香 港 中 華 煤 氣 有 限 公 司
THE HONG KONG AND CHINA GAS COMPANY LIMITED

(Incorporated in Hong Kong under the Companies Ordinance with limited liability)
(Stock Code: 3)

PRELIMINARY ANNOUNCEMENT OF 2015 ANNUAL RESULTS

CHAIRMAN'S STATEMENT

THE YEAR'S RESULTS

The performance of the Group's town gas business in Hong Kong remained steady in 2015. In comparison, the Group's city-gas businesses in mainland China maintained stable growth; concurrently the Group's emerging environmentally-friendly energy businesses are continually developing. However, given the slowdown in economic growth in mainland China and a drastic fall in international oil prices during the year, the results of the Group's overall recurrent businesses remained stable in 2015.

Profit after taxation attributable to shareholders of the Group for the year increased by approximately 3 per cent to HK$7,302 million, an increase of HK$193 million compared to 2014. Earnings per share for the year amounted to HK63.2 cents. During the year, the depreciation of the renminbi affected the performance of the Group's profit. However, there was a rise in the revaluation surplus from an investment property, the International Finance Centre complex, in 2015 compared to 2014, which drove profit growth.

During the year under review, the Group invested HK$6,356 million in production facilities, pipelines, plants and other fixed assets for the sustainable development of its various existing and new businesses in Hong Kong and mainland China.

TOWN GAS BUSINESS IN HONG KONG

The local economy continued to grow modestly in 2015. Favourable overall employment conditions maintained stable growth in local consumer spending. However, gas sales in the hotel sector were impacted by a decrease in the number of inbound tourists during the second half of 2015. Residential gas sales were also affected as the average temperature in Hong Kong in 2015 reached the highest in local records. Overall, total volume of gas sales in Hong Kong for the year was 28,404 million MJ, a decrease of 1.5 per cent, in contrast to appliance sales revenue which increased by 6.4 per cent with a total of 255,730 sets sold, both compared to 2014.

As at the end of 2015, the number of customers was 1,839,261, an increase of 19,326 compared to 2014, slightly up by 1.1 per cent.

BUSINESS DEVELOPMENT IN MAINLAND CHINA

The Group's mainland businesses continued to progress steadily in 2015 with stable growth in both the number of projects and profit.

Overall, inclusive of projects of the Group's subsidiary, Towngas China Company Limited ("Towngas China"; stock code: 1083.HK), the Group had 222 projects on the mainland, as at the end of 2015, 20 more than at the end of 2014, spread across 25 provinces, autonomous regions and municipalities. These projects encompass upstream, midstream and downstream natural gas sectors, water sectors, environmentally-friendly energy applications, energy resources' exploration and utilisation, as well as telecommunications.

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

The Group's development of emerging environmentally-friendly energy businesses and related research and development of new technologies, through its wholly-owned subsidiary ECO Environmental Investments Limited and the latter's subsidiaries (collectively known as "ECO"), are progressing steadily forward. With a number of environmentally-friendly and energy conservation projects under construction or already commissioned, and new projects under development, the foundation for long-term growth of the Group's businesses is being continually reinforced. However, the drastic fall in international oil prices in 2015 led to a decline in prices of associated products, and profit was affected.

UTILITY BUSINESSES IN MAINLAND CHINA

The Group's city-gas businesses are progressing well with a total of four new projects added to its portfolio in 2015. As at the end of 2015, inclusive of Towngas China, the Group had a total of 131 city-gas projects in mainland cities spread across 23 provinces, autonomous regions and municipalities. The total volume of gas sales for these projects in 2015 was approximately 15.5 billion cubic metres, a slight increase of 2 per cent over 2014. As at the end of 2015, the Group's mainland gas customers stood at approximately 20.9 million, an increase of 10 per cent over 2014. The Group continues to have a good reputation as a large-scale city-gas enterprise with outstanding performance on the mainland.

Despite the impact of a slowdown in global economic growth leading to continuous weak demand for commodities worldwide, the mainland economy continued to grow steadily in 2015 compared to 2014, though the pace was slower. The growth in demand for energy, including electricity, petroleum and natural gas, was noticeably lower across the whole country. However, long-term and steady growth in the demand for natural gas, a major clean energy resource on the mainland, is still anticipated. The mainland government has also formulated a natural gas utilisation policy to strengthen preventative measures to combat air pollution and to minimise the formation of smog. This momentum will benefit the Group's city-gas and natural gas businesses helping to create continuous growth.

The sluggish global economy during 2015 had an adverse impact on industrial gas market demand and, with low international oil prices, other petroleum fuels gradually became more competitive than piped natural gas. In April 2015, the mainland government aligned its two-tiered natural gas ceiling city-gate prices of "existing" and "incremental" volumes by reducing the ceiling price for "incremental volume" but slightly raising that for "existing volume", both applicable to non-residential users. This was then followed by a further reduction in non-residential natural gas city-gate prices in November 2015. These measures have further promoted market-oriented reform of natural gas prices and enhanced the competitiveness of natural gas relative to other energy. In the medium to long term, natural gas is still projected to be the clean energy of choice for reducing air pollution and improving smoggy atmospheric conditions on the mainland. With gradual commissioning of the country's large-scale natural gas projects, including transmission pipelines from Sichuan province to eastern and southern China and the West-to-East pipeline, and pipeline projects for importing natural gas from Central Asia and Myanmar, together with the signing of piped natural gas supply contracts with Russia, as well as a rise in the quantity of imported liquefied natural gas ("LNG"), supply of natural gas on the mainland is becoming ample, which is beneficial to market development. Thus, with increasing sources of gas supply, expanding pipeline networks and the public's aspiration for greater environmental protection, the Group anticipates its mainland city-gas businesses will continue to thrive in future.

