中裕燃氣控股有限公司
ZHONGYU GAS HOLDINGS LIMITED

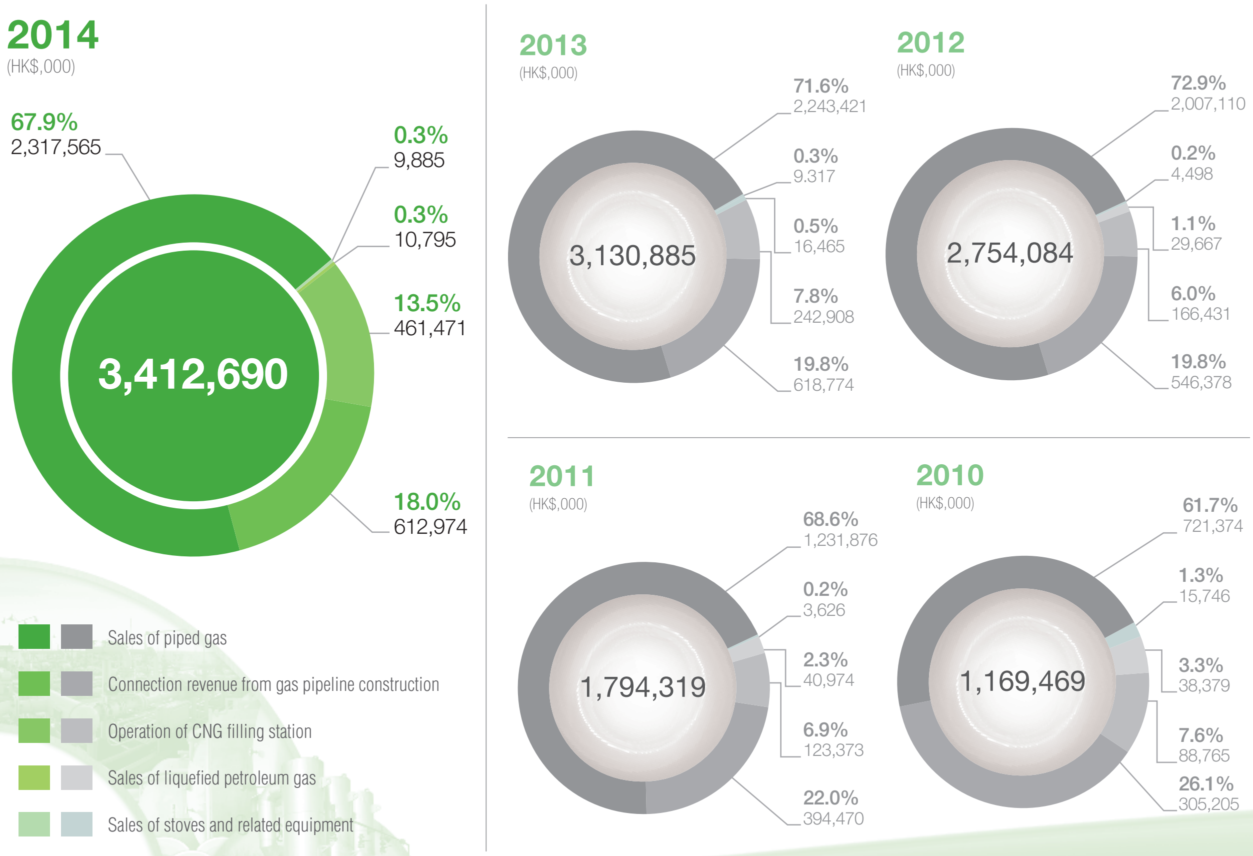
Stock Code 股份代號: 3633

2014
ANNUAL 年
REPORT 報

CONTENTS

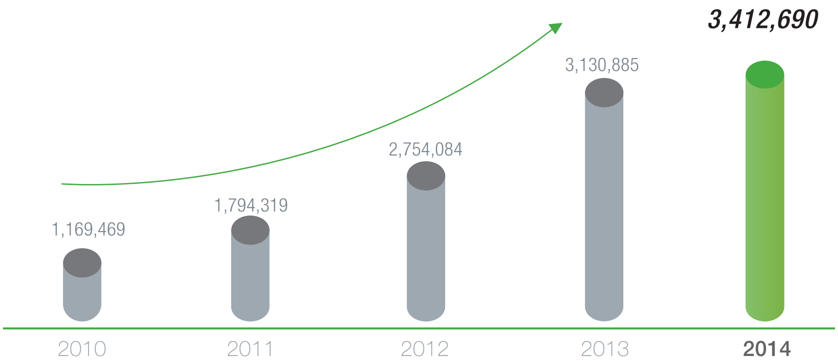
Financial Highlights

	Year ended 31st December		
	2014 HK$'000	2013 HK$'000	% of changes
Turnover	**3,412,690**	3,130,885	9.0%
Sales of piped gas	**2,317,565**	2,243,421	3.3%
Connection revenue from gas pipeline construction	**612,974**	618,774	(0.9)%
Operation of CNG/LNG vehicle filling stations	**461,471**	242,908	90.0%
Gross profit	**850,040**	745,675	14.0%
(Gross margin)	**(24.9%)**	(23.8%)	(+1.1%)
Profit attributable to owners of the Company	**324,351**	262,248	23.7%
(Net profit margin)	**(9.5%)**	(8.4%)	(+1.1%)
Earnings per share			
Basic	**HK12.85 cents**	HK10.39 cents	23.7%
Diluted	**HK12.84 cents**	HK10.38 cents	23.7%
EBITDA	**759,287**	602,789	26.0%
Net assets value per share	**HK$0.8**	HK$0.7	14.3%

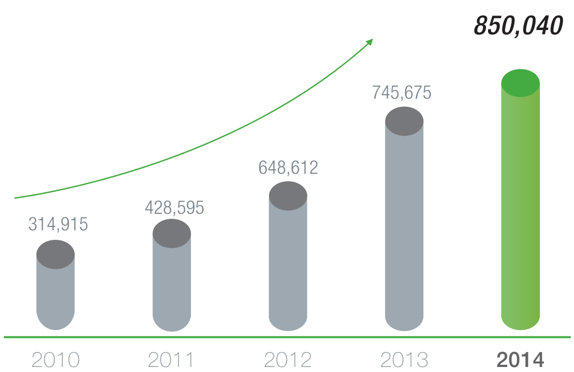


FINANCIAL HIGHLIGHTS

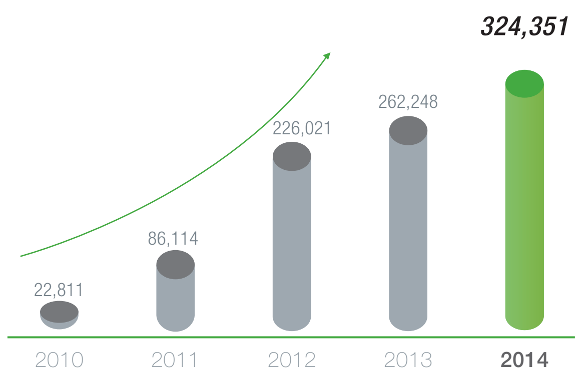
Turnover
(HK$,000)



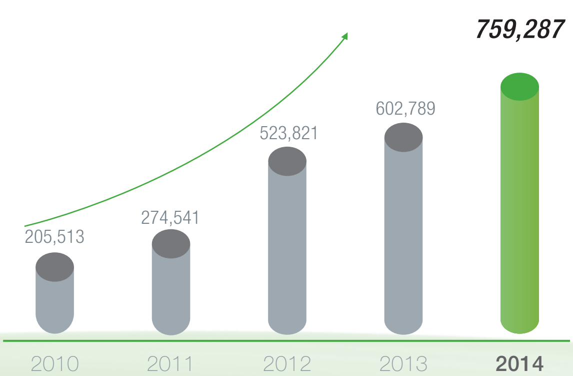
Gross Profit
(HK$'000)



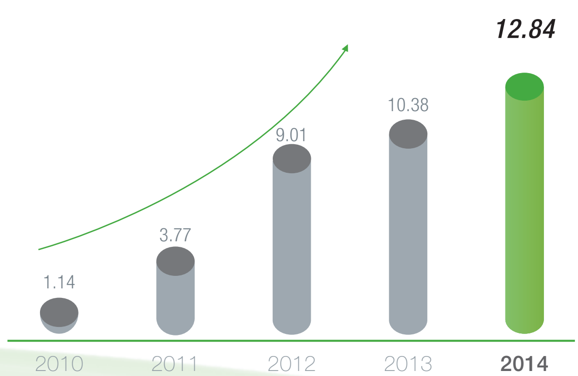
Profit attributable to owners of the Company
(HK$'000)



EBITDA
(HK$'000)



Earning per share - Diluted
(HK cents)



CORPORATE INFORMATION

Executive Directors

Mr. Wang Wenliang *(Chairman and Joint Managing Director)*
Mr. Lui Siu Keung *(Joint Managing Director)*
Mr. Lu Zhaoheng

Non-executive Directors

Mr. Xu Yongxuan *(Vice Chairman)*

Independent Non-executive Directors

Mr. Li Chunyan
Dr. Luo Yongtai
Mr. Hung, Randy King Kuen

Company Secretary

Mr. Lui Siu Keung

Authorised Representatives

Mr. Wang Wenliang
Mr. Lui Siu Keung

Audit Committee

Mr. Li Chunyan *(Chairman)*
Dr. Luo Yongtai
Mr. Hung, Randy King Kuen

Remuneration Committee

Mr. Li Chunyan *(Chairman)*
Dr. Luo Yongtai
Mr. Hung, Randy King Kuen

Nomination Committee

Mr. Li Chunyan *(Chairman)*
Dr. Luo Yongtai
Mr. Hung, Randy King Kuen

Hong Kong Legal Advisors

Reed Smith Richards Butler

Auditor

Deloitte Touche Tohmatsu

Corporate Website

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Stock Code

3633

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Head Office and Principal Place of Business in Hong Kong

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China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Principal Share Registrar and Transfer Office

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

Branch Share Registrar and Transfer Office in Hong Kong

Tricor Secretaries Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers

The Hong Kong & Shanghai Banking Corporation Limited
Standard Chartered Bank
China Citic Bank International Limited
China Minsheng Banking Corporation Limited
Bank of Communications
Industrial and Commercial Bank of China
Guangdong Development Bank
Bank of China

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors (the "Board") of Zhongyu Gas Holdings Limited (the "Company"), I am pleased to present another set of encouraging annual results of the Company, together with its subsidiaries (the "Group") for the year ended 31 December 2014 (the "Year").

The Group is a fast growing piped natural gas distributor, with business segments comprising sales of piped gas, gas pipeline construction and connection, as well as operation of compressed natural gas or liquefied natural gas ("CNG/LNG") vehicle filling stations. To capture the opportunities arisen from the robust and growing demand for clean energy in the People's Republic of China (the "PRC"), the Group continued to expand its geographical coverage and market penetration through organic growth and acquisitions, with an aim to outpace the industry growth.

Latest Development – Acquisition of 50% Equity in Sino Gas

In November 2014, the Group successfully acquired 50% equity in Harmony Gas Holdings Limited, which indirectly holds 50% shareholding interests in the privatized Sino Gas International Holdings Inc. ("Sino Gas"). This is the largest acquisition of the Group since 2008. With ownership of 22 exclusive natural gas distribution projects owned by Sino Gas, together with its subsidiaries (the "Sino Gas Group"), the Group, through the acquisition, expanded its geographical coverage to areas with huge demand for natural gas such as Jiangsu, Hebei Province and Beijing. The three areas ranked the second, sixth and thirteenth districts of GDP growth in the PRC for 2014, and were the fifth, sixth and twelfth most populated districts in the PRC in 2013, respectively. Together with the 2,721 km of gas pipelines of Sino Gas Group, the

Chairman's Statement

Group covered 8,594,000 connectable urban population across the PRC as of the end of 2014, representing an increase of 2,703,000 or 45.9% as compared with that of 2013. This strategic footprint ensured the Group's promising future to develop natural gas distribution business in areas with strong market demand and growth potential. The construction of connecting pipes to the main national gas pipelines, namely Shaanxi-Beijing Pipeline I and III, Hebei-Nanjing Pipeline, Yulin-Jinan Pipeline, Yong-Tang-Qin Pipeline and Siping-Baishan Pipeline, for the newly acquired projects will start soon. Taking advantage of the proximity to the main pipelines, the gas supply to the new projects will be very stable and reliable with shorter construction time and lower costs expected. Hence, the integration and the further development of Sino Gas Group will become a strong growth driver of the Group in the near future.

Results

For the year ended 31 December 2014, the Group has recorded turnover of HK$3,412.7 million, year-on-year increased by 9.0% (2013: HK$3,130.9 million). Gross profit increased from HK$745.7 million in 2013 to HK$850.0 million, with gross profit margin of 24.9% (2013: 23.8%). Profit attributable to Owner of the Company surged by 23.7% to HK$324.3 million, while net profit margin reached 9.5% (2013: HK$262.2 million; 8.4%). Earnings per share and net assets per share amounted to HK$0.1285 and HK$0.8 respectively (2013: HK$0.1039; HK$0.7).

Business Review

In 2014, the Group operated a total of 52 exclusive piped gas projects in the PRC, covering connectable urban population in Henan, Hebei, Jiangsu, Shandong, Jilin, Fujian, Heilongjiang, Zhejiang, Anhui provinces and Beijing. During the Year, the Group restlessly penetrated in the areas we operated to keep in pace with the growing urbanization and popularity of natural gas use. The Group completed piped gas connections for 146,997 residential customers, 95 industrial and 670 commercial customers, making the accumulated number of customers connected achieved 981,468, 601 and 3,419 respectively. In response to the adjustments of the national natural gas pricing mechanism in July 2013 and the wholesale price increase of natural gas for non-residential use in September 2014, the Group was able to lift the average selling price for the non-residential customers twice during the Year. This helped the Group to maintain its profitability and stay its business focus on the relatively high-margin commercial and industrial customers.

Realizing the natural gas market has been undergoing a rapid development along with favorable policies to promote clean energy use in the PRC, aggressive but selective acquisitions have been the Group's strategy to accelerate its business coverage and growth. In 2014, the Group concluded three acquisitions to acquire exclusive natural gas distribution projects in different cities in the PRC, including Sino Gas, one project in Shandong Province and a top-up acquisition in an existing project in Henan Province. Aside from the acquisitions, the Group also self-obtained the exclusive right for the sales and distribution of natural gas in Daishan Economic Development District in Zhejiang Province for a period of 30 years in 2014.

The operation of CNG/LNG vehicle filling stations has emerged as a new growth engine of the Group, driven by the Central Government's determination in reducing choking smog and the emission of fine particulate (PM2.5). The Group operated 44 CNG/LNG vehicle filling stations in Henan, Shandong and Jiangsu Province as of the end of 2014. For the year, the Group achieved a year-on-year growth of 63.0% in the building of new stations (through self-building and acquisitions), and recorded an impressive growth of 80.4% in sales volume. To sustain the growth momentum, the Group already has plans to expand its network of CNG/LNG vehicle filling stations in the areas where the Group operates across the PRC. The higher profit margin of the station operation will certainly enhance the Group's overall margin when the business grows bigger in the coming years.

Financing

In July 2014, the Group successfully obtained a syndicated loan facility of US$300 million from a syndicate of 19 international and regional banks including HSBC in Hong Kong. The continuous support from bankers has proven the recognition of the Group's vision and development plan in the capital market. With the funding in place, we have ensured sufficient cash flow for future expansion projects and execution of our strategies.

Chairman's Statement

Prospects

The development of natural gas industry has been a priority for the energy planning of the PRC. The Central government has implemented strategies to improve natural gas infrastructure and supply in recent years according to the 12th Five-Year Plan. For 2014, the domestic natural gas production volume, natural gas import volume and natural gas apparent consumption volume reached 127.9 billion cubic meters, 57.8 billion cubic meters, and 178.6 billion cubic meters respectively, representing an increase of 5.7%, 8.2%, and 5.6%, respectively. To achieve the national natural gas consumption target of 230 billion per annum by 2015 and the natural gas supply target of 400 – 420 billion cubic meters by 2020, the government will have to accelerate the energy reform and the coal-to-gas conversions to encourage an even broader use of natural gas nationwide. At the time of this writing, the National Development and Reform Commission of the PRC has just announced that the wholesale price of natural gas for old users would increase by 0.04 yuan per cubic meter, and new users would pay 0.44 yuan less starting on April 1, 2015. This policy would help natural gas stay economically competitive for industrial customers in view of the sharp drop of the international crude price to a nearly five-year low in 2015.

This circumstance, coupled with the ongoing urbanization and promotion of the use of cheaper CNG/LNG vehicles, indicates that the natural gas industry in the PRC is expected to grow robustly in the coming decade. On the one hand, we will continue to drive growth by increasing its market penetration of the existing piped gas distribution projects, and aggressively building additional 50 new CNG/LNG vehicle filling stations in its covered areas in the next three years. On the other hand, we will speed up the construction and commercialization of the newly acquired projects and integrate the operations across the country. Over the past few years, we have actively acquired a number of projects with exclusive rights to increase our market coverage. Looking ahead in 2015, the projects acquired earlier will start to make positive contributions to the Group and will further fuel the growth and new acquisitions in the future. In addition, we will actively grasp opportunities in the market by cautiously and selectively executing its acquisition strategies to attain bigger market share in the coming golden age of development and consolidation.

With a focused vision to becoming the most valued clean energy distributor and operator in the PRC, the Board is confident in the Group's capability to continue thriving in the natural gas market with our strategic footprint, proactive acquisition strategies, healthy financial position, as well as strong cash inflow. We look forward to embracing upcoming opportunities to enhance our position in the industry and maximise our shareholders' return in 2015 and beyond.

Appreciation

Last but not least, I would like to extend my sincere appreciation to our management and staff for their hard work and dedication during the Year. I would also like to thank our shareholders for their unfailing support and confidence in the Group.

Wang Wenliang
Chairman
Hong Kong
16th March, 2015

Operational Statistics

As at 31 December 2014								
Province	Operational location	Connectable Urban Population	Connectable Residential Households	Accumulated Connected Residential Households	Accumulated Connected Industrial Customers	Accumulated Connected Commercial Customers	Length of Existing Intermediate and Main Pipelines (km)	Number of CNG/LNG Vehicle Filling Stations
Henan	Jiaozuo City	800,000	228,571	209,835	63	654	1,112	5
	Qinyang City	130,000	37,143	15,215	13	66	–	1
	Wuzhi County	520,000	148,571	16,840	–	8	170	1
	Xiuwu County	90,000	25,714	6,795	28	35	183	3
	Luohe City	600,000	171,429	171,315	34	562	639	4
	Light Food Industrial Park in Luohe Economic Development District	–	–	–	10	–	–	–
	Luohe Shaoling District	–	–	–	18	–	–	–
	Luohe Songjiang Industrial Zone	–	–	–	15	–	–	–
	Luohe Houxie Village Industrial Zone	–	–	–	–	–	–	–
	Luohe West Industrial Zone	–	–	–	–	–	–	–
	Venture Center in Luohe Economic Development District	–	–	–	15	–	–	–
	Xiping County	32,800	9,371	–	–	–	–	
	Jiyuan City	400,000	114,286	91,985	116	663	576	2
	Sanmenxia City	390,000	111,429	64,364	27	254	293	2
	Shanxian County	53,000	15,143	–	–	–	–	–
	Sanmenxia Industrial Park	–	–	–	7	–	–	–
	Lingbao City	120,000	34,286	–	1	–	32	–
	Yanshi City	150,000	42,857	21,493	60	65	223	1
	Yongcheng City	400,000	114,286	45,026	1	93	310	2
	Yongcheng Industrial Zone	35,000	10,000	–	1	–	–	–
	Xinmi City	250,000	71,429	32,569	22	101	366	5
Hebei	Yutian County*	144,197	41,199	32,689		14	119	–
	Changli County*	200,000	57,143	23,535		23	182	–
	Weixian County*	70,000	20,000	15,473		3	80	–
	Xiahuayuan District*	67,648	19,328	10,612		7	61	–
	Chengan County*	158,000	45,143	10,391	1	5	92	–
	Wuqiao County*	60,743	17,355	9,232	7	15	99	–
	Ningjin County*	79,552	22,729	14,275	3	72	139	–
	Linzhang County*	77,154	22,044	9,896		7	111	–
	Zaoqiang County*	80,000	22,857	8,957		7	60	–
	Longyao County*	210,000	60,000	3,595		9	28	–
	Xingtang County*	15,033	4,295	3,347		4	35	–
	Gucheng County*	100,000	28,571	17,907	1	20	141	–
	Nangong City*	103,607	29,602	26,973		18	72	–
	Jize County*	31,234	8,924	4,246	1	7	62	–
	Xinhe County*	29,603	8,458	7,025	4	9	77	–

Operational Statistics

As at 31 December 2014								
Province	Operational location	Connectable Urban Population	Connectable Residential Households	Accumulated Connected Residential Households	Accumulated Connected Industrial Customers	Accumulated Connected Commercial Customers	Length of Existing Intermediate and Main Pipelines (km)	Number of CNG/LNG Vehicle Filling Stations
Jiangsu	Jingqiao Town, Nanjing City	48,000	13,714	–	5	–	7	–
	Donghai County	53,000	15,143	–	–	–	–	–
	Pei County*	229,796	65,656	45,767	4	55	433	–
	Sihong County*	187,394	53,541	33,564	2	89	335	–
	Sixian County*	164,000	46,857	8,818		15	55	–
	Guannan County*	164,546	47,013	16,229		23	158	–
	Nanjing City	–	–	–	–	–	–	1
Shandong	Linyi City (Note)	1,280,000	365,714	257,997	52	864	644	14
	Lingyi Economic Development District	167,000	47,714	43,686	73	50	433	1
	Linshu County	9,000	2,571	–	38	2	97	1
	Tianqu Industrial Park in Dezhou City	–	–	–	2	2	38	1
Jilin	Baishan City*	217,641	62,183	41,245	–	180	205	–
	Changbaishan International Tourist Resort Zone in Fusong County*	147,588	42,168	5,090	–	55	93	–
Fujian	Shaowu City	165,000	47,143	1,201	–	–	18	–
Heilongjiang	Chengguan Town, Tieli City	198,000	56,571	2,982	–	–	18	–
Zhejiang	Daishan Economic Development District	–	–	0	–	–	–	–
Anhui	Wuhe County*	165,000	47,143	14,458	1	26	84	–
		8,593,536	**2,455,294**	**1,344,627**	**625**	**4,082**	**7,880**	**44**

Note: The operational location covers the administrative jurisdiction of Linyi City, which is from Binhe Road on the west bank of Yihe River in the east to Beijing–Shanghai Expressway in the west, bordering Binhe Road on the south bank of Fanghe River in the north and reaching Yihe Road, Luozhuang District in the south (excluding western part beyond Mengshan Avenue and southern part beyond Huawu Road).

