3
Remeasurement effects recognised in other comprehensive income	**110.9**	(42.8)
Total cost of the defined retirement scheme benefit (Note 11)	**(19.1)**	(15.4)
Contribution paid by employer	**4.7**	4.7
At 31st December	**66.3**	(30.2)

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

	Group and Company	
	2013 **%**	2012 %
Equity securities	**78.0**	67.0
Debt securities	**15.0**	27.0
Cash	**7.0**	6.0

The principal actuarial assumptions used are as follows:

	Group and Company	
	2013 **%**	2012 %
Discount rate	**2.6**	0.8
Expected rate of future salary increases	**4.0**	3.5

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

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25 %	Decrease by 3.2 %	Increase by 3.3 %
Maximum salary scale increase rate	0.25 %	Increase by 2.1 %	Decrease by 2.5 %

25 Retirement benefit assets / (liabilities) (Continued)

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

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

Expected contributions to the scheme for the year ending 31st December 2014 are HK$4.6 million.

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

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

The weighted average duration of the benefit obligation is 14.0 years. Expected maturity analysis of benefit undiscounted payments:

	Within 5 years HK$'M	Beyond 5 years but within 10 years HK$'M	Beyond 10 years HK$'M
As 31st December 2013			
Expected benefit payments	**89.8**	**120.0**	**790.3**

26 Other non-current assets

	Group	
	2013 HK$'M	2012 HK$'M
Second mortgage loans receivable (Note (a))	**12.6**	15.3
Deferred consideration receivable (Note (b))	**123.0**	156.7
Aviation fuel facility construction receivable (Note (c))	**2,133.6**	2,015.2
Other receivables	**156.6**	142.4
	2,425.8	2,329.6

Notes

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

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

	2013 HK$'M	2012 HK$'M
Non-current assets	**123.0**	156.7
Current assets (included in trade and other receivables)	**39.3**	39.3
	162.3	196.0

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

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

27 Inventories

	Group		Company	
	2013 HK$'M	2012 HK$'M	**2013 HK$'M**	2012 HK$'M
Coal and oil	**185.6**	234.7	**–**	–
Stores and materials	**1,638.2**	1,133.8	**655.3**	484.8
Work in progress	**559.3**	463.3	**542.8**	448.4
	2,383.1	1,831.8	**1,198.1**	933.2

The Group wrote down the carrying value of inventories by HK$15.1 million (2012: wrote down by HK$2.6 million) to its net realisable value during the year.

28 Trade and other receivables

	Group		Company	
	2013 HK$'M	2012 HK$'M	**2013 HK$'M**	2012 HK$'M
Trade receivables (Note (a))	**3,517.3**	3,065.1	**1,707.7**	1,573.2
Payments in advance (Note (b))	**1,763.6**	1,496.9	**5.2**	1.0
Other receivables	**1,286.7**	1,160.2	**171.4**	144.2
	6,567.6	5,722.2	**1,884.3**	1,718.4

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2013 HK$'M	2012 HK$'M	**2013 HK$'M**	2012 HK$'M
RMB	**3,954.8**	3,396.0	**1.1**	1.0
HKD	**2,483.0**	2,288.1	**1,882.7**	1,716.6
USD	**126.8**	35.8	**0.1**	0.6
Others	**3.0**	2.3	**0.4**	0.2
	6,567.6	5,722.2	**1,884.3**	1,718.4

28 Trade and other receivables (Continued)

Notes

(a) The Group has established credit policies for different types of customers. The credit periods offered for trade receivables, which are subject to periodic review by management, range from 30 to 60 days except for gas receivables of the Company which are due by 8 working days after billing date. As at 31st December 2013, the aging analysis of the trade receivables, net of impairment provision, is as follows:

	Group		Company	
	2013 HK$'M	2012 HK$'M	**2013 HK$'M**	2012 HK$'M
0 – 30 days	**3,067.8**	2,616.4	**1,556.4**	1,414.1
31 – 60 days	**80.7**	106.7	**41.2**	32.1
61 – 90 days	**37.9**	75.7	**18.6**	20.5
Over 90 days	**330.9**	266.3	**91.5**	106.5
	3,517.3	3,065.1	**1,707.7**	1,573.2

(i) At 31st December 2013, trade receivables of the Group and the Company that were neither past due nor impaired amounted to HK$2,666.4 million (2012: HK$2,186.3 million) and HK$1,384.6 million (2012: HK$1,229.2 million) respectively. These balances mainly relate to individuals or companies that have been the Group's or the Company's customers for more than 6 months and with no history of default in the past.

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

	Group		Company	
	2013 HK$'M	2012 HK$'M	**2013 HK$'M**	2012 HK$'M
0 – 30 days	**401.4**	430.1	**171.8**	184.9
31 – 60 days	**80.7**	106.7	**41.2**	32.1
61 – 90 days	**37.9**	75.7	**18.6**	20.5
Over 90 days	**330.9**	266.3	**91.5**	106.5
	850.9	878.8	**323.1**	344.0

28 Trade and other receivables (Continued)

Notes (Continued)

(a) (Continued)

(iii) As at 31st December 2013, trade receivables of the Group and the Company amounting to HK$84.7 million (2012: HK$60.7 million) and HK$41.7 million (2012: HK$39.6 million) respectively were impaired, all of which are aged over 90 days. The individually impaired receivables mainly relate to customers that have either been placed under liquidation or in severe financial difficulties.

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

	Group		Company	
	2013 HK$'M	2012 HK$'M	**2013 HK$'M**	2012 HK$'M
At 1st January	**60.7**	49.8	**39.6**	38.4
Impairment loss recognised	**31.0**	21.1	**9.5**	11.2
Uncollectible amounts written off	**(7.4)**	(10.2)	**(7.4)**	(10.0)
Exchange differences	**0.4**	–	**–**	–
At 31st December	**84.7**	60.7	**41.7**	39.6

(b) Balance mainly represents prepayment for purchase of material and services in relation to the Group's gas and New Energy businesses in Hong Kong and mainland China. As at 31st December 2013, the directors of the Company reviewed the composition of the balance and considered the amount is recoverable.

29 Financial assets at fair value through profit or loss

	Group		Company	
	2013 HK$'M	2012 HK$'M	**2013 HK$'M**	2012 HK$'M
Debt securities (Note (a))	**618.8**	282.7	**–**	–
Equity securities (Note (b))	**42.5**	64.4	**–**	–
	661.3	347.1	**–**	–
Market value of listed investments	**661.3**	138.5	**–**	–

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

	Group		Company	
	2013 HK$'M	2012 HK$'M	**2013 HK$'M**	2012 HK$'M
Notes				
(a) Debt securities				
Listed – Hong Kong	**74.8**	74.1	**–**	–
Listed – overseas	**544.0**	–	**–**	–
Unlisted	**–**	208.6	**–**	–
	618.8	282.7	**–**	–
(b) Equity securities				
Listed – Hong Kong	**36.0**	63.2	**–**	–
Listed – overseas	**6.5**	1.2	**–**	–
	42.5	64.4	**–**	–

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

	Group		Company	
	2013 HK$'M	2012 HK$'M	**2013 HK$'M**	2012 HK$'M
RMB	**544.0**	–	**–**	–
HKD	**110.8**	137.3	**–**	–
USD	**6.5**	209.8	**–**	–
	661.3	347.1	**–**	–

30 Time deposits, cash and bank balances

	Group		Company	
	2013 HK$'M	2012 HK$'M	**2013 HK$'M**	2012 HK$'M
Time deposits over three months	**1,289.3**	261.3	**219.5**	–
Time deposits up to three months	**3,709.6**	5,148.7	**1,010.1**	1,762.2
Cash and bank balances	**5,139.4**	7,037.7	**210.3**	261.8
	8,849.0	12,186.4	**1,220.4**	2,024.0

30 Time deposits, cash and bank balances (Continued)

The effective interest rates on time deposits in Hong Kong and mainland China are 2.45 per cent and 2.37 per cent per annum respectively (2012: 1.57 per cent and 2.17 per cent per annum). These deposits have average maturity dates within 60 days (2012: 60 days).

