

# CONSOLIDATED INCOME STATEMENT

for the year ended 31st December 2016

	Note	2016 HK\$'M	2015 HK\$'M
Revenue	5	28,557.1	29,591.3
Total operating expenses	6	(21,387.2)	(22,601.9)
		7,169.9	6,989.4
Other (losses)/gains, net	7	(29.5)	101.4
Interest expense	9	(1,207.4)	(1,128.6)
Share of results of associates	21	2,447.4	2,228.2
Share of results of joint ventures	22	1,465.3	1,715.6
Profit before taxation	10	9,845.7	9,906.0
Taxation	13	(1,575.9)	(1,726.7)
Profit for the year		8,269.8	8,179.3
Attributable to:			
Shareholders of the Company		7,340.7	7,302.0
Holders of perpetual capital securities		110.5	110.5
Non-controlling interests		818.6	766.8
		8,269.8	8,179.3
Earnings per share – basic and diluted, HK cents	15	57.7	57.4*

\* Adjusted for the bonus share issue in 2016

The notes on pages 99 to 187 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31st December 2016

	2016 HK\$'M	2015 HK\$'M
Profit for the year	8,269.8	8,179.3
Other comprehensive income:		
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Remeasurements of retirement benefit	6.3	(23.1)
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Change in value of available-for-sale financial assets	53.9	(929.8)
Impairment loss on available-for-sale financial assets transferred to income statement	534.3	38.6
Change in fair value of cash flow hedges	86.8	(117.2)
Share of other comprehensive income/(loss) of an associate	7.2	(5.4)
Recognition of exchange reserve upon disposal of subsidiaries	–	(83.0)
Exchange differences	(3,078.2)	(2,060.8)
Other comprehensive loss for the year, net of tax	(2,389.7)	(3,180.7)
Total comprehensive income for the year	5,880.1	4,998.6
Total comprehensive income attributable to:		
Shareholders of the Company	5,354.7	4,445.6
Holders of perpetual capital securities	110.5	110.5
Non-controlling interests	414.9	442.5
	5,880.1	4,998.6

The notes on pages 99 to 187 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31st December 2016

	Note	2016 HK\$'M	2015 HK\$'M
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	16	49,209.6	47,455.6
Investment property	17	729.0	713.0
Leasehold land	18	2,016.6	1,961.9
Intangible assets	19	5,572.4	5,819.5
Associates	21	20,485.0	19,591.9
Joint ventures	22	9,226.5	9,288.2
Available-for-sale financial assets	23	4,967.1	4,567.0
Derivative financial instruments	34	505.9	161.5
Other non-current assets	25	2,860.4	2,371.8
		<b>95,572.5</b>	<b>91,930.4</b>
<b>Current assets</b>			
Inventories	26	2,110.4	2,291.3
Trade and other receivables	27	6,329.6	6,896.8
Loan and other receivables from associates	21	153.4	90.9
Loan and other receivables from joint ventures	22	900.1	966.4
Loan and other receivables from non-controlling shareholders		65.4	122.6
Financial assets at fair value through profit or loss	28	67.3	12.1
Derivative financial instruments	34	87.5	–
Time deposits over three months	29	3,381.1	1,326.9
Time deposits up to three months, cash and bank balances	29	8,076.1	11,925.9
		<b>21,170.9</b>	<b>23,632.9</b>
<b>Current liabilities</b>			
Trade and other payables	30	(12,134.2)	(11,936.7)
Amounts due to joint ventures	22	(718.9)	(572.3)
Loan and other payables to non-controlling shareholders		(186.3)	(181.4)
Provision for taxation		(556.3)	(736.2)
Borrowings	31	(5,951.8)	(9,712.3)
Derivative financial instruments	34	–	(41.7)
		<b>(19,547.5)</b>	<b>(23,180.6)</b>
<b>Total assets less current liabilities</b>		<b>97,195.9</b>	<b>92,382.7</b>

The notes on pages 99 to 187 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

as at 31st December 2016

	Note	2016 HK\$'M	2015 HK\$'M
<b>Non-current liabilities</b>			
Customers' deposits	32	(1,302.8)	(1,282.9)
Deferred taxation	33	(5,067.3)	(4,874.7)
Borrowings	31	(27,296.1)	(23,363.4)
Loan payables to non-controlling shareholders		–	(21.9)
Asset retirement obligations		(39.4)	(30.2)
Derivative financial instruments	34	(542.2)	(654.4)
Retirement benefit liabilities	24	(50.1)	(42.3)
		<b>(34,297.9)</b>	<b>(30,269.8)</b>
<b>Net assets</b>		<b>62,898.0</b>	<b>62,112.9</b>
<b>Capital and reserves</b>			
Share capital	35	5,474.7	5,474.7
Reserves	37	48,457.5	47,366.7
<b>Shareholders' funds</b>		<b>53,932.2</b>	<b>52,841.4</b>
<b>Perpetual capital securities</b>	36	<b>2,353.8</b>	<b>2,353.8</b>
<b>Non-controlling interests</b>		<b>6,612.0</b>	<b>6,917.7</b>
<b>Total equity</b>		<b>62,898.0</b>	<b>62,112.9</b>

Approved by the Board of Directors on 16th March 2017

Lee Shau Kee  
Director

David Li Kwok Po  
Director

The notes on pages 99 to 187 form part of these consolidated financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31st December 2016

	Note	2016 HK\$'M	2015 HK\$'M
<b>Net cash from operating activities</b>	41	<b>8,469.2</b>	8,276.5
<b>Investing activities</b>			
Receipt from sale of property, plant and equipment		34.6	18.6
Receipt from sale of leasehold land		62.0	10.3
Purchase of property, plant and equipment		(6,056.7)	(6,029.3)
Payment for leasehold land		(199.9)	(326.6)
Increase in other receivables		–	(353.6)
(Increase)/decrease in investments in associates		(153.8)	37.4
Increase in loans to associates		(156.4)	(37.4)
Repayment of loans by associates		56.2	61.8
Increase in investments in joint ventures		(6.8)	(92.1)
Increase in loans to joint ventures		(9.7)	(110.0)
Increase/(decrease) in loans from joint ventures		336.6	(108.5)
Repayment of loans by joint ventures		13.1	527.7
Consideration paid for acquisition of businesses in prior periods		(37.2)	(153.2)
Deferred consideration received		–	114.1
Acquisition of businesses	42 (a) & (b)	(110.0)	(49.5)
Disposal of subsidiaries		–	(7.5)
Sale of financial assets at fair value through profit or loss		32.0	44.3
Sale of available-for-sale financial assets		481.1	601.7
Purchase of financial assets at fair value through profit or loss		(118.3)	(14.0)
Purchase of available-for-sale financial assets		(526.9)	(388.6)
Increase in time deposits over three months		(2,065.6)	(785.9)
Interest received		199.1	358.6
Dividends received from investments in securities		151.5	183.9
Dividends received from associates		848.4	820.5
Dividends received from joint ventures		758.3	938.3
<b>Net cash used in investing activities</b>		<b>(6,468.4)</b>	(4,739.0)

The notes on pages 99 to 187 form part of these consolidated financial statements.

# CONSOLIDATED CASH FLOW STATEMENT (Continued)

for the year ended 31st December 2016

	Note	2016 HK\$'M	2015 HK\$'M
<b>Financing activities</b>			
Shares bought back		–	(36.0)
Issue of shares of a subsidiary under share option scheme		–	40.6
Change in loans with non-controlling shareholders		48.9	8.7
Capital injection by non-controlling shareholders		12.1	73.2
Further acquisition of subsidiaries	42 (c)	(342.5)	(387.3)
Increase in borrowings		10,924.9	12,749.1
Repayment of borrowings		(10,192.3)	(10,824.6)
Interest paid to holders of perpetual capital securities		(110.5)	(110.5)
Interest paid		(1,359.5)	(1,307.0)
Dividends paid to shareholders of the Company	43 (a)	(4,185.0)	(3,805.4)
Dividends paid to non-controlling shareholders		(469.1)	(377.7)
<b>Net cash used in financing activities</b>		<b>(5,673.0)</b>	<b>(3,976.9)</b>
<b>Decrease in cash and cash equivalents</b>		<b>(3,672.2)</b>	<b>(439.4)</b>
<b>Cash and cash equivalents at 1st January</b>		<b>11,925.9</b>	<b>12,605.5</b>
<b>Effect of foreign exchange rate changes</b>		<b>(177.6)</b>	<b>(240.2)</b>
<b>Cash and cash equivalents at 31st December</b>		<b>8,076.1</b>	<b>11,925.9</b>
<b>Analysis of the balances of cash and cash equivalents</b>			
Cash and bank balances		4,008.6	5,677.0
Time deposits up to three months		4,067.5	6,248.9
		<b>8,076.1</b>	<b>11,925.9</b>

The notes on pages 99 to 187 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31st December 2016

	Attributable to shareholders of the Company		Holders of perpetual capital securities HK\$'M	Non-controlling interests HK\$'M	Total HK\$'M
	Share capital HK\$'M	Reserves HK\$'M			
Total equity as at 1st January 2016	5,474.7	47,366.7	2,353.8	6,917.7	62,112.9
Profit for the year	–	7,340.7	110.5	818.6	8,269.8
Other comprehensive income:					
Remeasurements of retirement benefit	–	6.3	–	–	6.3
Change in value of available-for-sale financial assets	–	57.2	–	(3.3)	53.9
Impairment loss on available-for-sale financial assets transferred to income statement	–	534.3	–	–	534.3
Change in fair value of cash flow hedges	–	85.5	–	1.3	86.8
Share of other comprehensive income of an associate	–	7.2	–	–	7.2
Exchange differences	–	(2,676.5)	–	(401.7)	(3,078.2)
Total comprehensive income for the year	–	5,354.7	110.5	414.9	5,880.1
Capital injection	–	–	–	12.1	12.1
Further acquisition of subsidiaries (Note 42 (c))	–	(78.9)	–	(263.6)	(342.5)
Interest paid on perpetual capital securities	–	–	(110.5)	–	(110.5)
Dividends paid to shareholders of the Company	–	(4,185.0)	–	–	(4,185.0)
Dividends paid to non-controlling shareholders	–	–	–	(469.1)	(469.1)
Total equity as at 31st December 2016	5,474.7	48,457.5	2,353.8	6,612.0	62,898.0

The notes on pages 99 to 187 form part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

for the year ended 31st December 2016

	Attributable to shareholders of the Company		Holders of perpetual capital securities HK\$'M	Non-controlling interests HK\$'M	Total HK\$'M
	Share capital HK\$'M	Reserves HK\$'M			
Total equity as at 1st January 2015	5,474.7	47,153.5	2,353.8	7,241.7	62,223.7
Profit for the year	–	7,302.0	110.5	766.8	8,179.3
Other comprehensive income:					
Remeasurements of retirement benefit	–	(23.1)	–	–	(23.1)
Change in value of available-for-sale financial assets	–	(942.3)	–	12.5	(929.8)
Impairment loss on available-for-sale financial assets transferred to income statement	–	38.6	–	–	38.6
Change in fair value of cash flow hedges	–	(118.2)	–	1.0	(117.2)
Share of other comprehensive loss of an associate	–	(5.4)	–	–	(5.4)
Recognition of exchange reserve upon disposal of subsidiaries	–	(83.0)	–	–	(83.0)
Exchange differences	–	(1,723.0)	–	(337.8)	(2,060.8)
Total comprehensive income for the year	–	4,445.6	110.5	442.5	4,998.6
Capital injection	–	–	–	73.2	73.2
Acquisition of businesses	–	–	–	17.7	17.7
Further acquisition of subsidiaries	–	(405.4)	–	(158.6)	(564.0)
Disposal of subsidiaries	–	–	–	(389.2)	(389.2)
Interest paid on perpetual capital securities	–	–	(110.5)	–	(110.5)
Dividends paid to shareholders of the Company	–	(3,805.4)	–	–	(3,805.4)
Dividends paid to non-controlling shareholders	–	–	–	(377.7)	(377.7)
Shares bought back	–	(36.0)	–	–	(36.0)
Others	–	14.4	–	68.1	82.5
Total equity as at 31st December 2015	5,474.7	47,366.7	2,353.8	6,917.7	62,112.9

The notes on pages 99 to 187 form part of these consolidated financial statements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 General information

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

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

## 2 Summary of significant accounting policies

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

### (a) Basis of preparation

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

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

#### (i) *New or revised standards, interpretations and amendments adopted in 2016*

The Group has adopted the following amendments to standards and annual improvements which are effective for the Group’s financial year beginning 1st January 2016 and relevant to the Group.

Amendments to HKAS 1	Disclosure initiative
Amendment to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendment to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendment to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Annual improvements 2014	Annual Improvements to HKFRSs 2012-2014 Cycle

The adoption of the amendments to standards and annual improvements has no significant impact on the Group’s results and financial position or any substantial changes in the Group’s accounting policies.

## 2 Summary of significant accounting policies (Continued)

### (a) Basis of preparation (Continued)

#### (ii) *New or revised standards, interpretations and amendments that are not yet effective for the year ended 31st December 2016 but relevant to the Group and have not been early adopted by the Group*

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 16	Leases
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to HKFRS 15	Clarifications to HKFRS 15

#### **HKFRS 9 “Financial Instruments”**

HKFRS 9 replaces the whole of HKAS 39. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income (“OCI”) and fair value through profit or loss. Classification is driven by the entity’s business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in the income statement. For financial liabilities, there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability’s own credit risk are recognised in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in the income statement. There is no subsequent recycling of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in the income statement.

HKFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a ‘three stage’ approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in the income statement. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

## 2 Summary of significant accounting policies (Continued)

### (a) Basis of preparation (Continued)

#### (ii) *New or revised standards, interpretations and amendments that are not yet effective for the year ended 31st December 2016 but relevant to the Group and have not been early adopted by the Group* (Continued)

##### **HKFRS 9 “Financial Instruments”** (Continued)

HKFRS 9 introduces a new hedge accounting rules which will align the accounting for hedging instruments more closely with the Group’s risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. While the Group is yet to undertake a detailed assessment, it would appear that the Group’s current hedge relationships would qualify as continuing hedges upon the adoption of HKFRS 9.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group’s disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Based on the Group’s financial instruments and risk management policies as at 31st December 2016, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group’s financial assets. HKFRS 9 must be applied for financial years commencing on or after 1st January 2018. Based on the transitional provisions in the completed HKFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1st February 2015. After that date, the new rules must be adopted in their entirety. The Group does not intend to adopt HKFRS 9 before its mandatory date.

##### **HKFRS 15 “Revenue from Contracts with Customers”**

HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) Identify the contract(s) with customer; (2) Identify separate performance obligations in a contract; (3) Determine the transaction price; (4) Allocate transaction price to performance obligations and (5) Recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model of transfer of risks and rewards approach to transfer of control approach.

HKFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers.

HKFRS 15 replaces the previous revenue standards: HKAS 18 Revenue and HKAS 11 Construction Contracts, and the related Interpretations on revenue recognition: IFRIC/HK(IFRIC) 13 Customer Loyalty Programmes, IFRIC/HK(IFRIC) 15 Agreements for the Construction of Real Estate, IFRIC/HK(IFRIC) 18 Transfers of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services.

The directors of the Company anticipate that the application of HKFRS 15 in the future may affect the amounts reported and related disclosures. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

## 2 Summary of significant accounting policies (Continued)

### (a) Basis of preparation (Continued)

#### (ii) *New or revised standards, interpretations and amendments that are not yet effective for the year ended 31st December 2016 but relevant to the Group and have not been early adopted by the Group* (Continued)

##### **HKFRS 16 "Leases"**

HKFRS 16 will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK\$515.6 million as disclosed in Note 39(d). However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The new standard is mandatory for financial years commencing on or after 1st January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

Except those mentioned above, the Group anticipates that the application of the other amendments and improvements to standards that have been issued but are not yet effective may have no material impact on the results of operations and financial position.

#### (iii) **Hong Kong Companies Ordinance (Cap. 622)**

These consolidated financial statements comply with the applicable requirements of Hong Kong Companies Ordinance (Cap. 622), with the exception of Section 381 which requires a company to include all its subsidiary undertakings (within the meaning of Schedule 1 to Cap. 622) in the Company's annual consolidated financial statements. Section 381 is inconsistent with the requirements of HKFRS 10 Consolidated Financial Statements so far as Section 381 applies to subsidiary undertakings which are not controlled by the Group in accordance with HKFRS 10. For this reason, under the provisions of Section 380(6), the Company has departed from Section 381 and has not treated such companies as subsidiaries but they are accounted for in accordance with the accounting policies in Notes 2(b)(iv & v). Those excluded subsidiary undertakings of the Group are disclosed in Notes 21 and 22.