* *The information is provided by Sino Gas Group.*

Management Discussion & Analysis
Business Review

Overview

During the year, the Group was principally engaged in (i) the investment, operation and management of city gas pipeline infrastructure, distribution of piped gas to residential, industrial and commercial users; and (ii) the construction and operation of CNG/LNG vehicle filling stations in the PRC.

Downstream Piped Gas Distribution

New Gas Projects Expansion

During the financial year, the Group secured 23 additional gas projects with exclusive rights, in Hebei Province, Jiangsu Province, Jilin Province, Zhejiang Province, and Anhui Province. As a result, the number of projects secured by the Group in PRC increased to 52, and the total connectable urban population coverage increased by 2,700,000 to 8,590,000.

Sino Gas Project

References are made to the announcements of the Company dated 3rd April, 2014, 17th April, 2014, 4th June, 2014, 6th August, 2014 and 25th November, 2014 (the "Announcements") in relation to, among other things, the Proposed Privatization of Sino Gas. Unless otherwise defined herein, capitalised terms used in this section of this announcement shall have the same meanings as defined in the Announcements.

The Board is pleased to announce that all conditions of the Subscription Agreement and the Contribution Agreement and the Merger Agreement have been fulfilled and completed, and the Merger has become effective. Upon completion of the Proposed Privatization of Sino Gas, (i) Zhongyu Beijing (a wholly-owned subsidiary of the Company), MSPEA and Eloten own 50%, 38.7% and 11.3% shareholding interests in Harmony Gas, respectively. The Company indirectly hold 50% shareholding interests in the privatized Sino Gas (the "Sino Gas Project"), which become a jointly controlled entity of the Company.

Due to the steady growth in the natural gas market in the PRC, the Group is confident in its prospects in this market. The Directors are of the view that the Sino Gas Project could provide an opportunity for the Group to further invest in natural gas business in the PRC in order to enhance its earning base and expand the geographical coverage of its operations.

Management Discussion & Analysis
Business Review

Sino Gas Group own and operate 22 exclusive piped gas projects in PRC, covering connectable urban population in Hebei, Jiangsu, Jilin and Anhui provinces and serving 363,324 residential households, 24 industrial customers and 663 commercial customers. The facilities of Sino Gas Group include approximately 2,721 kilometers of pipeline and delivery networks (including delivery trucks) with a daily capacity of approximately 1,240,000 cubic meters of natural gas.

Sino Gas Group mainly focuses on residential and industrial customers. It covered 2,703,000 connectable urban population units across the PRC and the penetration rates of residential connection is just 47.1% as at 31st December, 2014. There are many industrial parks in Sino Gas Group's operation regions. Gas projects of Sino Gas Group cover a number of large industrial zones, including Sihong industrial zone located at Sihong county of Jiangsu province, Chengnan industrial zone located at Wuhe county of Anhui province, Ningjin industrial zone located at Ningjin county of Hebei province, Linzhang industrial zone located at Linzhang county of Hebei province, and two industrial zones at Songmen and the northeastern district of Wuqiao county, Hebei province. These industrial zones are mainly engaged in textile and garment sector, machinery manufacturing sector, food processing sector, machinery and electronics sector, chemical sector, glass manufacturing sector and plastics manufacturing sector.

Taking advantage of the proximity to the main pipelines, the gas supply to the residential and industrial customers will be very stable and reliable with shorter construction time and lower costs expected. Hence, the integration and the further development of Sino Gas Group will become a strong growth driver of the Group in the near future.

Zhejiang Zhongyu Project

On 28th March, 2014, the Company entered into an agreement with 岱山縣人民政府 The People's Government of Daishan County in respect of the proposed development for constructing and operating piped natural gas projects exclusively in Daishan Economic Development District located in Daishan County, Zhejiang Province, the PRC.

Management Discussion & Analysis
Business Review

Zhongyu Gas Investment Limited, a wholly-owned subsidiary of the Company, established a company, namely 浙江中裕燃氣有限公司 (Zhejiang Zhongyu Gas Company Limited) (Zhejiang Zhongyu) in Zhoushan City, Zhejiang Province, the PRC, to engage aforesaid project. The registered capital of Zhejiang Zhongyu is USD8,500,000, which is contributed in cash and funded by the internal resources of the Group and external financing. Zhejiang Zhongyu obtained the concession right from local authorities of Daishan County, Zhejiang Province, the PRC, to operate the sales and distribution of natural gas in Daishan Economic Development District (the "District"). The concession right is for a period of 30 years and has granted for exclusive operations since 20th November, 2014.

The industry sector in the District has developed rapidly and its comprehensive economic strength keeps growing. The total area of the District is 84.64 square kilometers. There are 562 industrial enterprises in the District with an industrial output value of RMB31.36 billion. Sectors introduced into the District relate to shipping, aquaculture, auto parts, light-industrial electronics and construction materials. Shipping sector boasts an extraordinarily prosperous development in the District and attracts shipbuilding groups known both home and abroad to set up footholds in Daishan Economic Development District as their bases of marine engineering, which lays a solid foundation for industrial development.

Dezhou Wangyuan Project

Reference is made to the Annual Report 2013 of the Company dated 13th March, 2014 in which Zhongyu (Henan) Energy Holdings Limited ("Zhongyu Henan"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with independent third parties to acquire 100% equity interest in 德州旺源燃氣有限公司 Dezhou Wangyuan Gas Company Limited ("Dezhou Wangyuan") at a total cash consideration of RMB76,150,000 (equivalent to HK$97,466,000). Dezhou Wangyuan is principally engaged in exclusively sales of piped gas in Tianqu industrial zone of Dezhou City, Shandong Province, the PRC. After developing for over a decade, Tianqu industrial zone is growing stronger. The zone is divided into six districts, being the modern logistic district, chemical district, electronic information district, textile district, food processing district and the Tianqu business district respectively. The transaction completed during the year ended 31st December, 2014. As at 31st December, 2014, the unsettled consideration for the acquisition of RMB20,650,000 (equivalent to HK$26,176,000) is included in other payables and would be settled upon the proper transfer of legal title of the land acquired and acceptance notice for commencing operation of gas filling station being obtained.

Management Discussion & Analysis
Business Review

Additional interest of Xiuwu Zhongyu

On 26th March, 2014, Zhongyu Henan and 焦作眾合建設投資有限公司 (Jiaozuo Zhonghe Construction Investment Company Limited) ("Jiaozuo Zhonghe"), the non-controlling shareholder of 修武中裕燃氣發展有限公司 (Xiuwu Zhongyu Gas Development Company Limited) ("Xiuwu Zhongyu") entered into an equity transfer agreement (the "Equity Transfer Agreement"), pursuant to which Jiaozuo Zhonghe has agreed to transfer holding of 40% of the equity interest in Xiuwu Zhongyu held by Jiaozuo Zhonghe to Zhongyu Henan for a consideration of RMB11,800,000 (equivalent to HK$15,030,000). Thereafter, the Group's effective interest in Xiuwu Zhongyu increased from 55.90% to 95.92%. The connectable urban population in Xiuwu County is 90,000 units and 28 industrial customers have been connected.

New CNG/LNG Vehicle Filling Stations Expansion

Newly established CNG/LNG vehicle filling stations

The Group continued to develop vehicles natural gas filling station business actively. During the financial year, 17 additional CNG/LNG vehicle filling stations were put into operation.

Disposal of a liquefied petroleum gas business

During the period under review, the Group disposed its liquefied petroleum gas business in Jiaozuo City in order to focus the Group's resources on other businesses. As a result, the sales of liquefied petroleum gas has decreased greatly by 34.4%. As all of the applicable percentage ratios in respect of the transaction were less than 5%, the transaction did not constitute a discloseable transaction of the Company under the Listing Rules and no announcement was made in this respect.

Major Operational Data

The downstream natural gas distribution business of the Group primarily comprises sales of piped gas, gas pipeline construction and sales of natural gas from CNG/LNG vehicle filling stations.

Management Discussion & Analysis
Business Review

The major operational data of the Group for the year together with the comparative figures for the corresponding period last year are as follows:

	2014	2013	Increase/ (Decrease)
Number of operational locations (Note a)*	**52**	29	23
– Henan Province	**21**	21	–
– Hebei Province	**15**	–	15
– Jiangsu Province	**6**	2	4
– Shandong Province	**4**	4	–
– Jilin Province	**2**	–	2
– Fujian Province	**1**	1	–
– Heilongjiang Province	**1**	1	–
– Zhejiang Province	**1**	–	1
– Anhui Province	**1**	–	1
Connectable urban population ('000) (Note b)*	**8,594**	5,891	45.9%
Connectable residential households ('000)*	**2,455**	1,683	45.9%
New piped gas connections by the Group made during the year			
– Residential households	**146,997**	150,849	(2.6)%
– Industrial customers	**95**	84	13.1%
– Commercial customers	**670**	515	30.1%
Accumulated number of connected piped gas customers*			
– Residential households	**1,344,627**	834,471	61.1%
– Industrial customers	**625**	506	23.5%
– Commercial customers	**4,082**	2,749	48.5%
Penetration rate of residential pipeline connection (Note c)	**58.3%**	49.6%	8.7%

Management Discussion & Analysis
Business Review

	2014	2013	Increase/ (Decrease)
Unit of piped natural gas sold ('000 m³)	**685,953**	742,984	(7.7)%
– Residential households	**124,150**	103,715	19.7%
– Industrial customers	**467,183**	564,685	(17.3)%
– Commercial customers	**66,979**	61,357	9.2%
– Wholesale customers	**27,641**	13,227	109.0%
Unit of piped mixed gas sold ('000 m³)	**31,221**	36,351	(14.1)%
Unit of piped coal gas sold ('000 m³)	**53,663**	41,025	30.8%
Number of CNG/LNG Vehicle Filling Stations			
– Accumulated	**44**	27	17
– Under construction	**19**	12	7
Unit of natural gas sold to vehicles ('000 m³)	**98,877**	54,800	80.4%
Unit of bottle LPG sold (ton)	**1,348**	2,117	(36.3)%
Total length of existing intermediate and main pipelines (km)*	**7,880**	3,204	145.9%
Average selling price of natural gas (pre-tax) (RMB per m³)			
– Residential households	**1.94**	1.95	(0.5)%
– Industrial customers	**2.71**	2.35	15.3%
– Commercial customers	**3.05**	2.68	13.8%
– Wholesale customers	**2.14**	1.94	10.3%
– CNG/LNG vehicle filling stations	**3.70**	3.51	5.4%
Average cost of natural gas (RMB per m³)	**2.24**	2.02	10.9%
Average connection fee for residential households (RMB)	**2,835**	2,760	2.7%

Note a: The number of operational locations represents the gas projects with exclusive rights are operated in different cities and regions in Mainland China. Some operational locations are operated by one subsidiary.

Note b: The information is quoted from the website of PRC government. The increase in connectable urban population is due to the increase in urban area and jurisdictional region of the cities as well as the number of operational locations.

Note c: The penetration rates of residential pipeline connection represented by the percentage of the accumulated number of the Group's connected residential households to the estimated aggregate number of connectable residential households in its operation regions.

* *Including Sino Gas Group's operational data which is provided by Sino Gas Group.*

Upstream CBM Exploration

During the year ended 31st December, 2014, the CBM business has ceased operations in order to focus the Group's resources on other businesses. The Directors assess that the CBM operations do not meet any of the quantitative thresholds for the reporting segments and have minimal impact on forthcoming resource allocation and assessment of performance, accordingly, no separate disclosure about this is presented.


中裕燃气

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Overall

The Group's results for the year ended 31st December, 2014 was mainly driven by organic growth of the businesses. The Group's profit attributable to owners of the Company reached

HK$324,351,000

(2013: HK$262,248,000).

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Turnover

An analysis of the Group's turnover by business segment for the year, together with the comparative figures for the corresponding period last year are as follows:

	Year ended 31st December,				
	2014	**% of total**	2013	% of total	Increase/ (Decrease)
	HK$'000		HK$'000		
Sales of Piped Gas	**2,317,565**	**67.9%**	2,243,421	71.6%	3.3%
Connection revenue from Gas Pipeline Construction	**612,974**	**18.0%**	618,774	19.8%	(0.9)%
Operation of CNG/LNG Vehicle Filling Stations	**461,471**	**13.5%**	242,908	7.8%	90.0%
Sales of Stoves and Related Equipment	**9,885**	**0.3%**	9,317	0.3%	6.1%
Sub-total	**3,401,895**	**99.7%**	3,114,420	99.5%	9.2%
Sales of Liquefied Petroleum Gas	**10,795**	**0.3%**	16,465	0.5%	(34.4)%
Total	**3,412,690**	**100%**	3,130,885	100%	9.0%

The turnover for the year increased by 9.0% to approximately HK$3,412,690,000 from approximately HK$3,130,885,000 last year. The growth in turnover was mainly attributable to the continuous growth in sales of vehicle piped gas to commercial and residential customers as well as the sales of natural gas from CNG/LNG vehicle filling stations, which was partly offset by the decrease in sales of piped gas to industrial customers.

Sales of Piped Gas

Sales of piped gas for the year ended 31st December, 2014 amounted to approximately HK$2,317,565,000, representing an increase of approximately 3.3% over the corresponding period last year.

Nearly 97% of the total sales of piped gas was derived from the provision of natural gas. The growth in sales of piped gas was mainly attributable to the increase in gas sales volume to residential households by 19.7% to 124,150,000 m^3 from 103,715,000 m^3 as well as the increase in average selling prices of natural gas to non-residential customers.

Sales of piped gas for the year contributed approximately 67.9% of the total turnover of the Group. As compared with the percentage of approximately 71.6% during the corresponding period last year, sales of piped gas continued to be the major source of turnover of the Group. The following table sets forth the breakdown of sales of piped natural gas by customers.

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Sales of piped natural gas by customers:

	Year ended 31st December,				
	2014 HK$'000	**% of total**	2013 HK$'000	% of total	Increase/ (Decrease)
Industrial customers	**1,600,592**	**71.6%**	1,676,471	77.2%	(4.5)%
Residential households	**304,306**	**13.6%**	255,452	11.8%	19.1%
Commercial customers	**257,768**	**11.5%**	207,416	9.5%	24.3%
Wholesale customers	**74,535**	**3.3%**	32,368	1.5%	130.3%
Total	**2,237,201**	**100%**	2,171,707	100%	3.0%

The sales of piped natural gas for the year increased by 3.0% to approximately HK$2,237,201,000 from approximately HK$2,171,707,000 last year.

Industrial customers

The sales of piped natural gas to industrial customers for the year decreased by 4.5% to approximately HK$1,600,592,000 from approximately HK$1,676,471,000 for the corresponding period last year. During the year, the Group connected 95 industrial customers. The Group obtained notice on the adjustment of natural gas selling prices to non-residential users in Linyi City in August 2013 and Henan Province in September 2013 and March 2014, thus the average selling price of natural gas for industrial customers increased by 15.5% to RMB2.71 per m^3 (2013: RMB2.35 per m^3) when compared to the corresponding period last year, which partly suppressed the gas consumption of industrial customers. During the year, the piped natural gas usage provided by the Group to its industrial customers was approximately 467,183,000 m^3 (2013: 564,685,000 m^3).

The sales of piped natural gas to industrial customers for the year contributed approximately 71.6% of the total sales of piped natural gas of the Group. As compared with the percentage of approximately 77.2% during the corresponding period last year, it continued to be the major source of sales of piped natural gas of the Group.

Residential households

The sales of piped natural gas to its residential households for the year increased by 19.1% to approximately HK$304,306,000 from approximately HK$255,452,000 for the corresponding period last year. The growth in sales of piped gas to residential households was supported by the Group's organic growth in population due to urbanization in its existing project cities in China as well as the number of operational locations having increased. The Group provided new natural gas connections for 146,997 residential households. During the year, the piped natural gas usage provided by the Group to residential households was approximately 124,150,000 m^3 (2013: 103,715,000 m^3).

The sales of piped natural gas to residential households for the year contributed approximately 13.6% of the total sales of piped natural gas of the Group. As compared with the percentage of approximately 11.8% during the corresponding period last year, it continued to be one major source of sales of piped natural gas of the Group.

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Commercial customers

As such, in addition to fulfilling the demand of residential customers for natural gas, the Group stepped up gas connection for commercial customers. The sales of piped natural gas to its commercial customers for the year increased by 24.3% to approximately HK$257,768,000 from approximately HK$207,416,000 for the corresponding period last year. The sales of piped natural gas to its commercial customers for the year contributed approximately 11.5% of the total sales of piped natural gas of the Group (2013: 9.5%). During the year, the Group connected 670 commercial customers. As at 31st December, 2014, the number of commercial customers of the Group reached 3,905, representing an increase of approximately 42.1% as compared with the same period last year.

The Group obtained notice on the adjustment of natural gas selling prices to non-residential users in Linyi City in August 2013 and Henan Province in September 2013 and March 2014, thus the average selling price of natural gas for commercial customers increased by 13.9% to RMB3.05 per m^3 (2013: RMB2.68 per m^3) when compared to the corresponding period last year, which pushed up the sales during the year. Moreover, the increase in gas consumption of commercial customers by 9.2% to approximately of 66,979,000 m^3 drove the piped gas sales increment.

Gas Pipeline Construction

Connection revenue from gas pipeline construction for the year ended 31st December, 2014 amounted to approximately HK$612,974,000, representing a decrease of approximately 0.9% over the corresponding period last year. The following table sets forth the breakdown of connection revenue from gas pipeline construction by customers.

Connection revenue from gas pipeline construction by customers

	Year ended 31st December,				
	2014	**% of total**	2013	% of total	Increase/ (Decrease)
	HK$'000		HK$'000		
Residential households	**525,970**	**85.8%**	527,008	85.2%	(0.2)%
Non-residential customers	**87,004**	**14.2%**	91,766	14.8%	(5.2)%
Total	**612,974**	**100%**	618,774	100%	(0.9)%

During the year, connection revenue from gas pipeline construction for residential households decreased by 0.2% to approximately HK$525,970,000 from approximately HK$527,008,000 for the corresponding period last year. The decrease in connection revenue from gas pipeline construction for residential households was mainly attributable to the decrease in construction work for gas pipeline connection completed by the Group for residential households to 146,997 from 150,849, which had a net off effect on the increase in average connection fee for residential households from RMB2,760 to RMB2,835.

The connection fee charged to industrial/commercial customers by the Group was significantly higher than that charged to residential households and was determined on a case-by-case basis. During the year, connection revenue from gas pipeline construction for non-residential customers decreased by 5.2% to approximately HK$87,004,000 from approximately HK$91,766,000 for the corresponding period last year.

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During the year, the connection revenue from gas pipeline construction contributed approximately 18.0% of the total turnover of the Group. As compared with the percentage of approximately 19.8% during the corresponding period last year, the connection revenue from gas pipeline construction continued to be one of the major sources of turnover of the Group.

As at 31st December, 2014, the Group's penetration rate of residential pipeline connection reached 58.3% (2013: 49.6%) (represented by the percentage of the accumulated number of the Group's connected residential households to the estimated aggregate number of connectable residential households in its operation regions).

Operation of CNG/LNG Vehicle Filling Stations

Revenue from operating CNG/LNG vehicle filling stations for the year ended 31st December, 2014 amounted to approximately HK$461,471,000, representing an increase of approximately 90.0% over the corresponding period last year. The increase was mainly due to an increase in the number of CNG/LNG vehicle filling stations from twenty-seven to forty-four stations as well as the increase of the average selling price of natural gas for CNG/LNG vehicle filling stations by 5.4% to RMB3.70 per m^3 (2013: RMB3.51 per m^3) when compared to the corresponding period last year. The unit of natural gas sold to vehicles increased by 80.4% to approximately 98,877,000 m^3 for the year ended 31st December, 2014 from approximately 54,800,000 m^3 for the corresponding period last year.

During the year, the turnover derived from operating CNG/LNG vehicle filling stations accounted for approximately 13.5% of the total turnover of the Group. In addition, the Group commenced building additional nineteen CNG/LNG vehicle refilling stations in the PRC. It is targeted that all new CNG/LNG vehicle filling stations will commence operation in 2015.

Gross profit margin

The overall gross profit margin for the year ended 31st December, 2014 was approximately 24.9% (2013: 23.8%). The gross profit margin for the sales of piped natural gas was 17.2% (2013: 15.0%); for the gas pipeline construction was 63.0% (2013: 61.8%); and for the operation of CNG/LNG vehicle filling stations was 20.7% (2013: 21.9%).

The increase in the gross profit margin for the sales of piped natural gas was mainly due to the gas price adjustments. The National Development and Reform Commission of the PRC adjusted the non-residential natural gas price of gate stations in July 2013 and the Group also obtained notice on the adjustment of natural gas selling prices to non-residential users in Linyi City in August 2013 and Henan Province in September 2013 and March 2014. The cost increase from upstream natural gas price can be transferred to non-residential customers and the rate of selling price increase is greater than that of cost increase, leading to an increase in the gross profit margin for the sales of piped gas. The increase in the gross profit margin for the connection revenue from gas pipeline construction was mainly due to the increase in average connection fee for residential households from RMB2,760 to RMB2,835 and the decrease in the average construction cost for industrial customers. The decrease in the gross profit margin for the operation of CNG/LNG vehicle filling stations was mainly due to the newly acquired CNG/LNG vehicle filling station in 2013 which other intangible assets start to amortise in current year.

Other gains and losses

Other gains and losses increased by 283.1% to approximately HK$29,454,000 in 2014 from that of approximately HK$7,688,000 in 2013. The increase was mainly attributable to the reversal of impairment loss recognised on other intangible assets of approximately HK$29,380,000 and the gain on disposal of leasehold land of approximately HK$8,242,000. No such gains were noted in 2013.

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Other income

Other income increased to approximately HK$37,092,000 in 2014 from approximately HK$21,611,000 in 2013. The balance in 2014 represented the bank interest income of approximately HK$5,154,000 (2013: HK$3,247,000), interest income on amount due from a joint venture of approximately HK$6,669,000 (2013: nil), government subsidies of approximately HK$11,635,000 (2013: HK$9,454,000), interest income from investments in life insurance contracts of approximately HK$1,112,000 (2013: nil) and sundry income of approximately HK$12,522,000 (2013: HK$8,910,000).

Selling and distribution costs

Selling and distribution costs increased by 1.9% to approximately HK$61,501,000 in 2014 from approximately HK$60,348,000 in 2013. The increase was mainly attributable to (i) the staff costs and related expenses, which increased by 11.3% to approximately HK$42,291,000 from approximately HK$37,984,000 as a result of increased salary and number of headcount for PRC subsidiaries; and (ii) the repair and maintenance expenses, which increased by 24.3% to approximately HK$9,448,000 from approximately HK$7,598,000 resulting from the reformation of gas meters.