The Group's midstream natural gas projects are operating smoothly. These include natural gas pipeline projects in Anhui and Hebei provinces; natural gas extension projects in Jilin and Henan provinces; and the Guangdong LNG Receiving Terminal project. In addition, Towngas China added two midstream natural gas projects to its portfolio in 2015 – the Xuancheng-Huangshan natural gas sub-stream and downstream city-gas project in Anhui province, and the Taigang Gas midstream long-haul pipeline project in Taian city, Shandong province. Construction of the Group's gas storage facility in underground salt caverns in Jintan district, Changzhou city, Jiangsu province is in progress. Upon completion, this facility will be the first of its kind developed by any city-gas enterprise on the mainland. The total storage capacity of this facility will be approximately 400 million standard cubic metres. Construction of phase one of this project, with a storage capacity of 130 million standard cubic metres, is expected to be completed during the third quarter of 2016. This facility, which will help the Group supplement and regulate gas supplies during the peak winter period in eastern China, is in line with the Chinese government's policy of advocating faster development of gas storage capacity. These kinds of midstream projects generate good returns and support the Group's development of its downstream city-gas markets.

The upstream natural gas supply market is also facing reform. The Shanghai Petroleum and Natural Gas Exchange (the "Exchange") launched a pilot operation on 1st July 2015 to further promote a market-oriented pricing mechanism for natural gas. Currently, major products for spot trading in the Exchange are piped natural gas and LNG. With increasing sources of upstream gas supply, the Exchange is able to provide more choices for downstream customers. A number of natural gas pipeline network companies at provincial level are participating in trading on the Exchange. The Exchange comprises ten shareholder companies, including the Group.

The Group's development of natural gas vehicular refilling stations under the brand name "Towngas" is progressing well with a total of approximately 100 stations constructed so far spread across different provinces in mainland China. The Group will continue to develop this type of new energy vehicular refilling station business and actively develop refilling projects for marine vessels in mainland China.

2015 was the 10th anniversary of the Group's entering into the mainland water market under the brand name "Hua Yan Water". The Group has so far invested in, and operates, six water projects, including water supply joint venture projects in Wujiang district, Suzhou city, Jiangsu province and in Wuhu city, Anhui province; wholly-owned water supply projects in Zhengpugang Xin Qu, Maanshan city and in Jiangbei Xin Qu, Wuhu city, both in Anhui province; and an integrated water supply and wastewater treatment joint venture project, together with an integrated wastewater treatment joint venture project for a special industry, both in Suzhou Industrial Park, Suzhou city, Jiangsu province. In 2015, the Group also initiated an interest in the drinking water market on the mainland by launching "AquaJoy", a high-end bottled purified water product, through its project in Wujiang district, Suzhou city, Jiangsu province. With increasing demand for clean water resources across the country, the Group's water projects, supplying water of good quality, are progressing well, maintaining steady growth in volume of water sales. To achieve a healthier development in the water sector, the Group's project companies are now striving for a reasonable increase in the selling price of water.

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

EMERGING ENVIRONMENTALLY-FRIENDLY ENERGY BUSINESSES

ECO's major businesses in Hong Kong – an aviation fuel facility, dedicated liquefied petroleum gas ("LPG") vehicular refilling stations and landfill gas utilisation projects – are all operating smoothly. Total turnover for ECO's aviation fuel facility for 2015 was 6.07 million tonnes. The facility provides a safe and reliable fuel supply to Hong Kong International Airport and contributes to ECO's steady profit growth. The LPG refilling station business is progressing steadily, providing a quality and reliable fuel supply to the local taxi and minibus sectors. ECO's landfill gas project in the North East New Territories, after operating for several years, is generating noticeable environmental benefits. On this basis, ECO commenced the development of a South East New Territories landfill gas utilisation project in 2015, with commissioning expected to start in mid-2016, which will further increase the proportion of landfill gas used by the Group and make a further contribution to energy conservation and emission reduction in Hong Kong.

ECO's oilfield project in Thailand, despite the adverse impact of the continuous fall in international oil prices and a slowdown in the mainland economy, is operating smoothly. With several high-yield wells drilled in 2015, this project recorded an output of 1.86 million barrels of oil during the year, an increase of 36 per cent compared to 2014, though falling international oil prices adversely affected profit growth.

ECO's coalbed methane liquefaction facility, located in Jincheng city, Shanxi province, is operating smoothly. Construction of a project in Xuzhou city, Jiangsu province to produce LNG by methanation of coke oven gas has been largely completed; trial operation is expected in the second quarter of 2016. By then, ECO's capability to produce LNG will be enhanced. In addition, ECO is planning to develop a natural gas liquefaction project in Hohhot city, Inner Mongolia Autonomous Region, to supply LNG for local heavy-duty trucks; commissioning is expected by the end of 2017.

As smog and air pollution on the mainland are now a growing concern, the Chinese government is increasing its efforts to promote the development of refilling station networks supplying LNG as a fuel for vehicles and vessels. The use of LNG as a gradual replacement for diesel for heavy-duty trucks is an especially important and effective anti-pollution measure. A network of ECO natural gas refilling stations is gradually taking shape in, amongst others, Shaanxi, Shandong, Shanxi, Henan and Liaoning provinces. All in all, ECO currently has 60 refilling stations in operation, under construction or at the planning stage, and as expansion into more provinces progresses, the ECO brand name and its network will gradually become more well-known in the market.

Conversion of biomass into clean energy and chemical products is an important part of ECO's business development trend which is in line with the direction of the country. To this end, ECO is constructing a plant to upgrade low-quality inedible bio-oil. Located in Zhangjiagang city, Jiangsu province, the facility will handle approximately 220,000 tonnes of palm acid oil annually for conversion into high-quality chemical products and low-sulphur fuels; construction is expected to be completed early next year for trial production.

Mainland China, a sizeable agricultural country, generates a large quantity of agricultural waste every year. Apart from a small portion of this used in fields or for power generation, the rest is not fully utilised as effective measures are yet to be put in place, thus creating a huge source of raw material for potential biomass conversion. ECO has successfully developed new technologies to convert agricultural and forestry waste into natural gas through thermal gasification and methanation, and also to produce levulinic acid, through hydrolysis, which can be used as a raw material for producing clean fuel additives. ECO is planning to start a pilot project in Hebei province using these technologies expecting to produce natural gas early next year, which will then open a further chapter in ECO's new energy businesses.