## 2 Summary of significant accounting policies (Continued)

### (b) Consolidation

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

#### (i) *Subsidiaries*

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

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in the income statement. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

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

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

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

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

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

## 2 Summary of significant accounting policies (Continued)

### (b) Consolidation (Continued)

#### (iii) *Disposal of subsidiaries*

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

#### (iv) *Associates*

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

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

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

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

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

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

## 2 Summary of significant accounting policies (Continued)

### (b) Consolidation (Continued)

#### (v) Joint ventures

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

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

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

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

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

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

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

### (c) Segment reporting

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

## 2 Summary of significant accounting policies (Continued)

### (d) Foreign currency translation

#### (i) *Functional and presentation currency*

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

#### (ii) *Transactions and balances*

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

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

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

#### (iii) *Group companies*

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

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

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

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



## 2 Summary of significant accounting policies (Continued)

### (e) Exploration and evaluation expenditure

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

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

### (f) Property, plant and equipment

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

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

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

## 2 Summary of significant accounting policies (Continued)

### (g) Deferred overburden removal costs

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

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

### (h) Investment property

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

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

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

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market value, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the HKIS Valuation Standards on Properties (2012 Edition) published by the Hong Kong Institute of Surveyors ("HKIS"). These valuations are reviewed annually by qualified valuers. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

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

Changes in fair values are recognised in the income statement.

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

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

## 2 Summary of significant accounting policies (Continued)

### (i) Leases

#### (i) **Operating leases**

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

#### (ii) **Finance leases**

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

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

### (j) Intangible assets

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

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

Other intangible asset is carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost over the period of the relevant right from 15 years to 50 years.

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

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

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

## 2 Summary of significant accounting policies (Continued)

### (l) Financial assets

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

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

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

#### (ii) *Loans and receivables*

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

#### (iii) *Available-for-sale financial assets*

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

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

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

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

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

## 2 Summary of significant accounting policies (Continued)

### (l) Financial assets (Continued)

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

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

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

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

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

### (m) Derivative financial instruments and hedging activities

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

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

The fair values of the derivative instruments used for hedging purposes are disclosed in Note 34. Movements on the hedging reserve in shareholders' equity are shown in Note 37. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

#### **Cash flow hedge**

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

## 2 Summary of significant accounting policies (Continued)

### (m) Derivative financial instruments and hedging activities (Continued)

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

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

### (n) Inventories

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

### (o) Construction contracts

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

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

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

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

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

### (p) Trade and other receivables

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

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

## 2 Summary of significant accounting policies (Continued)

### (q) Impairment of financial assets

#### (i) *Assets carried at amortised cost*

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

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

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

The Group first assesses whether objective evidence of impairment exists.

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

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

#### (ii) *Assets classified as available-for-sale*

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

## 2 Summary of significant accounting policies (Continued)

### (r) Cash and cash equivalents

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

### (s) Trade payables and customers' deposits

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

### (t) Borrowings and borrowing costs

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

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

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

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

### (u) Current and deferred taxation

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

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

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

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

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



## 2 Summary of significant accounting policies (Continued)

### (v) Revenue and income recognition

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

### (w) Employee benefits

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

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

#### (i) *Defined contribution retirement schemes*

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

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

## 2 Summary of significant accounting policies (Continued)

### (w) Employee benefits (Continued)

#### (ii) *Defined benefit retirement scheme*

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

The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation results from employee service in the current year, benefit changes, curtailments and settlements.

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

### (x) Provisions and contingencies

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

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

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

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

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

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

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

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

### 3 Financial risk management

#### *Financial risk factors*

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

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

#### (a) Market risk

##### (i) *Foreign exchange risk*

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

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

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

At 31st December 2016, if the RMB had weakened/strengthened by 2 per cent (2015: 2 per cent) against HKD with all other variables held constant, pre-tax profit for the year would have been HK\$18.5 million (2015: HK\$172.2 million) lower/higher.

##### (ii) *Price risk*

The Group is exposed to equity securities price risk for the listed equity investments held by the Group which are classified as available-for-sale financial assets and financial assets at fair value through profit or loss of HK\$1,175.1 million (2015: HK\$994.1 million) and HK\$20.5 million (2015: HK\$12.1 million) respectively.

The Group also held unlisted equity investments which are classified as available-for-sale financial assets of HK\$39.1 million (2015: HK\$219.5 million). The underlyings of the investments are listed equity securities, which making them subject to equity securities price risk.

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

### 3 Financial risk management (Continued)

#### *Financial risk factors* (Continued)

##### (a) Market risk (Continued)

##### (ii) Price risk (Continued)

Majority of the Group's equity securities are publicly traded and are included in one of the following indexes: Hang Seng Index, S&P 500 Index, MSCI AC Asia Pacific excluding Japan ("MSCI Asia Pacific ex-Japan") Index, Euro Stoxx 50 Price Index and Straits Times Index.

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

	Impact on pre-tax profit		Impact on equity	
	2016 HK\$'M	2015 HK\$'M	2016 HK\$'M	2015 HK\$'M
Hang Seng Index	2.0	1.2	94.3	91.3
S&P 500 Index	0.3	–	4.9	2.5
MSCI Asia Pacific ex-Japan Index	–	–	–	19.2
Euro Stoxx 50 Price Index	–	–	2.9	3.5
Straits Times Index	–	–	3.0	–

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

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

Financial instruments at fixed and variable rates expose the Group to fair value interest rate risk and cash flow interest rate risk respectively. The Group's interest-bearing assets mainly comprise floating and fixed rate bank deposits of HK\$11,457.2 million (2015: HK\$13,252.8 million). The Group's interest bearing liabilities mainly comprises floating rate borrowings of HK\$9,970.5 million (2015: HK\$12,654.9 million), fixed rate borrowings of HK\$23,277.4 million (2015: HK\$20,420.8 million) and floating rate deposits received from customers of HK\$1,302.8 million (2015: HK\$1,282.9 million).

At 31st December 2016, if market interest rates on bank deposits had been 100 basis points (2015: 100 basis points) higher/lower with all other variables held constant, pre-tax profit for the year would have been HK\$129.6 million (2015: HK\$152.6 million) higher/lower, mainly as a result of higher/lower interest income on floating rate bank deposits.

At 31st December 2016, if market interest rates on borrowings and customers' deposits had been 100 basis points (2015: 100 basis points) higher/lower with all other variables held constant, pre-tax profit for the year would have been HK\$134.3 million (2015: HK\$170.6 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings and customers' deposits.

### 3 Financial risk management (Continued)

#### *Financial risk factors* (Continued)

##### (b) Credit risk

Credit risk of the Group mainly arises from:

	2016 HK\$'M	2015 HK\$'M
Cash and bank deposits	11,457.2	13,252.8
Debt securities and derivative financial instruments	1,093.2	581.7
Trade receivables	3,497.5	3,513.9
Other receivables	1,572.7	2,140.6
Loan and other receivables from joint ventures	900.1	1,059.2
Loan and other receivables from associates	871.7	887.5
Loan and other receivables from non-controlling interests	65.4	122.6
Other non-current assets	2,860.4	2,371.8

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

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

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

	2016 %	2015 %
Cash and bank deposits		
AA	0.7	0.1
A	86.5	73.7
BBB	8.8	20.8
BB	0.1	0.5
Unrated	3.9	4.9
	100.0	100.0
Debt securities and derivative financial instruments		
AA	4.7	6.9
A	57.4	60.4
BBB	14.1	7.1
Unrated	23.8	25.6
	100.0	100.0

### 3 Financial risk management (Continued)

#### *Financial risk factors* (Continued)

#### (b) Credit risk (Continued)

Credit ratings are quoted from Bloomberg.

Credit quality of loan and other receivables from associates, loan and other receivables from joint ventures, other non-current assets and trade and other receivables are disclosed in Notes 21, 22, 25 and 27 respectively to the consolidated financial statements. None of the financial assets that are fully performing has been renegotiated during the year.

#### (c) Liquidity risk

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

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

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

	Less than 1 year HK\$'M	Between 1 and 2 years HK\$'M	Between 2 and 5 years HK\$'M	Over 5 years HK\$'M
<b>At 31st December 2016</b>				
Trade and other payables	10,020.4	–	–	–
Amounts due to joint ventures	718.9	–	–	–
Loan and other payables to non-controlling shareholders	186.3	–	–	–
Borrowings	7,134.3	10,326.3	8,946.8	14,097.2
Derivative financial instruments	–	–	82.7	459.5
<b>At 31st December 2015</b>				
Trade and other payables	9,761.2	–	–	–
Amounts due to joint ventures	572.3	–	–	–
Loan and other payables to non-controlling shareholders	181.4	–	21.9	–
Borrowings	10,799.2	2,660.0	13,740.9	13,387.9
Derivative financial instruments	41.7	–	–	654.5

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

### 3 Financial risk management (Continued)

#### *Capital risk management*

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

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

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

The gearing ratios at 31st December 2016 and 2015 are as follows:

	2016 HK\$'M	2015 HK\$'M
Total borrowings	(33,247.9)	(33,075.7)
Less: Time deposits, cash and bank deposits	11,457.2	13,252.8
Net borrowing	(21,790.7)	(19,822.9)
Shareholders' funds	(53,932.2)	(52,841.4)
Perpetual capital securities	(2,353.8)	(2,353.8)
	<b>(78,076.7)</b>	<b>(75,018.1)</b>
Gearing ratio	<b>28%</b>	<b>26%</b>

### 3 Financial risk management (Continued)

#### *Fair value estimation*

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

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

The following table presents the Group's assets that are measured at fair value at 31st December 2016 and 2015. See Note 17 for disclosures of the investment properties that are measured at fair value.

At 31st December HK\$'M	Level 1		Level 2		Level 3		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
<b>Assets</b>								
Financial assets at fair value through profit or loss								
– Debt securities	–	–	46.8	–	–	–	46.8	–
– Equity securities	20.5	12.1	–	–	–	–	20.5	12.1
Derivative financial instruments	–	–	344.6	161.5	248.8	–	593.4	161.5
Available-for-sale financial assets								
– Debt securities	453.0	420.2	–	–	–	–	453.0	420.2
– Equity investment	1,175.1	994.1	39.1	219.5	2,808.6	2,416.2	4,022.8	3,629.8
<b>Total assets</b>	<b>1,648.6</b>	<b>1,426.4</b>	<b>430.5</b>	<b>381.0</b>	<b>3,057.4</b>	<b>2,416.2</b>	<b>5,136.5</b>	<b>4,223.6</b>
<b>Liabilities</b>								
Other payables	–	–	–	–	154.0	176.7	154.0	176.7
Derivative financial instruments	–	–	542.2	696.1	–	–	542.2	696.1
<b>Total liabilities</b>	<b>–</b>	<b>–</b>	<b>542.2</b>	<b>696.1</b>	<b>154.0</b>	<b>176.7</b>	<b>696.2</b>	<b>872.8</b>

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.



### 3 Financial risk management (Continued)

#### *Fair value estimation* (Continued)

Specific valuation techniques used to value financial instruments includes:

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

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

- Financial assets composed of available-for-sale financial assets and derivative financial instruments in level 3, which represented an unlisted equity investment and its related derivative respectively. In respect of the unlisted equity investment, the fair value is determined based on the discounted cash flow model. The significant unobservable inputs include discount rate of 11.6 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.
- In respect of the related derivative, the fair value is determined based on the binomial and black scholes models. The significant unobservable inputs, except for those included in the fair value of the unlisted equity investment, mainly include expected volatility of the fair value of the unlisted equity investment. The higher the volatility, the higher the fair value.
- Financial liability represents contingent consideration which is generated from the further acquisition of a subsidiary in 2015 under other payables in level 3. The fair value is determined based on discounted cash flow model. The significant unobservable inputs include discount rate of 4.0 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.

The following table presents the changes in level 3 instruments for the year ended 31st December 2016 and 2015.

	Financial liability		Financial assets	
	2016 HK\$'M	2015 HK\$'M	2016 HK\$'M	2015 HK\$'M
At 1st January	176.7	–	2,416.2	–
Acquisition	–	176.7	739.0	3,151.7
Change in fair value	(18.7)	–	108.0	(598.2)
Exchange difference	(4.0)	–	(205.8)	(137.3)
At 31st December	154.0	176.7	3,057.4	2,416.2

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

## 4 Critical accounting estimates and judgements

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

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

### (a) Estimated impairment of assets

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

#### ***Discount rate***

Discount rates reflect the current market assessments of the time value of money and are based on the estimated cost of capital. The discount rates are calculated based on the discount rate applicable to each cash generating unit adjusted for the relevant impact and timing of tax cash flows. The discount rates used ranged from 8.5 per cent to 10 per cent.

#### ***Sales price and sales volume***

The Group's management determines the budgeted sales price based on his expectation on the future trend of the prices of the products. The sales volume was based on the production capacity and/or the management's expectation on market demand.

In respect of the Group's mining and oil properties in mainland China and Thailand respectively, the Group tested them for impairment by estimated the value-in-use of these projects as at 31st December 2016. The key assumptions adopted in the test were sales price, sales volume and discount rate of 10 per cent. Based on the result of the test, no impairment of these projects as at 31st December 2016 is recognised. Assuming sales price decreased by 5 per cent and 3 per cent for mining and oil properties respectively or the discount rate increased by 100 basis point, the value-in-use calculated for each of these projects would not result in a material loss to the Group.

### (b) Useful lives of property, plant and equipment

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

## 4 Critical accounting estimates and judgements (Continued)

### (c) Estimate of fair value of investment property

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

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

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

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

### (d) Estimate of gas and water consumption

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

### (e) Estimate of gas connection income

The Group recognises its gas connection income with reference to the stage of completion of individual contracting work of gas connection facilities. Stage of completion is measured by reference to work performed up to the end of the reporting period. Management are required to exercise significant judgement in their review and revision of the estimates of the total contract costs and actual costs incurred up to the end of the reporting period for each contract as the contract progresses, based on past experience and specific circumstances. The eventual realisation of these estimates is inherently uncertain, subject to the outcome of finalisation with the sub-contractors.

## 4 Critical accounting estimates and judgements (Continued)

### (f) Reserve estimates

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

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

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

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

### (g) Estimate of fair value and impairment assessment of equity investments classified as available-for-sale

The fair value of available-for-sale financial assets that are not traded in an active market is 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 existing at each statement of financial position date. The key assumptions adopted on projected cash flows are based on management's best estimates.

A significant or prolonged decline in the fair value of the equity investments classified as available-for-sale below its cost is also objective evidence of impairment. In assessing whether it is significant, the decline in fair value is evaluated against the original cost of the asset at initial recognition. In assessing whether it is prolonged, the decline is evaluated against the continuous period in which the fair value of the asset has been below its original cost at initial recognition.

## 5 Segment information

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

	2016 HK\$'M	2015 HK\$'M
Gas sales before fuel cost adjustment	19,553.5	20,748.2
Fuel cost adjustment	438.8	878.8
Gas sales after fuel cost adjustment	19,992.3	21,627.0
Gas connection income	2,831.1	2,897.5
Equipment sales and maintenance services	2,514.4	2,141.0
Water and related sales	1,233.3	1,260.9
Oil and coal related sales	834.2	643.0
Other sales	1,151.8	1,021.9
	<b>28,557.1</b>	<b>29,591.3</b>

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

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 financial statements.

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

2016 HK\$'M	Gas, water and related businesses		New Energy	Property	Other segments	Total
	Hong Kong	Mainland China				
Revenue	9,042.6	16,683.7	2,072.8	63.8	694.2	28,557.1
Adjusted EBITDA	4,512.8	4,618.0	636.8	40.3	176.2	9,984.1
Depreciation and amortisation	(710.8)	(1,055.3)	(370.7)	–	(68.0)	(2,204.8)
Unallocated expenses						(609.4)
						7,169.9
Other losses, net						(29.5)
Interest expense						(1,207.4)
Share of results of associates	–	735.3	(0.8)	1,710.3	2.6	2,447.4
Share of results of joint ventures	–	1,455.5	1.1	9.2	(0.5)	1,465.3
Profit before taxation						9,845.7
Taxation						(1,575.9)
Profit for the year						8,269.8

## 5 Segment information (Continued)

Share of results of associates includes HK\$1,188.0 million (2015: HK\$1,167.6 million) being the Group's share of change in valuation of investment properties at the International Finance Centre (the "IFC") complex for the year.

2015 HK\$'M	Gas, water and related businesses		New Energy	Property	Other segments	Total
	Hong Kong	Mainland China				
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

The segment assets at 31st December 2016 and 2015 are as follows:

2016 HK\$'M	Gas, water and related businesses		New Energy	Property	Other segments	Total
	Hong Kong	Mainland China				
Segment assets	16,259.1	56,276.4	16,093.0	12,706.2	3,254.2	104,588.9
Unallocated assets:						
Available-for-sale financial assets						4,967.1
Financial assets at fair value through profit or loss						67.3
Time deposits, cash and bank balances excluded from segment assets						5,884.6
Others (Note)						1,235.5
Total assets	16,259.1	56,276.4	16,093.0	12,706.2	3,254.2	116,743.4

### Note

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

## 5 Segment information (Continued)

2015 HK\$'M	Gas, water and related businesses		New Energy	Property	Other segments	Total
	Hong Kong	Mainland China				
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						1,366.2
<b>Total assets</b>	<b>16,055.6</b>	<b>57,487.8</b>	<b>15,431.1</b>	<b>11,526.0</b>	<b>2,575.7</b>	<b>115,563.3</b>

The Company is domiciled in Hong Kong. The Group's revenue from external customers in Hong Kong for the year ended 31st December 2016 is HK\$10,328.9 million (2015: HK\$10,059.0 million), and the revenue from external customers in other geographical locations is HK\$18,228.2 million (2015: HK\$19,532.3 million).