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

	Group		Company	
	2013 HK$'M	2012 HK$'M	**2013 HK$'M**	2012 HK$'M
HKD	**992.9**	2,702.7	**154.2**	688.1
USD	**206.6**	2,461.6	**32.7**	292.6
RMB	**8,869.2**	7,176.1	**1,246.7**	983.2
THB	**57.9**	42.2	**–**	–
AUD	**4.5**	4.0	**2.1**	1.2
EUR	**3.7**	43.4	**1.2**	41.5
JPY	**2.4**	16.6	**2.2**	16.3
Others	**1.1**	1.1	**0.8**	1.1
	10,138.3	12,447.7	**1,439.9**	2,024.0

31 Trade and other payables

	Group		Company	
	2013 HK$'M	2012 HK$'M	**2013 HK$'M**	2012 HK$'M
Trade payables (Note (a))	**2,622.5**	2,345.2	**256.6**	239.7
Other payables and accruals (Note (b))	**8,649.8**	6,984.2	**631.9**	623.2
	11,272.3	9,329.4	**888.5**	862.9

Notes

(a) At 31st December 2013, the aging analysis of the trade payables is as follows:

	Group		Company	
	2013 HK$'M	2012 HK$'M	**2013 HK$'M**	2012 HK$'M
0 – 30 days	**1,384.2**	1,144.4	**256.1**	238.7
31 – 60 days	**197.4**	222.4	**0.5**	1.0
61 – 90 days	**252.9**	81.3	**–**	–
Over 90 days	**788.0**	897.1	**–**	–
	2,622.5	2,345.2	**256.6**	239.7

31 Trade and other payables (Continued)

Notes (Continued)

(b) The balance includes an amount of approximately HK$45.7 million (2012: HK$45.7 million) payable to Henderson Land Development Company Limited in relation to its entitlement to 27 per cent of the net sales proceeds generated from the sales of residential units of Grand Waterfront. Remaining balances mainly represents advance received from customers for construction works and accrual for services or goods received from suppliers.

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

	Group		Company	
	2013 HK$'M	2012 HK$'M	**2013 HK$'M**	2012 HK$'M
HKD	**1,249.0**	1,232.1	**695.6**	669.3
USD	**179.2**	209.1	**151.5**	167.6
RMB	**9,818.0**	7,850.1	**23.1**	11.3
Others	**26.1**	38.1	**18.3**	14.7
	11,272.3	9,329.4	**888.5**	862.9

32 Borrowings

	Group		Company	
	2013 HK$'M	2012 HK$'M	**2013 HK$'M**	2012 HK$'M
Non-current				
Bank and other loans	**6,949.0**	7,532.7	**300.0**	300.0
Guaranteed notes (Note (a))	**17,452.1**	17,697.5	**–**	–
	24,401.1	25,230.2	**300.0**	300.0
Current				
Bank and other loans	**6,222.3**	6,490.8	**–**	800.0
Total borrowings	**30,623.4**	31,721.0	**300.0**	1,100.0

32 Borrowings (Continued)

Notes

(a) Guaranteed notes comprise:

(i) The US$1 billion guaranteed notes were issued by HKCG (Finance) Limited, a wholly-owned subsidiary of the Company, on 7th August 2008. The notes are unsecured and guaranteed by the Company as to repayment, carry a fixed coupon rate of 6.25 per cent per annum payable semi-annually in arrear and have a maturity term of 10 years. The notes are listed on The Stock Exchange of Hong Kong Limited. At 31st December 2013, notes with a principal amount of US$ 995.0 million (2012: US$995.0 million), which is equivalent to HK$7,715.2 million (2012: HK$7,711.3 million), are outstanding in the market and the market value of the notes was HK$8,837.7 million (2012: HK$9,320.9 million).

(ii) The HK$10,210.2 million (2012: HK$10,210.2 million) guaranteed notes were issued by HKCG (Finance) Limited, a wholly-owned subsidiary of the Company, between 2nd June 2009 and 28th September 2012. The notes are unsecured and guaranteed by the Company as to repayment, carry fixed coupon rates ranging from 1.19 per cent to 6.43 per cent per annum payable quarterly, half-yearly or annually in arrear and have maturity terms between 5 to 40 years.

(b) The maturity of borrowings is as follows:

	Group				Company	
	Bank and other loans		Guarantee notes		Bank loans	
	2013 HK$'M	2012 HK$'M	**2013 HK$'M**	2012 HK$'M	**2013 HK$'M**	2012 HK$'M
Within 1 year	**6,222.3**	6,490.8	**–**	–	**–**	800.0
Between 1 and 2 years	**2,305.4**	1,107.4	**–**	–	**300.0**	–
Between 2 and 5 years	**4,610.7**	6,386.1	**8,935.6**	1,223.9	**–**	300.0
Wholly repayable within 5 years	**13,138.4**	13,984.3	**8,935.6**	1,223.9	**300.0**	1,100.0
Wholly repayable over 5 years	**32.9**	39.2	**8,516.5**	16,473.6	**–**	–

32 Borrowings (Continued)

Notes (Continued)

(c) The exposure of the Group's and Company's borrowings to interest rate changes and the contractual repricing dates are all within 6 months from the balance sheet date, except for guaranteed notes and some bank loans as they are subjected to fixed interest rate and with maturity date ranged from 2 to 40 years. The Company provided guarantees to the banks in respect of the banking facilities provided to certain subsidiaries of HK$6,734.7 million (2012: HK$6,932.2 million). The effective interest rates of the Group's borrowings at the balance sheet date are as follows:

	Group									
	2013					2012				
	HKD	**USD**	**RMB**	**AUD**	**JPY**	HKD	USD	RMB	AUD	JPY
Bank and other loans	**1.2%**	**0.8%**	**5.4%**	**N/A**	**1.2%**	1.1%	0.9%	5.6%	N/A	1.2%
Guaranteed notes	**3.9%**	**5.4%**	**1.6%**	**3.2%**	**3.4%**	3.9%	5.4%	1.6%	3.2%	3.4%

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

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

	Group		Company	
	2013 HK$'M	2012 HK$'M	**2013 HK$'M**	2012 HK$'M
HKD	**13,864.4**	15,164.3	**300.0**	1,100.0
USD	**7,680.0**	7,667.9	**–**	–
RMB	**7,378.2**	6,871.2	**–**	–
AUD	**939.6**	1,093.7	**–**	–
JPY	**761.2**	923.9	**–**	–
	30,623.4	31,721.0	**300.0**	1,100.0

33 Customers' deposits

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

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

34 Deferred taxation

The movements in the deferred taxation are as follows:

	Group		Company	
	2013 HK$'M	2012 HK$'M	**2013 HK$'M**	2012 HK$'M
At 1st January	**4,446.2**	2,444.1	**1,121.3**	1,097.3
Charged to income statement (Note 13)	**380.7**	314.5	**27.6**	24.0
Acquisition of subsidiaries (Note 45)	**7.1**	1,702.9	**–**	–
Disposal of a subsidiary (Note 44)	**(6.0)**	(6.9)	**–**	–
Withholding tax	**(48.4)**	(62.1)	**–**	–
Exchange differences	**(68.3)**	53.7	**–**	–
At 31st December	**4,711.3**	4,446.2	**1,148.9**	1,121.3