Administrative expenses

Administrative expenses increased by 5.1% to approximately HK$213,046,000 in 2014 from approximately HK$202,695,000 in 2013. The increase was mainly attributable to (i) the increase in professional fees by 491.7% to approximately HK$4,136,000 for the year ended 31st December, 2014 compared to approximately HK$699,000 for the corresponding period last year resulting from the acquisition of new gas projects; (ii) director emoluments, which increased by 20.6% to approximately HK$22,570,000 in 2014 from HK$18,713,000 in 2013 resulting from the director bonus of approximately HK$12,430,000 (2013: HK$9,040,000); and (iii) the increase in depreciation by 22.0% to approximately HK$14,571,000 for the year ended 31st December, 2014 compared to approximately HK$11,941,000 for the corresponding period last year resulting from a new office in use and more office equipment acquired.

Finance costs

Finance costs increased by 90.2% to approximately HK$84,565,000 in 2014 from approximately HK$44,465,000 in 2013. The increase was mainly attributable to the increase in average bank borrowings and amortisation on loan facilities fees regarding to bank borrowings.

Income tax expenses

Under the Law of the PRC on the EIT Law and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profits arising in Hong Kong for the both years.

Under the EIT Law of the PRC, withholding tax is imposed on the dividend declared to non-PRC tax residents in respect of profits earned by PRC subsidiaries from 1st January, 2008 onwards. During the year ended 31st December, 2014, withholding tax amounting to HK$3,966,000 (2013: HK$3,840,000) was charged by the PRC tax authority which levied on the dividends paid to overseas group entities in previous years.

Accordingly, the income tax expenses in 2014 amounted to approximately HK$167,285,000 (2013: HK$141,362,000).

Earnings from continuing operations before finance costs, taxation, depreciation and amortisation ("EBITDA")

The Group's EBITDA was approximately HK$759,287,000 in 2014, representing an increase of 26.0% as compared with that of approximately HK$602,789,000 in 2013.

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Profit attributable to owners of the Company

As a result of the above, profit attributable to owners of the Company was approximately HK$324,351,000 in 2014, representing an increase of 23.7% as compared with that of approximately HK$262,248,000 in 2013.

Net Profit Margin

As at 31st December, 2014, the net profit margin, representing a ratio of profit attributable to owners of the Company to turnover, was approximately 9.5% (2013: 8.4%).

Earnings per share

The basic and diluted earnings per share attributable to the owners of the Company were HK12.85 cents and HK12.84 cents respectively in 2014, as compared with that of HK10.39 cents and HK10.38 cents respectively in 2013.

Net assets value per share

The net assets value per share attributable to the owners of the Company was HK$0.8 in 2014, representing an increase of 14.3% as compared with that of HK$0.7 in 2013.

The net assets value represents total assets minus total liabilities.

LIQUIDITY, FINANCIAL RESOURCES AND WORKING CAPITAL

Liquidity

As at 31st December, 2014, the Group has net current assets of approximately HK$184,975,000, while it was at a net current liabilities position of approximately HK$576,834,000 at 31st December, 2013.

The increase was mainly attributable to (i) amount due from a joint venture of HK$286,742,000 noted in 2014, with no such balance in 2013; and (ii) the increase of 92.8% in bank balances and cash to approximately HK$828,189,000 from approximately HK$429,546,000 in 2013 as more long term bank loans were advanced to the Group during the year.

As at 31st December, 2014, the Group's current ratio, represented by a ratio of total current assets to total current liabilities, was approximately 1.1 (2013: 0.6).

As at 31st December, 2014, the total assets increased by approximately HK$2,199,908,000 or 46.8% to HK$6,898,822,000 (2013: HK$4,698,914,000).

As at 31st December, 2014, the total bank borrowings increased by approximately HK$1,643,612,000 or 90.9% to HK$3,452,730,000 (2013: HK$1,809,118,000).

As at 31st December, 2014, the Group had total net debts of approximately HK$2,624,541,000 (2013: HK$1,379,572,000), measured as total bank borrowings minus the bank balances and cash. As at 31st December, 2014, the Group had net gearing ratio of approximately 114.5% (2013: 71.5%), measured as total net debts to total equity of approximately HK$2,292,740,000 (2013: HK$1,928,674,000).

Financial resources

On 14th April, 2014, the Company entered into a loan agreement in Hong Kong with The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), pursuant to which the HSBC made available to the Company a loan facility of up to US$30,000,000. The Company has drawn-down the full amount as at 31st December, 2014.

On 21st July, 2014, the Company entered into a syndicated loan agreement with nineteen banks including HSBC (the "Lenders") in Hong Kong, pursuant to which the Lenders made available to the Company a loan facility of up to US$300,000,000. The Company has drawn-down the full amount as at 31st December, 2014. The loan proceeds are used for refinancing the existing indebtedness of the Group, financing the working capital and capital expenditure of the Group.

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During the year ended 31st December, 2014, the Group generally financed its operations with internally generated resources and bank borrowings. As at 31st December, 2014, all of the bank borrowings were secured or unsecured and on normal commercial basis.

Working capital

In view of the Group's current financial and liquidity positions and in the absence of unforeseen circumstances, the Directors are of the opinion that the Group has sufficient working capital for its requirements.

RELATED PARTY TRANSACTIONS

On 9 May 2014, the Group as lender entered into a loan agreement with a wholly-owned subsidiary of Sino Gas (which is in turn wholly-owned by Harmony Gas) as borrower in respect of a secured loan facility of up to RMB50,000,000 (equivalent to approximately HK$62,140,000) with an interest rate of 8% per annum, payable monthly. On 25 November 2014, the Group entered into a second loan agreement as lender with Harmony Gas, a company owned as to 50% by the Group, as borrower in respect of an unsecured loan of up to US$40 million (equivalent to approximately HK$311,200,000) with an interest rate of 8% per annum, payable semi-annually. The related party transactions conducted by the Group during the year do not constitute "connected transactions" within the definition of Chapter 14A of the Listing Rules. As such, the Company is not required to comply with the disclosure requirements in accordance with Chapter 14A.

Further details on the related party transactions are set out in note 40 to the consolidated financial statements and in the announcements of the Company dated 9 May 2014 and 25 November 2014, respectively.

EXPOSURE TO EXCHANGE RATE FLUCTUATIONS

During the year, the Group's monetary assets and liabilities are principally denominated in either Renminbi or the United States dollars and the Group conducted its business transactions principally in Renminbi. The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the year ended 31st December, 2014, thus the Group did not employ any financial instruments for hedging purposes.

EMPLOYEE INFORMATION

As at 31st December, 2014, the Group had a total of 2,440 employees (2013: 2,137) in Hong Kong and the PRC, and the total employee benefit expenses (other than directors) for the year was approximately HK$193,990,000 (2013: HK$180,091,000). The increase was mainly due to the increase in the number of headcount of the Group's subsidiaries and salary increment. More than 99.8% of the Group's employees are located in the PRC.

The Group's remuneration and bonus policies are determined by the performance of individual employees.

The emoluments of the Directors are decided by the Remuneration Committee of the Company, having regard to the Company's operating results, their duties and responsibilities within the Group and comparable market statistics.

On 24th October, 2003, the Company adopted a share option scheme ("Old Share Option Scheme") pursuant to which the Directors were authorised to grant share option to its employees (including executive directors and employees of any of its subsidiaries) or any person who has contributed or will contribute to the Group. The Old Share Option Scheme was terminated and replaced by a new share option scheme ("New Share Options Scheme") on 3rd May, 2013 by an ordinary resolution passed by the shareholders of the Company at the annual general meeting held on 3rd May, 2013.

Under the New Share Option Scheme, the Directors may offer to any employees or any person who has made contributions to the Group, share options to subscribe for shares in the Company in accordance with the terms of the New Share Option Scheme. The exercise price is determined by the Directors, and shall not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

On 11th April, 2011, share options to subscribe for an aggregate of 159,000,000 ordinary shares at par value HK$0.01 each of the Company were granted to the eligible participants by the Company pursuant to the Old Share Option Scheme. The exercise price of share options granted was HK$0.49 per share. The share options granted shall be valid for a period of ten years from the date of grant. Save as disclosed in the Directors' Report, no share options granted under the Old Share Option Scheme were exercised during the year. No options have yet been granted under the New Share Option Scheme. The movements of the Company's share options granted under the Old Share Option Scheme and movements in such holdings during the year are disclosed in the title of share option in Directors' Report.

CHARGE ON THE GROUP'S ASSETS

As at 31st December, 2014, the Group has pledged certain buildings in the PRC having a carrying value of HK$3,530,000 (2013: HK$5,943,000) to secure certain bank borrowings granted to the Group.

As at 31st December, 2014, the Group has pledged certain prepaid lease payments in the PRC having a carrying value of HK$48,614,000 (2013: HK$11,363,000) to secure certain bank borrowings granted to the Group.

As at 31st December, 2013, pursuant to letters of undertaking, the Group was required to maintain deposits of RMB1,283,000 (equivalent to HK$1,643,000) and USD1,000,000 (equivalent to HK$7,754,000) with respective banks as a condition precedent to the supply of natural gas from a supplier and a bank borrowing. During the year ended 31st December, 2014, the supplier has voluntarily removed the condition of maintaining pledged deposits for the supply of the natural gas in an effort to sustain a favorable relationship with the Group. With the full repayment of the corresponding bank borrowings during the year ended 31st December, 2014, the Group is not required to and does not maintain any deposits with respective banks.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

As at 31st December, 2014, the Board did not have any specific plans for material investment or capital assets.

CAPITAL COMMITMENTS

As at 31st December, 2014, the capital expenditure in respect of the acquisition of property, plant and equipment and prepaid lease payments contracted for but not provided in the consolidated financial statements is HK$61,818,000 (2013: HK$49,558,000).

CONTINGENT LIABILITIES

As at 31st December, 2014, the Group did not have any contingent liabilities.

Biographical Information of Directors

Executive Directors

Mr. Wang Wenliang, aged 44, is the Chairman and the Joint Managing Director of the Company. He was appointed as an executive Director on 10 July 2003 and is responsible for the overall strategic development of the Company and its subsidiaries (collectively the "Group"). Mr. Wang has held investments in various industries in the PRC including aluminium, property, and information technology. Mr. Wang was a deputy general manager of a company in Zhengzhou, People's Republic of China (the "PRC") (whose principal business is the manufacture and sale of aluminium products) between 1996 and 1999 and was a deputy general manager of a company in Henan Province, the PRC (whose principal business is property management and rental) between 1997 and 2000. Mr. Wang was also a president of a company in Henan Province, the PRC between 2000 and 2005, the principal business of which is the provision of software development, networking engineering services, sale of computer and peripheral products, and provision of Internet services. Mr. Wang was an executive director of China Gas between 17 January 2003 and 10 June 2003. Mr. Wang completed his postgraduate course in Finance in the Graduate School of Chinese Academy of Social Sciences in the PRC in June 2001. Mr. Wang is the sole shareholder, a chairman and director of Hezhong Investment Holding Company Limited ("Hezhong"), which is a substantial shareholder (as defined in the Listing Rules) of the Company.

Mr. Lui Siu Keung, aged 43, is the Joint Managing Director, the Chief Financial Officer and Company Secretary of the Company. He was appointed as an Executive Director of the Company on 22 October 2007. Mr. Lui joined the Company in 2003 and is responsible for the financial, financing and investor relations activities of the Group. Mr. Lui has approximately nineteen years of experience in corporate finance, accounting and auditing fields. He graduated from The Hong Kong Polytechnic University with a bachelor of arts degree in accountancy in November 1996. Mr. Lui is an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Lui was an independent non-executive director of Co-Prosperity Holdings Limited (Stock Code: 707) up to 10th March, 2015.

Mr. Lu Zhaoheng, aged 50, is the executive Director of the Company and is mainly responsible for the management of the Group's business in PRC. He was appointed as an executive Director on 24 June 2004. Mr. Lu is the National Registered Public Facilities Engineer and the member of China City Gas Council. Mr. Lu graduated from 重慶建築工程學院 (The Architecture and Engineering Institute of Chongqing) in July 1984, specialising in City Natural Gas Heat Energy Engineering. Mr. Lu has accumulated about thirty years of experience in the development and commercialisation of natural gas in the PRC. Mr. Lu held various positions in 河南省城鄉規劃設計研究院 (The City Planning Design Institute of Henan Province) and was mainly responsible for the planning, design and consultation regarding natural gas projects.

Biographical Information of Directors

Non-executive Directors

Mr. Xu Yongxuan, aged 69, is the Vice Chairman of the Company. Mr. Xu was appointed as a non-executive Director and Vice Chairman of the Company on 12 March 2004. Mr. Xu had been an executive director of Greater China Holdings Limited, the issued shares of which are listed on the main board of the Stock Exchange for the period from October 2001 to January 2004.

Independent Non-executive Directors

Mr. Li Chunyan, aged 51, is an independent non-executive Director, Chairman of Audit Committee and Remuneration Committee of the Company. He was appointed as an independent non-executive Director on 5 October 2010. He is currently a registered lawyer at Henan Shi Ji Tong Law Office (河南世紀通律師事務所) and is also a registered accountant, registered assets valuer and registered tax adviser in the PRC. Mr. Li acted as legal adviser or independent non-executive director to the Henan Provincial People's Hospital, the Henan Province Television Station and other listed companies listed in the PRC and overseas. He was the independent non-executive director of Zhengzhou Yutong Bus Co. Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600066) from April 2014 to the present. He is a non-executive director of Rosan Resources Holdings Limited (stock code: 578).

Dr. Luo Yongtai, aged 68, is an independent non-executive Director, a member of the Audit Committee and Remuneration Committee of the Company. He was appointed as an independent non-executive Director on 31 July 2003. He is a professor in management of Tianjin University of Finance and Economics, a counselor of the Tianjin City People's Government Counselors' Office, the deputy supervisor of the People's Republic of China System Engineering Committee and also held positions in various professional organisations. Dr. Luo is a beneficiary of the Expert Special Subsidy granted by the State Council of the PRC and has been engaged in various national and provincial projects in recent years. Dr. Luo is also an independent director of Sichuan Datong Gas Development Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 000593) from November 2008 to the present and an independent non-executive director of Tianjin Binhai Teda Logistics (Group) Corporation Limited, a company listed on the GEM (stock code: 8348) from September 2006 to the present.

Mr. Hung, Randy King Kuen, aged 49, is an independent non-executive Director and a member of the Audit Committee and Remuneration Committee of the Company. He was appointed as an independent non-executive Director on 30 September 2004. Mr. Hung is a fellow certified public accountant in Hong Kong and a certified public accountant in the United States. Currently, he is an executive director and Chief Financial Officer of China Fiber Optic Network System Group Limited (Stock Code: 3777) and an independent non-executive director of China Shineway Pharmaceutical Group Limited (Stock Code: 2877). Mr. Hung is also serving as a council member of the Hong Kong Institute of Directors, and Vice Chairman of the Hong Kong Investor Relations Association. Mr. Hung obtained an MBA degree in international management from the University of London and a bachelor's degree of accounting and a certificate in programming and data processing from the University of Southern California, a certificate in China Accounting, Finance, Taxation and Law from the Chinese University of Hong Kong and a Hong Kong Securities Institute Specialist Certificate in corporate finance.

Corporate Governance Report

The board of directors (the "Directors") and the management of Zhongyu Gas Holdings Limited (the "Company") are committed to high standards of corporate governance. Corporate governance system is set up to achieve a balance of the interests of different participants in the corporation, to direct and manage corporate affairs and to monitor corporate performance. The Company is dedicated to continue improving its corporate governance practices to ensure accountable, transparent and efficient management.

Save as disclosed herein, the Company has fully complied with all code provisions set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") (the "CG Code") for the year ended 31st December, 2014. The following summarizes the corporate governance practices of the Company and the reasons for deviations, if any, from the CG Code.

A. Board of Directors

The board of Directors (the "Board"), holds responsibility for leadership and control of the corporation. By directing and supervising corporate affairs, the Board plays an important role in protecting and enhancing long-term shareholder value.

A.1 Board composition

As at 31st December, 2014, the Board included seven Directors, of which three are executive Directors, one is non-executive Director and the remaining three are independent non-executive Directors. The composition of the Board is as follows:

Executive Directors:	Mr. Wang Wenliang ("Mr. Wang") *(Chairman and Joint Managing Director)* Mr. Lui Siu Keung *(Joint Managing Director)* Mr. Lu Zhaoheng
Non-executive Director:	Mr. Xu Yongxuan *(Vice-Chairman)*
Independent Non-executive Directors:	Mr. Li Chunyan Dr. Luo Yongtai Mr. Hung, Randy King Kuen

The Company received a written annual confirmation of independence from each of the independent non-executive Directors pursuant to the Rule 3.13 of the Listing Rules. The Company considered each independent non-executive Director to be independent.

With a balanced Board consisting of three-sevenths members of independent non-executive Directors, the Board considered that the Company can effectively exercise independent judgment.

Given the business nature, the Board members have distinct skills and experience in a variety of business range, which includes city gas network design and operation, organizational management, financial and securities trading market, etc. The relevant biographies and the respective roles of all Directors on the Board are set out on pages 28 and 29 in this report.

The primary roles of the Board are to set the corporate strategy by determining business objectives, development plan and strategic policies; to delegate day-to-day operations to the management and to monitor their operating and financial performance; to avoid risks and oversee corporate affairs.

A.2 Board meetings and information supply

The Board meets regularly and board meetings were held quarterly and additional meetings would be arranged, if and when required. All Directors can attend meetings in person or through other electronic means of communication.

The Company Secretary assists the Chairman in establishing the meeting agenda and each Director may request inclusion of matters in the agenda.

Notice of at least 14 days in advance is given of a regular board meeting to give all Directors an opportunity to attend.

The management of the Company has provided the Board with adequate information in a timely manner to enable it to make informed decisions. In addition, the management may be invited, if and when requested, to attend board meetings to make presentation and answer the queries raised by the Board.

All Directors have access to the advice and services of the Company Secretary with a view to ensuring that board procedures, and all applicable rules and regulations, are followed.

Minutes of board meetings are kept by the Company Secretary and such minutes are open for inspection at any reasonable time on reasonable notice by any Director.

Minutes of board meetings are recorded in sufficient detail and draft and final versions of minutes of board meetings are sent to all Directors for their comment and records respectively, in both cases within a reasonable time after the board meeting is held.

If and when a substantial shareholder of the Company or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter would not be dealt with by way of circulation but a board meeting would be held. Independent non-executive Directors who and whose associates, have no material interest in the transaction would be present at such board meeting.

Corporate Governance Report

For the year ended 31st December, 2014, the Board held seventeen board meetings. The attendance records of all board meetings are set out below:

Executive Directors		
Mr. Wang Wenliang *(Chairman and Joint Managing Director)*	17	100%
Mr. Lui Siu Keung *(Joint Managing Director)*	17	100%
Mr. Lu Zhaoheng	16	94%
Non-executive Directors		
Mr. Xu Yongxuan *(Vice Chairman)*	16	94%
Independent Non-executive Directors		
Mr. Li Chunyan	17	100%
Dr. Luo Yongtai	17	100%
Mr. Hung, Randy King Kuen	17	100%

A.3 Chairman and chief executive

The Chairman is responsible for offering leadership and effectiveness for the Board, arranging all key and appropriate issues are discussed by the Board in a timely manner, and ensuring the Board acts in the best interests of the Company and its subsidiaries (collectively the "Group") by establishing constructive relations between executive and non-executive Directors and providing effective communication with shareholders; whereas the chief executive is responsible for running the Group's business, supervising the implementation of the Group's strategy in achieving the overall commercial objectives and managing the day-to-day operation of the Group.

The CG Code Provision A.2.1 of provides that the roles of Chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and chief executive should be clearly established and set out in writing.

The Chairman of the Company is Mr. Wang Wenliang and the Joint Managing Directors (who have similar roles and responsibilities as those of a chief executive) consist of Mr. Wang Wenliang and Mr. Lui Siu Keung. As a result, the dual role that Mr. Wang Wenliang has as the Chairman and a Joint Managing Director may constitute a deviation from the CG Code Provision A2.1.

Mr. Wang Wenliang has been the Chairman and executive director (with similar roles and responsibilities as those of a chief executive) of the Company since its listing on the Stock Exchange. The Board is of the view that it is in the best interests of the Group to adopt a single leadership structure which will avoid the decision-making process from being unnecessarily hindered and also ensures that the Group can respond to business opportunities efficiently and promptly.

Mr. Wang Wenliang is one of the largest shareholder of the Company who is deemed to hold approximately 23.13% of the total issued shares of the Company as at 31st December 2014. He is in charge of the Group's overall strategic decisions and has played a vital role in developing the business of the Group.

Major decisions made by Mr. Wang Wenliang as the Chairman and a Joint Managing Director are reviewed by the Board and the Board believes that Mr. Lui Siu Keung's appointment as the other Joint Managing Director also helps to put in place adequate safeguards to ensure a balance of power and authority, so that no one individual represents a considerable concentration of power.

A.4 Appointments and re-election

According to the Company's articles of association ("Articles of Association"), the Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy on the Board, or as an addition to the existing Board and the Directors shall have the power from time to time and at any time to appoint any person to be a Director either to fill a casual vacancy on the Board, or as an addition to the existing Board. Any Director so appointed by the Board shall hold office only until the next following annual general meeting of the company and shall then be eligible for reelection.

The Company entered into service contracts with each non-executive Director on 11 July 2012. The term of appointment for the non-executive Directors is three years and they are subject to retirement by rotation and re-election in accordance with the Articles of Association. The details of procedure for retirement of Directors are as follows:

According to the Articles of Association and the CG Code Provisions A4.1-A4.3, one-third of the Directors shall retire from office by rotation at the annual general meeting. The Directors to retire by rotation shall include any Director who wishes to retire and not to offer himself for re-election. Any further Director so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall be determined by lot. Any Director appointed pursuant to the Company's articles of association as stated in the paragraph one under the heading "A4. Appointment and re-election" shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

At the 2013 AGM, Mr. Lui Siu Keung, Mr. Xu Yongxuan and Mr. Hung, Randy King Kuen, three of the seven Directors subject to retirement by rotation, retired and were re-elected to the Board by the shareholders of the Company.

In accordance with CG Code Provision A.4.3, the re-election of Dr. Luo Yongtai, an independent non-executive Director who has served more than 9 years, will be subject to approval by the shareholders of the Company at the upcoming AGM.

Corporate Governance Report

A.5 Responsibilities of directors

Directors are provided sufficient and appropriate information by management periodically to ensure they have a proper understanding of the operations and business of the Group, and to enable them to be fully aware of their responsibilities. When a new Director is appointed, he will receive a formal induction and other materials to familiarize with the Group promptly. Besides every Director is required to disclose his interests, potential conflict of interests, and changes in a timely manner according to the written responsibilities guideline, the independent non-executive Directors participate in board meetings and serve on relevant committees, to make an independent judgment on corporate affairs and to develop a balanced understanding of the view of shareholders. Individual Directors may also seek external independent professional advice, at the Company's expense, on any specific matter. The Company also encourages all Directors to participate in programs of continuous professional development to develop and refresh their knowledge and skills, in order to discharge their responsibilities positively and constructively.