At 31st December 2016, the total of non-current assets other than financial instruments located in Hong Kong and other geographical locations are HK\$25,755.0 million and HK\$61,484.1 million (2015: HK\$23,828.1 million and HK\$61,002.0 million) respectively.

For the years ended 31st December 2016 and 2015, the percentage of revenues attributable to the Group's five largest customers is less than 30 per cent.

## 6 Total operating expenses

	2016 HK\$'M	2015 HK\$'M
Stores and materials used	<b>12,709.6</b>	14,097.9
Manpower costs (Note 11)	<b>2,955.2</b>	2,844.3
Depreciation and amortisation	<b>2,223.1</b>	2,075.3
Other operating items	<b>3,499.3</b>	3,584.4
	<b>21,387.2</b>	22,601.9

## 7 Other (losses)/gains, net

	2016 HK\$'M	2015 HK\$'M
Net investment gains (Note 8)	208.5	276.6
Fair value gain on investment property (Note 17)	14.1	26.8
Gain on disposal of an associate	–	30.8
Fair value gain on derivative	248.8	–
Project research and development costs	(49.3)	(51.7)
Provision for other assets	(206.6)	(168.6)
Provision for an investment in an associate	(250.0)	–
Ineffective portion on cash flow hedges	5.0	(9.4)
Others	–	(3.1)
	<b>(29.5)</b>	<b>101.4</b>

## 8 Net investment gains

	2016 HK\$'M	2015 HK\$'M
<b>(a) Interest income</b>		
Bank deposits	137.0	257.4
Listed available-for-sale financial assets	8.5	10.5
Loans to associates and joint ventures	49.1	57.8
Others	15.3	18.8
	<b>209.9</b>	<b>344.5</b>
<b>(b) Net realised and unrealised gains/(losses) and interest income on financial assets at fair value through profit or loss and derivative financial instruments</b>		
Listed securities	1.8	159.6
Unlisted securities	170.1	10.6
Exchange differences	(1.3)	0.2
	<b>170.6</b>	<b>170.4</b>
<b>(c) Net realised gains/(losses) on available-for-sale financial assets</b>		
Listed securities	(40.0)	95.3
Unlisted securities	51.2	–
Exchange differences	2.1	(1.4)
	<b>13.3</b>	<b>93.9</b>
<b>(d) Dividend income</b>		
Listed available-for-sale financial assets	46.1	52.8
Unlisted available-for-sale financial assets	105.0	130.9
Listed financial assets at fair value through profit or loss	0.4	0.2
	<b>151.5</b>	<b>183.9</b>
<b>(e) Other investment and exchange losses</b>	<b>(336.8)</b>	<b>(516.1)</b>
	<b>208.5</b>	<b>276.6</b>



## 9 Interest expense

	2016 HK\$'M	2015 HK\$'M
Interest on bank loans and overdrafts wholly repayable within five years	558.0	514.5
Interest on guaranteed notes wholly repayable within five years	435.7	449.2
Interest on guaranteed notes not wholly repayable within five years	413.5	380.9
	<b>1,407.2</b>	1,344.6
Less: amount capitalised	<b>(199.8)</b>	(216.0)
	<b>1,207.4</b>	1,128.6

The interest expense is capitalised at average rates from 3.70 per cent to 6.37 per cent (2015: 3.30 per cent to 6.79 per cent) per annum.

## 10 Profit before taxation

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

	2016 HK\$'M	2015 HK\$'M
Cost of inventories sold	14,857.3	16,025.5
Depreciation and amortisation	2,223.1	2,075.3
Loss on disposal/write off of property, plant and equipment	30.9	87.2
Gain on disposal of leasehold land	(45.2)	(9.8)
Impairment loss of trade receivables	13.7	61.0
Impairment loss of available-for-sale financial assets	534.3	38.6
Operating lease rentals		
– land and buildings	113.9	110.0
– plant and equipment	12.0	11.9
Rental income from investment property		
– gross rental income	(63.7)	(59.6)
– outgoing expenses	23.1	22.7
Auditors' remuneration	25.7	23.0
Net loss on residential maintenance (Note)	54.9	46.4
Note		
Analysis of net loss on residential maintenance:		
Residential maintenance revenue	(204.1)	(201.8)
Less expenses:		
Manpower costs	146.7	136.4
Other operating and administrative expenses	112.3	111.8
Net loss	<b>54.9</b>	46.4

## 11 Manpower costs

### (a) Staff costs

	2016 HK\$'M	2015 HK\$'M
Salaries and wages	2,559.3	2,470.2
Pension costs – defined contribution retirement schemes	377.1	356.1
Pension costs – defined benefit retirement scheme (Note 24)	18.8	18.0
	<b>2,955.2</b>	<b>2,844.3</b>

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2015: two) directors whose emoluments are reflected in the analysis shown in Note 12. Details of the emoluments payable to the remaining three (2015: three) individuals during the year are as follows:

	2016 HK\$'M	2015 HK\$'M
Fee, salaries, allowances and benefits in kind	8.7	8.7
Performance bonus	12.2	12.2
Contributions to retirement scheme	3.0	3.0
	<b>23.9</b>	<b>23.9</b>

Number of individuals whose emoluments fell within:

Emoluments band (HK\$'M)	2016	2015
9.0 – 10.0	1	1
8.0 – 9.0	–	1
7.0 – 8.0	1	–
6.0 – 7.0	1	1

### (c) Emoluments of senior management

Senior management for the years ended 31st December 2016 and 2015 were all executive directors of the Company whose emoluments have been shown in Note 12.

## 12 Benefits and interests of directors

### (a) Directors' emoluments

Name of director	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking					Total HK\$'M
	Fees HK\$'M	Salary, allowances and benefits in kind HK\$'M	Performance bonus HK\$'M	Contributions to retirement scheme HK\$'M	Others HK\$'M	
<b>2016</b>						
Alfred Chan Wing Kin (Managing Director) (Note (i))	0.4	6.0	26.0	5.4	–	37.8
Peter Wong Wai Yee (Note (i))	0.4	4.4	7.9	2.3	–	15.0
Lee Shau Kee	0.6	0.2	–	–	–	0.8
Leung Hay Man	0.5	–	–	–	–	0.5
Colin Lam Ko Yin	0.2	0.1	–	–	–	0.3
Lee Ka Kit	0.2	–	–	–	–	0.2
Lee Ka Shing	0.2	–	–	–	–	0.2
David Li Kwok Po	0.6	0.1	–	–	–	0.7
Poon Chung Kwong	0.6	–	–	–	–	0.6
	<b>3.7</b>	<b>10.8</b>	<b>33.9</b>	<b>7.7</b>	<b>–</b>	<b>56.1</b>

#### Note

- (i) Mr. Alfred Chan Wing Kin and Mr. Peter Wong Wai Yee who are also directors of Towngas China Company Limited ("Towngas China"), a significant subsidiary of the Group. In this connection, the above emoluments included Mr. Alfred Chan Wing Kin and Mr. Peter Wong Wai Yee each received directors' emoluments from Towngas China of HK\$0.2 million and HK\$5.4 million (2015: HK\$0.2 million and HK\$5.4 million) respectively, and no share-based payments were received during the year and 2015.

## 12 Benefits and interests of directors (Continued)

### (a) Directors' emoluments (Continued)

Name of director	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking					Total HK\$'M
	Fees HK\$'M	Salary, allowances and benefits in kind HK\$'M	Performance bonus HK\$'M	Contributions to retirement scheme HK\$'M	Others HK\$'M	
2015						
Alfred Chan Wing Kin (Managing Director) (Note (i))	0.4	6.0	26.1	5.3	–	37.8
Peter Wong Wai Yee (Note (i))	0.4	4.4	7.5	2.3	–	14.6
Lee Shau Kee	0.6	0.2	–	–	–	0.8
Leung Hay Man	0.5	–	–	–	–	0.5
Colin Lam Ko Yin	0.2	0.1	–	–	–	0.3
Lee Ka Kit	0.2	–	–	–	–	0.2
Lee Ka Shing	0.2	–	–	–	–	0.2
David Li Kwok Po	0.6	0.1	–	–	–	0.7
Poon Chung Kwong	0.6	–	–	–	–	0.6
	3.7	10.8	33.6	7.6	–	55.7

The above remuneration paid to directors of the Company also represents the amount of short-term employee benefits of HK\$48.4 million (2015: HK\$48.1 million) and post-employment benefits of HK\$7.7 million (2015: HK\$7.6 million) paid to the Group's senior management during the year ended 31st December 2016. There were no other long-term benefits, termination benefits and share-based payment paid to the Group's senior management during the year (2015: nil).

### (b) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements or contracts in relation to the Group's business to which the Company was a party, and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## 13 Taxation

The amount of taxation charged to the income statement represents:

	2016 HK\$'M	2015 HK\$'M
Current taxation – provision for Hong Kong Profits Tax at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the year	647.5	628.0
Current taxation – provision for other countries income tax at the prevailing rates on the estimated assessable profits for the year (Note (a))	695.9	777.4
Current taxation – over provision in prior years	(101.6)	(9.5)
Deferred taxation – origination and reversal of temporary differences	255.2	215.9
Withholding tax	78.9	114.9
	<b>1,575.9</b>	<b>1,726.7</b>

### Note

- (a) The prevailing tax rates of the mainland China and Thailand range from 15 per cent to 25 per cent (2015: 15 per cent to 25 per cent) and 50 per cent (2015: 50 per cent) respectively.

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

	2016 HK\$'M	2015 HK\$'M
Profit before taxation	9,845.7	9,906.0
Less: Share of results of associates	(2,447.4)	(2,228.2)
Share of results of joint ventures	(1,465.3)	(1,715.6)
	<b>5,933.0</b>	<b>5,962.2</b>
Calculated at a tax rate of 16.5% (2015: 16.5%)	978.9	983.8
Effect of different tax rates in other countries	275.9	354.1
Income not subject to taxation	(121.1)	(122.1)
Expenses not deductible for taxation purposes	340.1	301.5
Utilisation of previously unrecognised tax losses	(6.3)	(5.1)
Over provision in prior years	(101.6)	(9.5)
Withholding tax	78.9	114.9
Others	131.1	109.1
	<b>1,575.9</b>	<b>1,726.7</b>

Share of associates' taxation for the year ended 31st December 2016 of HK\$351.3 million (2015: HK\$354.1 million) is included in the income statement as share of results of associates.

Share of joint ventures' taxation for the year ended 31st December 2016 of HK\$543.3 million (2015: HK\$577.8 million) is included in the income statement as share of results of joint ventures.

## 14 Dividends

	2016 HK\$'M	2015 HK\$'M
Interim, paid of HK12 cents per ordinary share (2015: HK12 cents per ordinary share)	<b>1,526.0</b>	1,387.6
Final, proposed of HK23 cents per ordinary share (2015: HK23 cents per ordinary share)	<b>2,924.9</b>	2,659.0
	<b>4,450.9</b>	4,046.6

At a meeting held on 16th March 2017, the directors of the Company declared a final dividend of HK23 cents per ordinary share for the year ended 31st December 2016. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation of retained earnings for the year ended 31st December 2016.

## 15 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$7,340.7 million (2015: HK\$7,302.0 million) and the weighted average of 12,717,042,258 shares (2015: 12,718,465,258 shares<sup>1</sup>) in issue during the year.

As there were no diluted potential ordinary shares outstanding during the year (2015: nil), the diluted earnings per share for the year ended 31st December 2016 is the same as the basic earnings per share.

<sup>1</sup> Adjusted for the bonus share issue in 2016

## 16 Property, plant and equipment

	Buildings, plant and equipment HK\$'M	Mains and risers HK\$'M	Meters and installations HK\$'M	Mining and oil properties HK\$'M	Others HK\$'M	Capital work in progress HK\$'M	Total HK\$'M
<b>Cost</b>							
At 1st January 2016	17,428.8	30,196.2	3,210.3	3,977.7	845.7	7,824.0	63,482.7
Additions	576.4	456.4	366.3	41.9	34.3	4,786.7	6,262.0
Acquisition of businesses (Note 42 (a) & (b))	41.2	–	–	–	–	3.6	44.8
Transfers from capital work in progress	1,178.4	2,612.7	0.7	–	17.1	(3,808.9)	–
Disposals/write off	(113.7)	(39.9)	(84.9)	(1.7)	–	(124.3)	(364.5)
Exchange differences	(803.9)	(1,376.6)	(7.0)	(31.0)	(59.9)	(392.8)	(2,671.2)
At 31st December 2016	18,307.2	31,848.8	3,485.4	3,986.9	837.2	8,288.3	66,753.8
<b>Accumulated depreciation</b>							
At 1st January 2016	6,571.4	6,731.2	2,103.0	505.9	115.6	–	16,027.1
Charge for the year	930.0	824.2	249.2	136.6	13.4	–	2,153.4
Disposals/write off	(84.5)	(25.7)	(64.3)	(0.2)	–	–	(174.7)
Exchange differences	(215.1)	(223.8)	(4.3)	(5.8)	(12.6)	–	(461.6)
At 31st December 2016	7,201.8	7,305.9	2,283.6	636.5	116.4	–	17,544.2
<b>Net book value</b>							
At 31st December 2016	11,105.4	24,542.9	1,201.8	3,350.4	720.8	8,288.3	49,209.6
At 31st December 2015	10,857.4	23,465.0	1,107.3	3,471.8	730.1	7,824.0	47,455.6

## 16 Property, plant and equipment (Continued)

	Buildings, plant and equipment HK\$'M	Mains and risers HK\$'M	Meters and installations HK\$'M	Mining and oil properties HK\$'M	Others HK\$'M	Capital work in progress HK\$'M	Total HK\$'M
<b>Cost</b>							
At 1st January 2015	16,728.2	28,022.5	3,224.5	5,967.1	861.3	9,758.9	64,562.5
Additions	778.4	405.5	335.0	91.2	21.2	4,598.2	6,229.5
Acquisition of businesses	30.0	–	–	–	–	4.0	34.0
Disposal of subsidiaries	(700.0)	–	–	(1,684.2)	–	(2,339.6)	(4,723.8)
Transfers from capital work in progress	1,281.4	2,664.9	1.0	–	3.4	(3,950.7)	–
Disposals/write off	(190.4)	(46.6)	(345.1)	(1.6)	(0.3)	–	(584.0)
Exchange differences	(498.8)	(850.1)	(5.1)	(394.8)	(39.9)	(246.8)	(2,035.5)
At 31st December 2015	17,428.8	30,196.2	3,210.3	3,977.7	845.7	7,824.0	63,482.7
<b>Accumulated depreciation</b>							
At 1st January 2015	6,073.6	6,123.6	2,191.9	368.3	110.1	–	14,867.5
Charge for the year	879.8	764.4	240.0	191.7	12.5	–	2,088.4
Disposal of subsidiaries	(142.4)	–	–	–	–	–	(142.4)
Disposals/write off	(116.0)	(30.7)	(325.9)	(0.5)	(0.3)	–	(473.4)
Exchange differences	(123.6)	(126.1)	(3.0)	(53.6)	(6.7)	–	(313.0)
At 31st December 2015	6,571.4	6,731.2	2,103.0	505.9	115.6	–	16,027.1
<b>Net book value</b>							
At 31st December 2015	10,857.4	23,465.0	1,107.3	3,471.8	730.1	7,824.0	47,455.6
At 31st December 2014	10,654.6	21,898.9	1,032.6	5,598.8	751.2	9,758.9	49,695.0

## 17 Investment property

	2016 HK\$'M	2015 HK\$'M
At 1st January	713.0	683.0
Fair value gain (Note 7)	14.1	26.8
Others	1.9	3.2
At 31st December	729.0	713.0

The Group's interest in the commercial investment property is located in Hong Kong under a land lease of over 50 years. The investment property was revalued at 31st December 2016 by an independent professionally qualified valuer, Knight Frank Petty Limited which conform to the The HKIS Valuation Standards on Properties (2012 Edition) shown in Note 2(h).



## 17 Investment property (Continued)

### *Fair value measurements using significant unobservable inputs*

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

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

Unobservable inputs	Commercial complex	Car park	Relationship of unobservable inputs to fair value
Capitalisation rate	5.4%	9.0%	The higher the capitalisation rate, the lower the fair value
Monthly rent	HK\$17.2 /sq.ft.	N/A	The higher the market rent, the higher the fair value

### *Valuation processes of the Group*

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

- Verifies all major inputs to the independent valuation report;
- Assesses property valuation movements when compared with the prior year valuation report;
- Holds discussions with the independent valuer.