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

Group

	Accelerated tax depreciation		Mining and oil properties		Others		Total	
Deferred tax liabilities	**2013 HK$'M**	2012 HK$'M	**2013 HK$'M**	2012 HK$'M	**2013 HK$'M**	2012 HK$'M	**2013 HK$'M**	2012 HK$'M
At 1st January	**1,692.4**	1,511.3	**2,263.9**	500.3	**509.0**	451.6	**4,465.3**	2,463.2
Charged/(credited) to income statement	**251.3**	185.0	**(0.1)**	10.1	**129.5**	119.4	**380.7**	314.5
Acquisition of subsidiaries	**7.1**	2.5	**–**	1,700.4	**–**	–	**7.1**	1,702.9
Disposal of a subsidiary	**(6.0)**	(6.9)	**–**	–	**–**	–	**(6.0)**	(6.9)
Withholding tax	**–**	–	**–**	–	**(48.4)**	(62.1)	**(48.4)**	(62.1)
Exchange differences	**15.6**	0.5	**(96.1)**	53.1	**12.2**	0.1	**(68.3)**	53.7
At 31st December	**1,960.4**	1,692.4	**2,167.7**	2,263.9	**602.3**	509.0	**4,730.4**	4,465.3

	Provisions		Tax losses		Total	
Deferred tax assets	**2013 HK$'M**	2012 HK$'M	**2013 HK$'M**	2012 HK$'M	**2013 HK$'M**	2012 HK$'M
At 1st January and 31st December	**(8.3)**	(8.3)	**(10.8)**	(10.8)	**(19.1)**	(19.1)
Net deferred tax liabilities at 31st December					**4,711.3**	4,446.2

34 Deferred taxation (Continued)

Company

	Accelerated tax depreciation	
Deferred tax liabilities	**2013 HK$'M**	2012 HK$'M
At 1st January	**1,129.5**	1,105.5
Charged to income statement	**27.6**	24.0
At 31st December	**1,157.1**	1,129.5

	Provisions	
Deferred tax assets	**2013 HK$'M**	2012 HK$'M
At 1st January and 31st December	**(8.2)**	(8.2)
Net deferred tax liabilities at 31st December	**1,148.9**	1,121.3

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of HK$222.4 million (2012: HK$180.3 million) in respect of losses amounting to HK$1,007.8 million (2012: HK$845.6 million) that can be carried forward and set off against future taxable income. These tax losses have no expiry dates except for the tax losses of HK$526.8 million (2012: HK$480.2 million) which will expire at various dates up to and including 2018 (2012: 2017).

35 Derivative financial instruments

	Group			
	2013		2012	
	HK$'M Assets	HK$'M Liabilities	HK$'M Assets	HK$'M Liabilities
Cross currency swap and interest rate swap contracts – cash flow hedges (Note)	**405.9**	**(328.6)**	370.7	(218.2)
Interest rate swap contracts – held-for-trading	**15.5**	**(37.2)**	10.3	(86.9)
	421.4	**(365.8)**	381.0	(305.1)

Note

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

The ineffective portion recognised in the income statement that arises from cash flow hedges amounts to a gain of HK$0.9 million (2012: HK$0.8 million) (Note 7).

The major terms of the outstanding cross currency swap and interest rate swap contracts at 31st December 2013 and 2012 are as follows:

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

Gains and losses recognised in the hedging reserve in equity (Note 38) on the swaps as of 31st December 2013 will be continuously released to the income statement until the repayment of relevant borrowings.

36 Share capital

	Group and Company Ordinary shares of HK$0.25 each			
	Number of shares		Nominal Value	
	2013	2012	**2013 HK$'M**	2012 HK$'M
Authorised:				
At 1st January and at 31st December	**10,000,000,000**	10,000,000,000	**2,500.0**	2,500.0
Issued and fully paid:				
At 1st January	**8,690,609,549**	7,900,554,136	**2,172.6**	1,975.1
Bonus issue (Note 37)	**869,060,954**	790,055,413	**217.3**	197.5
At 31st December	**9,559,670,503**	8,690,609,549	**2,389.9**	2,172.6

By an ordinary resolution passed on 5th June 2013, the issued share capital was increased by way of a bonus issue by applying HK$217.3 million to the share premium account towards payment in full at par of 869,060,954 shares of HK$0.25 each on the basis of one new share for every ten shares held on 5th June 2013. These shares rank pari passu with the existing ordinary shares.

37 Share premium

	Group and Company	
	2013 HK$'M	2012 HK$'M
At 1st January	**3,078.3**	3,275.8
Less: Bonus issue (Note 36)	**(217.3)**	(197.5)
At 31st December	**2,861.0**	3,078.3

38 Reserves

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

38 Reserves (Continued)

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

38 Reserves (Continued)

	Investment revaluation reserve HK$'M	Capital redemption reserve HK$'M	Hedging reserve HK$'M	Capital reserve HK$'M	Other reserve HK$'M	Exchange reserve HK$'M	Unappropriated profits HK$'M	Total HK$'M
Group								
At 1st January 2012, as previously reported	181.3	223.8	378.9	155.5	(12.1)	3,007.7	29,198.4	33,133.5
Effect of adoption of HKAS 19 (amendment 2011)	–	–	–	–	–	–	(58.1)	(58.1)
At 1st January 2012, as restated	181.3	223.8	378.9	155.5	(12.1)	3,007.7	29,140.3	33,075.4
Profit attributable to shareholders	–	–	–	–	–	–	7,712.1	7,712.1
Other comprehensive income:								
Remeasurements of retirement benefit	–	–	–	–	–	–	(42.8)	(42.8)
Revaluation surplus of available-for-sale financial assets transferred to equity	280.3	–	–	–	–	–	–	280.3
Impairment loss on available-for-sale financial assets transferred to income statement	17.8	–	–	–	–	–	–	17.8
Change in fair value of cash flow hedges	–	–	(150.5)	–	–	–	–	(150.5)
Recognition of exchange reserve upon disposal of a subsidiary	–	–	–	–	–	(17.8)	–	(17.8)
Exchange differences	–	–	–	–	–	142.8	–	142.8
Total comprehensive income for the year	298.1	–	(150.5)	–	–	125.0	7,669.3	7,941.9
2011 final and special dividend proposed	–	–	–	–	–	–	3,199.7	3,199.7
2011 final and special dividend paid	–	–	–	–	–	–	(3,199.7)	(3,199.7)
2012 interim dividend paid	–	–	–	–	–	–	(1,042.9)	(1,042.9)
Further acquisition of subsidiaries	–	–	–	–	–	–	(23.5)	(23.5)
At 31st December 2012	479.4	223.8	228.4	155.5	(12.1)	3,132.7	35,743.2	39,950.9
Balance after 2012 final dividend proposed	479.4	223.8	228.4	155.5	(12.1)	3,132.7	33,744.4	37,952.1
2012 final dividend proposed	–	–	–	–	–	–	1,998.8	1,998.8
	479.4	223.8	228.4	155.5	(12.1)	3,132.7	35,743.2	39,950.9

38 Reserves (Continued)

	Investment revaluation reserve HK$'M	Capital redemption reserve HK$'M	Hedging reserve HK$'M	Capital reserve HK$'M	Other reserve HK$'M	Exchange reserve HK$'M	Unappropriated profits HK$'M	Total HK$'M
Company								
At 1st January 2012, as previously reported	2.5	223.8	–	–	–	–	8,395.3	8,621.6
Effect of adoption of HKAS 19 (amendment 2011)	–	–	–	–	–	–	(58.1)	(58.1)
At 1st January 2012, as restated	2.5	223.8	–	–	–	–	8,337.2	8,563.5
Profit attributable to shareholders	–	–	–	–	–	–	3,147.5	3,147.5
Other comprehensive income:								
Remeasurements of retirement benefit	–	–	–	–	–	–	(42.8)	(42.8)
Revaluation surplus of available-for-sale financial assets transferred to equity	8.9	–	–	–	–	–	–	8.9
Total comprehensive income for the year	8.9	–	–	–	–	–	3,104.7	3,113.6
2011 final and special dividend proposed	–	–	–	–	–	–	3,199.7	3,199.7
2011 final and special dividend paid	–	–	–	–	–	–	(3,199.7)	(3,199.7)
2012 interim dividend paid	–	–	–	–	–	–	(1,042.9)	(1,042.9)
At 31st December 2012	11.4	223.8	–	–	–	–	10,399.0	10,634.2
Balance after 2012 final dividend proposed	11.4	223.8	–	–	–	–	8,400.2	8,635.4
2012 final dividend proposed	–	–	–	–	–	–	1,998.8	1,998.8
	11.4	223.8	–	–	–	–	10,399.0	10,634.2

39 Contingent liabilities

The Company and the Group did not have any material contingent liabilities as at 31st December 2013 and 2012.