ECO's coal-based methanol production plant in Inner Mongolia Autonomous Region operated smoothly in 2015. Following the completion of the construction work in mid-2015 to enhance methanol production capacity to over 1,100 tonnes per day, the yield for the whole year rose to over 300,000 tonnes, an increase of 26 per cent compared to 2014. An additional facility to upgrade methanol into natural gasoline (a gasoline substitute chemical product) using self-developed technology is now at the pilot production stage, thus laying a solid foundation for ECO's methanol upgrading business.

ECO is also developing innovative resource conversion technologies for the production of high value-added environmentally-friendly energy. Related research and development has achieved a breakthrough in results, with noticeable economic and environmental benefits, especially in the areas of conversion of coal tar oil into carbon materials, upgrading and utilisation of oil-rich powder coal and conversion of agricultural waste into natural gas and fuel additives, all of which should also help strengthen ECO's competitive edge in this new energy sector in future.

TOWNGAS CHINA COMPANY LIMITED (STOCK CODE: 1083.HK)

The business of Towngas China, a subsidiary of the Group, developed steadily in 2015. Exclusive of unrealised exchange losses on the renminbi and the provision for the disposal of the coke plant of Changchun Gas Company Limited ("Changchun Gas"), Towngas China's profit after taxation attributable to its shareholders for the year amounted to HK$1,202 million, an increase of approximately 1 per cent compared to 2014. Due to the depreciation of the renminbi during the year, inclusive of the unrealised exchange losses and Changchun Gas' provision for the disposal, Towngas China's profit after taxation attributable to its shareholders for 2015 was HK$807 million, a decrease of approximately 23 per cent compared to 2014. As at the end of 2015, the Group held approximately 1,666 million shares in Towngas China, representing approximately 62.53 per cent of Towngas China's total issued shares.

Project development is progressing with Towngas China acquiring three new piped-gas projects in 2015, namely in Wulian county, Rizhao city, Shandong province; in Anxin county, Baoding city, Hebei province; and in Jiangbei New District, Wuhu city, Anhui province. In 2015, Towngas China also acquired two midstream pipeline projects and one vehicular refilling station project, namely Xuancheng-Huangshan natural gas sub-stream and downstream city-gas project in Anhui province, Taigang Gas midstream long-haul pipeline project in Taian city, Shandong province, and Xingqixiang vehicular gas refilling station project in Qiqihar city, Heilongjiang province.

In June 2015, Standard & Poor's Ratings Services, an international rating agency, raised its long-term corporate credit rating on Towngas China to "BBB+" from "BBB", and maintained its "cnA+" long-term Greater China regional scale credit rating with a "stable" outlook. In July 2015, Moody's Investors Service, another international rating agency, also raised its issuer credit rating on Towngas China to "Baa1" from "Baa2" with a "stable" outlook. Such ratings demonstrate the rating agencies' recognition of Towngas China's stable financial status and reflect the company's increasing credit strength.

FINANCING PROGRAMMES

In order to tap funding in a timely and flexible manner, the Group established a medium term note programme in 2009 under HKCG (Finance) Limited, a wholly-owned subsidiary of the Group. Taking advantage of low interest rates, medium term notes totaling HK$1,457 million, with maturity ranging from 10 to 15 years, were issued during 2015. In line with the Group's long-term business investments, the Group had issued, as at 31st December 2015, medium term notes of an aggregate amount equivalent to HK$11.8 billion with tenors ranging from 5 to 40 years, with an average interest rate at fixed rate of 3.47 per cent and an average tenors of 15 years, under this programme.

EMPLOYEES AND PRODUCTIVITY

As at the end of 2015, the number of employees engaged in the town gas business in Hong Kong was 1,999 (2014 year end: 1,972), the number of customers was 1,839,261, and each employee served the equivalent of 920 customers, a similar level to 2014. Inclusive of employees engaged in local businesses such as telecommunications, LPG vehicular refilling stations and engineering contractual works, the total number of the Group's employees engaged in businesses in Hong Kong was 2,380 as at the end of 2015 compared to 2,331 as at the end of 2014. Related manpower costs amounted to HK$979 million for 2015. In 2015, there was an approximately 5 per cent average increase in remuneration over 2014. The Group will continue to offer employees rewarding careers based on their capabilities and performance and arrange a variety of training programmes in order to constantly enhance the quality of the Group's customer services.

Exclusive of businesses in Hong Kong, the total number of the Group's employees in mainland China and other places outside Hong Kong was 45,600 as at the end of 2015, an increase of approximately 1,000 compared to 2014.

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

BONUS ISSUE OF SHARES

The Directors propose to make a bonus issue of one new share for every ten existing shares held by shareholders whose names are on the Register of Members of the Company on 16th June 2016. The necessary resolution will be proposed at the forthcoming Annual General Meeting on 7th June 2016, and if passed, share certificates will be posted on 24th June 2016.

FINAL DIVIDEND

The Directors are pleased to recommend a final dividend of HK23 cents per share payable to shareholders whose names are on the Register of Members of the Company as at 16th June 2016. Including the interim dividend of HK12 cents per share paid on 2nd October 2015, the total dividend payout for the whole year shall be HK35 cents per share.

Barring unforeseen circumstances, the forecast dividends per share for 2016 after bonus share issue shall not be less than the interim and final dividends for 2015.