## 18 Leasehold land

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

	2016 HK\$'M	2015 HK\$'M
At 1st January	1,961.9	1,658.6
Additions	199.9	429.9
Acquisition of businesses (Note 42 (a) & (b))	44.2	9.4
Disposal of a subsidiary	-	(16.2)
Disposals	(16.9)	(0.5)
Amortisation	(56.2)	(51.0)
Exchange differences	(116.3)	(68.3)
At 31st December	2,016.6	1,961.9

## 19 Intangible assets

	2016 HK\$'M	2015 HK\$'M
<b>(a) Goodwill</b>		
At 1st January	5,349.0	5,348.3
Acquisition of businesses (Note 42 (a) & (b))	47.4	145.1
Exchange differences	(250.3)	(144.4)
At 31st December	5,146.1	5,349.0
<b>(b) Other intangible asset</b>		
Cost		
At 1st January	520.9	541.9
Acquisition of businesses	–	0.3
Exchange differences	(28.4)	(21.3)
At 31st December	492.5	520.9
Accumulated amortisation		
At 1st January	(50.4)	(31.7)
Amortisation	(18.1)	(18.7)
Exchange differences	2.3	–
At 31st December	(66.2)	(50.4)
Net book value		
At 31st December	426.3	470.5
<b>Total intangible assets</b>	<b>5,572.4</b>	<b>5,819.5</b>

Goodwill is allocated to cash-generating units that are expected to benefit from the business combination in which the goodwill arose, majority related to segment – gas, water and related businesses in mainland China. The Group tests goodwill annually for impairment, or more frequently if there are indications that it might be impaired. For the purpose of impairment test, the recoverable amount of the cash-generating units is determined based on either fair value less costs of disposal or value in use calculations. The fair value less costs of disposal is by referencing to an active market. The value in use calculations are derived from cash flow projections based on the most recent financial budget for the next five years approved by management. Cash flows beyond five year period have been extrapolated using growth rates from 0.0 per cent to 10.0 per cent (2015: 0.0 per cent to 10.0 per cent) per annum which are determined by considering both internal and external factors relating to the cash-generating units. Discount rate used of 8.5 per cent or 10.0 per cent (2015: 8.0 per cent or 10.0 per cent) is adopted to reflect specific risks relating to the relevant cash-generating units. Based on impairment tests prepared, there is no impairment for intangible assets as at 31st December 2016 and 2015.

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

## 20 Subsidiaries

### Material non-controlling interests

The total non-controlling interest as at 31st December 2016 is HK\$6,612.0 million (2015: HK\$6,917.7 million) of which HK\$4,751.4 million (2015: HK\$4,877.3 million) is attributable to Towngas China and for the non-controlling interest in respect of other individual subsidiaries of the Group is not material.

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

Summarised statement of financial position	Towngas China	
	2016 HK\$'M	2015 HK\$'M
<b>Assets</b>		
Non-current assets	21,008.4	20,516.7
Current assets	3,545.6	4,663.2
	<b>24,554.0</b>	<b>25,179.9</b>
<b>Liabilities</b>		
Non-current liabilities	(6,130.5)	(6,445.0)
Current liabilities	(7,262.7)	(7,757.1)
	<b>(13,393.2)</b>	<b>(14,202.1)</b>
<b>Net assets</b>	<b>11,160.8</b>	<b>10,977.8</b>

Summarised income statement and comprehensive income statement	Towngas China	
	2016 HK\$'M	2015 HK\$'M
Revenue	7,181.1	7,718.3
Profit before taxation	1,455.4	1,268.0
Taxation	(362.1)	(343.5)
Profit for the year	1,093.3	924.5
Other comprehensive income	(977.2)	(580.4)
Total comprehensive income	116.1	344.1
Total comprehensive income attributable to non-controlling interests	32.0	63.2
Dividend paid to non-controlling shareholders	92.3	89.5

## 20 Subsidiaries (Continued)

Summarised cash flows statement	Towngas China	
	2016 HK\$'M	2015 HK\$'M
Net cash generated from operating activities	1,666.7	1,416.6
Net cash used in investing activities	(1,595.9)	(1,770.0)
Net cash (outflow)/inflow from financing activities	(759.3)	1,161.3
Net (decrease)/increase in cash and cash equivalents	(688.5)	807.9
Cash and cash equivalents at beginning of year	2,138.4	1,451.7
Effect of foreign exchange rate changes	(98.8)	(121.2)
Cash and cash equivalents at end of year	1,351.1	2,138.4

## 21 Associates

	2016 HK\$'M	2015 HK\$'M
Investments in associates, including goodwill	19,766.7	18,795.3
Loans to associates – non-current	718.3	796.6
	20,485.0	19,591.9
Loan and other receivables from associates – current	153.4	90.9

Loan and other receivables from associates are analysed below:

- (i) Loans to associates in mainland China of HK\$855.0 million (2015: HK\$802.2 million) with effective interest rates ranging from 4.35 per cent to 7.20 per cent per annum (2015: 4.35 per cent to 6.50 per cent per annum) are unsecured and fully repayable in 2017 to 2018 (2015: 2016 to 2017).
- (ii) The remaining balances are unsecured, interest free and have no fixed terms of repayment.
- (iii) Loan and other receivables from associates are neither past due nor impaired and there is no history of default.
- (iv) Loan and other receivables are denominated in the following currencies:

	2016 HK\$'M	2015 HK\$'M
USD	479.4	541.0
RMB	388.6	342.2
HKD	3.7	4.3
	871.7	887.5

## 21 Associates (Continued)

Particulars of the principal associates as at 31st December 2016 are listed below:

Name	Note	Issued share capital/ registered capital	Percentage of the Group's equity interest	Place of incorporation/ operation	Principal activity
Fengcheng Xingao Coking Co., Ltd.		RMB350.0 million	40	PRC	Chemical business
China-Singapore Suzhou Industrial Park Broad Energy Services Co., Ltd.		RMB71.1 million	25	PRC	Cooling and heating system business
Hainan Petrochina Kunlun Hong Kong & China Gas Co., Ltd.		RMB50.4 million	49	PRC	Gas sales and related businesses
Shenzhen Gas Corporation Limited		RMB2,212.1 million	26.5	PRC	Gas sales and related businesses
港華儲氣有限公司	(ii)	RMB100 million	64	PRC	Gas storage project
Central Waterfront Property Investment Holdings Limited	(i)	US\$100	15.8	British Virgin Islands/ Hong Kong	Investment holding
GH-Fusion Limited	(ii)	US\$200	50	British Virgin Islands	Investment holding
江蘇海企港華燃氣發展有限公司		RMB216.7 million	33	PRC	LNG refilling station for vessels
Hangzhou Natural Gas Company Limited		RMB1,195.0 million	24	PRC	Mid-stream natural gas and piped city-gas project
Anhui Province Natural Gas Development Company Limited		RMB252.0 million	27.5	PRC	Mid-stream natural gas project
Hebei Natural Gas Company Limited		RMB920.0 million	43	PRC	Mid-stream natural gas project
河南省中原石油天然氣管網有限公司		RMB50.0 million	49	PRC	Mid-stream natural gas project
Lane Success Development Limited		HK\$10,000	45	Hong Kong	Property development
Towngas DETA Telecom (Dalian) Co., Ltd.		RMB10.0 million	49	PRC	Telecommunications business
中經名氣網絡技術(北京)有限公司		RMB10.0 million	49	PRC	Telecommunications business
Shanxi Yuanping Guoxin Compressed Natural Gas Co., Ltd.		RMB20.0 million	42	PRC	Vehicular fuel refilling station
中新蘇州工業園區環保技術有限公司		RMB185.0 million	49	PRC	Water treatment project

### Notes

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

## 21 Associates (Continued)

Particulars of the principal associates as at 31st December 2016 are listed below: (Continued)

Name	Issued share capital/ registered capital	Percentage of the Group's equity interest	Place of incorporation/ operation	Principal activity
<b>Held by Towngas China</b>				
Anhui Province Wenery Towngas Natural Gas Company Limited	RMB240.0 million	49	PRC	Gas sales and related businesses
Bozhou WanHua Gas Company Limited	RMB30.0 million	49	PRC	Gas sales and related businesses
Changchun Gas Co., Ltd.	RMB802.4 million	25	PRC	Gas sales and related businesses
Dalian DETA Hong Kong and China Gas Co., Ltd.	RMB137.2 million	40	PRC	Gas sales and related businesses
Foshan Gas Group Co., Ltd.	RMB500.0 million	43	PRC	Gas sales and related businesses
Fuzhou Fubei Natural Gas Co., Ltd.	RMB16.0 million	40	PRC	Gas sales and related businesses
Linqu Hong Kong & China Gas Company Limited	US\$5.7 million	42	PRC	Gas sales and related businesses
<sup>1</sup> SCEI Distributed Energy Systems Co., Ltd.	RMB472.5 million	25	PRC	Gas sales and related businesses
Shandong Jihua Gas Co., Ltd.	RMB400.0 million	49	PRC	Gas sales and related businesses
Shijiazhuang Huabo Gas Co., Ltd.	RMB19.0 million	45	PRC	Gas sales and related businesses
Zhuojia Public Engineering (Maanshan) Co., Ltd.	RMB12.0 million	38	PRC	Gas sales and related businesses
Zibo Lubo Gas Company Limited	RMB100.0 million	27	PRC	Gas sales and related businesses

<sup>1</sup> Newly formed during the year

## 21 Associates (Continued)

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

	2016 HK\$'M	2015 HK\$'M
Income	10,892.6	11,397.8
Expenses, including taxation	(8,445.2)	(9,169.6)
Profit after taxation	2,447.4	2,228.2
Other comprehensive income/(loss)	7.2	(5.4)
<b>Total comprehensive income</b>	<b>2,454.6</b>	<b>2,222.8</b>

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

	CWPI	
	2016 HK\$'M	2015 HK\$'M
<b>Summarised statement of financial position</b>		
<b>Assets</b>		
Non-current assets	94,666.8	87,154.7
Current assets	803.3	876.9
	<b>95,470.1</b>	<b>88,031.6</b>
<b>Liabilities</b>		
Non-current liabilities	(18,276.2)	(18,280.0)
Current liabilities	(2,020.3)	(2,005.3)
	<b>(20,296.5)</b>	<b>(20,285.3)</b>
<b>Net assets</b>	<b>75,173.6</b>	<b>67,746.3</b>

## 21 Associates (Continued)

	CWPI	
	2016 HK\$'M	2015 HK\$'M
<b>Summarised income statement and comprehensive income statement</b>		
Income	13,475.1	13,287.0
Expenses, including taxation	(2,643.6)	(2,629.4)
Profit after taxation	10,831.5	10,657.6
Other comprehensive income/(loss)	45.8	(34.0)
Total comprehensive income	10,877.3	10,623.6
Dividend received from the associate	544.8	533.7

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

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

	CWPI	
	2016 HK\$'M	2015 HK\$'M
<b>Net assets</b>		
At 1st January	67,746.3	60,502.7
Profit for the year	10,831.5	10,657.6
Other comprehensive income/(loss)	45.8	(34.0)
Dividend paid	(3,450.0)	(3,380.0)
At 31st December	75,173.6	67,746.3
	2016 HK\$'M	2015 HK\$'M
<b>Carrying value</b>		
Interest in associate (15.79%)	11,869.9	10,697.1



## 22 Joint ventures

	2016 HK\$'M	2015 HK\$'M
Investments in joint ventures, including goodwill	9,226.5	9,195.4
Loans to joint ventures – non-current	–	92.8
	<b>9,226.5</b>	<b>9,288.2</b>
Loan and other receivables from joint ventures – current	<b>900.1</b>	966.4
Amounts due to joint ventures – current	<b>(718.9)</b>	(572.3)

Loan and other receivables from joint ventures are analysed below:

- (i) Loans to joint ventures in mainland China of HK\$140.7 million (2015: HK\$335.1 million) with effective interest rates ranging from 4.35 per cent to 6.12 per cent per annum (2015: 4.35 per cent to 7.87 per cent per annum) are unsecured and fully repayable in 2017 (2015: 2016 to 2017).
- (ii) Loans to a joint venture in Hong Kong of HK\$52.9 million (2015: HK\$62.2 million) is unsecured, interest free and have no fixed terms of repayment.
- (iii) The remaining balances are unsecured, interest free and with no fixed terms of repayment.
- (iv) Loan and other receivables from joint ventures are neither past due nor impaired and there is no history of default.
- (v) Loans and other receivables are denominated in the following currencies:

	2016 HK\$'M	2015 HK\$'M
RMB	769.3	997.0
HKD	130.8	62.2
	<b>900.1</b>	<b>1,059.2</b>

Amounts due to joint ventures are analysed below:

- (i) Amount due to a joint venture of HK\$453.1 million (2015: HK\$361.9 million) with effective interest rate of 4.44 per cent per annum (2015: 4.95 per cent per annum) is unsecured and repayable in 2017.
- (ii) Amounts due to joint ventures of HK\$261.8 million (2015: HK\$207.8 million) with effective interest rate of 2.35 per cent per annum (2015: 2.35 per cent per annum) are unsecured and have no fixed terms of repayment.
- (iii) The remaining balances are unsecured, interest free and with no fixed terms of repayment.
- (iv) Amounts due to joint ventures are denominated in RMB (2015: denominated in RMB).

## 22 Joint ventures (Continued)

Particulars of the principal joint ventures as at 31st December 2016 are listed below:

Name	Note	Issued share capital/ registered capital	Percentage of the Group's equity interest	Place of incorporation/ operation	Principal activity
<sup>1</sup> Hua Yan Environmental Industry Development (Suzhou) Co., Ltd.		RMB75.0 million	55	PRC	Food and green waste treatment project
# Beijing Beiran & HKCG Gas Company Limited		RMB44.4 million	49	PRC	Gas sales and related businesses
Changzhou Hong Kong and China Gas Company Limited		RMB166.0 million	50	PRC	Gas sales and related businesses
Jinan Hong Kong and China Gas Company Limited		RMB470.0 million	49	PRC	Gas sales and related businesses
Nanjing Hong Kong and China Gas Company Limited		RMB700.0 million	49	PRC	Gas sales and related businesses
Suzhou Hong Kong and China Gas Company Limited	(i)	RMB200.0 million	55	PRC	Gas sales and related businesses
# Tongling Hong Kong and China Gas Company Limited	(i)	RMB100.0 million	70	PRC	Gas sales and related businesses
Wuhan Natural Gas Company Limited		RMB420.0 million	49	PRC	Gas sales and related businesses
# Xian Qinhuang Natural Gas Company Limited		RMB1,000.0 million	49	PRC	Gas sales and related businesses
Zhangjiagang Hong Kong and China Gas Company Limited		RMB100.0 million	50	PRC	Gas sales and related businesses
Jilin Province Natural Gas Limited Company		RMB220.0 million	49	PRC	Mid-stream natural gas project
Yieldway International Limited		HK\$2	50	Hong Kong	Property development
Maanshan ECO Auto Fuel Company Limited		RMB10.5 million	30	PRC	Vehicular fuel refilling station
Suzhou Industrial Park Qingyuan Hong Kong & China Water Company Limited		RMB1,597.0 million	50	PRC	Water supply and sewage treatment

# Direct joint ventures of the Company

<sup>1</sup> Newly formed during the year

### Note

(i) The Group can only exercise joint control over the board of directors in the joint ventures.

## 22 Joint ventures (Continued)

Particulars of the principal joint ventures as at 31st December 2016 are listed below: (Continued)

Name	Issued share capital/ registered capital	Percentage of the Group's equity interest	Place of incorporation/ operation	Principal activity
<b>Held by Towngas China</b>				
Anqing Hong Kong and China Gas Company Limited	RMB73.0 million	50	PRC	Gas sales and related businesses
Chongqing Hong Kong and China Gas Company Limited	RMB20.0 million	50	PRC	Gas sales and related businesses
Hangzhou Hong Kong and China Gas Company Limited	US\$20.0 million	50	PRC	Gas sales and related businesses
Maanshan Hong Kong and China Gas Company Limited	US\$13.0 million	50	PRC	Gas sales and related businesses
Taian City Taigang Gas Company Limited	RMB100.0 million	29	PRC	Gas sales and related businesses
Taian Taishan Hong Kong and China Gas Company Limited	RMB80.0 million	49	PRC	Gas sales and related businesses
Weifang Hong Kong and China Gas Company Limited	RMB140.0 million	50	PRC	Gas sales and related businesses
Weihai Hong Kong and China Gas Company Limited	RMB99.2 million	50	PRC	Gas sales and related businesses
Wuhu Hong Kong & China Gas Company Limited	RMB52.8 million	50	PRC	Gas sales and related businesses
Zibo Hong Kong and China Gas Company Limited	RMB56.0 million	50	PRC	Gas sales and related businesses

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

	2016 HK\$'M	2015 HK\$'M
Income	11,750.8	12,957.3
Expenses, including taxation	(10,285.5)	(11,241.7)
Profit after taxation and total comprehensive income	1,465.3	1,715.6

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

## 23 Available-for-sale financial assets

	2016 HK\$'M	2015 HK\$'M
Debt securities (Note (a))	453.0	420.2
Equity securities (Note (b))	4,514.1	4,146.8
	<b>4,967.1</b>	<b>4,567.0</b>

### Notes

	2016 HK\$'M	2015 HK\$'M
(a) Debt securities		
Listed – Hong Kong	126.9	164.0
Listed – overseas	326.1	256.2
	<b>453.0</b>	<b>420.2</b>

	2016 HK\$'M	2015 HK\$'M
(b) Equity securities		
Listed – Hong Kong	969.0	870.1
Listed – overseas	206.1	124.0
Unlisted (Note (c))	3,339.0	3,152.7
	<b>4,514.1</b>	<b>4,146.8</b>

(c) Included in the unlisted equity securities of HK\$491.3 million (2015: HK\$517.0 million) are carried at cost less impairment as these investments do not have a quoted market price and range of reasonable fair value estimate is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably.