40 Commitments

(a) Capital expenditures for property, plant and equipment

	Group		Company	
	2013 HK$'M	2012 HK$'M	**2013 HK$'M**	2012 HK$'M
Authorised but not brought into the accounts at 31st December	**3,408.5**	3,143.0	**759.2**	607.8
Of which, contracts had been entered into at 31st December	**3,355.1**	3,063.4	**759.2**	607.8

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

	Group	
	2013 HK$'M	2012 HK$'M
Authorised but not brought into the accounts at 31st December	**2,356.1**	2,696.5
Of which, contracts had been entered into at 31st December	**1,975.2**	2,097.7

(c) The Group has committed to provide sufficient funds in the forms of capital and loan contributions to finance certain gas and New Energy projects under various contracts in mainland China. The directors of the Company estimate that as at 31st December 2013, the Group's commitments to these projects were approximately HK$2,029.0 million (2012: HK$1,275.4 million).

(d) Lease commitments

Lessee

At 31st December 2013, future aggregate minimum lease payments of land, buildings, plant and equipment under non-cancellable operating leases are as follows:

	Group		Company	
	2013 HK$'M	2012 HK$'M	**2013 HK$'M**	2012 HK$'M
Not later than 1 year	**105.1**	95.3	**19.4**	18.9
Later than 1 year and not later than 5 years	**151.1**	152.0	**44.0**	48.7
Later than 5 years	**212.5**	195.4	**124.0**	133.3
	468.7	442.7	**187.4**	200.9

40 Commitments (Continued)

(d) Lease commitments (Continued)

Lessor

The Group leases out the building facilities of the commercial complex and car parks of Grand Waterfront and rental of server and equipment under operating leases. Except for certain car parks rented out on an hourly or a monthly basis, these leases typically run for an initial period of 2 to 3 years. Further details of the carrying value of the property are contained in Note 18. At 31st December 2013, future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	Group	
	2013 HK$'M	2012 HK$'M
Not later than 1 year	**44.2**	31.8
Later than 1 year and not later than 5 years	**165.7**	21.6
Later than 5 years	**282.5**	–
	492.4	53.4

41 Related party transactions

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

(a) Interest income and sales of goods and services

	Group	
	2013 HK$'M	2012 HK$'M
Associates		
Sale of goods and services (Note (i))	**7.0**	3.1
Loan interest income (Note (ii))	**39.9**	43.0
Joint ventures		
Sale of goods and services (Note (i))	**66.0**	29.5
Loan interest income (Note (ii))	**63.4**	60.2
Other related parties		
Sale of goods and services (Note (i))	**133.9**	69.1
Interest income from bank deposits (Note (i))	**14.9**	14.0

41 Related party transactions (Continued)

(b) Interest expense and purchase of goods and services

	Group	
	2013 HK$'M	2012 HK$'M
Associates		
Purchase of goods and services (Note (i))	**187.7**	101.6
Joint ventures		
Purchase of goods and services (Note (i))	**40.0**	18.5
Other related parties		
Purchase of goods and services (Note (i))	**15.5**	27.6
Interest expense on bank loans (Note (i))	**112.1**	75.5

Notes

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

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

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

	Group	
	2013 HK$'M	2012 HK$'M
Time deposits and interest receivables	**906.0**	920.6
Bank loans and interest payables	**1,864.4**	1,529.7
Trade receivables	**35.4**	36.2
Trade payables	**0.6**	1.1

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

42 Notes to consolidated cash flow statement

Reconciliation of profit before taxation to net cash from operating activities

	Group	
	2013 HK$'M	Restated 2012 HK$'M
Profit before taxation	**9,410.8**	9,885.6
Share of results of associates	**(1,389.1)**	(2,455.4)
Share of results of joint ventures	**(1,282.8)**	(1,199.4)
Net gain on acquisition of subsidiaries	**–**	(598.1)
Loss/(gain) on disposal of a subsidiary	**34.7**	(66.3)
Fair value gain on investment property	**(106.0)**	(22.0)
Provision for other receivables	**–**	100.3
Provision for investment in a joint venture	**–**	20.0
Ineffective portion on cash flow hedges	**(0.9)**	(0.8)
Unhedged portion on cash flow hedges	**(0.1)**	–
Interest income	**(327.0)**	(315.0)
Interest expense	**925.7**	863.8
Dividend income from investments in securities	**(202.7)**	(183.8)
Depreciation and amortisation	**1,649.3**	1,465.1
Loss on disposal/write off of property, plant and equipment	**35.2**	26.0
Loss/(gain) on disposal of leasehold land	**4.8**	(6.6)
Loss/(gain) on disposal of available-for-sale financial assets	**61.7**	(18.2)
Net realised and unrealised gain on investments in financial assets at fair value through profit or loss and derivative financial instruments	**(82.3)**	(54.3)
Tax paid	**(1,300.6)**	(1,323.2)
Exchange differences	**(387.3)**	13.4
Changes in working capital		
Increase in customers' deposits	**28.3**	39.4
Increase in inventories	**(476.0)**	(150.8)
Increase in trade and other receivables	**(758.1)**	(378.1)
Increase in trade and other payables	**1,189.1**	1,007.6
(Decrease)/increase in asset retirement obligations	**(48.8)**	5.8
Changes in retirement benefit assets	**14.4**	10.7
Net cash from operating activities	**6,992.3**	6,665.7

43 Share option scheme

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

As at 31st December 2013, total number of outstanding and exercisable share options is 13,735,800 (2012: 16,240,800). The weighted average exercise price for the outstanding and exercisable share options is HK$3.7 (2012: HK$3.7). Had all the outstanding vested share options been exercised on 31st December 2013, the Group would have received cash proceeds of approximately HK$50.7 million (2012: HK$60.3 million).

44 Disposal of a subsidiary under Towngas China

In May 2013, Towngas China disposed its 51 per cent equity interest in Jinan Jihua Gas Co., Ltd. (“Jinan”) to an associate of the Group for cash consideration of HK$76.6 million. Since the Group lost control on Jinan, relevant assets and liabilities are derecognised from the Group’s consolidated financial statements.