A.6 Directors' securities transaction

The Company has adopted and complied with the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry of all Directors, they have all confirmed their compliance with the required standard of dealings and the Model Code regarding securities transactions by Directors adopted by the Company.

A.7 Directors and Officers' Liabilities Insurance

The Company maintains appropriate insurance cover in respect of legal action against the Company's directors and officers when they discharge their duties. The insurance coverage is reviewed on an annual basis.

A.8 Corporate Governance Functions

The Board also assumes the corporate governance functions and is responsible for: developing and reviewing the Company's policies on corporate governance; reviewing and monitoring training and continuous professional development of Directors and senior management; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring the Company's code of conduct; and reviewing the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

A.9 Continuous Professional Development

Any newly appointed Director would receive an induction package covering the Group's operations, businesses, governance policies and the statutory regulatory obligations and responsibilities of a director of a listed company. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has arranged in-house trainings for Directors and provision of training materials. A summary of training received by Directors during the year ended 31st December, 2014 according to the records provided by the Directors is as follows:

Name of Directors	Training on corporate governance, Directors' responsibilities and other relevant topics
Executive Directors	
Mr. Wang Wenliang	✓
Mr. Lui Siu Keung	✓
Mr. Lu Zhaoheng	✓
Non-executive Directors	
Mr. Xu Yongxuan	✓
Independent non-executive Directors	
Mr. Li Chunyan	✓
Dr. Luo Yongtai	✓
Mr. Hung, Randy King Kuen	✓

B. Remuneration Matters

The Board has established a Remuneration Committee comprising three independent non-executive Directors. The Remuneration Committee meets at least once a year. It will consult the Chairman about their remuneration proposals for other executive directors and the primary responsibilities of the Remuneration Committee are: to make recommendations to the Board on the Company's policy and structure for all directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; to determine specific remuneration packages of individual executive directors and senior management including benefits in kind, pension rights and compensation policy; to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; and to ensure that no Director or any of this associates is involved in deciding his own remuneration.

Two remuneration meeting was held on 13th March, 2014 and 30th April, 2014 to review the remuneration packages of Directors with reference to their duties and responsibilities within the Group, the Company's remuneration policy and the prevailing market condition. The attendance record of the Remuneration Committee meeting is set out below:

Independent Non-executive Directors		
Mr. Li Chunyan *(Chairman)*	2	100%
Dr. Luo Yongtai	2	100%
Mr. Hung, Randy King Kuen	2	100%

C. Accountability and Audit

C.1 Financial reporting

The Directors acknowledge their responsibilities for preparing the accounts of the Group and ensuring that the preparation of the accounts of the Group is 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 of this Annual Report.

C.2 Internal controls

The internal control system has a key role in the management of risks that are significant to the fulfillment of corporation business objectives. Internal control is designed to facilitate the effectiveness and efficiency of operations, to help ensure the reliability of internal and external reporting, to assist compliance with laws and regulations, and to manage and control risk appropriately rather than to eliminate it.

Corporate Governance Report

Directors are responsible for the Group's internal control systems, and through the Company's Audit Committee, have conducted an annual review of the effectiveness of the systems. Management is accountable to the Board for ongoing monitoring of the system of internal control. By covering financial, operational, and compliance controls and risk management, the Board takes the following procedures to achieve business objectives: A distinct organizational structure exists with defined lines of authority and control responsibilities.

- As the Board sets up corporate strategy and delegates daily operation power to senior management, both senior managers in administration headquarter and heads in divisions or projects are involved in the strategic plan and resource allocation to achieve their annual operational and financial targets.

- A comprehensive performance assessment system is implemented to provide financial and operational performance evaluation for both the management and employees once a year. When there are variances against targets or quality requirements, to find the reasons and take appropriate actions to eliminate gaps.

According to business nature and management structure, the Company has established different departments in two levels. The administration headquarter has major responsibilities to prepare and accomplish the Group's business development plan, to conduct day-to-day operation and report to senior management directly, to appoint and direct administrative officers in gas project divisions then to assess their business performances, to implement internal control and avoid operational and financial risks. Compared with headquarter offices, the gas project divisions hold very similar duties except that all their daily jobs are done in a lower level and they have to report to the accordance administration departments respectively on different operational matters.

In order to realize effective financial controls, through maintenance of proper accounting records, the upper and lower financial departments both ensure the Group is not unnecessarily exposed to avoidable financial risks and the financial information can be used only within the business and for publication is reliable. They also contribute to pre-setting annual financial budgets, saving expenses and safeguarding of assets, including the prevention and detection of fraud.

The operational control is the other important part of the whole internal control system. To achieve effective result and avoid operational risks, human resource department employs motivation plan to attract employees with necessary knowledge, skills and information, while administrative and engineering departments in two levels pay more attention to ensure efficient operational management and construct high quality gas projects. In addition, all employees have some responsibility for internal control as part of their accountability for achieving Group's objectives. With delegated authority, they are allowed to establish, operate and monitor the system of internal control, and are required to have an understanding of the Group, its objectives, the energy industries and gas markets, and the risks it faces.

In 2014, after reviewing the effectiveness of internal control system through the Company's Audit Committee, the Board believes no suspected frauds and irregularities, internal control deficiencies or suspected infringement of laws, rules and regulations exist in the Group, which illustrates the system of internal controls is inadequate. The Board is also satisfied that the Group has fully complied with the code provisions on internal controls as set forth in the CG Code.

C.3 Audit committee

The Company has established the Audit Committee in compliance with Rules 3.21 and 3.23 of the Listing Rules. The primary duties of the Audit Committee are: to independently review and supervise the financial reporting process and internal control systems, to ensure good communication among Directors and the Company's auditors, to recommend the appointment of external auditors on an annual basis and approval of the audit fees, to assist the Board in oversight of the independence, qualifications, performance and compensation of the independent accountant, to review interim and annual results announcements as well as the financial statements prior to their approval by the Board, to provide audit report, advice, accounting policies and comments to all Directors.

The Audit Committee comprises three independent non-executive Directors who have extensive experience in financial matters, including Mr. Li Chunyan, Dr. Luo Yongtai and Mr. Hung, Randy King Kuen. Mr. Li Chunyan is the chairman of the Audit Committee. In 2014, the Audit Committee held two meetings to check the effectiveness of the internal control system; to review all draft interim and annual financial reports, circulars and announcements; and understand the external auditors' statutory audit plan and the Letters of Representation, and to consider and approve the audit fees. The attendance records of the Audit Committee meetings are set out below:

Independent Non-executive Directors		
Mr. Li Chunyan *(Chairman)*	2	100%
Dr. Luo Yongtai	2	100%
Mr. Hung, Randy King Kuen	2	100%

C.4 Auditor's remuneration

The remuneration in respect of audit service provided by Deloitte Touche Tohmatsu, being the Company's auditor during the year 2014 amounted to HK$2,235,000.

D. Nomination Committee

The Board has established a Nomination Committee with written terms of reference in compliance with the CG Code. The principal duties of the Nomination Committee include reviewing the structure, size and composition of the Board, making recommendation to the Board on selection of candidates for directorships, the appointment and reappointment of Directors, Board succession planning and assessing the independence of independent non-executive Directors.

On selection of candidates for directorship of the Company, the Nomination Committee makes reference to criteria such as the skills, experience, professional qualifications, personal integrity and time commitments of such individuals.

Corporate Governance Report

For the year ended 31st December, 2014, Mr. Li Chunyan, an Independent Non-executive Director, acted as the Chairman of the Nomination Committee and Dr. Luo Yongtai and Mr. Hung, Randy King Kuen were members, both of whom were also Independent Non-executive Directors.

The Nomination Committee held one meeting during the year ended 31st December, 2014 to determine the policy for the nomination of directors, review the nomination, re-appointment and re-election of Directors and to determine the nomination procedures and consider the process and criteria to be adopted by the Nomination Committee for selecting and proposing a person for election as a Director including the benefits of board diversity in terms of skill, experience, knowledge and gender. The Company believes diversity is important to enhance board effectiveness by encouraging a diversity of perspectives and to maintain high standards of corporate governance. The range of diversity perspectives may include a consideration of various factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, and other factors based on the specific needs of the Company. The Company is in the process of developing measurable objectives for implementing and achieving diversity on the Board. The Nomination Committee considered the current size and composition of the Board to be sufficient to meet the Company's business needs. The attendance record of the Nomination Committee meeting is set out below:

Independent Non-executive Directors		
Mr. Li Chunyan *(Chairman)*	1	100%
Dr. Luo Yongtai	1	100%
Mr. Hung, Randy King Kuen	1	100%

E. Shareholders' Rights

Procedures for Shareholders to convene an extraordinary general meeting and putting forward proposals at Shareholders' meetings

Pursuant to the Article 58 of the articles of association of the Company, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company by mail at Unit 04-06, 28th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition, and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures by which enquiries may be put to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the secretary of the Company by mail at Unit 04-06, 28th Floor, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong. The company secretary of the Company is responsible for forwarding communications relating to matters within the Board's direct responsibilities to the Board and communications relating to ordinary business matters, such as suggestions and inquiries, to the Joint Managing Directors of the Company.

DIRECTORS' REPORT

The directors of the Company present their annual report and the audited consolidated financial statements of the Group for the year ended 31st December, 2014.

Principal Activities

The Company acts as an investment holding company and provides corporate management services to its subsidiaries. The activities of the Company's principal subsidiaries are set out in note 43 to the consolidated financial statements.

Results and Appropriations

The results of the Group for the year ended 31st December, 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 47.

The directors do not recommend the payment of a dividend and propose that the profit for the year be retained.

Investment Properties and Property, Plant and Equipment

The Group revalued all of its investment properties at the year end date. The increase in fair value of investment properties, which has been credited to profit or loss, amounted to HK$434,000. The investment properties are primarily used as offices and shop in the PRC.

Details of the movements during the year in investment properties and property, plant and equipment of the Group are set out in notes 16 and 17 to the consolidated financial statements respectively.

Share Capital

Details of movements during the year in the share capital of the Company are set out in note 32 to the consolidated financial statements.

Distributable Reserves

Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for distributions of dividends to shareholders subject to the provisions of its Articles of Association and provided that immediately following the distribution of dividends, the Company is able to pay its debts as they fall due in the ordinary course of business. In the opinion of the directors, as at 31st December, 2014, the Company's reserves available for distribution amounted to HK$827,640,000 which consisted of share premium of HK$895,736,000 and accumulated losses of HK$68,096,000.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year.

Directors

The directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Wang Wenliang *(Chairman and Joint Managing Director)*
Mr. Lui Siu Keung *(Joint Managing Director)*
Mr. Lu Zhaoheng

Non-executive Directors

Mr. Xu Yongxuan *(Vice-Chairman)*

Independent non-executive Directors

Mr. Li Chunyan
Dr. Luo Yongtai
Mr. Hung, Randy King Kuen

In accordance with the provisions of the Company's Articles of Association, Mr. Lu Zhaoheng, Mr. Li Chunyan and Dr. Luo Yongtai will retire by rotation at the upcoming AGM and, being eligible, offer themselves for re-election. The re-election of Dr. Luo Yongtai will also be subject to approval by the shareholders as he has served as an independent non-executive director for over nine years.

Directors' Report

Directors Service Contracts

The Company entered into service contracts with each of the Directors of the Company on 11th July, 2012. The term of appointment for the Directors is three years and the Directors are subject to retirement by rotation and re-election in accordance with the Articles of Association and the CG Code. There are no existing or proposed directors' service contracts which are not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Directors' Interests in Contracts of Significance

No contracts of significance to which the Company, its subsidiaries, its ultimate holding company or any subsidiaries of its ultimate holding company was a party and in which a director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Disclosure of Interests

(a) Interests of Directors

As at 31st December, 2014, the interests and short positions of the Directors and the Joint Managing Directors of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules were as follows:

Long positions in the Shares of the Company

Name of Directors	Notes	Nature of Shares and/or underlying Shares	Type of Interests	Approximate percentage of issued share capital (Note 4)
Mr. Wang Wenliang	1	584,125,542	Beneficial and interest in controlled corporation	23.13%
Mr. Xu Yongxuan	2	1,000,000	Beneficial	0.04%
Mr. Lui Siu Keung	3	6,000,000	Beneficial	0.24%
Mr. Lu Zhaoheng	3	3,000,000	Beneficial	0.12%
Mr. Li Chunyan	3	1,000,000	Beneficial	0.04%
Dr. Luo Yongtai	2	1,000,000	Beneficial	0.04%

Notes:

1. *Among these Shares and/or underlying Shares, 567,453,542 Shares are held by Hezhong Investment Holding Company Limited ("Hezhong"). Mr. Wang Wenliang is beneficially interested in 100% of the issued share capital of Hezhong. The remaining 15,112,000 Shares and 1,560,000 Shares are directly held by Mr. Wang Wenliang and his spouse respectively.*

2. *These underlying Shares are to be allotted and issued upon exercise of the rights attaching to the share options at an exercise price of HK$0.49 per share under the share option scheme adopted by the Company on 24th October, 2003.*

3. *The Shares are directly held by the director.*

4. *As at 31st December, 2014, the total issued share capital of the Company was 2,525,007,684.*

Save as disclosed above, as at 31st December, 2014, none of the Directors nor the Joint Managing Directors of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Interests of substantial shareholders of the Company

So far as is known to the Directors, as at 31st December, 2014, the following entities (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Long positions in the Shares of the Company

Name of Shareholder	Notes	Type of interests	Number of Shares	Approximate percentage of interests (Note 4)
China Gas Holdings Limited	1	Interest of controlled corporation	1,111,934,142	44.04%
Rich Legend International Limited	1	Beneficial	1,111,934,142	44.04%
Hezhong	2	Beneficial	567,453,542	22.47%
Ms. Feng Haiyan	3	Interest of spouse	584,125,542	23.13%

Directors' Report

Notes:

1. *According to the disclosure of interests pages as shown in the website of the Stock Exchange as at 31st December, 2014, China Gas Holdings Limited controlled 100% of Rich Legend International Limited ("Rich Legend") and is therefore deemed to be interested in the 1,111,934,142 Shares held by Rich Legend. This does not include an interest in 568,619,542 Shares which, based on such disclosure are not held beneficially by Rich Legend but are held by Rich Legend in a capacity described as "Other" in the relevant disclosure of interests pages. Apart from the information ascertained in the disclosure of interest pages as shown in the website of the Stock Exchange, the Company has no further information.*

2. *Hezhong is beneficially interested in 567,453,542 shares. Mr. Wang Wenliang is beneficially interested in 100% of the issued share capital of Hezhong.*

3. *Ms. Feng Haiyan directly holds 1,560,000 shares and is deemed to be interested in 582,565,542 shares under the SFO as she is the spouse of Mr. Wang Wenliang.*

4. *As at 31st December, 2014, the total issued share capital of the Company was 2,525,007,684.*

Save as disclosed above, as at 31st December, 2014, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Share Options

Pursuant to an ordinary resolution passed on 24th October, 2003, the Company adopted a share option scheme ("Old Share Option Scheme") pursuant to which the Directors were authorised to grant share option to its employees (including executive directors and employees of any of its subsidiaries) or any person who has contributed or will contribute to the Group. The Old Share Option Scheme was terminated and replaced by a new share option scheme ("New Share Option Scheme") on 3rd May, 2013 by an ordinary resolution passed by the shareholders of the Company at the annual general meeting held on 3rd May, 2013.

Under the New Share Option Scheme, the Directors may offer share options to any directors and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group who the board of directors of the Company considers, in its sole discretion, have contributed or will contribute to the Group, to subscribe for shares in the Company in accordance with the terms of the New Share Option Scheme.

The maximum number of shares which may be issued upon exercise of all share options to be granted under the New Share Option Scheme shall not, in the absence of shareholders' approval, in aggregate exceed 10% in nominal amount of the aggregate of shares in issue on the adoption date (the "Scheme Mandate Limit"). Options lapsed in accordance with the terms of the New Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.

The Company may renew the Scheme Mandate Limit at any time subject to prior shareholders' approval but in any event, the total number of shares which may be issued upon exercise of all share options to be granted under the New Share Option Scheme under the limit as refreshed must not exceed 10% of the Shares in issue as at the date of the Shareholders' approval of the renewed limit. Options previously granted under the New Share Option Scheme (including those outstanding, cancelled, lapsed in accordance with the terms or exercised options) will not be counted for the purpose of calculating the limit as renewed.

Further, no options will be granted which would result in the maximum aggregate number of shares which may be issued upon exercise of all outstanding options granted but yet to be exercised under the New Share Option Scheme, the existing options granted under the Old Share Option Scheme, in aggregate, 30% of the issued share capital of the Company from time to time.

No share option has been granted since the adoption of the New Share Option Scheme on 3rd May, 2013.

The following table discloses movements in the Company's share options granted under the Old Share Option Scheme and movement in such holdings during the year.

				Number of share options				
Name of Directors	**Date of grant**	**Exercise period**	**Exercise price** HK$	**As at 1st January, 2014**	**Granted during the year under review**	**Exercised during the year under review**	**Lapsed/ Cancelled during the year under review**	**Outstanding at 31st December, 2014**
Xu Yongxuan	11th April, 2011	11th April, 2011 to 10th April, 2021	0.49	1,000,000	–	–	–	1,000,000
Li Chunyan	11th April, 2011	11th April, 2011 to 10th April, 2021	0.49	1,000,000	–	(1,000,000)	–	–
Luo Yongtai	11th April, 2011	11th April, 2011 to 10th April, 2021	0.49	1,000,000	–	–	–	1,000,000
				3,000,000	–	(1,000,000)	–	2,000,000
Exercisable at the end of the year								2,000,000
Weighted average exercise price				HK$0.49	–	HK$0.49	–	HK$0.49

The closing price of the Shares on 8th April, 2011 was HK$0.48, which was the date immediately before the date on which in respect of the share options exercised during the year ended 31st December, 2014, the weighted average closing share price immediately before the date of exercise is HK$2.18. The Share Options were granted on 11th April, 2011. The exercise price per share complied with the Listing Rules and was determined in accordance with the average closing price of the share of the Company quoted on the daily quotation sheet published by the Stock Exchange for the five business days immediately before the date the Share Options were granted.

Save as disclosed above, at no time during the year was the Company, its subsidiaries, its ultimate holding company or any subsidiaries of its ultimate holding company 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.

Major Customers and Suppliers

For the year ended 31st December, 2014, our five largest suppliers comprised 93.2% of our total purchase for the year. The Group's largest supplier accounted for 30.8% of the total purchase for the year. The aggregate sales attributable to the Group's five largest customers were less than 15.6% of total turnover for the year. The Group's largest customer accounted for 5.2% of the total sales for the year.

Directors' Report

At no time during the year did a director, an associate of a director, or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's articles of association, or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Appointment of Independent Non-executive Directors

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors independent. The re-election of Dr. Luo Yongtai will be subject to Shareholders' approval at the coming AGM since he has served as an independent non-executive Director for over nine years.

Emolument Policy

The emoluments of the directors of the Company are decided by the Remuneration Committee with reference to their duties and responsibilities within the Group, the Company's remuneration policy and the prevailing market condition.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme are set out in note 34 to the consolidated financial statements.

Competing Business

China Gas Holdings Limited is a substantial shareholder of the Company. For the reasons stated in the Transfer of Listing announcement of the Company dated 29th June, 2012, the Board is of the view that in so far as the existing pipeline gas projects of the Group in the PRC are concerned, the Group and China Gas Holdings Limited are not competing with each other due to the nature of the natural gas industry in the PRC. However, there may be competition between the Group and China Gas Holdings Limited in relation to the construction and operation of gas stations in the PRC in the future depending on the direction and expansion of the Group's operations and business in the PRC.

Save as stated in the Transfer of Listing announcement of the Company dated 29th June, 2012 and as mentioned above, as far as the Directors are aware, during the year, none of the Directors, the management shareholders or substantial shareholders of the Company or their respective associates (as defined in the Listing Rules) had any interest in a business which competed with or might compete with the business of the Group.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 31st December, 2014.