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

As at 31st December 2016, the fair values of debt and equity securities assets reclassified during 2008 are HK\$16.7 million (2015: HK\$15.6 million).

If the Group had not reclassified the debt and equity securities during 2008, fair value gain recognised for the year in the income statement will be increased by HK\$5.1 million (2015: decreased by HK\$6.6 million).

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

	2016 HK\$'M	2015 HK\$'M
RMB	3,385.4	3,091.3
HKD	969.0	870.1
USD	612.7	605.6
	<b>4,967.1</b>	<b>4,567.0</b>

## 24 Retirement benefit liabilities

	2016 HK\$'M	2015 HK\$'M
At 31st December	(50.1)	(42.3)

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

The amounts recognised in the consolidated statement of financial position are shown as follows:

	2016 HK\$'M	2015 HK\$'M
Fair value of plan assets	524.2	534.1
Present value of funded obligations	(574.3)	(576.4)
Net liabilities in the consolidated statement of financial position	(50.1)	(42.3)

The plan assets did not include any shares of the Company as at 31st December 2016 (2015: nil).

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

	2016 HK\$'M	2015 HK\$'M
Current service cost	18.0	17.9
Net interest cost	0.7	–
Administrative expenses	0.1	0.1
Total (Note 11)	18.8	18.0

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

	2016 HK\$'M	2015 HK\$'M
Actuarial loss due to liability experience	–	4.1
Actuarial (gain)/loss due to financial assumption changes	(6.8)	13.9
Actuarial loss due to demographic assumption changes	0.3	–
Actuarial (gains)/losses	(6.5)	18.0
Return on plan assets, excluding amounts included in interest income	0.2	5.1
Total	(6.3)	23.1

## 24 Retirement benefit liabilities (Continued)

The movements in the defined benefit obligations are as follows:

	2016 HK\$'M	2015 HK\$'M
At 1st January	576.4	544.6
Current service cost	18.0	17.9
Interest cost	10.6	11.2
Benefits paid	(24.2)	(15.3)
Actuarial (gains)/losses	(6.5)	18.0
At 31st December	574.3	576.4

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

	2016 HK\$'M	2015 HK\$'M
At 1st January	534.1	538.7
Return on plan assets, excluding amounts included in interest income	(0.2)	(5.1)
Interest income recognised in consolidated income statement	9.9	11.2
Contribution paid by employer	4.7	4.7
Benefits paid	(24.2)	(15.3)
Administrative expenses	(0.1)	(0.1)
At 31st December	524.2	534.1

The movements in the liabilities recognised in the consolidated statement of financial position are as follows:

	2016 HK\$'M	2015 HK\$'M
At 1st January	(42.3)	(5.9)
Remeasurement effects recognised in other comprehensive income	6.3	(23.1)
Total cost of defined benefit retirement scheme (Note 11)	(18.8)	(18.0)
Contribution paid by employer	4.7	4.7
At 31st December	(50.1)	(42.3)

## 24 Retirement benefit liabilities (Continued)

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

	2016 %	2015 %
Equity securities	75.0	75.0
Debt securities	22.0	14.0
Cash	3.0	11.0

The principal actuarial assumptions used are as follows:

	2016 %	2015 %
Discount rate	2.0	1.9
Expected rate of future salary increases	4.5	4.5

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

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.25%	Decrease by 3.0%	Increase by 3.1%
Maximum salary scale increase rate	0.25%	Increase by 1.9%	Decrease by 2.2%

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

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

Expected contributions to the scheme for the year ending 31st December 2017 are HK\$4.5 million.

## 24 Retirement benefit liabilities (Continued)

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

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

The weighted average duration of the benefit obligation is 12.2 years. Expected maturity analysis of benefit undiscounted payments:

	Within 5 years HK\$'M	Beyond 5 years but within 10 years HK\$'M	Beyond 10 years HK\$'M
As 31st December 2016			
Expected benefit payments	105.8	172.2	758.3

## 25 Other non-current assets

	2016 HK\$'M	2015 HK\$'M
Second mortgage loans receivable (Note (a))	6.3	7.7
Aviation fuel facility construction receivable (Note (b))	2,464.0	2,350.0
Other receivables (Note (c))	390.1	14.1
	<b>2,860.4</b>	<b>2,371.8</b>

### Notes

- Balance represents non-current portion of second mortgage loans to buyers of the Grand Waterfront developed by the Group which are denominated in HKD. Second mortgage loans are secured by the mortgaged properties, bear interest at prime rate and are repayable by instalments in periods ranging from 15 to 25 years from the dates of drawdown.
- Aviation fuel facility construction receivable is denominated in HKD, unsecured and will be recovered by monthly instalments up to 2047.
- Balance mainly represents a prepayment for inventory to a supplier which is denominated in RMB.



## 26 Inventories

	2016 HK\$'M	2015 HK\$'M
Stores and materials	1,403.3	1,552.5
Work in progress	707.1	738.8
	<b>2,110.4</b>	<b>2,291.3</b>

The Group wrote down the carrying value of inventories by HK\$2.5 million (2015: wrote down by HK\$12.2 million) to its net realisable value during the year.

## 27 Trade and other receivables

	2016 HK\$'M	2015 HK\$'M
Trade receivables (Note (a))	3,497.5	3,513.9
Payments in advance (Note (b))	1,259.4	1,242.3
Other receivables	1,572.7	2,140.6
	<b>6,329.6</b>	<b>6,896.8</b>

Trade and other receivables are denominated in the following currencies:

	2016 HK\$'M	2015 HK\$'M
RMB	3,705.3	4,418.7
HKD	2,534.3	2,366.5
USD	88.7	110.8
Others	1.3	0.8
	<b>6,329.6</b>	<b>6,896.8</b>

### Notes

- (a) The Group has established credit policies for different types of customers. The credit periods offered for trade receivables, which are subject to periodic review by management, range from 30 to 60 days except for gas receivables of the Company which are due by 8 working days after billing date. As at 31st December 2016, the aging analysis of the trade receivables, net of impairment provision, is as follows:

	2016 HK\$'M	2015 HK\$'M
0 – 30 days	2,874.8	2,979.5
31 – 60 days	199.0	129.5
61 – 90 days	135.9	104.5
Over 90 days	287.8	300.4
	<b>3,497.5</b>	<b>3,513.9</b>

## 27 Trade and other receivables (Continued)

Notes (Continued)

(a) (Continued)

- (i) At 31st December 2016, trade receivables of the Group that were neither past due nor impaired amounted to HK\$2,641.2 million (2015: HK\$2,663.2 million). These balances mainly relate to individuals or companies that have been the Group's customers for more than 6 months and with no history of default in the past.
- (ii) Receivables that were past due but not impaired relate to a wide range of customers and management believes that no impairment provision is necessary as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The aging analysis of trade receivables that were past due but not impaired is as follows:

	2016 HK\$'M	2015 HK\$'M
1 – 30 days	233.6	316.3
31 – 60 days	199.0	129.5
61 – 90 days	135.9	104.5
Over 90 days	287.8	300.4
	<b>856.3</b>	<b>850.7</b>

- (iii) As at 31st December 2016, trade receivables of the Group amounting to HK\$134.4 million (2015: HK\$129.3 million) were impaired, all of which are aged over 90 days. The individually impaired receivables mainly relate to customers that have either been placed under liquidation or in severe financial difficulties.

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

	2016 HK\$'M	2015 HK\$'M
At 1st January	129.3	84.0
Impairment loss recognised	13.7	61.0
Uncollectible amounts written off	(7.4)	(13.6)
Exchange differences	(1.2)	(2.1)
At 31st December	<b>134.4</b>	<b>129.3</b>

- (b) Balance mainly represents prepayment for purchase of materials and services in relation to the Group's gas and New Energy businesses in Hong Kong and mainland China. As at 31st December 2016, the directors of the Company reviewed the composition of the balance and considered the amount is recoverable.

## 28 Financial assets at fair value through profit or loss

	2016 HK\$'M	2015 HK\$'M
Debt securities (Note (a))	46.8	–
Equity securities (Note (b))	20.5	12.1
	<b>67.3</b>	12.1

### Notes

	2016 HK\$'M	2015 HK\$'M
(a) Debt securities		
unlisted – overseas	46.8	–
	<b>46.8</b>	–

	2016 HK\$'M	2015 HK\$'M
(b) Equity securities		
Listed – Hong Kong	18.5	10.1
Listed – overseas	2.0	2.0
	<b>20.5</b>	12.1

Financial assets at fair value through profit or loss are denominated in the following currencies:

	2016 HK\$'M	2015 HK\$'M
HKD	65.3	10.1
USD	2.0	2.0
	<b>67.3</b>	12.1

## 29 Time deposits, cash and bank balances

	2016 HK\$'M	2015 HK\$'M
Time deposits over three months	3,381.1	1,326.9
Time deposits up to three months	4,067.5	6,248.9
Cash and bank balances	4,008.6	5,677.0
	<b>8,076.1</b>	11,925.9

## 29 Time deposits, cash and bank balances (Continued)

The effective interest rates on time deposits in Hong Kong and mainland China are 1.45 per cent and 1.83 per cent per annum respectively (2015: 1.27 per cent and 2.21 per cent per annum). These deposits have average maturity dates within 269 days (2015: 96 days).

Time deposits, cash and bank balances are denominated in the following currencies:

	2016 HK\$'M	2015 HK\$'M
USD	5,734.4	1,942.1
RMB	4,120.1	6,706.7
HKD	1,537.4	4,548.3
THB	61.2	47.3
Others	4.1	8.4
	<b>11,457.2</b>	<b>13,252.8</b>

The conversion of Renminbi denominated balances into foreign currencies and the remittance of foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

## 30 Trade and other payables

	2016 HK\$'M	2015 HK\$'M
Trade payables (Note (a))	2,647.0	2,573.1
Other payables and accruals (Note (b))	9,487.2	9,363.6
	<b>12,134.2</b>	<b>11,936.7</b>

### Notes

(a) At 31st December 2016, the aging analysis of the trade payables is as follows:

	2016 HK\$'M	2015 HK\$'M
0 – 30 days	1,379.3	1,179.3
31 – 60 days	249.5	352.0
61 – 90 days	264.0	314.1
Over 90 days	754.2	727.7
	<b>2,647.0</b>	<b>2,573.1</b>

(b) The balances mainly represent advance received from customers for construction works and accrual for services or goods received from suppliers. The balance at 31st December 2015 included an amount of approximately HK\$45.7 million payable to Henderson Land Development Company Limited and the balance was fully settled during the year.

### 30 Trade and other payables (Continued)

Notes (Continued)

(c) Trade and other payables are denominated in the following currencies:

	2016 HK\$'M	2015 HK\$'M
RMB	10,227.7	10,300.8
HKD	1,732.7	1,526.7
USD	149.3	82.4
Others	24.5	26.8
	<b>12,134.2</b>	<b>11,936.7</b>

### 31 Borrowings

	2016 HK\$'M	2015 HK\$'M
<b>Non-current</b>		
Bank and other loans	8,399.2	5,820.4
Guaranteed notes (Note (a)(i)(ii))	18,896.9	17,543.0
	<b>27,296.1</b>	<b>23,363.4</b>
<b>Current</b>		
Bank and other loans	5,951.8	8,518.4
Guaranteed notes (Note (a)(iii))	–	1,193.9
	<b>5,951.8</b>	<b>9,712.3</b>
<b>Total borrowings</b>	<b>33,247.9</b>	<b>33,075.7</b>

Notes

(a) Guaranteed notes comprise:

- (i) The US\$1 billion guaranteed notes were issued by HKCG (Finance) Limited, a wholly-owned subsidiary of the Company, on 7th August 2008. The notes are unsecured and guaranteed by the Company as to repayment, carry a fixed coupon rate of 6.25 per cent per annum payable semi-annually in arrear and have a maturity term of 10 years. The notes are listed on The Stock Exchange of Hong Kong Limited. At 31st December 2016, notes with a principal amount of US\$995.0 million (2015: US\$995.0 million), which is equivalent to HK\$7,717.2 million (2015: HK\$7,712.2 million), are outstanding in the market and the market value of the notes was HK\$8,211.5 million (2015: HK\$8,465.7 million).

## 31 Borrowings (Continued)

Notes (Continued)

(a) Guaranteed notes comprise: (Continued)

- (ii) The HK\$9,738.0 million, AUD161.0 million and JPY10,000.0 million (2015: HK\$8,410.0 million, AUD161.0 million and JPY10,000.0 million) which is equivalent to HK\$11,301.3 million (2015: HK\$9,964.7 million), guaranteed notes were issued by HKCG (Finance) Limited, a wholly-owned subsidiary of the Company, between 2nd June 2009 and 5th September 2016. The notes are unsecured and guaranteed by the Company as to repayment, carry fixed coupon rates ranging from 1.19 per cent to 6.43 per cent per annum payable quarterly, half-yearly or annually in arrear and have maturity terms between 10 to 40 years.
- (iii) The guaranteed notes as at 31st December 2015 of RMB1,000.0 million, which is equivalent to HK\$1,194.2 million, were issued by HKCG (Finance) Limited, a wholly-owned subsidiary of the Company, on 11th April 2011. The notes are unsecured and guaranteed by the Company as to repayment, carry fixed coupon rates of 1.40 per cent per annum payable half-yearly in arrear and have maturity terms of 5 years. The RMB guaranteed notes were fully repaid during the year.

(b) The maturity of borrowings is as follows:

	Bank and other loans		Guarantee notes	
	2016 HK\$'M	2015 HK\$'M	2016 HK\$'M	2015 HK\$'M
Within 1 year	5,951.8	8,518.4	–	1,193.9
Between 1 and 2 years	1,683.2	1,762.9	7,700.8	–
Between 2 and 5 years	6,635.1	3,979.0	774.0	8,175.8
Wholly repayable within 5 years	14,270.1	14,260.3	8,474.8	9,369.7
Wholly repayable over 5 years	80.9	78.5	10,422.1	9,367.2

(c) The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates are all within 6 months from the statement of financial position date, except for guaranteed notes and some bank loans as they are subjected to fixed interest rate and with maturity term ranged from 1 to 40 years. The effective interest rates of the Group's borrowings at the statement of financial position date are as follows:

	2016					2015				
	HKD	USD	RMB	AUD	JPY	HKD	USD	RMB	AUD	JPY
Bank and other loans	1.6%	1.4%	4.2%	N/A	0.8%	1.2%	1.1%	4.5%	N/A	0.8%
Guaranteed notes	3.6%	5.4%	N/A	3.1%	3.4%	3.8%	5.4%	1.6%	3.1%	3.4%

(d) Saved as disclosed above, carrying value of borrowings approximate their fair value as the balances either at variable rates or the impact of discounting is not significant.

## 31 Borrowings (Continued)

Notes (Continued)

(e) The carrying amounts of the borrowings are denominated in the following currencies:

	2016 HK\$'M	2015 HK\$'M
HKD	13,906.2	15,771.1
RMB	9,541.0	7,530.4
USD	8,219.8	8,201.2
AUD	899.7	909.0
JPY	681.2	664.0
	<b>33,247.9</b>	<b>33,075.7</b>

## 32 Customers' deposits

Customers' deposits mainly represent deposits received from customers pursuant to gas supply contracts agreed with customers and are repayable upon termination of gas supply contracts. The carrying values of the deposits approximate the fair value as the impact of discount is not significant.

The balances are denominated in HKD and bear interest at bank savings rate.