Net assets disposed of are as follows:

	HK$'M
Property, plant and equipment (Note 17)	183.5
Inventories	6.1
Trade and other receivables	28.2
Cash and bank balances	74.8
Trade and other payables	(44.1)
Taxation	(24.2)
Deferred taxation	(6.0)
Net assets	218.3
Non-controlling interests	(107.0)
	111.3
Cash consideration	76.6
Loss on disposal (Note 7)	(34.7)

Analysis of net cash inflow of cash and cash equivalents arising on disposal:

	HK$'M
Cash consideration	76.6
Cash and cash equivalents disposed	(74.8)
	1.8

45 Business combinations under Towngas China

In 2013, Towngas China acquired the following businesses:

	Percentage of registered capital acquired	Purchase consideration HK$'M
Business combinations in:		
Feicheng Hong Kong and China Gas Company Limited	–*	59.4
Shenyang business	–*	162.1
Pingyin business	–*	128.5
Boxing Hong Kong & China Gas Co., Ltd.	51%	114.6
Sichuan Quanxin Gas Co., Ltd.	80%	168.9
Anxian County Lanyan Gas Co., Ltd.	80%	10.4
Mianzhu Xinxin Natural Gas Co., Ltd.	80%	5.2
Chaozhou Fengxi Hong Kong and China Gas Co., Ltd.	60%	193.7
Yanshan Hong Kong & China Gas Co., Ltd.	90%	68.0
Mengcun Hong Kong & China Gas Co., Ltd.	90%	34.0
Cangxian Hong Kong & China Gas Co., Ltd.	90%	68.0
Dafeng Hong Kong and China Gas Company Limited	51%	367.1
Jianping Hong Kong and China Gas Company Limited	80%	91.1
Guangxi Zhongwei Pipeline Gas Development Group Co., Ltd.	100%	170.4

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

45 Business combinations under Towngas China (Continued)

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

	Acquirees' provisional fair value at acquisition date HK$'M
Property, plant and equipment (Note 17)	317.3
Leasehold land (Note 19)	17.3
Inventories	16.0
Trade and other receivables	183.6
Cash and bank balances	50.6
Trade and other payables	(219.4)
Taxation	(2.9)
Borrowing	(25.7)
Deferred taxation	(7.1)
Net assets	329.7
Non-controlling interests	(47.9)
Net identifiable assets acquired	281.8
Provisional goodwill	1,359.6
Purchase consideration	1,641.4

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

Net cash outflow arising on acquisitions:

	HK$'M
Purchase consideration	1,641.4
Less: equity instrument issued	(43.5)
Cash consideration for acquisition of businesses, settled in cash	1,597.9
Cash and cash equivalents in businesses acquired	(50.6)
Cash outflow on acquisition of businesses	1,547.3

As at 31st December 2013, purchase consideration of HK$142.5 million, HK$73.0 million and HK$131.5 million remained unpaid and included in trade and other payables, amounts due to joint ventures and loan and other payables to non-controlling shareholders respectively.

Subsidiaries

The following is a list of the principal subsidiaries as at 31st December 2013:

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
Apex Time Holdings Limited	100 ordinary shares of HK$1 each	100	Hong Kong	Investment holding
Barnaby Assets Limited	1 ordinary share of US$1	100	British Virgin Islands/ Hong Kong	Securities investment
Danetop Services Limited	1 ordinary share of US$1	100	British Virgin Islands/ Hong Kong	Securities investment
# Eagle Legend International Limited	100 ordinary shares of HK$1 each	100	Hong Kong	Financing
ECO Aviation Fuel Development Limited	2 ordinary shares of HK$1 each	100	Hong Kong	Aviation fuel facility construction
ECO Aviation Fuel Services Limited	100 ordinary shares of HK$1 each	100	Hong Kong	Aviation fuel facility operation
[1] ECO Energy Engineering Limited	100 ordinary shares of HK$1 each	100	Hong Kong	Investment holding
ECO Environmental Investments Limited	2 ordinary shares of HK$1 each	100	Hong Kong	LPG filling stations
ECO Environmental Investments (China) Limited	100 ordinary shares of HK$1 each	100	Hong Kong	Investment holding
ECO Landfill Gas (NENT) Limited	100 ordinary shares of HK$1 each	100	Hong Kong	Landfill gas project
ECO Natural Gas (China) Limited	1 ordinary share of US$1	100	British Virgin Islands/ Hong Kong	Investment holding
ECO Natural Gas (Xian) Limited	1 ordinary share of US$1	100	British Virgin Islands/ Hong Kong	Investment holding
ECO Orient Energy (Thailand) Ltd.	US$12,000 divided into 12,000 ordinary shares of US$1 each	100	Bermuda	Investment holding
[1] Encore Gain (Hong Kong) Limited	100 ordinary shares of HK$1 each	100	Hong Kong	Investment holding
[1] Energy Core Investment Limited	100 ordinary shares of HK$1 each	100	Hong Kong	Investment holding
Fanico Investments Limited	1 ordinary share of HK$1	100	Hong Kong	Investment holding
G-Tech Piping Technologies Limited	100 shares of HK$1 each	100	Hong Kong	Investment holding
HDC Data Centre Limited	100 ordinary shares of HK$1 each	100	Hong Kong	Data centre operation
HKCG (Finance) Limited	100 ordinary shares of HK$1 each	100	Hong Kong	Financing

Direct subsidiaries of the Company

[1] Newly formed during the year

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2013:

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

[1] Newly formed during the year

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2013:

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
Hong Kong & China Gas (Zhangjiagang) Limited	1 ordinary share of US$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong and China Gas (Zhengzhou) Limited	100 ordinary shares of HK$1 each	100	Hong Kong	Investment holding
Hong Kong & China Gas (Zhongshan) Limited	1,000 ordinary shares of HK$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
[1] Hong Kong and China Water (Anhui Jiangbei) Limited	100 ordinary shares of HK$1 each	100	Hong Kong	Investment holding
Hong Kong & China Water (Maanshan) Limited	100 ordinary shares of HK$1 each	100	Hong Kong	Investment holding
Hong Kong & China Water (Suzhou) Limited	1 ordinary share of US$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Water (Wujiang) Limited	1 ordinary share of US$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Water Limited	1 ordinary share of US$1	100	British Virgin Islands	Investment holding
Hong Kong and China Gas (Hainan) Limited	100 ordinary shares of HK$1 each	100	Hong Kong	Investment holding
Hong Kong and China Gas (Jiangxi) Limited	100 ordinary shares of HK$1 each	100	Hong Kong	Investment holding
Hong Kong and China Gas (Jingxian) Limited	100 ordinary shares of HK$1 each	100	Hong Kong	Investment holding
Hong Kong and China Gas (Xinmi) Limited	100 ordinary shares of HK$1 each	100	Hong Kong	Investment holding
Hong Kong and China Gas (Zhangshu) Limited	100 ordinary shares of HK$1 each	100	Hong Kong	Investment holding
Investstar Limited	100 ordinary shares of HK$1 each	100	Hong Kong	Securities investment
Monarch Properties Limited	1,000 ordinary shares of US$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
M-Tech Instrument Corporation (Holding) Limited	119 ordinary shares of HK$1 each	100	Hong Kong	Investment holding
[1] M-Tech Instrument (Hong Kong) Limited	100 ordinary shares of HK$1 each	100	Hong Kong	Meter sales and related businesses
Pan Orient Resources (Thailand) Ltd.	THB425,000,000 divided into 17,000,000 shares of THB25 each	100	Thailand	Investment holding
Pathview Properties Limited	1 ordinary share of US$1	100	British Virgin Islands/ Hong Kong	Investment holding
Prominence Properties Limited	1,000 ordinary shares of US$1 each	100	British Virgin Islands/ Hong Kong	Investment holding

[1] Newly formed during the year

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2013:

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
# P-Tech Engineering Company Limited	2 ordinary shares of HK$1 each	100	Hong Kong	Engineering and production of industrial gas
# Quality Testing Services Limited	10,000 ordinary shares of HK$1 each	100	Hong Kong	Appliance testing
Sky Global Limited	100 ordinary shares of US$1 each	100	British Virgin Islands/ Hong Kong	Investment holding
Starmax Assets Limited	90 million ordinary shares of HK$1 each	100	British Virgin Islands/ Hong Kong	Property development
Summit Result Developments Limited	100 ordinary shares of HK$1 each	100	Hong Kong	Investment holding
Superfun Enterprises Limited	1 ordinary share of US$1	100	British Virgin Islands/ Hong Kong	Securities investment
1 TGT Beijing FS Company Limited	100 ordinary shares of HK$1 each	100	Hong Kong	Investment holding
1 TGT Beijing IS Company Limited	100 ordinary shares of HK$1 each	100	Hong Kong	Investment holding
TGT Peixian Company Limited	100 ordinary shares of HK$1 each	100	Hong Kong	Investment holding
1 TGT Songshanhu Company Limited	100 ordinary shares of HK$1 each	100	Hong Kong	Investment holding
1 TGT Shenzhen Data Services Company Limited	100 ordinary shares of HK$1 each	100	Hong Kong	Investment holding
Towngas China Company Limited	2,612,849,830 shares of HK$0.1 each	62.3	Cayman Island/PRC	Investment holding
Towngas Enterprise Limited	2 ordinary shares of HK$1 each	100	Hong Kong	Café, restaurant and retail sales
# Towngas International Company Limited	1 ordinary share of US$1	100	British Virgin Islands/ Hong Kong	Investment holding
# Towngas Investment Company Limited	2 ordinary shares of HK$1 each	100	Hong Kong	Investment holding
Towngas Telecommunications Fixed Network Limited	35,000,000 ordinary shares of HK$1 each	100	Hong Kong	Telecommunications business
1 Towngas (Finance) Limited	100 ordinary shares of HK$1 each	100	British Virgin Islands	Financing
Upwind International Limited	1 ordinary share of US$1	100	British Virgin Islands/ Hong Kong	Securities investment
U-Tech Engineering Company Limited	12,600,000 ordinary shares of HK$1 each	100	Hong Kong	Engineering and related businesses
Uticom Limited	100 ordinary shares of HK$1 each	100	Hong Kong	Development of automatic meter reading system

Direct subsidiaries of the Company
1 Newly formed during the year

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2013:

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

[1] Newly formed during the year

Subsidiaries (Continued)

The following is a list of project companies in mainland China which are sino-foreign equity joint ventures or wholly foreign-owned enterprises and are accounted for as subsidiaries as at 31st December 2013:

	Name	Registered capital	Percentage of registered capital held	Place of incorporation/ operation	Principal activity
	Anyang ECO Clean Energy Co., Ltd.	US$2.25 million	100	PRC	Vehicular fuel refilling station
	Chaozhou Hong Kong and China Gas Company Limited	HK$100.0 million	60	PRC	Gas sales and related businesses
	Chiping ECO Yi Yun Gas Co. Ltd.	RMB15.0 million	70	PRC	Vehicular fuel refilling station
	Dandong YiYuan Trade Co., Ltd.	US$66.0 million	100	PRC	Coal trading
	Danyang Hong Kong and China Gas Company Limited	RMB60.0 million	80	PRC	Gas sales and related businesses
	Dong Ping ECO Energy Co. Ltd.	RMB25.5 million	91	PRC	Vehicular fuel refilling station
†	ECO Environmental Energy Investments Limited	US$100.0 million	100	PRC	Chinese holding company
†	ECO Environmental Resources Investments Limited	US$299.0 million	100	PRC	Chinese holding company
†	ECO Services Management Company Limited	RMB80.0 million	100	PRC	Project management
	Fengcheng Hong Kong and China Gas Company Limited	RMB88.0 million	55	PRC	Gas sales and related businesses
	Guangzhou Dongyong Hong Kong & China Gas Limited	HK$71.3 million	82.6	PRC	Gas sales and related businesses
	Guangzhou Hong Kong and China Gas Company Limited	RMB105.0 million	80	PRC	Gas sales and related businesses
†	Henan ECO Clean Energy Co. Ltd.	US$2.22 million	100	PRC	Vehicular fuel refilling station
†	Hong Kong & China Gas Investment Limited	US$75.0 million	100	PRC	Investment holding
	Hong Kong and China Technology (Wuhan) Company Limited	RMB21.21 million	90.1	PRC	Development and sales of application software, etc.
1	Hong Kong and China (Yixing) Eco-Leisure Company Limited	US$29.8 million	100	PRC	Eco-Leisure project
	Inner Mongolia ECO Ke Jian Coal Company Limited	RMB150.0 million	100	PRC	Coal mining and related businesses
	Inner Mongolia SanWei Coal Chemical Technology Company Limited	RMB400.0 million	70.1	PRC	Coal-based chemical and related businesses

† Wholly foreign-owned enterprises
1 Newly formed during the year

Subsidiaries (Continued)

The following is a list of project companies in mainland China which are sino-foreign equity joint ventures or wholly foreign-owned enterprises and are accounted for as subsidiaries as at 31st December 2013:

Name	Registered capital	Percentage of registered capital held	Place of incorporation/ operation	Principal activity
Inner Mongolia SanWei Resource Group Xiao Yu Gou Coal Company Limited	RMB120.0 million	70.1	PRC	Coal mining and related businesses
Jiangxi Hong Kong and China Gas Company Limited	RMB25.9 million	56	PRC	Gas sales and related businesses
Jiaxiang ECO Energy Co. Ltd.	RMB28.0 million	70	PRC	Vehicular fuel refilling station
Jilin Hong Kong and China Gas Company Limited	RMB100.0 million	63	PRC	Gas sales and related businesses
Jining Jikuang ECO New Energy Co., Ltd.	RMB15.0 million	51	PRC	Vehicular fuel refilling station
Jintan Hong Kong and China Gas Company Limited	RMB60.0 million	60	PRC	Gas sales and related businesses
[1†] Maanshan Hong Kong and China Water Company Limited	US$10.0 million	100	PRC	Water supply and related businesses
[†] Pingxiang Hong Kong & China Gas Company Limited	US$5.1 million	100	PRC	Gas sales and related businesses
Qinhuangdao YiTeng Trade Co. Ltd.	US$20.0 million	100	PRC	Coal trading
[†] 陝西易高匯泰清潔能源有限公司	RMB27.0 million	100	PRC	Vehicular fuel refilling station
Shanxi ECO Coalbed Methane Co. Ltd.	RMB200.0 million	70	PRC	Coalbed gas project
[†] Suining Hong Kong and China Gas Company Limited	US$5.0 million	100	PRC	Gas sales and related businesses
Taizhou Hong Kong and China Gas Company Limited	RMB83.0 million	65	PRC	Gas sales and related businesses
Taizhou Yongan Hong Kong & China Gas Co., Ltd.	US$10.0 million	93.9	PRC	Gas sales and related businesses
[1] TGT China Cloud Data Services (Harbin) Co., Ltd.	RMB63.0 million	80	PRC	Data centre business
[1] TGT Union Financial Data Services (Dongguan) Co., Ltd.	RMB80.0 million	60	PRC	Data centre business
Towngas Chibo Data Service (Jinan) Co., Ltd.	RMB68.0 million	65.5	PRC	Data centre business
[†] Towngas Telecom (Fengxian) Company Limited	RMB7.5 million	100	PRC	Telecommunication pipe laying project

† Wholly foreign-owned enterprises
1 Newly formed during the year

Subsidiaries (Continued)

The following is a list of project companies in mainland China which are sino-foreign equity joint ventures or wholly foreign-owned enterprises and are accounted for as subsidiaries as at 31st December 2013:

Name	Registered capital	Percentage of registered capital held	Place of incorporation/ operation	Principal activity
Towngas Telecom (Shandong) Company Limited	RMB40.0 million	90.1	PRC	Telecommunication pipe laying project
† Towngas Telecom (Peixian) Company Limited	RMB9.0 million	100	PRC	Telecommunication pipe laying project
† Towngas Telecommunications (Shenzhen) Limited	RMB6.0 million	100	PRC	Telecom businesses
# Wuhu Hong Kong and China Water Company Limited	RMB400.0 million	75	PRC	Water supply and related businesses
Wujiang Hong Kong and China Gas Company Limited	RMB60.0 million	80	PRC	Gas sales and related businesses
Wujiang Hong Kong and China Water Company Limited	RMB860.0 million	80	PRC	Water supply and related businesses
Xian ECO Yida Clean Energy Co., Ltd.	RMB12.0 million	100	PRC	Vehicular fuel refilling station
† Xinmi Hong Kong and China Gas Company Limited	US$12.5 million	100	PRC	Gas sales and related businesses
Xuzhou Hong Kong and China Gas Company Limited	RMB125.0 million	80	PRC	Gas sales and related businesses
Yixing Hong Kong and China Gas Company Limited	RMB124.0 million	80	PRC	Gas sales and related businesses
† Zhang Shu Hong Kong & China Gas Company Limited	US$5.01 million	100	PRC	Gas sales and related businesses
Zhongshan Hong Kong and China Gas Limited	RMB96.0 million	70	PRC	Gas sales and related businesses
† 豐縣港華燃氣有限公司	US$4.5 million	100	PRC	Gas sales and related businesses
饒平港華燃氣有限公司	HK$126.0 million	60	PRC	Gas sales and related businesses
† 卓度計量技術(深圳)有限公司	RMB30.0 million	100	PRC	Gas meter and related businesses
† 卓度儀表(成都)有限公司	RMB2.3 million	100	PRC	Gas meter and related businesses
† 卓通管道系統(中山)有限公司	RMB13.5million	100	PRC	PE piping system business
景縣港華燃氣有限公司	RMB79.0 million	81	PRC	Gas sales and related businesses
大連億達名氣通數據有限公司	RMB76.0 million	90	PRC	Data centre business
萊陽名氣通電訊有限公司	RMB10.0 million	90	PRC	Telecommunication pipe laying project

Direct subsidiaries of the Company
† Wholly foreign-owned enterprises

Subsidiaries (Continued)

The following is a list of project companies in mainland China which are sino-foreign equity joint ventures or wholly foreign-owned enterprises and are accounted for as subsidiaries as at 31st December 2013:

Name	Registered capital	Percentage of registered capital held	Place of incorporation/ operation	Principal activity
嘉祥縣恒生貿易有限公司	RMB180.0 million	55	PRC	Port logistics project
西安易高運輸服務有限公司	RMB20.0 million	100	PRC	Logistics businesses
[1] 黑龍江省信和易源能源貿易有限公司	US$10.0 million	100	PRC	Fuel and chemical related businesses
[1] 山西易高天星清潔能源有限公司	RMB20.0 million	75	PRC	Vehicular fuel refilling station
[1] 廣州易高環保能源有限公司	US$2.1 million	100	PRC	Vehicular fuel refilling station
[1] 開封易高清潔能源有限公司	US$2.4 million	100	PRC	Vehicular fuel refilling station
[1] 林州市易高清潔能源有限公司	US$3.3 million	100	PRC	Vehicular fuel refilling station
[1] 平陸易高清潔能源有限公司	US$2.2 million	100	PRC	Vehicular fuel refilling station
[1†] 安徽省江北華衍水務有限公司	US$12.2 million	100	PRC	Water supply & related businesses
瀋陽三全工程監理諮詢有限公司	RMB3.0 million	60	PRC	Project management
Held by Towngas China				
[†] An Shan Hong Kong and China Gas Company Limited	US$20.0 million	100	PRC	Gas sales and related businesses
[2] Anxian County Lanyan Gas Co., Ltd	RMB1.0 million	80	PRC	Gas sales and related businesses
Beipiao Hong Kong and China Gas Company Limited	RMB56.0 million	80	PRC	Gas sales and related businesses
Benxi Hong Kong and China Gas Company Limited	RMB210.0 million	80	PRC	Gas sales and related businesses
[2] Boxing Hong Kong & China Gas Co., Ltd	RMB15.0 million	65	PRC	Gas sales and related businesses
[†] Cangxi Hong Kong and China Gas Company Limited	RMB20.0 million	100	PRC	Gas sales and related businesses
[2] Cangxian Hong Kong and China Gas Co., Ltd.	RMB10.0 million	90	PRC	Gas sales and related businesses
Changting Hong Kong and China Gas Company Limited	RMB22.0 million	90	PRC	Gas sales and related businesses
Chaoyang Hong Kong and China Gas Co., Ltd.	US$10.8 million	90	PRC	Gas sales and related businesses

† Wholly foreign-owned enterprises
1 Newly formed during the year
2 Newly acquired during the year

Subsidiaries (Continued)

The following is a list of project companies in mainland China which are sino-foreign equity joint ventures or wholly foreign-owned enterprises and are accounted for as subsidiaries as at 31st December 2013:

	Name	Registered capital	Percentage of registered capital held	Place of incorporation/ operation	Principal activity
	Held by Towngas China (Continued)				
2	Chaozhou Fengxi Hong Kong and China Gas Co., Ltd	RMB60.0 million	60	PRC	Gas sales and related businesses
	Chi Ping Hong Kong & China Gas Co., Ltd.	RMB40.0 million	85	PRC	Gas sales and related businesses
†	Chizhou Hong Kong and China Gas Company Limited	RMB20.0 million	100	PRC	Gas sales and related businesses
2	Dafeng Hong Kong and China Gas Company Limited	RMB60.0 million	51	PRC	Gas sales and related businesses
†	Dalian Changxing Hong Kong and China Gas Co., Ltd.	US$14.0 million	100	PRC	Gas sales and related businesses
†	Dalian Lvshun Hong Kong and China Gas Co., Ltd.	US$15.0 million	100	PRC	Gas sales and related businesses
	大連瓦房店金宇港華燃氣有限公司	RMB40.0 million	60	PRC	Gas sales and related businesses
†	Dayi Hong Kong and China Gas Co., Ltd.	RMB20.0 million	100	PRC	Gas sales and related businesses
2†	Feicheng Hong Kong and China Gas Company Limited	RMB32.0 million	100	PRC	Gas sales and related businesses
	Fuxin Hong Kong and China Gas Company Limited	RMB77.2 million	90	PRC	Gas sales and related businesses
†	Fuxin Dali Gas Company Limited	RMB13.9 million	100	PRC	Gas sales and related businesses
†	Fuxin Xinqiu Hong Kong and China Gas Company Limited	RMB34.0 million	100	PRC	Gas sales and related businesses
†	Gao Chun Hong Kong and China Gas Co., Ltd.	US$4.0 million	100	PRC	Gas sales and related businesses
†	Gongzhuling Hong Kong and China Gas Company Limited	RMB53.0 million	100	PRC	Gas sales and related businesses
2†	Guangxi Zhongwei Pipeline Gas Development Group Co., Ltd.	RMB30.0 million	100	PRC	Gas sales and related businesses
	Guilin Hong Kong and China Gas Co., Ltd.	RMB30.0 million	100	PRC	Gas sales and related businesses
†	Huangshan Hong Kong and China Gas Co., Ltd.	RMB40.0 million	100	PRC	Gas sales and related businesses

† Wholly foreign-owned enterprises
2 Newly acquired during the year

Subsidiaries (Continued)

The following is a list of project companies in mainland China which are sino-foreign equity joint ventures or wholly foreign-owned enterprises and are accounted for as subsidiaries as at 31st December 2013:

Name	Registered capital	Percentage of registered capital held	Place of incorporation/ operation	Principal activity
Held by Towngas China (Continued)				
† Huangshan Huizhou Hong Kong and China Gas Co., Ltd.	US$2.1 million	100	PRC	Gas sales and related businesses
† Huangshan Taiping Hong Kong and China Gas Co., Ltd.	US$3.5 million	100	PRC	Gas sales and related businesses
Huzhou Hong Kong and China Gas Company Limited	US$10.5 million	98.9	PRC	Gas sales and related businesses
2 Jianping Hong Kong and China Gas Company Limited	RMB58.0 million	80	PRC	Gas sales and related businesses
Jianyang Hong Kong and China Gas Company Limited	RMB30.0 million	100	PRC	Gas sales and related businesses
Jinan Pingyin Hong Kong and China Gas Company Limited	RMB100.0 million	82.5	PRC	Gas sales and related businesses
Jiujiang Hong Kong and China Gas Co., Ltd.	RMB10.0 million	60	PRC	Gas sales and related businesses
† Kazuo Hong Kong and China Gas Co., Ltd.	US$6.4 million	100	PRC	Gas sales and related businesses
† Laiyang Hong Kong and China Gas Co., Ltd	US$5.4 million	100	PRC	Gas sales and related businesses
† Lezhi Hong Kong and China Gas Company Limited	RMB30.0 million	100	PRC	Gas sales and related businesses
† Longkou Hong Kong and China Gas Co., Ltd.	US$7.1 million	100	PRC	Gas sales and related businesses
Maanshan Bowang Hong Kong and China Gas Co., Ltd.	US$10.0 million	75.1	PRC	Gas sales and related businesses
1† Maanshan Jiangbei Hong Kong & China Gas Company Limited	US$10.0 million	100	PRC	Gas sales and related businesses
2 Mengcun Hong Kong & China Gas Co., Ltd.	RMB10.0 million	90	PRC	Gas sales and related businesses
† Mianyang Hong Kong and China Gas Company Limited	RMB90.0 million	100	PRC	Gas sales and related businesses
2 Mianzhu Xinxin Natural Gas Co., Ltd.	RMB1.0 million	80	PRC	Gas sales and related businesses
Miluo Red-Horse Natural Gas Development Company Limited	RMB50.0 million	70	PRC	Gas sales and related businesses

† Wholly foreign-owned enterprises
1 Newly formed during the year
2 Newly acquired during the year

Subsidiaries (Continued)

The following is a list of project companies in mainland China which are sino-foreign equity joint ventures or wholly foreign-owned enterprises and are accounted for as subsidiaries as at 31st December 2013:

Name	Registered capital	Percentage of registered capital held	Place of incorporation/ operation	Principal activity
Held by Towngas China (Continued)				
Pengshan Hong Kong and China Gas Company Limited	RMB20.0 million	70	PRC	Gas sales and related businesses
Pengxi Hong Kong and China Gas Company Limited	RMB3.6 million	100	PRC	Gas sales and related businesses
Pingchang Hong Kong and China Gas Company Limited	RMB20.0 million	90	PRC	Gas sales and related businesses
Qingdao Dong Yi Hong Kong and China Gas Co., Ltd.	RMB30.0 million	60	PRC	Gas sales and related businesses
Qingdao Zhongji Hong Kong and China Gas Co., Ltd.	RMB73.5 million	90	PRC	Gas sales and related businesses
Qing Yuan Hong Kong and China Gas Company Limited	RMB10.0 million	80	PRC	Gas sales and related businesses
Qinhuangdao Hong Kong and China Gas Co., Ltd.	RMB15.0 million	51	PRC	Gas sales and related businesses
Qiqihar Hong Kong and China Gas Company Limited	RMB128.6 million	61.7	PRC	Gas sales and related businesses
Shao Guan Hong Kong and China Gas Co., Ltd.	RMB20.0 million	100	PRC	Gas sales and related businesses
† Shenyang Hong Kong and China Gas Company Limited	US$24.5 million	100	PRC	Gas sales and related businesses
[2] Sichuan Quanxin Gas Co., Ltd.	RMB12.0 million	80	PRC	Gas sales and related businesses
Tieling Hong Kong and China Gas Company Limited	RMB233.0 million	80	PRC	Gas sales and related businesses
Tongxiang Hong Kong and China Gas Company Limited	US$7.0 million	76	PRC	Gas sales and related businesses
† Towngas Investments Limited	US$200.0 million	100	PRC	Investment holding
Weiyuan Hong Kong and China Gas Company Limited	RMB30.0 million	99.5	PRC	Gas sales and related businesses
Wuning Hong Kong and China Gas Company Limited	RMB25.0 million	100	PRC	Gas sales and related businesses

† Wholly foreign-owned enterprises
[2] Newly acquired during the year

Subsidiaries (Continued)

The following is a list of project companies in mainland China which are sino-foreign equity joint ventures or wholly foreign-owned enterprises and are accounted for as subsidiaries as at 31st December 2013:

Name	Registered capital	Percentage of registered capital held	Place of incorporation/ operation	Principal activity
Held by Towngas China (Continued)				
Xin Du Hong Kong and China Gas Company Limited, Cheng Du	RMB30.0 million	100	PRC	Gas sales and related businesses
Xin Jin Hong Kong and China Gas Company Limited	RMB12.0 million	60	PRC	Gas sales and related businesses
Xin Jin Yong Shuang Hong Kong and China Gas Company Limited	RMB11.5 million	60	PRC	Gas sales and related businesses
Xiushui Hong Kong and China Gas Company Limited	RMB30.0 million	80	PRC	Gas sales and related businesses
† Yang Jiang Hong Kong and China Gas Company Limited	RMB50.0 million	100	PRC	Gas sales and related businesses
[2] Yanshan Hong Kong & China Gas Co., Ltd	RMB10.0 million	90	PRC	Gas sales and related businesses
† Yifeng Hong Kong and China Gas Co., Ltd.	RMB32.0 million	100	PRC	Gas sales and related businesses
† Yingkou Hong Kong and China Gas Company Limited	US$9.4 million	100	PRC	Gas sales and related businesses
Yuechi Hong Kong and China Gas Company Limited	RMB30.0 million	90	PRC	Gas sales and related businesses
† Zhaoyuan Hong Kong and China Gas Company Limited	RMB22.0 million	100	PRC	Gas sales and related businesses
† Zhongjiang Hong Kong and China Gas Company Limited	RMB30.0 million	100	PRC	Gas sales and related businesses
Ziyang Hong Kong and China Gas Company Limited	RMB30.0 million	90	PRC	Gas sales and related businesses

† Wholly foreign-owned enterprises
[2] Newly acquired during the year

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

CORPORATE INFORMATION

Chairman
LEE Shau Kee

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

* Independent Non-executive Director

Managing Director
Alfred CHAN Wing Kin

Executive Director and Chief Operating Officer – Utilities Business
Peter WONG Wai Yee

Chief Financial Officer and Company Secretary
John HO Hon Ming

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

Company's Website
www.towngas.com

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

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

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

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

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

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

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

FINANCIAL CALENDAR

Half-Year Results	Announced on Wednesday, 21st August 2013
Full-Year Results	Announced on Wednesday, 19th March 2014
Annual Report	Posted to Shareholders on Thursday, 24th April 2014
Register of Shareholders	(i) To be closed on Friday, 30th May 2014 to Wednesday, 4th June 2014, for the purpose of determining entitlement of Shareholders to the right to attend and vote at the Annual General Meeting
	(ii) To be closed on Tuesday, 10th June 2014 to Thursday, 12th June 2014, for the purpose of determining Shareholders who qualify for the proposed issue of bonus shares and final dividend
Annual General Meeting	To be held on Wednesday, 4th June 2014
Dividends – Interim	HK12 cents – Paid on Wednesday, 2nd October 2013
– Final (Proposed)	HK23 cents – Payable on Friday, 20th June 2014
Bonus Issue of Shares (Proposed)	Share certificates to be posted to Shareholders on Friday, 20th June 2014

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

DESIGN: FORMAT LIMITED www.format.com.hk

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

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

www.towngas.com