Auditor

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Wang Wenliang
Chairman

Hong Kong
16th March, 2015

INDEPENDENT AUDITOR'S REPORT

Deloitte.
德勤

TO THE MEMBERS OF ZHONGYU GAS HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Zhongyu Gas Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 47 to 131, which comprise the consolidated statement of financial position as at 31st December, 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

INDEPENDENT AUDITOR'S REPORT

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December, 2014, 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 disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
16th March, 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December, 2014

	NOTES	2014 HK$'000	2013 HK$'000
Turnover	6	**3,412,690**	3,130,885
Cost of sales		**(2,562,650)**	(2,385,210)
Gross profit		**850,040**	745,675
Other gains and losses	8	**29,454**	7,688
Other income	9	**37,092**	21,611
Selling and distribution costs		**(61,501)**	(60,348)
Administrative expenses		**(213,046)**	(202,695)
Research and development costs		**(422)**	(1,287)
Finance costs	10	**(84,565)**	(44,465)
Share of results of a joint venture		**13**	–
Profit before tax		**557,065**	466,179
Income tax expenses	11	**(167,285)**	(141,362)
Profit for the year	12	**389,780**	324,817
Other comprehensive (expense) income			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation to presentation currency		**(20,620)**	44,006
Total comprehensive income for the year		**369,160**	368,823
Profit for the year attributable to:			
Owners of the Company		**324,351**	262,248
Non-controlling interests		**65,429**	62,569
		389,780	324,817
Total comprehensive income attributable to:			
Owners of the Company		**305,811**	302,245
Non-controlling interests		**63,349**	66,578
		369,160	368,823
Earnings per share	15		
Basic		**HK12.85 cents**	HK10.39 cents
Diluted		**HK12.84 cents**	HK10.38 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2014

	NOTES	2014 HK$'000	2013 HK$'000
Non-current assets			
Investment properties	16	**9,365**	9,016
Property, plant and equipment	17	**3,144,809**	2,559,305
Goodwill	18	**141,442**	122,001
Other intangible assets	19	**788,836**	695,003
Long-term deposits, prepayments and other receivables	20	**363,976**	143,813
Prepaid lease payments	21	**335,369**	283,994
Interest in a joint venture	22	**398,005**	–
Available-for-sale investments	23	**6,523**	3,840
		5,188,325	3,816,972
Current assets			
Inventories	24	**91,541**	81,468
Trade and bills receivables	25	**204,066**	178,542
Deposits, prepayments and other receivables	25	**262,467**	174,769
Entrusted loan receivable	26	**25,352**	–
Amount due from a joint venture	27	**286,742**	–
Prepaid lease payments	21	**9,775**	8,220
Amounts due from customers for contract work	28	**2,365**	–
Pledged bank deposits	29	**–**	9,397
Bank balances and cash	29	**828,189**	429,546
		1,710,497	881,942
Current liabilities			
Deferred income and advance received	30	**464,396**	314,662
Trade payables	30	**339,825**	317,007
Other payables and accrued charges	30	**205,353**	213,551
Amounts due to customers for contract work	28	**11,814**	23,347
Bank borrowings	31	**424,211**	528,215
Tax payables		**79,923**	61,994
		1,525,522	1,458,776
Net current assets (liabilities)		**184,975**	(576,834)
Total assets less current liabilities		**5,373,300**	3,240,138

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2014

	NOTES	2014 HK$'000	2013 HK$'000
Capital and reserves			
Share capital	32	**25,250**	25,240
Reserves		**1,968,798**	1,667,240
Equity attributable to owners of the Company		**1,994,048**	1,692,480
Non-controlling interests	44	**298,692**	236,194
Total equity		**2,292,740**	1,928,674
Non-current liabilities			
Deferred income and advance received	30	**6,409**	6,851
Bank borrowings	31	**3,028,519**	1,280,903
Deferred taxation	33	**45,632**	23,710
		3,080,560	1,311,464
		5,373,300	3,240,138

The consolidated financial statements on pages 47 to 131 were approved and authorised for issue by the Board of Directors on 16th March, 2015 and are signed on its behalf by:

DIRECTOR *DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2014

	Attributable to owners of the Company										
	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Property revaluation reserve HK$'000	Other reserve HK$'000	Statutory surplus reserve HK$'000 (Note)	Translation reserve HK$'000	Accumulated profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st January, 2013	25,240	895,054	520	1,128	1,049	55,746	197,106	214,392	1,390,235	171,227	1,561,462
Profit for the year	–	–	–	–	–	–	–	262,248	262,248	62,569	324,817
Other comprehensive income for the year	–	–	–	–	–	–	39,997	–	39,997	4,009	44,006
Total comprehensive income for the year	–	–	–	–	–	–	39,997	262,248	302,245	66,578	368,823
Transfer to statutory surplus reserve	–	–	–	–	–	6,159	–	(6,159)	–	–	–
Dividend paid by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	(5,835)	(5,835)
Capital contribution from non-controlling interest of a subsidiary	–	–	–	–	–	–	–	–	–	4,224	4,224
At 31st December, 2013	25,240	895,054	520	1,128	1,049	61,905	237,103	470,481	1,692,480	236,194	1,928,674
Profit for the year	–	–	–	–	–	–	–	324,351	324,351	65,429	389,780
Other comprehensive expense for the year	–	–	–	–	–	–	(18,540)	–	(18,540)	(2,080)	(20,620)
Total comprehensive income for the year	–	–	–	–	–	–	(18,540)	324,351	305,811	63,349	369,160
Transfer to statutory surplus reserve	–	–	–	–	–	137	–	(137)	–	–	–
Exercise of share options	10	682	(201)	–	–	–	–	–	491	–	491
Dividend paid by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	(369)	(369)
Acquisition of additional interests in a subsidiary (note 37)	–	–	–	–	(4,734)	–	–	–	(4,734)	(10,296)	(15,030)
Deregistration of subsidiaries	–	–	–	–	–	–	–	–	–	8,546	8,546
Transfer to accumulated profits upon deregistration of subsidiaries	–	–	–	–	–	–	9,798	(9,798)	–	–	–
Capital contribution from non-controlling interest of a subsidiary	–	–	–	–	–	–	–	–	–	1,268	1,268
At 31st December, 2014	25,250	895,736	319	1,128	(3,685)	62,042	228,361	784,897	1,994,048	298,692	2,292,740

Note: The articles of association of the Company's subsidiaries incorporated in the People's Republic of China (the "PRC") state that they may make an appropriation of 10% of their profit for the year (prepared under generally accepted accounting principles in the PRC) each year to the statutory surplus reserve until the balance reaches 50% of the paid-in capital. The statutory surplus reserve shall only be used for making good losses, capitalisation into paid-in capital and expansion of their production and operation.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2014

	NOTE	2014 HK$'000	2013 HK$'000
Operating activities			
Profit before tax		**557,065**	466,179
Adjustments for:			
Depreciation of property, plant and equipment		**99,048**	80,834
Amortisation of other intangible assets		**11,526**	6,734
Release of prepaid lease payments		**7,083**	4,577
Net loss on disposal/written-off of property, plant and equipment		**2,669**	1,921
Gain on disposal of leashold land		**(8,242)**	–
Loss on deregistration of subsidiaries		**8,546**	–
Net (reversal of allowance) allowance for doubtful debts			
– trade receivables		**(754)**	148
– other receivables		**641**	650
Share of results of a joint venture		**(13)**	–
Reversal of impairment loss recognised on amounts due from customers for contract work		**(2,152)**	(2,739)
Reversal of impairment loss recognised on intangible assets		**(29,380)**	–
Interest income		**(12,935)**	(3,247)
Finance costs		**84,565**	44,465
Increase in fair value of investment properties		**(434)**	(1,204)
Operating cash flows before movements in working capital		**717,233**	598,318
Increase in inventories		**(10,073)**	(5,828)
Increase in trade and bills receivables		**(24,770)**	(22,673)
Increase in deposits, prepayments and other receivables		**(74,714)**	(54,401)
(Increase) decrease in amounts due from customers for contract work		**(213)**	16,301
Increase in deferred income and advance received	42	**149,292**	70,404
Increase in trade payables		**22,449**	68,084
Decrease in other payables and accrued charges		**(39,102)**	(64,860)
(Decrease) increase in amounts due to customers for contract work		**(11,533)**	12,978
Cash generated from operations		**728,569**	618,323
Interest received		**12,935**	3,247
Income taxes paid		**(143,811)**	(131,579)
Withholding tax paid		**(3,966)**	(3,840)
Net cash from operating activities		**593,727**	486,151

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2014

	NOTES	2014 HK$'000	2013 HK$'000
Investing activities			
Purchases of property, plant and equipment		(562,189)	(473,284)
Proceeds from disposal of property, plant and equipment		1,606	10,568
Proceed from disposal of leasehold land		31,821	–
Withdrawal of pledged bank deposits		9,397	18,689
Placement of pledged bank deposits		–	(9,397)
Acquisition of subsidiary and business	35	(54,337)	(91,138)
Acquisition of additional interest in a subsidiary	37	(15,030)	–
Addition of prepaid lease payments		(81,759)	(83,400)
Acquisition of assets and liabilities through acquisition of a subsidiary	36	(8,043)	(138,068)
Investment in a joint venture		(397,992)	–
Addition of available-for-sale investment		(2,720)	–
Advance to a joint venture		(286,742)	–
Deposit paid for acquisition of additional interest in a subsidiary		(6,655)	–
Deposit paid for acquisition of a subsidiary		–	(10,367)
Deposits paid for acquisition of property, plant and equipment and prepaid lease payments		(221,599)	(133,446)
Investments in life insurance contracts		(72,333)	–
Investment in entrusted loan receivable		(25,352)	–
Purchase of intangible assets		–	(1,264)
Net cash used in investing activities		(1,691,927)	(911,107)
Financing activities			
Interest paid		(121,789)	(83,962)
Loan facilities fees paid		(81,445)	–
New borrowings raised		3,164,241	1,397,752
Repayments of borrowings		(1,465,205)	(807,001)
Proceeds from issue of shares upon exercise of share options		491	–
Dividend paid by subsidiaries to non-controlling interests		(369)	(5,835)
Capital contribution from non-controlling interest of a subsidiary		1,268	4,224
Net cash from financing activities		1,497,192	505,178
Net increase in cash and cash equivalents		398,992	80,222
Cash and cash equivalents at 1st January		429,546	348,570
Effect of foreign exchange rate changes		(349)	754
Cash and cash equivalents at 31st December, represented by bank balances and cash		828,189	429,546

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

1. GENERAL

The Company is a public limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to annual report.

The Company acts as an investment holding company and provides corporate management services to its subsidiaries. The Company's subsidiaries are principally engaged in the development, construction and operation of natural gas projects in the PRC.

The functional currency of the Company is Renminbi ("RMB") and the presentation currency of the consolidated financial statements is Hong Kong dollars ("HKD"). The directors of the Company (the "Directors") consider this presentation is more appropriate as the Company is listed on the Stock Exchange.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting
HK(IFRIC) – INT 21	Levies

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

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

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers[2]
Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle[5]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle[3]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle[4]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exceptions[4]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[4]
Amendments to HKAS 1	Disclosure initiative[4]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[4]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[4]
Amendments to HKAS 19	Defined benefit plans: employee contributions[3]
Amendments to HKAS 27	Equity method in separate financial statements[4]

1 Effective for annual periods beginning on or after 1st January, 2018
2 Effective for annual periods beginning on or after 1st January, 2017
3 Effective for annual periods beginning on or after 1st July, 2014
4 Effective for annual periods beginning on or after 1st January, 2016
5 Effective for annual periods beginning on or after 1st July, 2014, with limited exceptions

HKFRS 15 Revenue from contracts with customers

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

HKFRS 15 Revenue from contracts with customers *(Continued)*

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In the opinion of the Directors, it is not practicable to provide a reasonable estimate of the effect for the application of HKFRS 15 until a detailed review has been completed.

The Directors anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation *(Continued)*

Changes in the Group's ownership interests in existing subsidiaries

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

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

Business combinations

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

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

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

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that standard.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

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

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

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that is expected to benefit from the synergies of the combination.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment in a joint venture

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

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

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

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

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when goods are delivered and titles have passed.

Deposits received by the Group prior to meeting the above for revenue recognition criteria are included in the consolidated statement of financial position under current liabilities.

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

The Group's policy for the recognition of revenue from construction services is described in the accounting policy for construction contracts below.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than assets under construction as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Assets in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than assets under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment *(Continued)*

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Buildings under development for future owner-occupied purpose

When buildings are in the course of development for production or for administrative purposes, the amount of prepaid lease payments released during the construction period is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Construction contracts *(Continued)*

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade receivables.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

Leasehold land and building for own use

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

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is released over the lease term on a straight-line basis except for those that are classified and accounted for as investment properties under the fair value model.

Retirement benefits costs and termination benefits

Payments to the Mandatory Provident Fund Scheme and state-managed retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis (see accounting policy in respect of impairment losses on tangible and intangible assets below).

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured at the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Taxation

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

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

Effective interest method

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

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

Available-for-sale financial assets

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

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost less any identified impairment losses at the end of each reporting period (see accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bills receivables, refundable deposits, other receivables, entrusted loan receivable, amount due from a joint venture, pledged bank deposits and bank balances) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets

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

For financial assets, objective evidence of impairment could include:

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

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

Financial liabilities including trade payables, other payables, accrued charges and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

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

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

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Equity-settled share-based payment transactions

Share options granted to employees

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

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

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

Inventories

Inventories, including construction materials, gas appliances, consumables and spare parts, are stated at the lower of cost and net realisable value. Cost of inventories are determined on a weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Foreign currencies

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

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings; and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies *(Continued)*

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HKD) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributable to non-controlling interests as appropriate).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation before 1st January, 2005 is treated as non-monetary foreign currency items of the acquirer and reported using the historical cost prevailing at the date of acquisition.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1st January, 2005 are treated as assets and liabilities of that foreign operation and retranslated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) *(Continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Estimated impairment of goodwill, other intangible assets, property, plant and equipment and prepaid lease payments

Determining whether an impairment loss is required requires an estimate of the future cash flows of the relevant cash generating unit to which the assets belong expected to arise. The recoverable amount is determined based on the value in use calculation which requires the Group to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value. Where the future cash flows are less than expected or due to changes in estimates, a material impairment loss may arise. Details of the recoverable amount calculation for the cash generating units in respect of connection of pipeline construction are set out in note 18, whereas cash generating units in respect of sales of piped gas and operations of compressed natural gas or liquefied natural gas ("CNG/LNG") vehicle filling stations are set out in note 19.

Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the relevant assets, after taking into account their estimated residual value, if any. The Group reviews the estimated useful lives of the assets annually in order to determine the amount of depreciation expenses to be recorded during the periods. The useful lives are based on the Group's historical experience with similar assets taking into account anticipated technological changes. The depreciation expenses for future periods are adjusted if there are significant changes from previous estimates. As at 31st December, 2014, the carrying value of property, plant and equipment is HK$3,144,809,000 (2013: HK$2,559,305,000).

5. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Capital risk management

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

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in note 31 net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital, accumulated profits and other reserves.

The management of the Group reviews the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through new share issues, repurchase of shares and the issue of new debt or the redemption of the existing debt.

Categories of financial instruments

	2014	2013
	HK$'000	HK$'000
Financial assets		
Available-for-sale investments	**6,523**	3,840
Loans and receivables (including cash and cash equivalents)	**1,394,484**	674,823
Financial liabilities		
Amortised cost	**3,966,010**	2,314,957

Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, refundable deposits, other receivables, entrusted loan receivable, amount due from a joint venture, pledged bank deposits and bank balances, trade payables, other payables and accrued charges and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

5. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk

Interest rate risk

The Group's fair value interest rate risk relates primarily to fixed-rate bank borrowings, currently, the Group has not used any derivative contracts to hedge these exposure to interest rate risk. However, management monitors interest rate exposure and will consider hedging significant fixed rate borrowings should the need arise.

The Group's cash flow interest rate risk primarily relates to variable-rate bank balances and bank borrowings. The Group has not used any interest rate swaps to mitigate its exposure to cash flow interest rate risk. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated. The interest rates of variable bank borrowings are based on interest rate fixed by People's Bank of China plus a premium or interest rate at London Interbank Offered Rate ("LIBOR") plus a premium.

The sensitivity analysis has been determined based on the exposure to the variable-rate bank balances and bank borrowings at the end of the reporting period and management's assessment of the reasonably possible change interest rates. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. If interest rates on bank borrowings and bank balances had been 50 basis points and 20 basis points respectively (2013: 50 basis points for bank borrowings and 20 basis points for bank balances) higher/lower and all other variables were held constant, the Group's post-tax profit for the year would decrease/increase by HK$9,586,000 (2013: decrease/increase HK$3,512,000).

Foreign currency risk

The Group collects most of its revenue in RMB and incurs most of the expenditures as well as capital expenditures in RMB. The Directors consider that the Group's exposure to foreign currency exchange risk is insignificant, except for certain pledged bank deposits, bank balances and bank borrowings denominated in United States dollars ("USD") or HKD, as the majority of the Group's transactions are denominated in the functional currency of the respective group entities. The equivalent amount of HKD are set out below:

	Assets		**Liabilities**	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
USD	**52,312**	18,680	**2,508,770**	674,598
HKD	**8,183**	6,125	**–**	–
	60,495	24,805	**2,508,770**	674,598

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

5. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

Sensitivity analysis

The Group is mainly exposed to the foreign currency risk in HKD and USD.

The following table details the Group's sensitivity to a 5% (2013: 5%) increase and decrease in RMB against USD or HKD. 5% (2013: 5%) represents management's assessment of the reasonable possible change in foreign exchange rates. The sensitivity analysis includes respective USD and HKD bank balances and bank borrowings, and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates decrease in post-tax profit where RMB strengthen 5% against the relevant currency. For a 5% weakening of RMB against in USD and HKD, there would be an equal and opposite impact on the profit or loss.

	2014	2013
	HK$'000	HK$'000
USD	**(102,557)**	(27,384)
HKD	**342**	256

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at the end of the reporting period, in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. As at 31st December, 2014, other than the concentration of credit risk on the amount due from a joint venture, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are reputable banks in the PRC or banks with high credit-ratings assigned by international credit-rating agencies and the Group has limited exposure to any single financial institution.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

5. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Credit risk (Continued)

The policy of allowances for doubtful debts of the Group is based on the evaluation of collectability and aged analysis of accounts and on management's estimate. In determining whether impairment is required, the Group takes into consideration the aging status and likelihood of collection. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flows expected to receive discounted using the original effective interest rate and the carrying value. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

Liquidity risk

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

The following table details the Group's remaining contractual maturity based on the agreed repayment terms for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest (estimated based on interest rate at the end of the reporting period) and principal cash flows.

Liquidity tables

	Weighted average effective interest rate	On demand or less than 3 months HK$'000	3 months to 1 year HK$'000	1 – 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount at 31.12.2014 HK$'000
2014							
Non-derivative financial liabilities							
Trade payables	–	281,726	58,099	–	–	339,825	339,825
Other payables and accrued charges	–	173,455	–	–	–	173,455	173,455
Bank borrowings							
– fixed rate	6.63%	150,733	228,538	246,795	–	626,066	565,344
– variable rate	3.79%	–	90,477	3,217,403	38,849	3,346,729	2,887,386
		605,914	377,114	3,464,198	38,849	4,486,075	3,966,010

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

5. CAPITAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

Liquidity tables (Continued)

	Weighted average effective interest rate	On demand or less than 3 months HK$'000	3 months to 1 year HK$'000	1 – 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flow HK$'000	Carrying amount at 31.12.2013 HK$'000
2013							
Non-derivative financial liabilities							
Trade payables	–	272,020	44,987	–	–	317,007	317,007
Other payables and accrued charges	–	188,832	–	–	–	188,832	188,832
Bank borrowings							
– fixed rate	6.82%	247,420	143,666	397,038	–	788,124	697,555
– variable rate	4.59%	–	159,319	1,035,606	68,747	1,263,672	1,111,563
		708,272	347,972	1,432,644	68,747	2,557,635	2,314,957

Note: The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Fair value

The fair value of financial assets and financial liabilities are determined by in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

6. TURNOVER

Turnover represents the net amounts received and receivable for goods sold and services rendered by the Group to outside customers, net of discounts and related taxes. An analysis of the Group's turnover for the year is as follows:

	2014 HK$'000	2013 HK$'000
Sales of piped gas	2,317,565	2,243,421
Connection revenue from gas pipeline construction	612,974	618,774
Operation of CNG/LNG vehicle filling stations	461,471	242,908
Sales of liquefied petroleum gas	10,795	16,465
Sales of stoves and related equipment	9,885	9,317
	3,412,690	3,130,885

7. SEGMENT INFORMATION

The Group's executive directors are the chief operating decision makers as they collectively make strategic decisions on resources allocation and performance assessment ("CODM"). The Group is principally engaged in the investment, operation and management of city gas pipeline infrastructure, distribution of piped gas to residential, industrial and commercial users; the construction and operation of CNG/LNG filling stations for vehicles in the PRC. Nearly all identifiable assets of the Group are located in the PRC. Information is reported to the Group's executive directors for the purpose of resources allocation and assessment of performance focuses on the type of products or services. Each type of product or service is managed by an unique business unit within the Group whose performance is assessed independently. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group. The Group's operating and reportable segments are therefore as follows:

(a) sales of piped gas;

(b) connection revenue from gas pipeline construction;

(c) operation of CNG/LNG vehicle filling stations;

(d) sales of liquefied petroleum gas; and

(e) sales of stoves and related equipment.

During the year ended 31 December, 2014, the operating and reportable segment of sales of coalbed methane gas ("CBM") business has ceased for operation. Starting from current financial year, the segment information reported does not include any amounts for this CBM operation. Accordingly, the comparatives of segment information are represented to conform to current year presentation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

7. SEGMENT INFORMATION *(Continued)*

Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segment.

For the year ended 31st December, 2014

	Sales of piped gas HK$'000	Connection revenue from gas pipeline construction HK$'000	Operation of CNG/LNG vehicle filling stations HK$'000	Sales of liquefied petroleum gas HK$'000	Sales of stoves and related equipment HK$'000	Consolidated HK$'000
Segment revenue	**2,317,565**	**612,974**	**461,471**	**10,795**	**9,885**	**3,412,690**
Segment profit	**278,846**	**320,237**	**100,704**	**391**	**6,386**	**706,564**
Unallocated other income						**18,015**
Unallocated other gains and losses						**(7,764)**
Unallocated central corporate expenses						**(75,198)**
Share of results of a joint venture						**13**
Finance costs						**(84,565)**
Profit before tax						**557,065**

For the year ended 31st December, 2013

	Sales of piped gas HK$'000	Connection revenue from gas pipeline construction HK$'000	Operation of CNG/LNG vehicle filling stations HK$'000	Sales of liquefied petroleum gas HK$'000	Sales of stoves and related equipment HK$'000	Consolidated HK$'000
Segment revenue	2,243,421	618,774	242,908	16,465	9,317	3,130,885
Segment profit	219,319	313,627	33,188	2,232	4,072	572,438
Unallocated other income						3,394
Unallocated other gains and losses						7,668
Unallocated central corporate expenses						(72,856)
Finance costs						(44,465)
Profit before tax						466,179

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

7. SEGMENT INFORMATION *(Continued)*

Segment revenue and results *(Continued)*

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' salaries, interest income, increase in fair value of investment properties, loss on deregistration of subsidiaries, net foreign exchange gain, certain sundry income, share of results of a joint venture, finance costs and income tax expenses. This is the measure reported to the chief operating decision makers for the purposes of resources allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segment:

As at 31st December, 2014

	Sales of piped gas HK$'000	Connection revenue from gas pipeline construction HK$'000	Operation of CNG/LNG vehicle filling stations HK$'000	Sales of liquefied petroleum gas HK$'000	Sales of stoves and related equipment HK$'000	Consolidated HK$'000
ASSETS						
Segment assets	4,495,419	189,081	482,869	21	784	5,168,174
Investment properties						9,365
Interest in a joint venture						398,005
Available-for-sale investments						6,523
Property, plant and equipment for corporate use						74,791
Prepaid lease payments for corporate use						3,650
Investments in life insurance contracts						72,333
Entrusted loan receivable						25,352
Amount due from a joint venture						286,742
Bank balances and cash						828,189
Other assets						25,698
Consolidated assets						6,898,822
LIABILITIES						
Segment liabilities	650,692	325,080	46,044	–	–	1,021,816
Tax payables						79,923
Bank borrowings						3,452,730
Deferred tax liabilities						45,632
Other liabilities						5,981
Consolidated liabilities						4,606,082

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

7. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities *(Continued)*

As at 31st December, 2013

	Sales of piped gas HK$'000	Connection revenue from gas pipeline construction HK$'000	Operation of CNG/LNG vehicle filling stations HK$'000	Sales of liquefied petroleum gas HK$'000	Sales of stoves and related equipment HK$'000	Consolidated HK$'000
ASSETS						
Segment assets	3,735,026	175,635	238,998	1,383	1,277	4,152,319
Investment properties						9,016
Available-for-sale investment						3,840
Property, plant and equipment for corporate use						50,612
Prepaid lease payments for corporate use						3,686
Pledged bank deposits						9,397
Bank balances and cash						429,546
Other assets						40,498
Consolidated assets						4,698,914
LIABILITIES						
Segment liabilities	616,566	222,526	20,739	3,917	3,422	867,170
Tax payables						61,994
Bank borrowings						1,809,118
Deferred tax liabilities						23,710
Other liabilities						8,248
Consolidated liabilities						2,770,240

For the purpose of monitoring segment performance and allocating resources between reportable segments:

- all assets are allocated to operating segments, other than investment properties, interest in a joint venture, available-for-sale investments, property, plant and equipment and prepaid lease payments for corporate use, investments in life insurance contracts, entrusted loan receivable, amount due from a joint venture, certain deposits, prepayments and other receivables, pledged bank deposits, bank balances and cash; and

- all liabilities are allocated to operating segments, other than tax payables, bank borrowings, deferred tax liabilities, certain other payables and accrued changes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

7. SEGMENT INFORMATION *(Continued)*

Other segment information

2014

	Sales of piped gas HK$'000	Connection revenue from gas pipeline construction HK$'000	Operations of CNG/LNG vehicle filling stations HK$'000	Sales of liquefied petroleum gas HK$'000	Sales of stoves and related equipment HK$'000	Segment total HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss or segment assets:								
Capital additions	663,041	–	89,285	–	–	752,326	19,433	771,759
Net loss (gain) on disposal/written-off of property, plant and equipment	2,095	–	(67)	–	–	2,028	641	2,669
Release of prepaid lease payments	5,131	–	1,952	–	–	7,083	–	7,083
Depreciation of property, plant and equipment	86,805	–	5,724	67	–	92,596	6,452	99,048
Amortisation of other intangible assets	9,132	–	2,394	–	–	11,526	–	11,526
Reversal of impairment loss recognised on amounts due from customers for contract work	–	(2,152)	–	–	–	(2,152)	–	(2,152)
Net (reversal of allowance) allowance on doubtful debts	(56)	–	–	(698)	–	(754)	641	(113)
Reversal of impairment loss recognised on other intangible assets	–	–	(29,380)	–	–	(29,380)	–	(29,380)
Amounts regularly provided to the chief operating decision makers but not included in the measure of segment profits or loss:								
Income tax expenses	–	–	–	–	–	–	167,285	167,285

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

7. SEGMENT INFORMATION *(Continued)*

Other segment information *(Continued)*

2013

	Sales of piped gas HK$'000	Connection revenue from gas pipeline construction HK$'000	Operations of CNG/LNG vehicle filling stations HK$'000	Sales of liquefied petroleum gas HK$'000	Sales of stoves and related equipment HK$'000	Segment total HK$'000	Unallocated HK$'000	Consolidated HK$'000
Amounts included in the measure of segment profit or loss or segment assets:								
Capital additions	618,873	–	61,115	133	–	680,121	16,970	697,091
Net loss (gain) on disposal/written-off of property, plant and equipment	1,986	66	–	–	–	2,052	(131)	1,921
Release of prepaid lease payments	3,964	–	613	–	–	4,577	–	4,577
Depreciation of property, plant and equipment	71,982	–	3,338	61	–	75,381	5,453	80,834
Amortisation of other intangible assets	4,339	–	2,395	–	–	6,734	–	6,734
Reversal of impairment loss recognised on amounts due from customers for contract work	–	(2,739)	–	–	–	(2,739)	–	(2,739)
Net allowance for doubtful debts	148	–	–	–	–	148	650	798
Amounts regularly provided to the chief operating decision makers but not included in the measure of segment profits or loss:								
Income tax expenses	–	–	–	–	–	–	141,362	141,362

Geographical information

All the turnover of the Group for both years are derived from the PRC. None of the customers contributes over 10% total revenue of the Group.