## 33 Deferred taxation

The movements in the deferred taxation are as follows:

	2016 HK\$'M	2015 HK\$'M
At 1st January	4,874.7	5,169.2
Charged to income statement	334.1	330.8
Acquisition of businesses (Note 42 (b))	0.9	0.1
Disposal of a subsidiary	–	(382.5)
Withholding tax	(63.0)	(47.2)
Exchange differences	(79.4)	(195.7)
At 31st December	<b>5,067.3</b>	<b>4,874.7</b>

### 33 Deferred taxation (Continued)

Prior to offsetting of balances within the same taxation jurisdiction, the movements in deferred tax liabilities and assets during the year are as follows:

	Accelerated tax depreciation		Mining and oil properties		Others		Total	
	2016 HK\$'M	2015 HK\$'M	2016 HK\$'M	2015 HK\$'M	2016 HK\$'M	2015 HK\$'M	2016 HK\$'M	2015 HK\$'M
<b>Deferred tax liabilities</b>								
At 1st January	2,577.5	2,328.2	1,578.4	2,161.8	737.9	698.3	4,893.8	5,188.3
Charged/(credited) to income statement	324.6	277.0	(44.7)	(53.1)	54.2	106.9	334.1	330.8
Acquisition of businesses (Note 42 (b))	-	-	-	-	0.9	0.1	0.9	0.1
Disposal of a subsidiary	-	-	-	(382.5)	-	-	-	(382.5)
Withholding tax	-	-	-	-	(63.0)	(47.2)	(63.0)	(47.2)
Exchange differences	(49.4)	(27.7)	3.2	(147.8)	(33.2)	(20.2)	(79.4)	(195.7)
At 31st December	2,852.7	2,577.5	1,536.9	1,578.4	696.8	737.9	5,086.4	4,893.8
<b>Deferred tax assets</b>								
At 1st January and 31st December								
<b>Net deferred tax liabilities at 31st December</b>							<b>5,067.3</b>	<b>4,874.7</b>

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of HK\$543.4 million (2015: HK\$435.7 million) in respect of losses amounting to HK\$2,412.8 million (2015: HK\$1,982.5 million) that can be carried forward and set off against future taxable income. These tax losses have no expiry dates except for the tax losses of HK\$1,709.4 million (2015: HK\$1,277.9 million) which will expire at various dates up to and including 2021 (2015: 2020).



## 34 Derivative financial instruments

	2016		2015	
	Assets HK\$'M	Liabilities HK\$'M	Assets HK\$'M	Liabilities HK\$'M
<b>Non-current</b>				
Cross currency swap and interest rate swap contracts – cash flow hedges	176.1	(540.9)	161.5	(636.9)
Foreign currency forward contracts – held-for-trading	81.0	–	–	–
Interest rate swap contracts – held-for-trading	–	(1.3)	–	(17.5)
Related derivative of available-for-sale financial asset	248.8	–	–	–
	<b>505.9</b>	<b>(542.2)</b>	<b>161.5</b>	<b>(654.4)</b>
<b>Current</b>				
Cross currency swap and interest rate swap contracts – cash flow hedges	–	–	–	(28.2)
Cross currency swap contracts – held-for-trading	87.5	–	–	–
Interest rate swap contracts – held-for-trading	–	–	–	(13.5)
	<b>87.5</b>	<b>–</b>	<b>–</b>	<b>(41.7)</b>

The fair value of hedging derivatives is classified as current assets or liabilities when the remaining maturity of the hedged item is less than 12 months.

The fair values of hedging derivatives are classified as non-current assets or liabilities when the remaining maturity of the hedged items is more than 12 months.

The ineffective portion recognised in the income statement that arises from cash flow hedges amounts to a gain of HK\$5.0 million (2015: a loss of HK\$9.4 million).

### 34 Derivative financial instruments (Continued)

The major terms of the outstanding derivative contracts at 31st December 2016 and 2015 are as follows:

Notional amount	Maturity	Forward contract rate	Interest rate (per annum)		Exchange frequency	
			Receive	Pay	Receive	Pay
<b>Cross currency swap and interest rate swap contracts – cash flow hedges</b>						
# RMB1 billion	2016	RMB1 to HKD1.21	1.40%	1.57% – 1.60%	Semi-annually	Semi-annually
USD1 billion	2018	USD1 to HKD7.8	6.25%	5.20% – 5.66%	Semi-annually	Quarterly or semi-annually
AUD50 million	2021	AUD1 to HKD7.78	6.43%	3.42%	Semi-annually	Semi-annually
AUD86 million	2022	AUD1 to HKD7.90 – HKD8.21	5.37% – 5.85%	2.75% – 3.42%	Semi-annually or annually	Semi-annually or annually
AUD25 million	2025	AUD1 to HKD5.42	3.83%	2.99%	Semi-annually	Semi-annually
JPY10 billion	2022	JPY100 to HKD9.705 – HKD9.897	1.19% – 1.36%	3.33% – 3.46%	Semi-annually	Semi-annually
<b>Foreign currency forward contracts – held-for-trading</b>						
RMB448.8 million	2018	RMB1 to HKD1.11	Nil	Nil	Nil	Nil
RMB456.1 million	2018	USD1 to RMB7.02	Nil	Nil	Nil	Nil
RMB336.9 million	2019	RMB1 to HKD1.09	Nil	Nil	Nil	Nil
<b>Cross currency swap contracts – held-for-trading</b>						
HKD1.6 billion	2017	HKD1 to RMB0.83 – RMB0.86	Nil	1.94%– 2.39%	Not applicable	Quarterly or Annually
<b>Interest rate swap contracts – held-for-trading</b>						
# HKD350 million	2016	N/A	HIBOR	1.98%	Quarterly	Quarterly

# Fully settled in 2016

Gains and losses recognised in the hedging reserve in equity (Note 37) on the swaps as of 31st December 2016 will be continuously released to the income statement until the repayment of relevant borrowings.

### 35 Share capital

	Number of shares		Share capital	
	2016	2015	2016 HK\$'M	2015 HK\$'M
Issued and fully paid:				
At beginning of year	11,560,947,508	10,512,089,553	5,474.7	5,474.7
Bonus shares	1,156,094,750	1,051,208,955	–	–
Shares bought back	–	(2,351,000)	–	–
At end of year	12,717,042,258	11,560,947,508	5,474.7	5,474.7

### 36 Perpetual capital securities

In January 2014, the Group issued its first perpetual subordinated guaranteed capital securities (the "perpetual capital securities"), amounting to US\$300 million through, Towngas (Finance) Limited, a wholly-owned subsidiary for cash.

The perpetual capital securities are guaranteed by the Company, bear distribution at a rate of 4.75 per cent per annum for the first five years and thereafter will have a floating distribution rate. The perpetual capital securities are perpetual and are redeemable, at the option of the Group, in January 2019 or thereafter every six months on the distribution payment date. The distribution payment can be deferred at the discretion of the Group.

Therefore, they are classified as equity instruments, and recorded in equity in the consolidated statement of financial position.

### 37 Reserves

	Investment revaluation reserve HK\$'M	Hedging reserve HK\$'M	Other reserve HK\$'M	Exchange reserve HK\$'M	Retained profits HK\$'M	Total HK\$'M
At 1st January 2016	(471.9)	166.5	–	1,307.3	46,364.8	47,366.7
Profit attributable to shareholders	–	–	–	–	7,340.7	7,340.7
Other comprehensive income:						
Remeasurements of retirement benefit	–	–	–	–	6.3	6.3
Change in value of available- for-sale financial assets	57.2	–	–	–	–	57.2
Impairment loss on available- for-sale financial assets transferred to income statement	534.3	–	–	–	–	534.3
Change in fair value of cash flow hedges	–	85.5	–	–	–	85.5
Share of comprehensive gain of an associate	–	7.2	–	–	–	7.2
Exchange differences	–	–	–	(2,676.5)	–	(2,676.5)
Total comprehensive income for the year	591.5	92.7	–	(2,676.5)	7,347.0	5,354.7
Further acquisition of subsidiaries	–	–	–	–	(78.9)	(78.9)
2015 final dividend paid	–	–	–	–	(2,659.0)	(2,659.0)
2016 interim dividend paid	–	–	–	–	(1,526.0)	(1,526.0)
At 31st December 2016	119.6	259.2	–	(1,369.2)	49,447.9	48,457.5
Balance after 2016 final dividend proposed	119.6	259.2	–	(1,369.2)	46,523.0	45,532.6
2016 final dividend proposed	–	–	–	–	2,924.9	2,924.9
	119.6	259.2	–	(1,369.2)	49,447.9	48,457.5

### 37 Reserves (Continued)

	Investment revaluation reserve HK\$'M	Hedging reserve HK\$'M	Other reserve HK\$'M	Exchange reserve HK\$'M	Retained profits HK\$'M	Total HK\$'M
At 1st January 2015	431.8	290.1	(14.4)	3,113.3	43,332.7	47,153.5
Profit attributable to shareholders	–	–	–	–	7,302.0	7,302.0
Other comprehensive income:						
Remeasurements of retirement benefit	–	–	–	–	(23.1)	(23.1)
Change in value of available- for-sale financial assets	(942.3)	–	–	–	–	(942.3)
Impairment loss on available- for-sale financial assets transferred to income statement	38.6	–	–	–	–	38.6
Change in fair value of cash flow hedges	–	(118.2)	–	–	–	(118.2)
Share of comprehensive loss of an associate	–	(5.4)	–	–	–	(5.4)
Disposal of subsidiaries	–	–	–	(83.0)	–	(83.0)
Exchange differences	–	–	–	(1,723.0)	–	(1,723.0)
Total comprehensive income for the year	(903.7)	(123.6)	–	(1,806.0)	7,278.9	4,445.6
Further acquisition of subsidiaries	–	–	–	–	(405.4)	(405.4)
2014 final dividend paid	–	–	–	–	(2,417.8)	(2,417.8)
2015 interim dividend paid	–	–	–	–	(1,387.6)	(1,387.6)
Shares bought back	–	–	–	–	(36.0)	(36.0)
Others	–	–	14.4	–	–	14.4
At 31st December 2015	(471.9)	166.5	–	1,307.3	46,364.8	47,366.7
Balance after 2015 final dividend proposed	(471.9)	166.5	–	1,307.3	43,705.8	44,707.7
2015 final dividend proposed	–	–	–	–	2,659.0	2,659.0
	(471.9)	166.5	–	1,307.3	46,364.8	47,366.7

## 38 Contingent liabilities

The Company and the Group did not have any material contingent liabilities as at 31st December 2016 and 2015.

## 39 Commitments

### (a) Capital expenditures for property, plant and equipment

	2016 HK\$'M	2015 HK\$'M
Contracts had been entered into but not brought into the consolidated financial statements at 31st December	<b>3,455.4</b>	3,580.1

### (b) Share of capital expenditures for property, plant and equipment of joint ventures

	2016 HK\$'M	2015 HK\$'M
Contracts had been entered into but not brought into the consolidated financial statements at 31st December	<b>2,127.9</b>	2,086.9

(c) The Group has committed to provide sufficient funds in the forms of capital and loan contributions to finance certain gas and New Energy projects under various contracts in mainland China. The directors of the Company estimate that as at 31st December 2016, the Group's commitments to these projects were approximately HK\$2,071.4 million (2015: HK\$1,620.7 million).

### (d) Lease commitments

#### *Lessee*

At 31st December 2016, future aggregate minimum lease payments of land, buildings, plant and equipment under non-cancellable operating leases are as follows:

	2016 HK\$'M	2015 HK\$'M
Not later than 1 year	<b>122.8</b>	122.2
Later than 1 year and not later than 5 years	<b>179.3</b>	181.9
Later than 5 years	<b>213.5</b>	213.6
	<b>515.6</b>	517.7

## 39 Commitments (Continued)

### (d) Lease commitments (Continued)

#### Lessor

The Group leases out the building facilities of the commercial complex and car parks of Grand Waterfront (further details of the carrying value of the property are contained in Note 17) and rental of data centre facilities under operating leases. Except for certain car parks rented out on an hourly or a monthly basis, these leases typically run for a period of 2 to 10 years. At 31st December 2016, future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	2016 HK\$'M	2015 HK\$'M
Not later than 1 year	86.0	95.8
Later than 1 year and not later than 5 years	235.0	242.2
Later than 5 years	145.6	200.0
	<b>466.6</b>	<b>538.0</b>

## 40 Related party transactions

Henderson Land Development Company Limited ("Henderson") is a related party of the Group by virtue of its significant interest in and influence over the Group. Other related parties include subsidiaries of Henderson and one bank with a common director with the Company during the year. During the year, the transactions carried out and year end balances with the associates, joint ventures and other related parties are shown as follows:

### (a) Interest income and sales of goods and services

	2016 HK\$'M	2015 HK\$'M
Associates		
Sale of goods and services (Note (i))	21.0	14.3
Loan interest income (Note (ii))	41.0	41.4
Joint ventures		
Sale of goods and services (Note (i))	68.2	81.3
Loan interest income (Note (ii))	10.6	18.8
Other related parties		
Sale of goods and services (Note (i))	35.0	73.2
Interest income from bank deposits (Note (i))	1.7	9.8

## 40 Related party transactions (Continued)

### (b) Interest expense and purchase of goods and services

	2016 HK\$'M	2015 HK\$'M
Associates		
Purchase of goods and services (Note (i))	<b>104.9</b>	184.8
Joint ventures		
Loan interest expenses (Note (i))	<b>49.1</b>	21.1
Other related parties		
Purchase of goods and services (Note (i))	<b>16.6</b>	15.8
Interest expense on bank loans (Note (i))	<b>27.8</b>	35.7

#### Notes

- (i) These related party transactions were conducted at prices and terms as agreed by parties involved.
- (ii) For the terms and year end balances of loans, please refer to Notes 21 and 22.
- (c) Year end balances arising from interest income, interest expense and sale or purchase of goods and services from other related parties

	2016 HK\$'M	2015 HK\$'M
Time deposits and interest receivables	<b>30.0</b>	666.1
Bank loans and interest payables	<b>560.2</b>	556.9
Trade receivables	<b>3.3</b>	25.3
Trade payables	<b>0.1</b>	0.2

- (d) Other related party transactions are also disclosed in Notes 12, 21, 22, 27 and 30.

## 41 Notes to consolidated cash flow statement

### Reconciliation of profit before taxation to net cash from operating activities

	2016 HK\$'M	2015 HK\$'M
Profit before taxation	9,845.7	9,906.0
Share of results of associates	(2,447.4)	(2,228.2)
Share of results of joint ventures	(1,465.3)	(1,715.6)
Gain on disposal of an associate	–	(30.8)
Provision for an investment in an associate	250.0	–
Fair value gain on investment property	(14.1)	(26.8)
Impairment of trade receivables	13.7	61.0
Provision for other assets	206.6	168.6
Ineffective portion on cash flow hedges	(5.0)	9.4
Unhedged portion on cash flow hedges	–	1.2
Interest income	(209.9)	(344.5)
Interest expense	1,207.4	1,128.6
Dividend income from investments in securities	(151.5)	(183.9)
Depreciation and amortisation	2,223.1	2,075.3
Loss on disposal/write off of property, plant and equipment	30.9	87.2
Gain on disposal of leasehold land	(45.2)	(9.8)
Fair value gain on derivative	(248.8)	–
Net realised gain on available-for-sale financial assets	(13.3)	(93.9)
Net realised and unrealised gain on investments in financial assets at fair value through profit or loss and derivative financial instruments	(170.6)	(170.4)
Tax paid	(1,438.8)	(1,518.6)
Exchange differences	336.8	516.1
Changes in working capital		
Increase in customers' deposits	19.9	26.5
Decrease/(increase) in inventories	148.1	(169.1)
Decrease/(increase) in trade and other receivables	2.0	(1.4)
Increase in trade and other payables	371.6	778.0
Increase/(decrease) in asset retirement obligations	9.2	(1.7)
Changes in retirement benefit assets	14.1	13.3
Net cash from operating activities	<b>8,469.2</b>	<b>8,276.5</b>



## 42 Business combinations

### (a) Business combination under the Group's new energy business

For the year ended 31st December 2016, the following business is acquired:

	Percentage of registered capital acquired	Purchase consideration HK\$'M
烏蘭察布市豐華商貿有限公司	100	6.4
烏拉特前旗新德寶商貿有限責任公司	100	6.9

The inclusion of the acquired business does not have a significant impact of the Group's turnover and profit for the year.

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

	HK\$'M
Purchase consideration	13.3
Fair value of net identifiable assets acquired (see below)	(6.0)
Goodwill (Note 19 (a))	7.3

The goodwill is attributable to the future profitability of the acquired business and the synergies expected to arise after the Group's acquisitions.

The fair value of identifiable assets and liabilities arising from the acquisition are as follows:

	Acquirees' fair value at acquisition date HK\$'M
Property, plant and equipment (Note 16)	1.2
Leasehold land (Note 18)	5.1
Trade and other receivables	0.3
Cash and bank balances	0.1
Trade and other payables	(0.7)
Net identifiable assets acquired	6.0

#### Net cash flow arising on acquisition:

	HK\$'M
Purchase consideration for acquisition of business, settled in cash	11.4
Cash and cash equivalents in business acquired	(0.1)
Cash outflow on acquisition of business	11.3

As at 31st December 2016, purchase consideration of HK\$1.9 million remained unpaid and included in trade and other payables.

## 42 Business combinations (Continued)

### (b) Business combination under Towngas China

For the year ended 31st December 2016, Towngas China acquired the following business:

	Percentage of registered capital acquired	Purchase consideration HK\$'M
Qiqihar Xingqixiang Gas Company Limited	100	110.2

The inclusion of the acquired business does not have a significant impact of the Group's turnover and profit for the year.