BUSINESS OUTLOOK FOR 2016

The Company predicts steady growth in the number of customers in Hong Kong during 2016. With a weak global economy and slowdown of inbound tourism, the local economy is facing downward pressures. However, favourable local employment conditions are helping to stimulate internal demand and consumer spending. As the Government of the Hong Kong Special Administrative Region is also striving to increase land and housing supply, the Company anticipates stable and good growth in the number of gas customers in the next few years. Expansion in the commercial and industrial energy market is also benefiting from the competitiveness of town gas, an energy resource combining both environmental and economic benefits. As international oil prices have been decreasing substantially for over a year, fuel cost adjustment charges of the gas tariff in Hong Kong have been reduced which is beneficial to customers and to further enhancement of the competitiveness of town gas, relative to electricity in particular, in the energy market. However, increasing local manpower costs and operating expenses are leading to rising operating costs for businesses generally in Hong Kong. The Company's increase in its standard gas tariff on 1st August 2015 has helped offset some of this pressure on its own rising operating costs. The Company will, however, continue to enhance operational efficiency so as to maintain stable development of its gas business in the territory.

Mainland China's Thirteenth Five-Year Plan commenced in 2016. Currently, given weak global economic growth, continuously low international oil prices, the mainland's marked slowdown in economic growth and decline in the growth of production for export and the domestic market, the volume of gas sales of the Group's city-gas businesses in mainland China is thus slowing. The market is also facing the risk of renminbi depreciation. All these factors are creating challenges for the overall profit growth of the Group's mainland businesses in the near term. Nevertheless, in the long term, promotion of the use of natural gas is benefiting from the mainland government's drive to reduce carbon emissions, to encourage the use of clean energy, and to enforce the Law on the Prevention and Control of Atmospheric Pollution which was revised on 1st January 2016, further tightening supervision and administration of related measures. All these factors, coupled with rapid urbanisation, will lead to a continuing rise in demand for utility facilities and energy. Natural gas price adjustments in late 2015 have also lowered upstream gas prices substantially, thus enhancing the competitiveness of natural gas. Increasing upstream gas supply and the government's move to reduce carbon emissions and minimise the formation of smog are creating opportunities for natural gas to replace coal in boilers and elsewhere including for power generation, distributed energy projects, household heating, gas hot water heaters and gas dryers. This is favourable to the development of the downstream gas market and the healthy development of the natural gas business sector in general.

In respect of emerging environmentally-friendly energy businesses, following the Chinese government's move towards greater energy diversification, environmental protection and the creation of a more circular economy, the Group is continuing to develop and apply new technologies for conserving energy and reducing pollutant emissions. There is also a growing trend for greater use of low-sulfur, high-quality oil, electricity and natural gas, etc. as fuels for vehicles and vessels to reduce atmospheric pollution. Despite international oil prices hitting record lows recently, which will impact profit growth and slow down the pace of investment of the Group's emerging environmentally-friendly energy businesses in the short term, ECO will now increasingly move towards production of high-quality chemical products which are less sensitive to international oil prices, taking this as a guide for future project investments. Furthermore, as self-developed research and developments achieve ever more sophisticated results, emerging environmentally-friendly energy businesses will ignite a new light for the Group, illuminating the way for long-term development and business growth strategy.

With the Group's solid foundation in Hong Kong and its diverse business sectors spread across extensive areas on the mainland, together with its successful technical experience, corporate brand names and sales channels built there over 20 years, and mainland society's growing concern over air quality, it is anticipated that there will be ever-rising demand for clean energy. According to the Thirteenth Five-Year Plan, the share of natural gas in the country's total energy mix is set to increase from 6 per cent currently to 10 per cent by the year 2020, thus creating huge market potential. In addition, given that the number of piped-gas customers in Hong Kong and mainland China is increasing, the Group, with its sizeable customer base, foresees better benefits from its expanding new businesses.

Despite the various challenges resulting from the slowdown in economic growth on the mainland, the Group has formulated, and is gradually implementing, development plans for different businesses in accordance with the energy and environmental policy of mainland China. Overall, with increasing demand for natural gas and renewable energy, and the society's growing concern for more environmental protection, the Group anticipates its development in the years to come will be even broader and better.

LEE Shau Kee
Chairman
Hong Kong, 18th March 2016

The Board of Directors has pleasure in presenting a summary of results of the Group for the year ended 31st December 2015 with comparative figures for the previous corresponding year as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31st December 2015

	Note	**2015 HK$ Million**	2014 HK$ Million
Revenue	4	**29,591.3**	31,614.7
Total operating expenses	5	**(22,601.9)**	(24,353.7)
		6,989.4	7,261.0
Other gains, net	6	**101.4**	411.9
Interest expense		**(1,128.6)**	(1,012.9)
Share of results of associates		**2,228.2**	1,725.1
Share of results of joint ventures		**1,715.6**	1,489.5
Profit before taxation		**9,906.0**	9,874.6
Taxation	7	**(1,726.7)**	(1,771.4)
Profit for the year		**8,179.3**	8,103.2
Attributable to:			
Shareholders of the Company		**7,302.0**	7,109.2
Holders of perpetual capital securities		**110.5**	102.2
Non-controlling interests		**766.8**	891.8
		8,179.3	8,103.2
Dividends	8	**4,046.6**	3,679.7
Earnings per share – basic and diluted, HK cents	9	**63.2**	61.5 *

* *Adjusted for the bonus issue in 2015*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31st December 2015

	2015 HK$ Million	2014 HK$ Million
Profit for the year	**8,179.3**	8,103.2
Other comprehensive income:		
Item that will not be reclassified subsequently to profit or loss:		
Remeasurements of retirement benefit	**(23.1)**	(63.0)
Items that may be reclassified subsequently to profit or loss:		
Change in value of available-for-sale financial assets	**(929.8)**	59.1
Impairment loss on available-for-sale financial assets transferred to income statement	**38.6**	5.8
Change in fair value of cash flow hedges	**(117.2)**	(87.2)
Share of other comprehensive (loss)/income of an associate	**(5.4)**	2.6
Recognition of exchange reserve upon disposal of subsidiaries	**(83.0)**	-
Exchange differences	**(2,060.8)**	(890.0)
Other comprehensive loss for the year, net of tax	**(3,180.7)**	(972.7)
Total comprehensive income for the year	**4,998.6**	7,130.5
Total comprehensive income attributable to:		
Shareholders of the Company	**4,445.6**	6,283.1
Holders of perpetual capital securities	**110.5**	102.2
Non-controlling interests	**442.5**	745.2
	4,998.6	7,130.5