All the non-current assets of the Group (excluding investments in life insurance contracts located in Hong Kong) for both years are located in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

8. OTHER GAINS AND LOSSES

	2014 HK$'000	2013 HK$'000
Net reversal of allowance (allowance) for doubtful debts		
– trade receivables	**754**	(148)
– other receivables	**(641)**	(650)
Net foreign exchange gain	**348**	6,464
Increase in fair value of investment properties	**434**	1,204
Reversal of impairment loss recognised on other intangible assets	**29,380**	–
Reversal of impairment loss recognised on amounts due from customers for contract work (Note)	**2,152**	2,739
Net loss on disposal/written-off of property, plant and equipment	**(2,669)**	(1,921)
Gain on disposal of leasehold land	**8,242**	–
Loss on deregistration of subsidiaries	**(8,546)**	–
	29,454	7,688

Note: Impairment loss recognised on amounts due from customers for contract work were reversed when the relevant amounts were settled.

9. OTHER INCOME

	2014 HK$'000	2013 HK$'000
Bank interest income	**5,154**	3,247
Interest income on amount due from a joint venture	**6,669**	–
Government subsidies (Note)	**11,635**	9,454
Interest income from investments in life insurance contracts	**1,112**	–
Sundry income	**12,522**	8,910
	37,092	21,611

Note: During the year ended 31st December, 2014, the Group has received subsidies of HK$11,635,000 (2013: HK$9,454,000) from the relevant PRC governments for promoting the use of natural gas. There are no conditions attached to the subsidies granted to the Group.

10. FINANCE COSTS

	2014 HK$'000	2013 HK$'000
Interests on bank borrowings:		
– wholly repayable within five years	**120,532**	80,489
– over five years	**1,257**	3,473
	121,789	83,962
Amortisation on loan facilities fees relating to bank borrowings	**20,588**	–
Total borrowing costs	**142,377**	83,962
Less: Amounts capitalised in construction in progress	**(57,812)**	(39,497)
	84,565	44,465

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 4.59% (2013: 6.16%) per annum to expenditure on qualifying assets.

11. INCOME TAX EXPENSES

	2014 HK$'000	2013 HK$'000
PRC Enterprise Income Tax:		
Current tax	**161,535**	134,958
Underprovision in prior years	**205**	6,968
	161,740	141,926
Deferred tax (note 33)	**5,545**	(564)
	167,285	141,362

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

11. INCOME TAX EXPENSES *(Continued)*

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Company and its subsidiaries had no assessable profits arising in Hong Kong for both years.

Under the EIT Law of the PRC, withholding tax is imposed on the dividend declared to non-PRC tax residents in respect of profits earned by PRC subsidiaries from 1st January, 2008 onwards. During the year ended 31st December, 2014, withholding tax amounting to HK$3,966,000 (2013: HK$3,840,000) was charged by the PRC tax authority which levied on the dividends paid to overseas group entities in previous years.

The tax charge for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014 **HK$'000**	2013 HK$'000
Profit before tax	**557,065**	466,179
Tax at the domestic income tax rate of 25% (2013: 25%) (Note)	**139,266**	116,545
Tax effect of expenses not deductible for tax purpose	**15,662**	11,300
Tax effect of income not taxable for tax purpose	**(4,192)**	(4,881)
Underprovision in respect of prior years	**205**	6,968
Tax effect of share of results of a joint venture	**(4)**	–
Tax effect of estimated tax losses not recognised	**7,790**	9,720
Utilisation of estimated tax losses previously not recognised	**–**	(1,288)
Effect of different tax rates of group entities operating in other jurisdictions	**8,558**	2,998
Tax charge for the year	**167,285**	141,362

Note: The domestic tax rate in the jurisdiction where the operation of the Group is substantially based is used.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

12. PROFIT FOR THE YEAR

	2014 HK$'000	2013 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**2,235**	2,015
Amortisation of other intangible assets (included in cost of sales)	**11,526**	6,734
Release of prepaid lease payments	**7,083**	4,577
Depreciation of property, plant and equipment	**99,048**	80,834
Employee benefits expenses, other than directors (including contributions to retirement benefits schemes of HK$32,638,000 (2013: HK$27,222,000))	**193,990**	180,091
Operating lease rentals in respect of rented premises	**4,139**	5,566
Cost of inventories recognised as expenses in respect of contract cost for gas pipeline construction	**156,206**	163,262
Cost of inventories recognised as expenses in respect of sales of piped gas, liquefied petroleum gas and stoves equipment	**2,091,435**	1,965,377
	2,247,641	2,128,639
Gross rental income from investment properties with minimal outgoings	**(777)**	(627)
Gross rental income from equipment with minimal outgoings	**(716)**	(345)

13. DIRECTORS', JOINT MANAGING DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' and joint managing directors' emoluments

The emoluments paid or payable to the Directors and the joint managing directors of the Company are as follows:

	2014 HK$'000	2013 HK$'000
Fees	**928**	780
Other emoluments:		
– Salaries and other benefits	**9,154**	8,837
– Discretionary and performance related incentive payments	**12,430**	9,040
– Contributions to retirement benefits scheme	**58**	56
Total emoluments	**22,570**	18,713

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

13. DIRECTORS', JOINT MANAGING DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

Directors' and joint managing directors' emoluments *(Continued)*

The emoluments of Directors and the joint managing directors of the Company are analysed as follows:

	2014					2013				
	Fees	Salaries and other benefits	Discretionary and performance related incentive payments	Contributions to retirement benefits scheme	Total	Fees	Salaries and other benefits	Discretionary and performance related incentive payments	Contributions to retirement benefits scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(note ii)					(note ii)		
Mr. Wang Wenliang (note i)	-	4,680	5,650	-	10,330	–	4,680	5,650	–	10,330
Mr. Lui Siu Keung (note i)	-	3,000	6,780	17	9,797	–	3,000	3,390	15	6,405
Mr. Lu Zhaoheng	-	1,474	-	41	1,515	–	1,157	–	41	1,198
Mr. Xu Yongxuan	247	-	-	-	247	240	–	–	–	240
Mr. Li Chun Yan	227	-	-	-	227	180	–	–	–	180
Dr. Luo Yongtai	227	-	-	-	227	180	–	–	–	180
Mr. Hung, Randy King Kuen	227	-	-	-	227	180	–	–	–	180
	928	9,154	12,430	58	22,570	780	8,837	9,040	56	18,713

Notes:

(i) Mr. Wang Wenliang and Mr. Lui Siu Keung are also the joint managing directors of the Company and their emoluments disclosed above include those for services rendered by them as the joint managing directors.

(ii) The discretionary and performance related incentive payments are determined by reference to the individual performance of the Directors and the Group's operating results, and approved by the remuneration committee.

No emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as a compensation for loss of office for both years.

In the year ended 31st December, 2014, Mr. Wang Wenliang waived emoluments of HK$5,650,000. No Directors waived any emoluments during the year ended 31st December, 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

13. DIRECTORS', JOINT MANAGING DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2013: three) were Directors whose emoluments are disclosed above. The emoluments of the remaining two (2013: two) individuals was as follows:

	2014 HK$'000	2013 HK$'000
Salaries and other benefits	1,333	1,716
Contributions to retirement benefits scheme	76	25
	1,409	1,741

Their emoluments were within the band of Nil to HK$1,000,000.

14. DIVIDENDS

No dividend was paid or proposed during 2014, nor has any dividend been proposed since the end of the reporting period (2013: nil).

15. EARNINGS PER SHARE

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

	2014 HK$'000	2013 HK$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share, being profit for the year attributable to owners of the Company	324,351	262,248

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

15. EARNINGS PER SHARE *(Continued)*

	2014 '000	2013 '000
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**2,524,597**	2,524,008
Effect of dilutive potential ordinary shares:		
Share options issued by the Company (Note)	**1,872**	2,265
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,526,469**	2,526,273

Note: Weighted average number of ordinary shares for the purpose of the computation of diluted earnings per share has taken into account the effect of the share options.

16. INVESTMENT PROPERTIES

	HK$'000
FAIR VALUE	
At 1st January, 2013	7,589
Exchange adjustments	223
Increase in fair value recognised in profit or loss	1,204
At 31st December, 2013	9,016
Exchange adjustments	(85)
Increase in fair value recognised in profit or loss	434
At 31st December, 2014	9,365

The above investment properties are located in the PRC, held under medium-term leases.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties at 31st December, 2014 and 2013 has been arrived at on the basis of a valuation carried out on the respective dates by 河南九鼎資產評估有限公司, independent qualified professional valuer not connected to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

16. INVESTMENT PROPERTIES *(Continued)*

The fair value was determined based on the income approach, where the market rentals of all lettable units of the properties are assessed and discounted at the market yield expected by investors for this type of properties. The market rentals are assessed by reference to the rentals achieved in the lettable units of the properties as well as other lettings of similar properties in the neighbourhood. The discount rate is determined by reference to the yields derived from analysing the sales transactions of similar commercial properties in the PRC and adjusted to take into account the market expectation from property investors to reflect factors specific to the Group's investment properties. There has been no change from the valuation technique used in the prior year.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Group's investment properties and information about the fair value hierarchy as at 31st December, 2014 and 2013 are as follows. One of the key inputs used in valuing the investment properties was the discount rates used, which is 8.74% (2013: ranged from 8.64% to 8.66%). An increase in the discount rate used would result in a decrease in fair value measurement of the investment properties, and vice versa.

	Fair value hierarchy	**Fair value as at 31st December, 2014 HK$'000**	Fair value as at 31st December, 2013 HK$'000
Commercial property units located in the PRC	Level 3	**9,365**	9,016

There were no transfers into or out of Level 3 during the year.

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For the year ended 31st December, 2014

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Pipelines HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
COST								
At 1st January, 2013	195,862	407,277	16,272	1,249,247	249,992	8,214	72,713	2,199,577
Exchange adjustments	6,114	13,079	412	38,274	7,446	272	2,327	67,924
Acquisitions of subsidiary and business (note 35)	10,760	71	–	26,283	7,462	129	129	44,834
Acquisition of assets through acquisitions of subsidiaries (note 36)	–	11,380	–	–	140	5	3,694	15,219
Additions	9,084	541,690	14	16,656	13,510	1,194	30,279	612,427
Disposals/written-off	(1,950)	–	–	(43,524)	(10,677)	(443)	(7,521)	(64,115)
Transfer	31,982	(397,943)	–	348,557	16,506	898	–	–
At 31st December, 2013	251,852	575,554	16,698	1,635,493	284,379	10,269	101,621	2,875,866
Exchange adjustments	(2,234)	(6,169)	(145)	(13,217)	(2,492)	(91)	(977)	(25,325)
Acquisition of a subsidiary (note 35)	4,357	2,803	–	6,656	6,916	60	280	21,072
Additions	34,465	588,868	1,139	10,590	43,474	4,028	7,436	690,000
Disposals/written-off	(3,948)	–	–	–	(2,308)	(75)	(2,658)	(8,989)
Transfer	42,967	(691,331)	–	585,335	62,764	265	–	–
At 31st December, 2014	327,459	469,725	17,692	2,224,857	392,733	14,456	105,702	3,552,624
DEPRECIATION								
At 1st January, 2013	29,594	–	2,847	118,848	55,943	4,481	32,287	244,000
Exchange adjustments	1,128	–	47	4,272	2,061	159	1,027	8,694
Provided for the year	9,660	–	–	43,122	17,229	1,288	9,535	80,834
Eliminated on disposals/written-off	(853)	–	–	(8,866)	(2,955)	(326)	(3,967)	(16,967)
At 31st December, 2013	39,529	–	2,894	157,376	72,278	5,602	38,882	316,561
Exchange adjustments	(406)	–	(17)	(1,503)	(734)	(57)	(363)	(3,080)
Provided for the year	12,638	–	–	51,654	21,943	1,551	11,262	99,048
Eliminated on disposals/written-off	(1,189)	–	–	–	(1,260)	(68)	(2,197)	(4,714)
At 31st December, 2014	50,572	–	2,877	207,527	92,227	7,028	47,584	407,815
CARRYING VALUES								
At 31st December, 2014	276,887	469,725	14,815	2,017,330	300,506	7,428	58,118	3,144,809
At 31st December, 2013	212,323	575,554	13,804	1,478,117	212,101	4,667	62,739	2,559,305

The buildings of the Group are situated in the PRC under medium-term leases.

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For the year ended 31st December, 2014

17. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The above items of property, plant and equipment other than construction in progress are depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the shorter of 30 years or the remaining terms of leases
Leasehold improvements	Over the remaining term of leases
Pipelines	Over the shorter of 30 years or operation period of the relevant company
Machinery and equipment	6% – 30%
Furniture and fixtures	20%
Motor vehicles	10% – 18%

As at 31st December, 2014, the Group is in the process of obtaining title deeds from relevant government authority for its buildings in the PRC amounting to HK$52,388,000 (2013: HK$31,399,000). In the opinion of the Directors, the Group is not required to incur additional cost in obtaining the title deeds for its buildings in the PRC.

As at 31st December, 2014, the Group has pledged certain buildings in the PRC having carrying value of HK$3,530,000 (2013: HK$5,943,000) to secure certain bank borrowings granted to the Group.

18. GOODWILL

	2014 HK$'000	2013 HK$'000
Cost and carrying amount		
At 1st January	**122,001**	110,261
Exchange adjustments	**(1,375)**	3,042
Arising on acquisition of a subsidiary (note 35)	**20,816**	8,698
At 31st December	**141,442**	122,001

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

18. GOODWILL *(Continued)*

The Group tests goodwill annually or more frequently if there are indications that goodwill might be impaired.

For the purposes of impairment testing, the carrying amount of goodwill has been allocated to individual cash generating units ("CGUs") relating to sales of piped gas ("Unit A") amounting to HK$84,559,000 in aggregate (2013: HK$64,565,000) and connection of pipeline constructions ("Unit B") amounting to HK$56,883,000 in aggregate (2013: HK$57,436,000).

Impairment assessment of Unit A is set out in note 19.

The basis of the recoverable amounts and its major underlying assumptions of the CGUs engaged in Unit B are summarised below:

Unit B consisted of several CGUs which represent individual operation of certain subsidiaries engaging in the connection of pipeline constructions. For impairment test purpose, management reviews each CGU's recoverable amount for comparison with the carrying amount of respective CGU. The recoverable amount of each CGU engaged in Unit B has been determined based on value in use calculation. For impairment assessment purposes, cash flow projections based on financial budgets approved by management covering a 5-year period (2013: 5-year period) at a discount rate of 13.00% (2013: 13.00%) was used. The cash flows of each CGU engaged in Unit B beyond the 5-year period (2013: 5-year period) of the financial budgets are extrapolated using a steady 2% (2013: 2%) growth rate for a number of years based on the useful life of the majority assets of each CGU. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the past performance of the respective CGUs engaged in Unit B and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Unit B to exceed the aggregate recoverable amount of Unit B. At the end of the reporting period, the recoverable amounts of each CGU engaged in Unit B exceeded its carrying amount, therefore, no impairment loss is considered necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

19. OTHER INTANGIBLE ASSETS

	Development costs HK$'000	Exclusive rights of operation HK$'000	Other operating rights HK$'000	Total HK$'000
COST				
At 1st January, 2013	46,474	450,364	180,196	677,034
Exchange adjustments	1,267	11,205	5,149	17,621
Additions	–	1,264	–	1,264
Acquisitions of subsidiary and business (note 35)	–	48,582	–	48,582
Acquisitions of assets through acquisitions of subsidiaries (note 36)	–	162,555	–	162,555
At 31st December, 2013	47,741	673,970	185,345	907,056
Exchange adjustments	(657)	(6,551)	(1,869)	(9,077)
Acquisition of a subsidiary (note 35)	–	83,332	–	83,332
Written-off	(47,084)	–	–	(47,084)
At 31st December, 2014	–	750,751	183,476	934,227
AMORTISATION AND IMPAIRMENT				
At 1st January, 2013	46,474	27,199	124,840	198,513
Exchange adjustments	1,267	1,115	4,424	6,806
Charged for the year	–	4,339	2,395	6,734
At 31st December, 2013	47,741	32,653	131,659	212,053
Exchange adjustments	(657)	(154)	(913)	(1,724)
Charged for the year	–	9,132	2,394	11,526
Reversal of impairment loss recognised	–	–	(29,380)	(29,380)
Written-off	(47,084)	–	–	(47,084)
At 31st December, 2014	–	41,631	103,760	145,391
CARRYING VALUES				
At 31st December, 2014	–	709,120	79,716	788,836
At 31st December, 2013	–	641,317	53,686	695,003

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For the year ended 31st December, 2014

19. OTHER INTANGIBLE ASSETS *(Continued)*

Development costs represent costs incurred for extraction of CBM in the PRC, and the costs were fully impaired in prior years. During the year ended 31st December 2014, CBM business has ceased operation and the costs are fully written off.

The exclusive rights of operation represent sales and distribution of piped gas in certain cities in Henan, Shandong, Fujian, Jiangsu and Heilongjiang provinces and are amortised on a straight-line method over the period of a range of 26 to 30 years, which is the period being granted for exclusive operations in the relevant cities.

Other operating rights represent the licences possessed by the Group's subsidiaries, Jiyuan Zhongyu Compressed Gas Co. Ltd ("JYCG"), Luohe Zhongyu Compressed Gas Co. Ltd ("LZCG"), Sanmenxia Zhongyu Compressed Gas Co. Ltd. ("SZCG") and Nanjing Zhongyu Compressed Gas Co. Ltd. ("NZCG") to operate sixteen CNG vehicle filling stations in Jiyuan City, Luohe City, Sanmenxia City and Nanjing City and are amortised on a straight-line method over a period of 30 years, which is the period of the licenses being granted for operating CNG vehicle filling stations.

The Group tests intangible assets annually or more frequently if there are indications that intangible assets might be impaired.

For the purpose of impairment testing, the carrying amounts of intangible assets have been allocated to the respective cash-generating units as follows:

	2014 **HK$'000**	2013 HK$'000
Sales of piped gas ("Unit A")	**709,120**	641,317
Operation of CNG vehicle filling stations ("Unit C")	**79,716**	53,686

Impairment testing on Unit A

Unit A consists of several CGUs which represent the operations of different subsidiaries engaging in sales of piped gas. For impairment test purpose, management reviews each CGU's recoverable amount for comparison with the carrying amount of the respective CGU. The aggregate carrying amounts of the CGUs of Unit A comprise intangible assets of HK$709,120,000 (2013: HK$641,317,000), goodwill of HK$84,559,000 (2013: HK$64,565,000), property, plant and equipment of HK$1,992,001,000 (2013: HK$1,682,029,000) and prepaid lease payments of HK$142,896,000 (2013: HK$105,285,000). The recoverable amount of each CGU has been determined based on the value in use calculation of each CGU using the following assumptions for 2014 and 2013:

Period of cash flow projections	5 years (2013: 5 years)
Growth rates beyond 5-year period extrapolated in the financial budgets approved by the management	0.82% – 6.97% (2013: 0.95% – 5.15%)
Discount rates	11.00% – 13.60% (2013: 13.00% – 13.60%)

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For the year ended 31st December, 2014

19. OTHER INTANGIBLE ASSETS *(Continued)*

Impairment testing on Unit A *(Continued)*

This growth rate is based on the relevant industry growth forecast and does not exceed the average long-term growth rate for the relevant industry. Another key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the respective CGU's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Unit A to exceed the aggregate recoverable amount of Unit A. At the end of the reporting period, the recoverable amount of each CGU of Unit A exceeds its carrying amount and no impairment is considered necessary.