The details of fair value of net identifiable assets acquired and goodwill are as follows:

	Acquiree's fair value at acquisition date HK\$'M
Property, plant and equipment (Note 16)	43.6
Leasehold land (Note 18)	39.1
Trade and other receivables	2.7
Investment in a joint venture	2.1
Cash and bank balances	0.7
Trade and other payables	(17.2)
Deferred taxation	(0.9)
Net identifiable assets acquired	70.1
Goodwill (Note 19 (a))	40.1
Purchase consideration	110.2

The goodwill is attributable to the future profitability of the acquired business and the synergies expected to arise after the Group's acquisition.

## 42 Business combinations (Continued)

### (b) Business combination under Towngas China (Continued)

#### Net cash flow arising on acquisition:

	HK\$'M
Purchase consideration for acquisition of business, settle in cash	99.4
Cash and cash equivalents in business acquired	(0.7)
Cash outflow on acquisition of business	98.7

As at 31st December 2016, purchase consideration of HK\$10.8 million remained unpaid and included in trade and other payables.

### (c) Further acquisition of subsidiaries

During the year, the Group has further acquired the interest in several subsidiaries. The total consideration for all further acquisitions is approximately HK\$342.5 million. The difference between the share of net assets value acquired and total consideration of HK\$78.9 million was recognised directly in equity for these transactions with non-controlling interests.

### (d) Apart from the above, there were no other material acquisitions during the year ended 31st December 2016.

### 43 Statement of financial position of the Company

	2016 HK\$'M	2015 HK\$'M
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	11,107.8	10,575.3
Leasehold land	225.0	232.0
Subsidiaries	17,228.9	16,005.5
Joint ventures	831.7	831.7
Available-for-sale financial assets	30.0	37.6
	<b>29,423.4</b>	<b>27,682.1</b>
<b>Current assets</b>		
Inventories	1,124.8	1,212.2
Trade and other receivables	1,859.7	1,743.9
Loan receivables from subsidiaries	–	282.0
Loan and other receivables from associates	28.6	28.5
Other receivables from joint ventures	11.7	11.4
Time deposits over three months	1,042.5	–
Time deposits up to three months, cash and bank balances	723.2	1,732.1
	<b>4,790.5</b>	<b>5,010.1</b>
<b>Current liabilities</b>		
Trade and other payables	(1,348.9)	(1,043.1)
Provision for taxation	(160.6)	(130.8)
	<b>(1,509.5)</b>	<b>(1,173.9)</b>
<b>Total assets less current liabilities</b>	<b>32,704.4</b>	<b>31,518.3</b>
<b>Non-current liabilities</b>		
Loan and other payables to subsidiaries	(10,248.1)	(10,412.9)
Customers' deposits	(1,289.0)	(1,271.9)
Deferred taxation	(1,286.2)	(1,231.9)
Retirement benefit liabilities	(50.1)	(42.3)
Borrowings	(246.8)	(245.8)
	<b>(13,120.2)</b>	<b>(13,204.8)</b>
<b>Net assets</b>	<b>19,584.2</b>	<b>18,313.5</b>

#### 43 Statement of financial position of the Company (Continued)

	2016 HK\$'M	2015 HK\$'M
<b>Capital and reserves</b>		
Share capital	5,474.7	5,474.7
Reserves (Note (a))	14,109.5	12,838.8
	<b>19,584.2</b>	<b>18,313.5</b>

Approved by the Board of Directors on 16th March 2017

**Lee Shau Kee**  
*Director*

**David Li Kwok Po**  
*Director*

### 43 Statement of financial position of the Company (Continued)

Note

(a) Reserves of the Company

	Investment revaluation reserve HK\$'M	Retained profits HK\$'M	Total HK\$'M
At 1st January 2016	8.3	12,830.5	12,838.8
Profit attributable to shareholders	–	5,449.9	5,449.9
Other comprehensive income:			
Remeasurements of retirement benefit	–	6.3	6.3
Change in value of available-for-sale financial assets	(0.5)	–	(0.5)
Total comprehensive income for the year	(0.5)	5,456.2	5,455.7
2015 final dividend paid	–	(2,659.0)	(2,659.0)
2016 interim dividend paid	–	(1,526.0)	(1,526.0)
At 31st December 2016	7.8	14,101.7	14,109.5
Balance after 2016 final dividend proposed	7.8	11,176.8	11,184.6
2016 final dividend proposed	–	2,924.9	2,924.9
	7.8	14,101.7	14,109.5
At 1st January 2015	13.8	10,412.6	10,426.4
Profit attributable to shareholders	–	6,282.4	6,282.4
Other comprehensive income:			
Remeasurements of retirement benefit	–	(23.1)	(23.1)
Change in value of available-for-sale financial assets	(1.2)	–	(1.2)
Impairment loss on available-for-sale financial assets transferred to income statement	(4.3)	–	(4.3)
Total comprehensive income for the year	(5.5)	6,259.3	6,253.8
2014 final dividend paid	–	(2,417.8)	(2,417.8)
2015 interim dividend paid	–	(1,387.6)	(1,387.6)
Shares bought back	–	(36.0)	(36.0)
At 31st December 2015	8.3	12,830.5	12,838.8
Balance after 2015 final dividend proposed	8.3	10,171.5	10,179.8
2015 final dividend proposed	–	2,659.0	2,659.0
	8.3	12,830.5	12,838.8

## Subsidiaries

The following is a list of the principal subsidiaries as at 31st December 2016:

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
<b>Gas and related businesses in Hong Kong</b>				
Summit Result Developments Limited	HK\$100	100	Hong Kong	Customers Centre
Towngas Enterprise Limited	HK\$2	100	Hong Kong	Café, restaurant and retail sales
Uticom Limited	HK\$100	100	Hong Kong	Development of automatic meter reading system
# Quality Testing Services Limited	HK\$10,000	100	Hong Kong	Laboratory testing
<b>Gas, water and related businesses in Mainland China</b>				
Chaozhou Hong Kong and China Gas Company Limited	HK\$100.0 million	90	PRC	Gas sales and related businesses
Danyang Hong Kong and China Gas Company Limited	RMB60.0 million	80	PRC	Gas sales and related businesses
Fengcheng Hong Kong and China Gas Company Limited	RMB88.0 million	55	PRC	Gas sales and related businesses
Guangzhou Dongyong Hong Kong & China Gas Limited	HK\$71.3 million	82.6	PRC	Gas sales and related businesses
Guangzhou Hong Kong and China Gas Company Limited	RMB105.0 million	80	PRC	Gas sales and related businesses
Jiangxi Hong Kong and China Gas Company Limited	RMB25.9 million	56	PRC	Gas sales and related businesses
Jilin Hong Kong and China Gas Company Limited	RMB100.0 million	63	PRC	Gas sales and related businesses
常州金壇港華燃氣有限公司	RMB60.0 million	60	PRC	Gas sales and related businesses
† Peixian Hong Kong and China Gas Company Limited	RMB100.0 million	100	PRC	Gas sales and related businesses
† Pingxiang Hong Kong & China Gas Company Limited	RMB104.8 million	100	PRC	Gas sales and related businesses
† Suining Hong Kong and China Gas Company Limited	RMB66.5 million	100	PRC	Gas sales and related businesses
Taizhou Hong Kong and China Gas Company Limited	RMB83.0 million	65	PRC	Gas sales and related businesses
Taizhou Yongan Hong Kong and China Gas Company Limited	US\$10.0 million	93.9	PRC	Gas sales and related businesses
Wujiang Hong Kong and China Gas Company Limited	RMB60.0 million	80	PRC	Gas sales and related businesses
Xuzhou Hong Kong and China Gas Company Limited	RMB125.0 million	80	PRC	Gas sales and related businesses
Yixing Hong Kong and China Gas Company Limited	RMB124.0 million	80	PRC	Gas sales and related businesses
† Zhang Shu Hong Kong & China Gas Company Limited	US\$5.0 million	100	PRC	Gas sales and related businesses
Zhongshan Hong Kong and China Gas Limited	RMB96.0 million	70	PRC	Gas sales and related businesses
景縣港華燃氣有限公司	RMB79.0 million	81	PRC	Gas sales and related businesses
† 豐縣港華燃氣有限公司	US\$4.5 million	100	PRC	Gas sales and related businesses
饒平港華燃氣有限公司	HK\$126.0 million	60	PRC	Gas sales and related businesses

# Direct subsidiaries of the Company

† Wholly foreign-owned enterprises

## Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2016: (Continued)

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
<b>Gas, water and related businesses in Mainland China (Continued)</b>				
† 新密港華燃氣有限公司	US\$12.5 million	100	PRC	Gas sales and related businesses
† 港華支付科技(深圳)有限公司	RMB28.0 million	100	PRC	Payment gateway and related businesses
瀋陽三全工程監理諮詢有限公司	RMB3.0 million	60	PRC	Project management
† Maanshan Hong Kong and China Water Company Limited	US\$10.0 million	100	PRC	Water supply and related businesses
# Wuhu Hong Kong and China Water Company Limited	RMB400.0 million	75	PRC	Water supply and related businesses
Wujiang Hong Kong and China Water Company Limited	RMB860.0 million	80	PRC	Water supply and related businesses
† 安徽省江北華衍水務有限公司	RMB374.4 million	100	PRC	Water supply and related businesses
† Hong Kong & China Gas Investment Limited	US\$75.0 million	100	PRC	Investment holding
* Towngas China Company Limited	2,711,601,763 shares of HK\$0.1 each	64.1	Cayman Island/ PRC	Investment holding
The following subsidiaries engaged in gas businesses are held by Towngas China Company Limited (TCCL) and the respective equity interest held by TCCL is shown accordingly.				
† An Shan Hong Kong and China Gas Company Limited	US\$20.0 million	100	PRC	Gas sales and related businesses
Baotou Hong Kong & China Gas Company Limited	RMB100.0 million	85	PRC	Gas sales and related businesses
Baoding Foric Hong Kong & China Gas Company Limited	RMB52.5 million	70	PRC	Gas sales and related businesses
Beipiao Hong Kong and China Gas Company Limited	RMB56.0 million	80	PRC	Gas sales and related businesses
Ben Xi Hongkong and China Gas Company Limited	RMB310.0 million	80	PRC	Gas sales and related businesses
Boxing Hong Kong & China Gas Co., Ltd	RMB40.0 million	65	PRC	Gas sales and related businesses
† Cang Xi Hong Kong and China Gas Company Limited	RMB20.0 million	100	PRC	Gas sales and related businesses
Cangxian Hong Kong & China Gas Co., Ltd.	RMB10.0 million	90	PRC	Gas sales and related businesses
Changting Hong Kong and China Gas Company Limited	RMB22.0 million	90	PRC	Gas sales and related businesses
Chaoyang Hong Kong and China Gas Company Limited	US\$10.8 million	90	PRC	Gas sales and related businesses
Chaozhou Fengxi Hong Kong and China Gas Co., Ltd	RMB60.0 million	60	PRC	Gas sales and related businesses
Chi Ping Hong Kong and China Gas Company Limited	RMB40.0 million	85	PRC	Gas sales and related businesses
† Chizhou Hong Kong and China Gas Company Limited	RMB20.0 million	100	PRC	Gas sales and related businesses

# Direct subsidiaries of the Company

† Wholly foreign-owned enterprises

\* A listed company in The Stock Exchange of Hong Kong Limited



## Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2016: (Continued)

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
<b>Gas, water and related businesses in Mainland China</b> (Continued)				
Dafeng Hong Kong and China Gas Company Limited	RMB80.0 million	51	PRC	Gas sales and related businesses
† Dalian Changxing Hong Kong and China Gas Co. Ltd.	US\$14.0 million	100	PRC	Gas sales and related businesses
† Dalian Lvshun Hong Kong and China Gas Co. Ltd.	US\$15.0 million	100	PRC	Gas sales and related businesses
† Da Yi Hong Kong and China Gas Company Limited	RMB20.0 million	100	PRC	Gas sales and related businesses
† Feicheng Hong Kong and China Gas Company Limited	RMB32.0 million	100	PRC	Gas sales and related businesses
† Fuxin Dali Gas Company Limited	RMB13.9 million	100	PRC	Gas sales and related businesses
Fuxin Hongkong and China Gas Company Limited	RMB77.2 million	90	PRC	Gas sales and related businesses
† Fuxin Xinqiu Hong Kong and China Gas Company Limited	RMB34.0 million	100	PRC	Gas sales and related businesses
† Gao Chun Hong Kong and China Gas Co., Ltd.	US\$4.0 million	100	PRC	Gas sales and related businesses
† Gongzhuling Hong Kong and China Gas Company Limited	RMB88.0 million	100	PRC	Gas sales and related businesses
† Guangxi Zhongwei Pipeline Gas Development Group Co., Ltd.	RMB30.0 million	100	PRC	Gas sales and related businesses
Guilin Hong Kong and China Gas Co., Ltd.	RMB30.0 million	100	PRC	Gas sales and related businesses
† Huang Shan Hong Kong & China Gas Co., Ltd.	RMB40.0 million	100	PRC	Gas sales and related businesses
† Huangshan Huizhou Hong Kong & China Gas Co., Ltd.	US\$2.1 million	100	PRC	Gas sales and related businesses
† Huang Shan Taiping Hong Kong & China Gas Co., Ltd.	US\$3.5 million	100	PRC	Gas sales and related businesses
Huzhou Hong Kong and China Gas Company Limited	US\$10.5 million	98.9	PRC	Gas sales and related businesses
Jiajiang Hong Kong & China Gas Company Limited	RMB20.0 million	70	PRC	Gas sales and related businesses
Jianping Hong Kong and China Gas Company Limited	RMB58.0 million	80	PRC	Gas sales and related businesses
Jianyang Hong Kong and China Gas Company Limited	RMB30.0 million	100	PRC	Gas sales and related businesses
Jinan Pingyin Hong Kong & China Gas Co., Ltd.	RMB100.0 million	82.2	PRC	Gas sales and related businesses
Jiujiang Hong Kong and China Gas Co., Ltd.	RMB10.0 million	60	PRC	Gas sales and related businesses
† Kazuo Hong Kong & China Gas Co., Ltd.	US\$6.4 million	100	PRC	Gas sales and related businesses
† Laiyang Hong Kong and China Gas Co., Ltd.	US\$5.4 million	100	PRC	Gas sales and related businesses
† Lezhi Hong Kong and China Gas Company Limited	RMB30.0 million	100	PRC	Gas sales and related businesses

† Wholly foreign-owned enterprises

## Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2016: (Continued)

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
<b>Gas, water and related businesses in Mainland China (Continued)</b>				
† Longkou Hongkong and China Gas Company Limited	US\$7.1 million	100	PRC	Gas sales and related businesses
† Luliang Hong Kong & China Gas Company Limited	RMB52.0 million	100	PRC	Gas sales and related businesses
Maanshan Bowang Hong Kong & China Gas Co., Ltd.	US\$10.0 million	75.1	PRC	Gas sales and related businesses
† Maanshan Jiangbei Hong Kong & China Gas Company Limited	US\$10.0 million	100	PRC	Gas sales and related businesses
Mengcun Hong Kong & China Gas Co., Ltd.	RMB10.0 million	90	PRC	Gas sales and related businesses
Mianzhu Hong Kong and China Gas Co., Ltd.	RMB18.0 million	80	PRC	Gas sales and related businesses
† Mianyang Hong Kong & China Gas Co., Ltd.	RMB90.0 million	100	PRC	Gas sales and related businesses
Mianyang Heqing Towngas Co., Ltd.	RMB1.0 million	80	PRC	Gas sales and related businesses
Mianzhu Yuquan Hong Kong and China Gas Co., Ltd.	RMB5.0 million	80	PRC	Gas sales and related businesses
Miluo Hong Kong and China Gas Company Limited	RMB50.0 million	70	PRC	Gas sales and related businesses
Peng Shan Hong Kong and China Gas Company Limited	RMB20.0 million	70	PRC	Gas sales and related businesses
Peng Xi Hong Kong and China Gas Company Limited	RMB16.6 million	100	PRC	Gas sales and related businesses
Pingchang Hong Kong and China Gas Company Limited	RMB20.0 million	90	PRC	Gas sales and related businesses
Qingdao Dong Yi Hong Kong and China Gas Company Limited	RMB30.0 million	60	PRC	Gas sales and related businesses
Qingdao Zhongji Hong Kong and China Gas Company Limited	RMB73.5 million	90	PRC	Gas sales and related businesses
Qingyuan Hong Kong and China Gas Company Limited	RMB50.0 million	80	PRC	Gas sales and related businesses
Qinhuangdao Hong Kong & China Gas Co., Ltd.	RMB15.0 million	51	PRC	Gas sales and related businesses
Qiqihar Hong Kong and China Gas Company Limited	RMB128.6 million	61.7	PRC	Gas sales and related businesses
Shao Guan Hong Kong and China Gas Co., Ltd.	RMB20.0 million	100	PRC	Gas sales and related businesses
† Shenyang Hong Kong & China Gas Company Limited	US\$24.5 million	100	PRC	Gas sales and related businesses
Siping Hong Kong and China Gas Company Limited	RMB45.0 million	80	PRC	Gas sales and related businesses
Songyang Hong Kong & China Gas Company Limited	RMB20.0 million	51.4	PRC	Gas sales and related businesses
Tie Ling Hong Kong and China Gas Company Limited	RMB233.0 million	80	PRC	Gas sales and related businesses