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31st December 2015

	Note	**At 31st December 2015 HK$ Million**	At 31st December 2014 HK$ Million
Assets			
Non-current assets			
Property, plant and equipment		**47,455.6**	49,695.0
Investment property		**713.0**	683.0
Leasehold land		**1,961.9**	1,658.6
Intangible assets		**5,819.5**	5,858.5
Associates		**19,591.9**	17,572.5
Joint ventures		**9,288.2**	9,033.8
Available-for-sale financial assets		**4,567.0**	2,599.7
Derivative financial instruments		**161.5**	266.6
Other non-current assets		**2,371.8**	2,401.7
		91,930.4	89,769.4
Current assets			
Inventories		**2,291.3**	2,283.2
Trade and other receivables	10	**6,896.8**	6,975.7
Loan and other receivables from associates		**90.9**	115.1
Loan and other receivables from joint ventures		**966.4**	1,239.2
Loan and other receivables from non-controlling shareholders		**122.6**	153.9
Financial assets at fair value through profit or loss		**12.1**	718.8
Time deposits over three months		**1,326.9**	550.1
Time deposits up to three months, cash and bank balances		**11,925.9**	12,605.5
		23,632.9	24,641.5
Current liabilities			
Trade and other payables	11	**(11,936.7)**	(11,942.6)
Amounts due to joint ventures		**(572.3)**	(677.7)
Loan and other payables to non-controlling shareholders		**(181.4)**	(213.9)
Provision for taxation		**(736.2)**	(805.7)
Borrowings		**(9,712.3)**	(7,049.7)
Derivative financial instruments		**(41.7)**	-
		(23,180.6)	(20,689.6)
Total assets less current liabilities		**92,382.7**	93,721.3

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
As at 31st December 2015

	At 31st December 2015 HK$ Million	At 31st December 2014 HK$ Million
Non-current liabilities		
Customers' deposits	**(1,282.9)**	(1,256.4)
Deferred taxation	**(4,874.7)**	(5,169.2)
Borrowings	**(23,363.4)**	(24,484.3)
Loan payables to non-controlling shareholders	**(21.9)**	(22.3)
Asset retirement obligations	**(30.2)**	(31.9)
Derivative financial instruments	**(654.4)**	(527.6)
Retirement benefit liabilities	**(42.3)**	(5.9)
	(30,269.8)	(31,497.6)
Net assets	**62,112.9**	62,223.7
Capital and reserves		
Share capital	**5,474.7**	5,474.7
Reserves	**47,366.7**	47,153.5
Shareholders' funds	**52,841.4**	52,628.2
Perpetual capital securities	**2,353.8**	2,353.8
Non-controlling interests	**6,917.7**	7,241.7
Total equity	**62,112.9**	62,223.7

Notes:

1. General information

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

The financial information relating to the years ended 31st December 2015 and 2014 included in this preliminary announcement of 2015 annual results do not constitute the Group's statutory annual consolidated financial statements for those years but are derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) (the "Companies Ordinance") is as follows:

The Company has delivered the consolidated financial statements for the year ended 31st December 2014 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the consolidated financial statements for the year ended 31st December 2015 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

2. Changes in accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements have been consistently applied to both years presented, unless otherwise stated.

The Group has applied the following amendments to Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and annual improvements, which are effective for the Group's financial year beginning 1st January 2015. There is however no significant impact on the Group's results and financial position or any substantial changes in the Group's accounting policies.

- Amendments to HKAS 19 (Revised 2011) — "Employee Benefits: Defined Benefit Plans – Employee Contributions"
- Annual Improvements 2012 — "Annual Improvements to HKFRSs 2010-2012 Cycle"
- Annual Improvements 2013 — "Annual Improvements to HKFRSs 2011-2013 Cycle"

Except for the above, the HKICPA has issued a number of new or revised standards, interpretations and amendments to standards which are not effective for accounting period beginning 1st January 2015 and have not been early adopted by the Group.

3. Financial risk management and fair value estimation of financial instruments

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

3. **Financial risk management and fair value estimation of financial instruments (Continued)**

The following table presents the Group's assets and liabilities that are measured at fair value at 31st December 2015 and 31st December 2014.

HK$Million	Level 1		Level 2		Level 3		Total	
	At 31st December 2015	At 31st December 2014	**At 31st December 2015**	At 31st December 2014	**At 31st December 2015**	At 31st December 2014	**At 31st December 2015**	At 31st December 2014
Assets								
Financial assets at fair value through profit or loss								
- Debt securities	**-**	672.7	**-**	-	**-**	-	**-**	672.7
- Equity securities	**12.1**	34.9	**-**	-	**-**	-	**12.1**	34.9
- Derivative financial instruments	**-**	-	**-**	11.2	**-**	-	**-**	11.2
Derivative financial instruments	**-**	-	**161.5**	266.6	**-**	-	**161.5**	266.6
Available-for-sale financial assets								
- Debt securities	**420.2**	520.1	**-**	-	**-**	-	**420.2**	520.1
- Equity investment	**994.1**	1,388.8	**219.5**	212.7	**2,416.2**	-	**3,629.8**	1,601.5
Total assets	**1,426.4**	2,616.5	**381.0**	490.5	**2,416.2**	-	**4,223.6**	3,107.0
Liabilities								
Other payables	**-**	-	**-**	-	**176.7**	-	**176.7**	-
Derivative financial instruments	**-**	-	**696.1**	527.6	**-**	-	**696.1**	527.6
Total liabilities	**-**	-	**696.1**	527.6	**176.7**	-	**872.8**	527.6

There are no other changes in valuation techniques during the year.

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

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

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

- Available-for-sale financial asset in level 3 is an unlisted equity investment. The fair value is determined based on the discounted cash flow model. The significant unobservable inputs include discount rate of 10.8 per cent, sales price, sales volume and expected free cash flows of the investee. The higher the discount rate, the lower the fair value. The higher the sales price, sales volume or expected free cash flows of the investee, the higher the fair value.