Impairment testing on Unit C

Unit C consists of several CGUs which represent the operation of different subsidiaries engaging in the operation of CNG vehicle filling stations. For impairment test purpose, management reviews each CGU's recoverable amount for comparison with the carrying amount of the respective CGU. The aggregate carrying amounts of the CGUs of Unit C comprise intangible assets of HK$79,716,000 (2013: HK$53,686,000), property, plant and equipment of HK$62,510,000 (2013: HK$46,433,000) and prepaid lease payments of HK$50,639,000 (2013: HK$51,901,000). The recoverable amount of each CGU has been determined based on the value in use calculation of each CGU using the following assumptions for 2014 and 2013:

Period of cash flow projections	5 years (2013: 5 years)
Growth rate beyond 5-year period extrapolated in the financial budgets	0% (2013: 0%)
Discount rate	14.00% (2013: 15.00%)

There is no growth rate expected based on historical data. A key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the respective CGU's past performance and management's expectations for the market development. Based on the revised estimates of the expected cash flows of two CGUs which consists of two CNG vehicle filling stations commenced operation during the year ended 31st December, 2014, the recoverable amounts of the respective CGUs exceed their carrying amounts based on the cash flow projections. Accordingly, a reversal of impairment loss credit of HK$29,380,000 was recognised in profit or loss.

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20. LONG-TERM DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2014 HK$'000	2013 HK$'000
Deposit paid for acquisition of a subsidiary	–	10,367
Deposit paid for acquisition of additional interest in a subsidiary	6,655	–
Deposits paid for acquisition of property, plant and equipment	175,859	122,601
Deposits paid for acquisition of leasehold lands	109,129	10,845
Investments in life insurance contracts	72,333	–
	363,976	143,813

Deposit paid for acquisition of a subsidiary

On 6th December, 2013, Zhongyu (Henan) Energy Holdings Limited ("Zhongyu Henan"), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with independent third parties to acquire 100% equity interest in 德州旺源燃氣有限公司 Dezhou Wangyuan Gas Company Limited at a total cash consideration of RMB81,000,000 (equivalent to HK$103,673,000). The total cash consideration is revised to RMB76,150,000 (equivalent to HK$97,466,000) upon the signing of a supplementary equity transfer agreement on 3rd November, 2014 as agreed by both parties. Dezhou Wangyuan Gas Company Limited is principally engaged in sales of piped gas and gas pipeline construction in the PRC. A deposit of RMB8,100,000 (equivalent to HK$10,367,000) was paid during the year ended 31st December, 2013. The acquisition is completed during the year ended 31st December, 2014. The company name was changed to 德州中裕燃氣有限公司 Dezhou Zhongyu Gas Company Limited ("Dezhou Zhongyu") after acquisition. Details of the acquisition of Dezhou Zhongyu is set out in note 35.

Deposit paid for acquisition of additional interest of a subsidiary

On 6th January, 2014, Zhongyu Henan entered into an equity transfer agreement with an independent third party to further acquire 20% equity interest in 溫縣中裕壓縮氣有限公司 Wen County Zhongyu Compressed Gas Co Ltd ("Wen County Zhongyu") at a total cash consideration of approximately RMB5,250,000 (equivalent to HK$6,655,000). Wen County Zhongyu is principally engaged in operation of CNG/LNG vehicle filling stations in the PRC. RMB5,250,000 (equivalent to HK$6,655,000) was paid during the year ended 31st December, 2014. The transaction is yet completed up to the end of the reporting period.

Deposits paid for acquisition of property, plant and equipment

As at 31st December, 2014, deposit of RMB74,387,000 (2013: RMB39,316,000) (equivalent to HK$94,292,000 (2013: HK$50,322,000)) was paid to a supplier for acquisition of construction materials mainly for construction of the Group's pipelines.

20. LONG-TERM DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

Investments in life insurance contracts

During the year ended 31st December, 2014, the Group entered into two life insurance contracts with HSBC Life (International) Limited to insure certain executive directors. An investment in a life insurance contract is reported as an asset. The Company determines the amount that could be realised under the life insurance contract assuming the surrender of an individual-life by individual-life policy. Any amount that ultimately would be realised by the Company as the policyholder upon the assumed surrender of the final policy is included in the amount that could be realised under the insurance contract. An asset representing an investment in a life insurance contract shall be measured subsequently at the amount that could be realised under the insurance contract as at the end of the reporting period. The death benefit will not be realised before the actual insured event happens. The change in cash surrender or contract value during the year is an adjustment of premiums paid in determining the expense or income to be recognised under the contract for the year.

Under the policies, the beneficiary and policy holder is the Company, and the total insured sum is approximately US$32,000,000 (equivalent to HK$248,205,000). The Company is required to pay in aggregate a gross premium of US$9,272,000 (equivalent to HK$71,866,000), including premium charge at inception of the policies amounting to US$556,347 (equivalent to HK$4,315,000). The Company may request a partial surrender or full surrender of the policies at any time and receive cash back based on the cash value ("Cash Value") of the policies at the date of withdrawal, which is determined by the gross premium paid plus accumulated guaranteed interest earned and minus insurance premium charged at inception. In addition, if withdrawal is made between the 1st to 18th policy year, there is a specified surrender charge. During the year ended 31st December, 2014, interest income from investments in life insurance contracts of HK$1,112,000 was recognised in profit or loss. The carrying value of HK$68,358,000 as of 31st December, 2014 represented the cash value in aggregate of these two life insurance contracts.

At 31st December, 2014, the expected life of the policy remained unchanged from the initial recognition and the directors considered that the financial impact of the option to terminate the policy was insignificant. There is no contractual restriction on the Company's ability to surrender the key man insurance policy.

21. PREPAID LEASE PAYMENTS

All the Group's prepaid lease payments comprise property interests in leasehold land in the PRC with medium-term lease and released over the terms of relevant leases ranging from 30 to 50 years.

At 31st December, 2014, the Group is in process of obtaining land use right certificates from relevant government authorities for its land in the PRC amounting to HK$39,309,000 (2013: HK$100,400,000). In the opinion of the Directors, the Group is not required to incur additional cost in obtaining the land use right certificates for its land in the PRC.

The Group has pledged certain prepaid lease payments in the PRC having carrying value of HK$48,614,000 (2013: HK$11,363,000) to secure certain bank borrowings granted to the Group.

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22. INTEREST IN A JOINT VENTURE

	2014 HK$'000	2013 HK$'000
Cost of unlisted investment in a joint venture	397,992	–
Share of post-acquisition profit	13	–
	398,005	–

Details of the Group's joint venture as at 31st December, 2014 are as follows:

Name of Company	Place of establishment	Form of business structure	Class of shares held	Proportion of nominal value of issued capital held by the Group	Principal activities
Harmony Gas Holdings Limited ("Harmony Gas")	Cayman Islands	Incorporated	Ordinary	50%	Investment holding in subsidiaries which are engaged in trading of natural gas and gas pipeline construction in the PRC

The relevant activities that significantly affect the return of Harmony Gas require unanimous consent from the other joint venture partners holding the remaining 50% equity interest in Harmony Gas. In addition, the joint arrangement does not result in either parties having rights to assets and obligations to liabilities of Harmony Gas, hence the Group has accounted for Harmony Gas as a joint venture.

Summarised financial information of the joint venture

Summarised financial information in respect of the Group's joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements for the year ended 31st December, 2014 prepared in accordance with HKFRSs. The joint venture is accounted for using the equity method in the Group's consolidated financial statements.

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22. INTEREST IN A JOINT VENTURE *(Continued)*

Summarised financial information of the joint venture *(Continued)*

Harmony Gas and its subsidiaries (collectively "Harmony Gas Group")

	2014 HK$'000
Current assets	433,435
Non-current assets	1,269,637
Current liabilities	(748,050)
Non-current liabilities	(106,781)
Net assets	848,241
Equity attributable to owners of Harmony Gas Group	796,010
Non-controlling interests	52,231
	848,241

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	35,147
Current financial liabilities (excluding trade and other payables)	(427,375)
Non-current financial liabilities (excluding other payables)	(78,590)
Revenue	60,151
Profit and total comprehensive income for the year attributable to:	
Owners of Harmony Gas Group	26
Non-controlling interests	2,095
	2,121
Group's share of results of the joint venture	13

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

22. INTEREST IN A JOINT VENTURE *(Continued)*

Summarised financial information of the joint venture *(Continued)*

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

	2014 HK$'000
Equity attributable to owners of Harmony Gas Group	796,010
Proportion of the Group's ownership interest in Harmony Gas Group at 50%	398,005
Carrying amount of the Group's interest in Harmony Gas Group	398,005

23. AVAILABLE-FOR-SALE INVESTMENTS

	Club membership HK$'000	Unlisted equity security at cost less impairment HK$'000	Total HK$'000
At 1st January, 2013	–	3,738	3,738
Exchange adjustments	–	102	102
At 31st December, 2013	–	3,840	3,840
Addition	2,720	–	2,720
Exchange adjustments	–	(37)	(37)
At 31st December, 2014	2,720	3,803	6,523

The investments are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that their fair value cannot be measured reliably.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

24. INVENTORIES

	2014 HK$'000	2013 HK$'000
Construction materials	**89,322**	78,001
Finished goods	**2,219**	3,467
	91,541	81,468

25. TRADE AND BILLS RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

The Group allows an average credit period of 30 days (2013: 30 days) to its trade customers. The bills receivables are matured within the range of 30 days to 180 days (2013: 30 days to 180 days) as at 31st December, 2014. The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates for sales of piped gas and the billing dates for work performed for construction contracts:

	2014 HK$'000	2013 HK$'000
0 – 30 days	**131,915**	136,886
31 – 90 days	**3,478**	331
91 – 180 days	**7,347**	1,121
181 – 360 days	**16,576**	50
Trade receivables	**159,316**	138,388
0 – 90 days	**36,814**	30,287
91 – 180 days	**7,936**	9,867
Bills receivables	**44,750**	40,154
Trade and bills receivables	**204,066**	178,542

Included in deposits, prepayments and other receivables is advance to suppliers of natural gas and construction materials for customers' gas pipeline construction amounting to HK$166,973,000 (2013: HK$79,996,000).

Trade receivables of HK$131,915,000 (2013: HK$136,886,000) and bills receivables of HK$44,750,000 (2013: HK$40,154,000) were neither past due nor impaired. These customers are mainly local reputable real estate developers and corporate entities in Henan and Shangdong provinces and no significant counterparty default was noted in the past.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

25. TRADE AND BILLS RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

As at 31st December, 2014, trade receivables of HK$27,401,000 (2013: HK$1,502,000) were past due but not provided for as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these trade receivables is 210 days (2013: 120 days).

Ageing of trade receivables which are past due but not impaired

	2014 HK$'000	2013 HK$'000
31 – 90 days	3,478	331
91 – 180 days	7,347	1,121
181 – 360 days	16,576	50
	27,401	1,502

Movement in the allowance for doubtful debts

Trade receivables

	2014 HK$'000	2013 HK$'000
At 1st January	3,084	2,936
(Decrease) increase in allowance recognised in profit or loss	(754)	148
At 31st December	2,330	3,084

Other receivables

	2014 HK$'000	2013 HK$'000
At 1st January	7,054	6,404
Increase in allowance recognised in profit or loss	641	650
At 31st December	7,695	7,054

Included in the allowance for doubtful debts are individually impaired trade receivables, which were either in severe financial difficulties or overdue for a long period time. The Group has made full allowance on these receivables and considered that they are generally not recoverable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

25. TRADE AND BILLS RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES *(Continued)*

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the end of the reporting period. The trade receivables past due but not impaired were either subsequently settled as at the date of these consolidated financial statements were authorised for issuance or there was no historical default of payments by the respective customers. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that no further credit provision is required in excess of the allowance for doubtful debts.

26. ENTRUSTED LOAN RECEIVABLE

During the year ended 31 December 2014, Zhongyu Henan entered into an entrusted loan agreement with China CITIC Bank Corporation Limited (the "Bank"). Pursuant to this agreement, Zhongyu Henan entrusted a principal amount of RMB20,000,000 (or equivalent to HK$25,352,000) ("Entrusted Asset") to a specific corporate borrower with maturity date of 29th October 2015, carrying effective interest of 6% per annum. The Bank acted as the trustee to the Entrusted Asset. Trustee fee of approximately 0.05% per annum is charged by the Bank to the Group.

As at 31 December 2014, the entrusted loan receivable is denominated in RMB, and is not past due nor impaired.

27. AMOUNT DUE FROM A JOINT VENTURE

The amount due from a joint venture is unsecured, interest bearing at the rate of 8% per annum and repayable on demand.

28. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	2014 HK$'000	2013 HK$'000
Contracts in progress at the end of the reporting period:		
Contract costs incurred plus recognised profits	**298,359**	180,272
Less: Progress billings	**(290,515)**	(184,174)
Less: Impairment losses recognised (Note)	**(17,293)**	(19,445)
	(9,449)	(23,347)
Analysed for reporting purposes as:		
Amounts due from customers for contract work	**2,365**	–
Amounts due to customers for contract work	**(11,814)**	(23,347)
	(9,449)	(23,347)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

28. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK *(Continued)*

At 31st December, 2014, advances received from customers before the contract work is performed amounted to HK$267,385,000 (2013: HK$155,514,000) and were included in deferred income and advance received classified as current liabilities.

Note: The Directors reviewed the recoverable amounts of the amounts due from customers for contract work and identified that certain projects are under slow construction progress. In the opinion of the Directors, for amounts that recoverability is uncertain, impairment losses were recognised in full. For those amounts previously impaired but subsequently settled, impairment losses were reversed. Accordingly, during the year ended 31st December, 2014, the Group recognised a reversal of impairment loss of HK$2,152,000 (2013: HK$2,739,000).

29. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

The bank balances carry interest at market rates which ranged from 0.35% to 3.60% (2013: 0.35% to 3.00%) per annum for the year ended 31st December, 2014. At 31st December, 2014, the bank balances and cash of HK$767,694,000 (2013: HK$412,495,000) were denominated in RMB which are not freely convertible into other currencies in the PRC environment.

As at 31st December, 2014, the bank balances and cash consisted of HK$52,312,000 and HK$8,183,000 (2013: HK$10,926,000 and HK$6,125,000) denominated in USD and HKD respectively, which are foreign currencies of the respective group entities.

As at 31st December, 2013, pursuant to letters of undertaking, the Group is required to maintain deposits of RMB1,283,000 (equivalent to HK$1,643,000) and USD1,000,000 (equivalent to HK$7,754,000) with respective banks as a condition precedent to the supply of natural gas from a supplier and a bank borrowing. The pledged bank deposits carry interest at average market rate of 0.35% per annum. During the year ended 31st December, 2014, its supplier has voluntarily removed the condition of maintaining pledged deposits for supply of natural gas in an effort to sustain a favourable relationship with the Group. With the full repayment of the corresponding bank borrowings during the year ended 31st December, 2014, the Group is not required to maintain any deposits with respective banks.

30. DEFERRED INCOME AND ADVANCE RECEIVED, TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

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

	2014	2013
	HK$'000	HK$'000
0 – 30 days	**259,003**	238,521
31 – 90 days	**22,723**	33,499
91 – 180 days	**12,318**	7,399
Over 180 days	**45,781**	37,588
Trade payables	**339,825**	317,007

The average credit period on purchase of goods is 90 days (2013: 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Deferred income and advance received classified as current liabilities represent the amounts received from customers before the contract work is performed and advance payments from customers for natural gas. Deferred income and advance received classified as non-current liabilities are government grants of HK$6,409,000 (2013: HK$6,851,000). Due to redevelopment of Jiaozuo City, Jiaozuo government subsidised the Group for enhancement and relocation of certain pipelines in Jiaozuo City. During the year ended 31st December, 2013, advance received amounting to HK$19,092,000 has been derecognised upon relocation of the pipelines, as disclosed in note 42.

As at 31st December, 2014, included in other payables and accrued charges are (i) deposits received from customers in relation to gas supply business of HK$37,193,000 (2013: HK$36,165,000); (ii) accrued expenses of HK$31,900,000 (2013: HK$24,719,000); (iii) unsettled consideration for the acquisition of assets and liabilities through acquisition of a subsidiary of HK$37,394,000 (2013: HK$45,437,000) as disclosed in note 36; and (iv) unsettled consideration for the acquisition of a subsidiary of HK$26,176,000 as disclosed in note 35.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

31. BANK BORROWINGS

	2014 HK$'000	2013 HK$'000
Bank loans		
Secured	**354,582**	395,354
Unsecured	**3,098,148**	1,413,764
	3,452,730	1,809,118
Carrying amount repayable*:		
Within one year	**424,211**	528,215
More than one year, but not exceeding two years	**674,395**	791,680
More than two years but not exceeding five years	**2,329,913**	443,466
More than five years	**24,211**	45,757
	3,452,730	1,809,118
Less: Amounts due within one year shown under current liabilities	**(424,211)**	(528,215)
	3,028,519	1,280,903

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2014	2013
Effective interest rate:		
Fixed-rate borrowings	**5.60% – 7.80%**	6.46% – 7.21%
Variable-rate borrowings	**4.35% – 8.19%**	3.24% – 8.81%

31. BANK BORROWINGS *(Continued)*

The Group's variable-rate borrowings bear interest at People's Bank of China plus a premium ranging from 10% to 30% per annum for both years.

As at 31st December, 2014, the bank borrowing balances consisted of approximately HK$2,508,770,000 (2013: HK$674,598,000) denominated in USD, which is foreign currency of the respective group entity. Interest of LIBOR plus a premium ranging from 3% to 3.13% (2013: 3% to 3.5%) per annum is charged on outstanding loan balances.

As at 31st December, 2014, certain bank borrowings were secured by the Group's prepaid lease payments, buildings and pledged bank deposits with the aggregate carrying amounts of HK$48,614,000 (2013: HK$11,363,000), HK$3,530,000 (2013: HK$5,943,000) and nil (2013: HK$7,754,000) respectively.

32. SHARE CAPITAL

	Number of shares		Amount	
	2014	2013	**2014**	2013
	'000	'000	**HK$'000**	HK$'000
Ordinary shares of HK$0.01 each				
Authorised	**10,000,000**	10,000,000	**100,000**	100,000
Issued and fully paid				
At 1st January	**2,524,008**	2,524,008	**25,240**	25,240
Exercise of share options (note 34)	**1,000**	–	**10**	–
At 31st December	**2,525,008**	2,524,008	**25,250**	25,240

All the shares issued during the year ended 31st December, 2014 rank pari passu with the then existing shares in all respects.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

33. DEFERRED TAXATION

The following is the deferred tax liabilities recognised and movements thereon during the current and prior years.

	Revaluation of investment properties HK$'000	Other intangible assets HK$'000	Undistributed profits of subsidiaries HK$'000	Total HK$'000
At 1st January, 2013	1,223	9,215	8,543	18,981
Exchange adjustments	33	288	234	555
Acquisition of a subsidiary (note 35)	–	8,578	–	8,578
Charge (credit) to profit or loss (note 11)	305	(869)	–	(564)
Release of previously provided deferred tax upon payment	–	–	(3,840)	(3,840)
At 31st December, 2013	1,561	17,212	4,937	23,710
Exchange adjustments	(15)	(411)	(47)	(473)
Acquisition of a subsidiary (note 35)	–	20,816	–	20,816
Charge to profit or loss (note 11)	109	5,436	–	5,545
Release of previously provided deferred tax upon payment	–	–	(3,966)	(3,966)
At 31st December, 2014	1,655	43,053	924	45,632

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1st January, 2008 onwards. Deferred taxation amounting to HK$1,029,448,000 (2013: HK$640,480,000) has not been provided for in the consolidated financial statements in respect of temporary differences attributable to undistributed profits of certain PRC subsidiaries in relation to the owners of the Company. The Group is able to control the timing of the reversal of the temporary differences for these subsidiaries and it is probable that the temporary differences will not reverse in the foreseeable future.

At 31st December, 2014, the Group had unused estimated tax losses of HK$251,964,000 (2013: HK$262,918,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unrecognised estimated tax losses due to unpredictability of future profit stream. Included in unrecognised tax losses are losses of PRC subsidiaries of HK$200,460,000 (2013: HK$213,305,000) that will expire in various dates up to 2019 (2013: 2018). Other losses may be carried forward indefinitely.

34. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option schemes

Pursuant to an ordinary resolution passed on 24th October, 2003, the Company adopted a share option scheme ("Old Share Option Scheme") pursuant to which the Directors were authorised to grant share option to its employees (including executive directors and employees of any of its subsidiaries) or any person who has contributed or will contribute to the Group. The Old Share Option Scheme was terminated and replaced by a new share option scheme ("New Share Option Scheme") on 3rd May, 2013 by an ordinary resolution passed by the shareholders of the Company at the annual general meeting held on 3rd May, 2013.

Under the New Share Option Scheme, the Directors may offer share options to any directors and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group who the board of directors of the Company considers, in its sole discretion, have contributed or will contribute to the Group, to subscribe for shares in the Company in accordance with the terms of the New Share Option Scheme.

The maximum number of shares which may be issued upon exercise of all share options to be granted under the New Share Option Scheme shall not, in the absence of shareholders' approval, in aggregate exceed 10% in nominal amount of the aggregate of shares in issue on the adoption date (the "Scheme Mandate Limit"). Options lapsed in accordance with the terms of the New Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.

The Company may renew the Scheme Mandate Limit at any time subject to prior shareholders' approval but in any event, the total number of shares which may be issued upon exercise of all share options to be granted under the New Share Option Scheme under the limit as refreshed must not exceed 10% of the Shares in issue as at the date of the Shareholders' approval of the renewed limit. Options previously granted under the New Share Option Scheme (including those outstanding, cancelled, lapsed in accordance with the terms or exercised options) will not be counted for the purpose of calculating the limit as renewed.

Further, no options will be granted which would result in the maximum aggregate number of shares which may be issued upon exercise of all outstanding options granted but yet to be exercised under the New Share Option Scheme, the existing options granted under the Old Share Option Scheme, in aggregate, 30% of the issued share capital of the Company from time to time.

No share option has been granted since the adoption of the New Share Option Scheme on 3rd May, 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

34. SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

Equity-settled share option schemes *(Continued)*

The following table discloses movements of the Company's share options granted under the Old Share Option Scheme and movements in such holdings:

Category of grantee	Exercise price per share HK$	Date of grant	Exercisable period	At 1st January, 2013, 31st December, 2013 and 1st January, 2014	Number of share options exercised during the year	At 31st December, 2014
Directors	0.49	11th April, 2011	11th April, 2011 to 10th April, 2021	3,000,000	(1,000,000)	2,000,000
Exercisable at the end of the year						2,000,000
Weighted average exercise price				HK$0.49	HK$0.49	HK$0.49

Note: In respect of the share options exercised during the year ended 31st December, 2014, the weighted average closing price immediately before the date of exercise is HK$2.18.