- Other payables in level 3 represents contingent consideration generated from the further acquisition of a subsidiary on 1st August 2015. The fair value is determined based on discounted cash flow model. The significant unobservable inputs include discount rate of 3.6 per cent and the rate of probability on the outflow of resources will be required to settle the obligation. The higher the discount rate, the lower the fair value. The higher the rate of probability, the higher the fair value.

3. Financial risk management and fair value estimation of financial instruments (Continued)

The following table presents the changes in level 3 instruments for the year ended 31st December 2015.

2015 **HK$ Million**	**Contingent consideration**	**Equity investment**	**Total**
Opening balance at 1st January	**-**	**-**	**-**
Acquisition	**176.7**	**3,151.7**	**3,328.4**
Change in fair value	**-**	**(598.2)**	**(598.2)**
Exchange difference	**-**	**(137.3)**	**(137.3)**
Closing balance at 31st December	**176.7**	**2,416.2**	**2,592.9**

Specific valuation techniques used to value financial instruments includes:

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

Critical accounting estimates and judgements used in fair value assessment of available-for-sale financial assets and contingent consideration:

The fair value of available-for-sale financial assets that are not traded in an active market and contingent consideration are both determined by using valuation techniques. The Group uses its judgement to select a variety of methods (such as discounted cash flow model) and makes assumptions that are mainly based on market conditions and the rate of probability on certain circumstances existing at each statement of financial position date. The key assumptions adopted on projected cash flows, the rate of probability and discount rate are based on managements' best estimates.

4. Segment information

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

	2015 **HK$ Million**	2014 HK$ Million
Gas sales before fuel cost adjustment	**20,748.2**	21,841.0
Fuel cost adjustment	**878.8**	1,726.6
Gas sales after fuel cost adjustment	**21,627.0**	23,567.6
Gas connection income	**2,897.5**	2,797.7
Equipment sales and maintenance services	**2,141.0**	2,040.6
Water and related sales	**1,260.9**	1,095.5
Oil and coal related sales	**643.0**	1,219.7
Other sales	**1,021.9**	893.6
	29,591.3	31,614.7

4. **Segment information** *(Continued)*

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

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

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

	Gas, water and related businesses		New Energy	Property	Other segments	Total
	Hong Kong	Mainland China				
2015	**HK$ Million**	**HK$ Million**	**HK$ Million**	**HK$ Million**	**HK$ Million**	**HK$ Million**
Revenue	**8,845.6**	**17,970.9**	**2,126.6**	**59.7**	**588.5**	**29,591.3**
Adjusted EBITDA	**4,258.9**	**4,505.1**	**703.2**	**36.7**	**151.0**	**9,654.9**
Depreciation and amortisation	**(681.7)**	**(984.1)**	**(334.9)**	**-**	**(58.4)**	**(2,059.1)**
Unallocated expenses						**(606.4)**
						6,989.4
Other gains, net						**101.4**
Interest expense						**(1,128.6)**
Share of results of associates	**-**	**544.9**	**(1.2)**	**1,682.9**	**1.6**	**2,228.2**
Share of results of joint ventures	**-**	**1,707.0**	**1.4**	**7.3**	**(0.1)**	**1,715.6**
Profit before taxation						**9,906.0**
Taxation						**(1,726.7)**
Profit for the year						**8,179.3**

Share of results of associates includes HK$1,167.6 million (2014: HK$384.9 million), being the Group's share of change in valuation of investment properties at the International Finance Centre (the "IFC") complex for the year.

4. **Segment information** *(Continued)*

2014	Gas, water and related businesses Hong Kong HK$ Million	Gas, water and related businesses Mainland China HK$ Million	New Energy HK$ Million	Property HK$ Million	Other segments HK$ Million	Total HK$ Million
Revenue	9,600.2	18,373.9	3,112.1	52.4	476.1	31,614.7
Adjusted EBITDA	4,282.7	4,288.4	1,061.1	28.2	101.9	9,762.3
Depreciation and amortisation	(657.2)	(885.6)	(345.1)	-	(47.7)	(1,935.6)
Unallocated expenses						(565.7)
						7,261.0
Other gains, net						411.9
Interest expense						(1,012.9)
Share of results of associates	-	841.1	(1.6)	883.1	2.5	1,725.1
Share of results of joint ventures	-	1,485.2	1.3	3.0	-	1,489.5
Profit before taxation						9,874.6
Taxation						(1,771.4)
Profit for the year						8,103.2

The segment assets at 31st December 2015 and 2014 are as follows:

2015	**Gas, water and related businesses Hong Kong HK$ Million**	**Gas, water and related businesses Mainland China HK$ Million**	**New Energy HK$ Million**	**Property HK$ Million**	**Other segments HK$ Million**	**Total HK$ Million**
Segment assets	**16,055.6**	**57,487.8**	**15,431.1**	**11,526.0**	**2,575.7**	**103,076.2**
Unallocated assets:						
Available-for-sale financial assets						**4,567.0**
Financial assets at fair value through profit or loss						**12.1**
Time deposits, cash and bank balances excluded from segment assets						**6,541.8**
Others (Note)						**1,366.2**
Total assets	**16,055.6**	**57,487.8**	**15,431.1**	**11,526.0**	**2,575.7**	**115,563.3**

Note:

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

4. Segment information *(Continued)*

2014	Gas, water and related businesses Hong Kong HK$ Million	Gas, water and related businesses Mainland China HK$ Million	New Energy HK$ Million	Property HK$ Million	Other segments HK$ Million	Total HK$ Million
Segment assets	16,143.1	54,524.1	20,716.2	10,360.2	2,130.5	103,874.1
Unallocated assets:						
Available-for-sale financial assets						2,599.7
Financial assets at fair value through profit or loss						718.8
Time deposits, cash and bank balances excluded from segment assets						6,674.8
Others (Note)						543.5
Total assets	16,143.1	54,524.1	20,716.2	10,360.2	2,130.5	114,410.9

The Company is domiciled in Hong Kong. The Group's revenue from external customers in Hong Kong for the year ended 31st December 2015 is HK$10,059.0 million (2014: HK$10,929.6 million), and the revenue from external customers in other geographical locations is HK$19,532.3 million (2014: HK$20,685.1 million).

At 31st December 2015, the total of non-current assets other than financial instruments and retirement benefit assets located in Hong Kong and other geographical locations are HK$23,828.1 million and HK$61,002.0 million (2014: HK$21,828.5 million and HK$62,672.9 million) respectively.

5. Total operating expenses

	2015 HK$ Million	2014 HK$ Million
Stores and materials used	**14,097.9**	16,298.4
Manpower costs	**2,844.3**	2,706.2
Depreciation and amortization	**2,075.3**	1,951.5
Other operating items	**3,584.4**	3,397.6
	22,601.9	24,353.7

6. Other gains, net

	2015 HK$ Million	2014 HK$ Million
Net investment gains	**276.6**	443.7
Fair value gain on investment property	**26.8**	34.3
Gain on disposal of an associate	**30.8**	-
Provision of other receivables	**(168.6)**	-
Project research and development costs	**(51.7)**	(40.9)
Impairment for a loan to a joint venture	**-**	(25.0)
Ineffective portion on cash flow hedges	**(9.4)**	(1.9)
Others	**(3.1)**	1.7
	101.4	411.9

7. Taxation

The amount of taxation charged to the income statement represents:

	2015 HK$ Million	2014 HK$ Million
Current taxation - provision for Hong Kong Profits Tax at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits for the year	**628.0**	640.6
Current taxation - provision for other countries income tax at the prevailing rates on the estimated assessable profits for the year	**777.4**	762.9
Current taxation - over provision in prior years	**(9.5)**	(15.4)
Deferred taxation - origination and reversal of temporary differences	**215.9**	252.1
Withholding tax	**114.9**	131.2
	1,726.7	1,771.4

8. Dividends

	2015 HK$ Million	2014 HK$ Million
Interim, paid of HK12 cents per ordinary share (2014: HK12 cents per ordinary share)	**1,387.6**	1,261.9
Final, proposed of HK23 cents per ordinary share (2014: HK23 cents per ordinary share)	**2,659.0**	2,417.8
	4,046.6	3,679.7

9. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK$7,302.0 million (2014: HK$7,109.2 million) and the weighted average of 11,562,370,508 shares (2014: 11,565,959,508 shares *) in issue after adjusting for the shares bought back during the year.

As the impact of diluted potential ordinary shares of a subsidiary is insignificant during the years 2015 and 2014, the diluted earnings per share for the years ended 31st December 2015 and 2014 are approximately the same as the basic earnings per share.

* *Adjusted for the bonus issue in 2015*

10. Trade and other receivables

	2015 HK$ Million	2014 HK$ Million
Trade receivables (Note)	**3,513.9**	3,640.9
Payments in advance	**1,242.3**	1,995.5
Other receivables	**2,140.6**	1,339.3
	6,896.8	6,975.7

10. Trade and other receivables *(Continued)*

Note:

The Group has established credit policies for different types of customers. The credit periods offered for trade receivables, which are subject to periodic review by management, range from 30 to 60 days except for gas receivables of the Company which are due by 8 working days after billing date. As at 31st December 2015, the aging analysis of the trade receivables, net of impairment provision, is as follows:

	2015 HK$ Million	2014 HK$ Million
0 – 30 days	**2,979.5**	3,097.6
31 – 60 days	**129.5**	99.3
61 – 90 days	**104.5**	97.3
Over 90 days	**300.4**	346.7
	3,513.9	3,640.9

11. Trade and other payables

	2015 HK$ Million	2014 HK$ Million
Trade payables (Note a)	**2,573.1**	3,168.0
Other payables and accruals (Note b)	**9,363.6**	8,774.6
	11,936.7	11,942.6

Notes:

(a) As at 31st December 2015, the aging analysis of the trade payables is as follows:

	2015 HK$ Million	2014 HK$ Million
0 – 30 days	**1,179.3**	1,404.8
31 – 60 days	**352.0**	323.9
61 – 90 days	**314.1**	335.9
Over 90 days	**727.7**	1,103.4
	2,573.1	3,168.0

(b) The balance includes an amount of approximately HK$45.7 million (2014: HK$45.7 million) payable to Henderson Land Development Company Limited in relation to its entitlement to 27 per cent of the net sales proceeds generated from the sales of residential units of Grand Waterfront and contingent consideration generated from the further acquisition of a subsidiary in an amount of approximately HK$176.7 million.

12. Disposal of subsidiaries

On 30th June 2015, the Group disposed its wholly-owned subsidiary, Prominent Wealth Investments Limited which mainly held 70.1 per cent equity interest in Inner Mongolia SanWei Resource Group Xiao Yu Gou Coal Company Limited to Elegant Spread Limited and settled in return of 15 per cent equity interest in China Sanwei Energy Resources Company Limited. The new investment was accounted for as available-for-sale financial asset since the completion of transaction.

On 11th December 2015, the Group disposed its 100 per cent equity interest in Dandong Yi Yuen Trade Co., Ltd to 包頭維興能源有限公司 for the cash consideration of approximately HK$508.3 million.

Since the Group lost control on these subsidiaries, relevant assets and liabilities were derecognised from the Group’s consolidated financial statements. There is no significant impact in the Group’s profit or loss for the year due to the disposal.

DIVIDEND AND BONUS SHARE ISSUE

The Board now recommends a final dividend of HK23 cents per share payable to shareholders of the Company whose names are on the register of members of the Company on 16th June 2016. The Board also recommends the issue of bonus shares on the basis of one bonus share for every ten existing shares held by shareholders registered as such on the register of members on 16th June 2016. The necessary resolutions will be proposed at the forthcoming Annual General Meeting on 7th June 2016, and if passed, dividend warrants and share certificates will be posted on 24th June 2016.