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For the year ended 31st December, 2014

35. ACQUISITIONS OF SUBSIDIARY AND BUSINESS

Year ended 31st December, 2014

Acquisition of a subsidiary

On 21st January, 2014, the Group acquired 100% of the registered share capital of Dezhou Zhongyu for consideration of RMB76,150,000 (equivalent to HK$97,466,000) from an independent third party, on that date control in Dezhou Zhongyu was passed to the Group. This acquisition has been accounted for using the purchase method. Dezhou Zhongyu is principally engaged in the sales of piped gas and gas pipeline construction. Dezhou Zhongyu was acquired so as to continue the expansion of the Group's operations.

Consideration transferred:

	HK$'000
Cash	97,466

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	21,072
Prepaid lease payments	4,473
Other intangible asset – exclusive right of operation	83,332
Deposits, prepayments and other receivables	3,600
Bank balances and cash	6,586
Trade payables	(369)
Other payables and accrued charges	(14,828)
Bank borrowings	(6,400)
Deferred tax liability	(20,816)
	76,650

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

35. ACQUISITIONS OF SUBSIDIARY AND BUSINESS *(Continued)*

Year ended 31st December, 2014 *(Continued)*

Acquisition of a subsidiary *(Continued)*

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	97,466
Less: Fair value of identifiable net assets acquired	(76,650)
	20,816

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

The goodwill arising on the acquisition is not expected to be deductible for tax purposes.

Net cash outflow on acquisition of Dezhou Zhongyu during the year ended 31st December, 2014:

	HK$'000
Total cash consideration	97,466
Less: Cash and cash equivalent balances acquired	(6,586)
Less: Deposits paid during the year ended 31st December, 2013	(10,367)
Less: Unsettled consideration (included in other payables and accrued charges)	(26,176)
	54,337

Included in the profit for the year ended 31st December, 2014 is HK$10,600,000 attributable to the additional business generated by Dezhou Zhongyu. Revenue for the year ended 31st December, 2014 includes HK$83,110,000 generated from Dezhou Zhongyu.

Had the acquisition of Dezhou Zhongyu been completed on 1st January, 2014, total group revenue for the year would have been HK$3,412,690,000, and profit for the year would have been HK$389,780,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st January, 2014, nor is it intended to be a projection of future results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

35. ACQUISITIONS OF SUBSIDIARY AND BUSINESS *(Continued)*

Year ended 31st December, 2013

(i) Acquisition of a subsidiary

On 31st October, 2013, the Group acquired 100% of the registered share capital of 武陟縣高遠天然氣有限公司 Wuzhi County Gaoyuan Natural Gas Company Limited for consideration of RMB51,377,000 (equivalent to HK$65,482,000) from an independent third party, on that date control in Wuzhi County Gaoyuan Natural Gas Company Limited was passed to the Group. This acquisition has been accounted for using the purchase method. The company name was changed to 武陟中裕燃氣有限公司 Wuzhi Zhongyu Gas Company Limited ("Wuzhi Zhongyu") after acquisition. Wuzhi Zhongyu is principally engaged in the sales of piped gas, gas pipeline construction and operation of CNG vehicle filling stations. Wuzhi Zhongyu was acquired so as to continue the expansion of the Group's operations.

Consideration transferred:

	HK$'000
Cash	65,482

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	38,694
Other intangible asset – exclusive right of operation	48,582
Inventories	688
Trade and bills receivables	27
Deposits, prepayments and other receivables	950
Bank balances and cash	1,726
Trade payables	(406)
Other payables and accrued charges	(24,899)
Deferred tax liability	(8,578)
	56,784

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

35. ACQUISITIONS OF SUBSIDIARY AND BUSINESS *(Continued)*

Year ended 31st December, 2013 *(Continued)*

(i) Acquisition of a subsidiary (Continued)

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	65,482
Less: fair value of identifiable net assets acquired	(56,784)
	8,698

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

The goodwill arising on the acquisition is not expected to be deductible for tax purpose.

Net cash outflow on acquisition of Wuzhi Zhongyu:

	HK$'000
Cash consideration paid	65,482
Less: Cash and cash equivalents acquired	(1,726)
	63,756

Included in the profit for the year ended 31st December, 2013 is profit of HK$20,000 attributable to the additional business generated by Wuzhi Zhongyu. Revenue for the year ended 31st December, 2013 includes HK$5,040,000 generated from Wuzhi Zhongyu.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

35. ACQUISITIONS OF SUBSIDIARY AND BUSINESS *(Continued)*

Year ended 31st December, 2013 *(Continued)*

(ii) Acquisition of business

On 16th August, 2013, 焦作中裕壓縮氣有限公司 Jiaozuo Zhongyu Compressed Gas Company Limited ("Jiaozuo Compressed Gas") was incorporated and owned as to 32% by the Group and 68% by another two independent third parties ("Other Parties") for the purpose of acquiring a business of CNG vehicle filling stations owned by Other Parties. Upon the incorporation, the Group and Other Parties contributed capital in form of cash of RMB4,800,000 (equivalent to HK$6,113,000) and business of CNG vehicle filling stations comprising certain equipment and leasehold lands respectively. On 18th November, 2013, the Group acquired the 68% interest owned by Other Parties for a consideration of RMB21,500,000 (equivalent to HK$27,382,000). The acquisition was completed on 30th November, 2013 and on that date control in Jiaozuo Compressed Gas was passed to the Group. This acquisition has been accounted for using the purchase method.

Consideration transferred

	HK$'000
Cash	33,495

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Property, plant and equipment	6,140
Prepaid lease payments	21,242
Bank balances and cash	6,113
	33,495

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

35. ACQUISITIONS OF SUBSIDIARY AND BUSINESS *(Continued)*

Year ended 31st December, 2013 *(Continued)*

(ii) Acquisition of business *(Continued)*

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	33,495
Less: fair value of identifiable net assets acquired	(33,495)
	–

Net cash outflow on acquisition of Jiaozuo Compressed Gas:

	HK$'000
Cash consideration paid	33,495
Less: Cash and cash equivalents acquired	(6,113)
	27,382

Included in the profit for the year ended 31st December, 2013 is loss of HK$21,000 incurred by the additional business generated by Jiaozuo Compressed Gas. No revenue for the year 31st December, 2013 is generated from Jiaozuo Compressed Gas.

Had the acquisitions of Wuzhi Zhongyu and Jiaozuo Compressed Gas been completed on 1st January, 2013, total group revenue for the year would have been HK$3,175,105,000, and profit for the year would have been HK$331,616,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1st January, 2013, nor is it intended to be a projection of future results.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

36. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF A SUBSIDIARY

On 29th November, 2013, Zhongyu Henan acquired 100% equity interest in 鐵力市嘉華燃氣有限公司 Tieli City Jiahua Gas Company Limited ("Tieli Jiahua") for RMB145,000,000 (equivalent to HK$184,666,000) from an independent third party. The principal asset of Tieli Jiahua is an exclusive right of selling and distributing piped gas in Tieli City. Tieli Jiahua has not commenced business at the date of acquisition.

	HK$'000
Net assets acquired	
Property, plant and equipment	15,219
Other intangible asset – exclusive right of operation	162,555
Prepaid lease payments	2,415
Inventories	543
Prepayments and other receivables	5,898
Bank balances and cash	1,161
Other payables	(3,125)
	184,666
Net cash outflow arising on acquisition	
Cash consideration paid	184,666
Less: Cash and cash equivalents acquired	(1,161)
Less: Unsettled consideration (included in other payables and accrued charges)	(45,437)
	138,068

Tieli Jiahua possesses an exclusive right of selling and distributing piped gas in Tieli City. Pursuant to terms of exclusive right granted by the People's Government of Tieli Municipality ("Government"), modifications of shareholding of Tieli Jiahua requires filing with the Government whenever there is change in shareholder. Based on a legal opinion issued by a PRC registered lawyer in relation to the aforesaid acquisition, such change in shareholding neither affect the legitimacy of the exclusive right possessed by Tieli Jiahua, nor require approval by the Government. The filing of change of shareholders of Tieli Jiahua is solely served for administrative purpose. The filing is completed during the year ended 31st December, 2014.

In the opinion of the Directors, the above acquisition did not constitute a business combination in accordance with HKFRS 3 "Business combination" as Tieli Jiahua has not commenced business at the date of acquisition. The acquisition has been accounted for as acquisition of assets and liabilities through acquisition of a subsidiary.

37. ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

On 26th March, 2014, Zhongyu Henan and 焦作眾合建設投資有限公司 (Jiaozuo Zhonghe Construction Investment Company Limited) ("Jiaozuo Zhonghe"), the non-controlling interest of 修武中裕燃氣發展有限公司 (Xiuwu Zhongyu Gas Development Company Limited) ("Xiuwu Zhongyu") entered into an equity transfer agreement (the "Equity Transfer Agreement"), pursuant to which Jiaozuo Zhonghe has agreed to transfer its 40% equity interest in Xiuwu Zhongyu to Zhongyu Henan for a consideration of RMB11,800,000 (equivalent to HK$15,030,000). Thereafter, the Group's effective interest in Xiuwu Zhongyu increased from 55.90% to 95.92%. The transaction was accounted for as an equity transaction. The difference between the consideration paid and the carrying amount of the Group's additional interest in Xiuwu Zhongyu of HK$4,734,000 was debited to equity as other reserve during the year ended 31st December, 2014.

38. OPERATING LEASES

The Group as lessee

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

	2014 HK$'000	2013 HK$'000
Within one year	**4,278**	1,973
In the second to fifth year inclusive	**7,842**	4,033
Over five years	**4,151**	5,366
	16,271	11,372

Operating lease payments represent rental payable by the Group in respect of leasehold land and buildings and equipment. Leases for rented premises and equipment are negotiated for a period of one to five years with fixed rental.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

38. OPERATING LEASES *(Continued)*

The Group as lessor

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments under non-cancellable operating leases in respect of rented premises and equipment which fall due as follows:

	2014	2013
	HK$'000	HK$'000
Within one year	**701**	698
In the second to fifth year inclusive	**1,560**	2,218
Over five years	**–**	76
	2,261	2,992

Leases are negotiated for an average term of five years.

The Group's investment properties with a carrying amount of HK$9,365,000 (2013: HK$9,016,000) are held for rental purposes. All of the properties held have committed tenants for the next four to nine years.

39. RETIREMENT BENEFITS PLANS

The Group had joined the Mandatory Provident Fund Scheme under the rules and regulations of the Hong Kong Mandatory Provident Fund Schemes Authority. The Group's employees in Hong Kong are required to join the scheme. The Group and each employee employed in Hong Kong are required to make a contribution of 5% on the employees' monthly relevant income with a maximum monthly contribution of HK$1,500 per person, which increased from $1,250 to $1,500 per person since 1st June, 2014.

The Company's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in various central pension schemes operated by the relevant municipal and provincial governments. These subsidiaries are required to make defined contributions to these schemes at rates ranging from 15% to 30% of their covered payroll. The Group has no other material obligation for the payment of its staff's retirement and other post-retirement benefits other than the contributions described above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

40. RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in the consolidated financial statements, the Group entered into the following transaction with a related party during the year:

	2014	2013
	HK$'000	HK$'000
Interest income received from Harmony Gas	**6,669**	–

Compensation of key management personnel

The Directors considered that they are the only key management personnel of the Group. Their emoluments are set out in note 13.

41. CAPITAL COMMITMENTS

As at 31st December, 2014, the capital expenditure in respect of the acquisition of property, plant and equipment and prepaid lease payments contracted for but not provided in the consolidated financial statements is HK$61,818,000 (2013: HK$49,558,000).

42. MAJOR NON-CASH TRANSACTION

During the year ended 31st December, 2013, the Group has derecognised certain pipelines of HK$34,658,000 due to redevelopment of Jiaozuo City, and corresponding advance received of HK$19,092,000 in the form of government subsidy has been utilised in such relocation of pipelines.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

As at 31st December, 2014 and 2013

Name of subsidiary	Place/country of incorporation/ registration/ operation	Form of business structure	Paid up issued share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company 2014 %	2013 %	Principal activities
China Gas Construction Expansion Company Limited###	British Virgin Islands	Incorporated	1,330,000 ordinary shares of US$1 each	**100##**	99.89##	Investment holding
Linyi Zhongyu Energy Co., Ltd.	PRC	Sino-foreign joint venture	Registered capital HK$160,000,000	**100##**	99.89##	Trading of natural gas and gas pipeline construction
Linshu Zhongyu Gas Co., Ltd.	PRC	Limited liability company	Registered capital RMB15,160,000	**100##**	99.89##	Trading of natural gas and gas pipeline construction
Linyi Zhongyu Gas Co., Ltd ("Linyi Zhongyu")	PRC	Sino-foreign joint venture	Registered capital HK$42,000,000	**51#**	51#	Trading of natural gas and gas pipeline construction
Sanmenxia Zhongyu Gas Co., Ltd	PRC	Sino-foreign joint venture	Registered capital HK$50,000,000	**90##**	90##	Trading of natural gas and liquefied petroleum gas and gas pipeline construction
Xinmi Zhongyu Gas Co., Ltd.	PRC	Sino-foreign joint venture	Registered capital HK$15,000,000	**97##**	97##	Trading of natural gas and gas pipeline construction
Yanshi Zhongyu Gas Co., Ltd.	PRC	Sino-foreign joint venture	Registered capital HK$25,000,000	**95##**	95##	Trading of natural gas and liquefied petroleum gas and gas pipeline construction
Yongcheng Zhongyu Gas Co., Ltd.	PRC	Sino-foreign joint venture	Registered capital HK$30,000,000	**100##**	100##	Trading of natural gas and gas pipeline construction
Jiyuan Zhongyu Gas Co., Ltd.	PRC	Sino-foreign joint venture	Registered capital HK$40,280,000	**92.90##**	92.90##	Trading of natural gas and gas pipeline construction
Luohe Zhongyu Gas Co., Ltd. ("Luohe Zhongyu")	PRC	Sino-foreign joint venture	Registered capital RMB95,468,511	**77.29##**	77.29##	Trading of natural gas and gas pipeline construction

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

As at 31st December, 2014 and 2013 *(Continued)*

Name of subsidiary	Place/country of incorporation/ registration/ operation	Form of business structure	Paid up issued share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company 2014 %	2013 %	Principal activities
Luohe Zhongyu Gas Project Install Co., Ltd.	PRC	Sino-foreign joint venture	Registered capital RMB5,000,000	**73.40##**	73.40##	Gas pipeline construction
Jiaozuo Zhongyu Gas Co., Ltd.	PRC	Sino-foreign joint venture	Registered capital HK$84,800,000	**93.20##**	93.20##	Trading of natural gas, coal gas and liquefied petroleum gas and gas pipeline construction
Jiaozuo Zhongyu Project Install Co., Ltd.	PRC	Limited liability company	Registered capital RMB30,000,000	**88.54##**	88.54##	Gas pipeline construction
Xiuwu Zhongyu	PRC	Limited liability company	Registered capital RMB8,000,000	**95.92##**	55.90##	Trading of natural gas and gas pipeline construction
Zhongyu Henan	PRC	Wholly-foreign owned enterprises	Registered capital HK$600,000,000	**100#**	100#	Investment holding
JYCG	PRC	Limited liability company	Registered capital RMB10,000,000	**100##**	100##	Operation of CNG/LNG vehicle filling stations
LZCG	PRC	Sino-foreign joint venture	Registered capital RMB5,000,000	**100##**	100##	Operation of CNG/LNG vehicle filling stations
SZCG	PRC	Limited liability company	Registered capital RMB8,000,000	**100##**	100##	Operation of CNG/LNG vehicle filling stations
NZCG	PRC	Limited liability company	Registered capital RMB10,000,000	**100##**	100##	Operation of CNG/LNG vehicle filling stations
Nanjing Zhongyu Natural Gas Filling Co., Ltd.	PRC	Limited liability company	Registered capital RMB7,000,000	**70##**	70##	Operation of CNG/LNG vehicle filling stations

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

As at 31st December, 2014 and 2013 *(Continued)*

Name of subsidiary	Place/country of incorporation/ registration/ operation	Form of business structure	Paid up issued share capital/ registered capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
				2014 %	2013 %	
Nanjing Jingqiao Zhongyu Gas Co., Ltd.	PRC	Limited liability company	Registered capital RMB10,000,000	100##	100##	Trading of natural gas and gas pipeline construction
Shaowu City Xuanran Natural Gas Co., Ltd.	PRC	Limited liability company	Registered capital RMB20,000,000	100##	100##	Trading of natural gas and gas pipeline construction
Tieli Jiahua	PRC	Limited liability company	Registered capital RMB20,000,000	100##	100##	Trading of natural gas and gas pipeline construction
Dezhou Zhongyu	PRC	Limited liability company	Registered capital RMB10,000,000	100##	-##	Trading of natural gas and gas pipeline construction

The proportion of nominal value of issued share capital/registered capital directly held by the Company.

The proportion of nominal value of issued share capital/registered capital indirectly held by the Company.

The place of operation of the Company is Hong Kong.

The above list includes the subsidiaries of the Company which, in the opinion of the Directors, principally affect the results of the Group for the year or form a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

44. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Total comprehensive income attributable to non-controlling interests		Accumulated non-controlling interests	
		2014	2013	**2014**	2013	**2014**	2013
				HK$'000	HK$'000	**HK$'000**	HK$'000
Linyi Zhongyu	PRC – Shangdong province	**49%**	49%	**36,190**	37,097	**145,152**	108,962
Luohe Zhongyu	PRC – Henan province	**22.71%**	22.71%	**13,765**	13,770	**66,786**	53,021
Individually immaterial subsidiaries with non-controlling interests						**86,754**	74,211
						298,692	236,194

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

(i) Linyi Zhongyu

	2014	2013
	HK$'000	HK$'000
Current assets	**99,212**	137,215
Non-current assets	**452,781**	311,100
Current liabilities	**(255,764)**	(225,944)
Equity attributable to owners of the Company	**151,077**	113,409
Non-controlling interests	**145,152**	108,962

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

44. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

(i) Linyi Zhongyu *(Continued)*

	2014 HK$'000	2013 HK$'000
Revenue	**475,614**	420,232
Expenses	**399,731**	(347,781)
Profit for the year	**75,883**	72,451
Profit attributable to owners of the Company	**38,700**	36,950
Profit attributable to the non-controlling interests	**37,183**	35,501
Profit for the year	**75,883**	72,451
Other comprehensive (expense) income attributable to owners of the Company	**(1,032)**	1,661
Other comprehensive (expense) income attributable to the non-controlling interests	**(993)**	1,596
Other comprehensive (expense) income for the year	**(2,025)**	3,257
Total comprehensive income attributable to owners of the Company	**37,668**	38,611
Total comprehensive income attributable to the non-controlling interests	**36,190**	37,097
Total comprehensive income for the year	**73,858**	75,708
Dividends paid to non-controlling interests	**–**	–
Net cash inflow from operating activities	**152,780**	80,182
Net cash outflow from investing activities	**(158,545)**	(76,246)
Net cash (outflow) inflow from financing activities	**(13,416)**	31,590
Net cash (outflow) inflow	**(19,181)**	35,526

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

44. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

(ii) Luohe Zhongyu

	2014	2013
	HK$'000	HK$'000
Current assets	**208,599**	232,324
Non-current assets	**353,002**	307,519
Current liabilities	**(232,208)**	(182,404)
Non-current liabilities	**(60,249)**	(148,906)
Equity attributable to owners of the Company	**202,358**	155,512
Non-controlling interests	**66,786**	53,021

44. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

(ii) Luohe Zhongyu *(Continued)*

	2014 HK$'000	2013 HK$'000
Revenue	**430,289**	392,786
Expenses	**(367,691)**	(335,580)
Profit for the year	**62,598**	57,206
Profit attributable to owners of the Company	**48,382**	44,214
Profit attributable to the non-controlling interests	**14,216**	12,992
Profit for the year	**62,598**	57,206
Other comprehensive (expense) income attributable to owners of the Company	**(1,536)**	2,650
Other comprehensive (expense) income attributable to the non-controlling interests	**(451)**	778
Other comprehensive (expense) income for the year	**(1,987)**	3,428
Total comprehensive income attributable to owners of the Company	**46,846**	46,864
Total comprehensive income attributable to the non-controlling interests	**13,765**	13,770
Total comprehensive income for the year	**60,611**	60,634
Dividends paid to non-controlling interests	**–**	5,080
Net cash inflow from operating activities	**4,684**	106,028
Net cash inflow (outflow) from investing activities	**121,038**	(92,505)
Net cash outflow from financing activities	**(80,232)**	(17,883)
Net cash inflow (outflow)	**45,490**	(4,360)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

45. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2014	2013
	HK$'000	HK$'000
Unlisted investments in subsidiaries	**995,200**	768,806
Available-for-sale investment	**2,720**	–
Amounts due from group companies	**2,263,036**	866,535
Bank balances and cash	**60,215**	24,473
Other receivables	**146,075**	21,470
Other payables and accrued charges	**(3,553)**	(3,110)
Bank borrowings	**(2,559,602)**	(674,598)
Total assets less liabilities	**904,091**	1,003,576
Share capital (note 32)	**25,250**	25,240
Reserves (Note)	**878,841**	978,336
Total equity	**904,091**	1,003,576

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

45. INFORMATION ABOUT THE STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note:

Reserves of the Company

	Share premium HK$'000	Share option reserve HK$'000	Translation reserve HK$'000	Accumulated profits (losses) HK$'000	Total HK$'000
At 1st January, 2013	895,054	520	47,185	45,826	988,585
Loss for the year	–	–	–	(25,258)	(25,258)
Other comprehensive income for the year	–	–	15,009	–	15,009
Total comprehensive income (expense) for the year	–	–	15,009	(25,258)	(10,249)
At 31st December, 2013	895,054	520	62,194	20,568	978,336
Loss for the year	–	–	–	(88,664)	(88,664)
Other comprehensive income for the year	–	–	(11,312)	–	(11,312)
Total comprehensive expense for the year	–	–	(11,312)	(88,664)	(99,976)
Exercise of share options	682	(201)	–	–	481
At 31st December, 2014	895,736	319	50,882	(68,096)	878,841

FINANCIAL SUMMARY

	For the year ended 31st December,				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**3,142,690**	3,130,885	2,754,084	1,794,319	1,169,469
Profit for the year attributable to					
Owners of the Company	**324,351**	262,248	226,021	86,114	22,811
Non-controlling interests	**65,429**	62,569	55,533	42,190	34,314
	389,780	324,817	281,554	128,304	57,125

	As at 31st December,				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**6,898,822**	4,698,914	3,548,701	2,836,665	2,275,534
Total liabilities	**(4,606,082)**	(2,770,240)	(1,987,239)	(1,607,525)	(1,373,127)
	2,292,740	1,928,674	1,561,462	1,229,140	902,407
Equity attributable to the owners of the Company	**1,994,048**	1,692,480	1,390,235	1,088,441	769,311
Non-controlling interests	**298,692**	236,194	171,227	140,699	133,096
	2,292,740	1,928,674	1,561,462	1,229,140	902,407

中裕燃氣

ZHONGYU GAS

(Incorporated in the Cayman Islands with limited liability)

（於開曼群島註冊成立之有限公司）

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