CLOSURE OF REGISTER OF MEMBERS

In order to determine entitlement of shareholders to the right to attend and vote at the forthcoming Annual General Meeting (or any adjournment thereof), the register of members of the Company will be closed from Friday, 3rd June 2016 to Tuesday, 7th June 2016, both days inclusive, during which period no share transfer will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 2nd June 2016.

In order to determine shareholders who qualify for the proposed issue of bonus shares and final dividend, the register of members of the Company will be closed from Tuesday, 14th June 2016 to Thursday, 16th June 2016, both days inclusive, during which period no share transfer will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, for registration no later than 4:30 p.m. on Monday, 13th June 2016.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Tuesday, 7th June 2016. For details of the Annual General Meeting, please refer to the Notice of Annual General Meeting which is expected to be published on or about Friday, 22nd April 2016.

FINANCIAL RESOURCES REVIEW

Liquidity and capital resources

As at 31st December 2015, the Group had a net current deposits position of HK$3,541 million (31st December 2014: HK$6,106 million) and long-term borrowings of HK$23,363 million (31st December 2014: HK$24,484 million). In addition, banking facilities available for use amounted to HK$13,000 million (31st December 2014: HK$11,400 million).

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

Financing structure

In May 2009, the Group established a US$1 billion Medium Term Note Programme (the "Programme") which gives the Group the flexibility to issue notes at favourable terms and timing under the Programme. In May 2012, the Programme was updated with the size increased to US$2 billion. Up to 31st December 2015, the Group issued notes in the total amount of HK$11,818 million (31st December 2014: HK$10,360 million) with maturity terms of 5 years, 10 years, 12 years, 15 years, 30 years and 40 years in Renminbi, Australian dollar, Japanese yen and Hong Kong dollar under the Programme (the "MTNs"). The carrying value of the issued MTNs as at 31st December 2015 was HK$11,055 million (31st December 2014: HK$9,748 million).

As at 31st December 2015, the outstanding principal amount of the 10-year US dollar Guaranteed Notes (the "Guaranteed Notes") issued in August 2008 at a fixed coupon rate of 6.25 per cent per annum was US$995 million (31st December 2014: US$995 million) and the carrying value was HK$7,682 million (31st December 2014: HK$7,675 million).

As at 31st December 2015, the Group's borrowings amounted to HK$33,076 million (31st December 2014: HK$31,534 million). While the Notes mentioned above together with the bank and other loans of HK$1,684 million (31st December 2014: HK$1,326 million) had fixed interest rate and were unsecured, the remaining bank and other loans were unsecured and had a floating interest rate, of which HK$5,582 million (31st December 2014: HK$6,446 million) were long-term bank loans and HK$7,073 million (31st December 2014: HK$6,339 million) had maturities within one year on revolving credit or term loan facilities. As at 31st December 2015, the maturity profile of the Group's borrowings was 29 per cent within 1 year, 5 per cent within 1 to 2 years, 37 per cent within 2 to 5 years and 29 per cent over 5 years (31st December 2014: 22 per cent within 1 year, 17 per cent within 1 to 2 years, 35 per cent within 2 to 5 years and 26 per cent over 5 years).

The US dollar Guaranteed Notes, the RMB Note, AUD Note and JPY Note issued are hedged to Hong Kong dollars by currency swaps. The Group's borrowings are primarily denominated in Hong Kong dollars and local currency of subsidiaries in mainland China. The Group therefore has no significant exposure to foreign exchange risk except for some borrowings of certain subsidiaries which are denominated in currency other than their functional currency.

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

The gearing ratio [net borrowing / (shareholders' funds + perpetual capital securities + net borrowing)] for the Group as at 31st December 2015 remained healthy at 26 per cent (31st December 2014: 25 per cent).

Contingent liabilities

As at 31st December 2015 and 31st December 2014, the Group did not provide any guarantee in respect of bank borrowing facilities made available to any associates, joint ventures or third parties.

Currency profile

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

Group's financial investments in securities

Under the guidance of the Group's Treasury Committee, financial investments have been made in equity and debt securities. As at 31st December 2015, the investments in securities amounted to HK$1,646 million (31st December 2014: HK$2,150 million). The performance of the Group's financial investments in securities was satisfactory.

CORPORATE GOVERNANCE

During the year ended 31st December 2015, the Company complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Board Audit and Risk Committee has reviewed the Group's consolidated financial statements for the year ended 31st December 2015, including the accounting principles and practices adopted by the Group, in conjunction with the Group's internal auditor and PricewaterhouseCoopers, the Group's external auditor.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, the Company bought back 2,351,000 shares on The Stock Exchange of Hong Kong Limited at an aggregate consideration of HK$35,872,760 before expenses. The shares bought back were subsequently cancelled. The buy-backs were effected by the Directors for the enhancement of shareholders' value in the long term. Details of the shares bought back are as follows:

Month of Buy-backs	Number of Shares Bought back	Price per Share		Aggregate Consideration Paid (HK$)
		Highest (HK$)	Lowest (HK$)	
July 2015	1,361,000	15.60	15.56	21,213,160
October 2015	990,000	14.86	14.76	14,659,600
Total	2,351,000			35,872,760

Save as mentioned above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year.

By Order of the Board
JOHN H.M. HO
Chief Financial Officer and Company Secretary

Hong Kong, 18th March 2016

As at the date of this announcement, the Board comprises:

Non-executive Directors:	Dr. the Hon. Lee Shau Kee (Chairman), Dr. Colin Lam Ko Yin, Dr. Lee Ka Kit and Mr. Lee Ka Shing
Independent Non-executive Directors:	Mr. Leung Hay Man, Dr. the Hon. David Li Kwok Po and Professor Poon Chung Kwong
Executive Directors:	Mr. Alfred Chan Wing Kin and Mr. Peter Wong Wai Yee