† Wholly foreign-owned enterprises

## Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2016: (Continued)

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
<b>Gas, water and related businesses in Mainland China (Continued)</b>				
Tongshan Hong Kong and China Gas Co. Ltd.	RMB124.0 million	100	PRC	Gas sales and related businesses
Tongxiang Hong Kong and China Gas Company Limited	US\$7.0 million	76	PRC	Gas sales and related businesses
Weiyuan Hong Kong and China Gas Company Limited	RMB30.0 million	100	PRC	Gas sales and related businesses
Wuhu Jiangbei Hong Kong and China Gas Company Limited	RMB100.0 million	100	PRC	Gas sales and related businesses
Wulian Hong Kong and China Gas Company Limited	RMB20.0 million	70	PRC	Gas sales and related businesses
Wuning Hong Kong and China Gas Co., Ltd.	RMB40.0 million	100	PRC	Gas sales and related businesses
Xin Du Hong Kong and China Gas Company Limited, Cheng Du	RMB30.0 million	100	PRC	Gas sales and related businesses
Xin Jin Hong Kong and China Gas Company Limited	RMB20.0 million	60	PRC	Gas sales and related businesses
Xin Jin Yong Shuang Hong Kong and China Gas Company Limited	RMB20.0 million	60	PRC	Gas sales and related businesses
Xingyi Hong Kong and China Gas Company Limited	RMB50.0 million	70	PRC	Gas sales and related businesses
Xiushui Hong Kong and China Gas Company Limited	RMB30.0 million	80	PRC	Gas sales and related businesses
† Yang Jiang Hong Kong and China Gas Company Limited	RMB50.0 million	100	PRC	Gas sales and related businesses
Yanshan Hong Kong & China Gas Co., Ltd	RMB10.0 million	90	PRC	Gas sales and related businesses
Yangxin Hong Kong & China Gas Co., Ltd.	RMB18.0 million	51	PRC	Gas sales and related businesses
† Yifeng Hong Kong and China Gas Co., Ltd.	RMB32.0 million	100	PRC	Gas sales and related businesses
† Yingkou Hong Kong and China Gas Co., Ltd.	US\$9.4 million	100	PRC	Gas sales and related businesses
Yue Chi Hong Kong & China Gas Company Limited	RMB30.0 million	90	PRC	Gas sales and related businesses
† Zhao Yuan Hong Kong & China Gas Co., Ltd.	RMB22.0 million	100	PRC	Gas sales and related businesses
† Zhong Jiang Hong Kong and China Gas Company Limited	RMB30.0 million	100	PRC	Gas sales and related businesses
Ziyang Hong Kong and China Gas Company Limited	RMB30.0 million	90	PRC	Gas sales and related businesses
大連瓦房店金宇港華燃氣有限公司	RMB40.0 million	60	PRC	Gas sales and related businesses
Heilongjiang Hong Kong & China Lianfu New Energy Company Limited	RMB7.2 million	55	PRC	Vehicle gas refilling stations
<sup>2</sup> Qiqihar Xingqixiang Gas Company Limited	RMB83.1 million	100	PRC	Vehicle gas refilling stations
† Towngas Investments Limited	US\$200.0 million	100	PRC	Investment holding

† Wholly foreign-owned enterprises

<sup>2</sup> Newly acquired during the year

## Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2016: (Continued)

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
<b>New Energy businesses</b>				
ECO Aviation Fuel Development Limited	HK\$2	100	Hong Kong	Aviation fuel facility
ECO Aviation Fuel Services Limited	HK\$10,000	100	Hong Kong	Aviation fuel facility
ECO Landfill Gas (NENT) Limited	HK\$100	100	Hong Kong	Landfill gas project
P-Tech Landfill Gas (SENT) Company Limited	HK\$100	100	Hong Kong	Landfill gas project
ECO Biochemical Technology (Zhangjiagang) Company Limited	US\$33.3 million	100	PRC	Chemical business
Inner Mongolia Coal Chemical Technology Company Limited	RMB867.0 million	100	PRC	Chemical business
Inner Mongolia ECO Ke Jian Coal Company Limited	RMB150.0 million	100	PRC	Coal related businesses
Qinhuangdao YiTeng Trade Co. Ltd.	US\$20.0 million	100	PRC	Coal related businesses
易高卓新節能技術(上海)有限公司	RMB14.0 million	100	PRC	Consultancy services
易高清潔能源管理服務(西安)有限公司	US\$1.5 million	100	PRC	Engineering services
易高新能源工程管理服務(深圳)有限公司	RMB15.0 million	100	PRC	Engineering services
<sup>1</sup> 易高卓新(上海)融資租賃有限公司	US\$30.0 million	100	PRC	Financing
Shanxi ECO Coalbed Methane Co. Ltd.	RMB200.0 million	70	PRC	LNG business
Shandong ECO Juming Energy Co., Ltd	RMB150.0 million	90	PRC	LNG business
Xuzhou ECO ZhongTai New Energy Co., Ltd.	US\$24.5 million	80	PRC	LNG business
嘉祥縣恒生貿易有限公司	RMB180.0 million	88	PRC	Logistics business
ECO Orient Resources (Thailand) Ltd.	THB 425.0 million	100	Thailand	Oil business
<sup>†</sup> ECO Services Management Company Limited	RMB80.0 million	100	PRC	Project management
Dalian Yihua New Energy Technological Development Co., Ltd.	US\$4.8 million	100	PRC	Research and Development
易高環保能源科技(張家港)有限公司	US\$3.3 million	100	PRC	Research and Development
Anyang ECO Clean Energy Co., Ltd.	US\$2.3 million	100	PRC	Vehicular fuel refilling station
Chifeng ECO Clean Energy Co., Ltd.	RMB14.9 million	100	PRC	Vehicular fuel refilling station
Chiping ECO Yi Yun Gas Co. Ltd.	RMB15.0 million	100	PRC	Vehicular fuel refilling station
Dong Ping ECO Energy Co. Ltd.	RMB25.5 million	91	PRC	Vehicular fuel refilling station
Fengxiang ECO Clean Energy Company Limited	RMB15.0 million	100	PRC	Vehicular fuel refilling station
Guangzhou ECO Environmental Energy Co., Ltd.	US\$2.1 million	100	PRC	Vehicular fuel refilling station
Hanzhong ECO Clean Energy Co., Ltd.	US\$2.1 million	100	PRC	Vehicular fuel refilling station
Hebei ECO Hua Tong Clean Energy Co., Ltd	RMB31.0 million	80	PRC	Vehicular fuel refilling station
<sup>†</sup> Henan ECO Clean Energy Co. Ltd.	US\$2.2 million	100	PRC	Vehicular fuel refilling station
Jiaxiang ECO Energy Co. Ltd.	RMB28.0 million	70	PRC	Vehicular fuel refilling station

<sup>†</sup> Wholly foreign-owned enterprises

<sup>1</sup> Newly formed during the year

## Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2016: (Continued)

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
<b>New Energy businesses (Continued)</b>				
Jining ECO Energy Co., Ltd.	RMB7.7 million	100	PRC	Vehicular fuel refilling station
Kaifeng ECO Clean Energy Co., Ltd.	US\$2.4 million	100	PRC	Vehicular fuel refilling station
Liaocheng ECO Clean Energy Co. Ltd.	US\$2.1 million	100	PRC	Vehicular fuel refilling station
Linzhou City ECO Clean Energy Co., Ltd.	US\$3.3 million	100	PRC	Vehicular fuel refilling station
MeiXian ECO Clean Energy Co., Ltd.	RMB14.2 million	100	PRC	Vehicular fuel refilling station
Nanyang ECO Clean Energy Co., Ltd.	RMB10.1 million	100	PRC	Vehicular fuel refilling station
Qingtongxia ECO Clean Energy Co., Ltd.	RMB15.4 million	100	PRC	Vehicular fuel refilling station
† Shaan Xi ECO Clean Energy Co., Ltd.	RMB27.0 million	100	PRC	Vehicular fuel refilling station
Shanxian ECO Clean Energy Co., Ltd.	US\$2.3 million	100	PRC	Vehicular fuel refilling station
Shanxian ECO RLM Clean Energy Co., Ltd.	RMB13.0 million	90	PRC	Vehicular fuel refilling station
Shanxi ECO Nova Clean Energy Co., Ltd.	RMB20.0 million	75	PRC	Vehicular fuel refilling station
Urad Middle Banner Xinran Natural Gas Co., Ltd	RMB8.3 million	100	PRC	Vehicular fuel refilling station
Weishan ECO Energy Co., Ltd.	US\$4.7 million	100	PRC	Vehicular fuel refilling station
Wuzhong ECO Clean Energy Co., Ltd.	RMB10.5 million	100	PRC	Vehicular fuel refilling station
Xian ECO Yida Clean Energy Co., Ltd.	RMB12.0 million	100	PRC	Vehicular fuel refilling station
Xiwuzhumuqin Country ECO Clean Energy Co., Ltd.	RMB14.9 million	100	PRC	Vehicular fuel refilling station
Xuzhou ECO Energy Co., Ltd	RMB20.0 million	80	PRC	Vehicular fuel refilling station
Zhongwei ECO Clean Energy Co., Ltd.	RMB12.4 million	100	PRC	Vehicular fuel refilling station
察哈爾右翼前旗易高清潔能源有限公司	RMB14.9 million	100	PRC	Vehicular fuel refilling station
神木易高耀清能源有限公司	RMB38.2 million	90	PRC	Vehicular fuel refilling station
內蒙古易高清潔能源有限公司	RMB14.0 million	90	PRC	Vehicular fuel refilling station
江西易高凌峰清潔能源有限公司	RMB30.0 million	70	PRC	Vehicular fuel refilling station
邢台市易高港興清潔能源有限公司	RMB17.1 million	80	PRC	Vehicular fuel refilling station
<sup>1</sup> 錫林郭勒盟易高清潔能源有限公司	RMB14.9 million	100	PRC	Vehicular fuel refilling station
<sup>1</sup> 化德易高清潔能源有限公司	RMB14.4 million	100	PRC	Vehicular fuel refilling station
<sup>1</sup> 周至易高清潔能源有限公司	RMB9.6 million	100	PRC	Vehicular fuel refilling station
<sup>2</sup> 烏拉特前旗新德寶商貿有限責任公司	RMB6.8 million	100	PRC	Vehicular fuel refilling station
<sup>1</sup> 中衛海興易高清潔能源有限公司	RMB14.8 million	100	PRC	Vehicular fuel refilling station
<sup>1</sup> 偃師易高清潔能源有限公司	RMB10.3 million	100	PRC	Vehicular fuel refilling station
<sup>1</sup> 山西忻州易高清潔能源有限公司	RMB14.9 million	100	PRC	Vehicular fuel refilling station
<sup>2</sup> 烏蘭察布市豐華商貿有限公司	RMB10.7 million	100	PRC	Vehicular fuel refilling station
† ECO Environmental Energy Investments Limited	US\$100.0 million	100	PRC	Investment holding
† ECO Environmental Resources Investments Limited	US\$299.0 million	100	PRC	Investment holding

† Wholly foreign-owned enterprises

<sup>1</sup> Newly formed during the year

<sup>2</sup> Newly acquired during the year

## Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2016: (Continued)

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
<b>Other businesses</b>				
HDC Data Centre Limited	HK\$100	100	Hong Kong	Telecommunications business
Towngas Telecommunications Fixed Network Limited	HK\$35.0 million	100	Hong Kong	Telecommunications business
† Towngas Telecom (Fengxian) Company Limited	RMB7.5 million	100	PRC	Telecommunications business
† Towngas Telecom (Peixian) Company Limited	RMB9.0 million	100	PRC	Telecommunications business
Towngas Telecom (Shandong) Company Limited	RMB40.0 million	90.1	PRC	Telecommunications business
Towngas Chibo Data Service (Jinan) Co., Ltd.	RMB168.0 million	81.4	PRC	Telecommunications business
† Towngas Telecommunications (Shenzhen) Limited	RMB6.0 million	100	PRC	Telecommunications business
TGT China Cloud Data Services (Harbin) Co., Ltd.	RMB63.0 million	80	PRC	Telecommunications business
TGT Union Financial Data Services (Dongguan) Co., Ltd.	RMB80.0 million	60	PRC	Telecommunications business
大連億達名氣通數據有限公司	RMB76.0 million	90	PRC	Telecommunications business
北京馳波名氣通數據服務有限公司	RMB10.0 million	96.5	PRC	Telecommunications business
名氣通網絡(深圳)有限公司	RMB29.5 million	100	PRC	Telecommunications business
萊陽名氣通電訊有限公司	RMB10.0 million	90	PRC	Telecommunications business
Hong Kong and China Technology (Wuhan) Company Limited	RMB21.2 million	100	PRC	System Development & Consulting Services
珠海卓銳高科信息技術有限公司	RMB4.9 million	100	PRC	System Development & Consulting Services
M-Tech Instrument (Hong Kong) Limited	HK\$100	100	Hong Kong	Gas meter and related businesses
† 卓通管道系統(中山)有限公司	RMB31.0 million	100	PRC	PE piping system business
† 卓度計量技術(深圳)有限公司	RMB30.0 million	100	PRC	Gas meter and related businesses
U-Tech Engineering Company Limited	HK\$14.8 million	100	Hong Kong	Engineering and related businesses
P-Tech Engineering Company Limited	HK\$2	100	Hong Kong	Engineering and related businesses
Starmax Assets Limited	HK\$90.0 million	100	British Virgin Islands/ Hong Kong	Property development
<b>Financing &amp; securities investments</b>				
# Eagle Legend International Limited	HK\$100	100	Hong Kong	Financing
HKCG (Finance) Limited	HK\$100	100	Hong Kong	Financing
TCCL (Finance) Limited	HK\$1	62.3	Hong Kong	Financing
Towngas (Finance) Limited	HK\$100	100	British Virgin Islands	Financing
Barnaby Assets Limited	US\$1	100	British Virgin Islands/ Hong Kong	Securities investment

# Direct subsidiaries of the Company

† Wholly foreign-owned enterprises

## Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2016: (Continued)

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
<b>Financing &amp; securities investments</b> (Continued)				
Danetop Services Limited	US\$1	100	British Virgin Islands/ Hong Kong	Securities investment
Investstar Limited	HK\$100	100	Hong Kong	Securities investment
Superfun Enterprises Limited	US\$1	100	British Virgin Islands/ Hong Kong	Securities investment
Upwind International Limited	US\$1	100	British Virgin Islands/ Hong Kong	Securities investment
<b>Investment holding</b>				
Apex Time Holdings Limited	HK\$100	100	Hong Kong	Investment holding
ECO Coal Chemical Technology (Inner Mongolia) Limited	HK\$100	100	Hong Kong	Investment holding
ECO Environmental Investments Limited	HK\$2	100	Hong Kong	Investment holding
ECO Environmental Energy (China) Ltd.	HK\$100	100	Hong Kong	Investment holding
ECO Environmental Investments (China) Limited	HK\$100	100	Hong Kong	Investment holding
ECO Natural Gas (China) Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
ECO Natural Gas (Xian) Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
ECO Orient Energy (Thailand) Ltd.	US\$12,000	100	Bermuda	Investment holding
Fanico Investments Limited	HK\$1	100	Hong Kong	Investment holding
G-Tech Piping Technologies Limited	HK\$100	100	Hong Kong	Investment holding
Hong Kong & China Gas (Anhui) Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Changzhou) Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Chaozhou) Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (China) Limited	HK\$10,000	100	British Virgin Islands	Investment holding
Hong Kong & China Gas (Danyang) Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Fengcheng) Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Guangzhou) Limited	HK\$1,000	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Hebei) Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Jilin Province) Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding

## Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2016: (Continued)

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
<b>Investment holding</b> (Continued)				
Hong Kong & China Gas (Jinan) Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Jintan) Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Nanjing) Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Panyu) Limited	HK\$1,000	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Qianhai) Limited	HK\$100	100	Hong Kong	Investment holding
Hong Kong & China Gas (Suzhou) Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Taizhou) Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Wuhan) Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Wujiang) Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Xuzhou) Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Yixing) Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Zhangjiagang) Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Gas (Zhongshan) Limited	HK\$1,000	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Water (Maanshan) Limited	HK\$100	100	Hong Kong	Investment holding
Hong Kong & China Water (Suzhou) Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Water (Wujiang) Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
Hong Kong & China Water Limited	US\$1	100	British Virgin Islands	Investment holding
Hong Kong and China Gas (Hainan) Limited	HK\$100	100	Hong Kong	Investment holding
Hong Kong and China Gas (Jiangxi) Limited	HK\$100	100	Hong Kong	Investment holding
Hong Kong and China Gas (Jingxian) Limited	HK\$100	100	Hong Kong	Investment holding
Hong Kong and China Gas (Xinmi) Limited	HK\$100	100	Hong Kong	Investment holding
Hong Kong and China Gas (Zhangshu) Limited	HK\$100	100	Hong Kong	Investment holding



## Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2016: (Continued)

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
<b>Investment holding</b> (Continued)				
Hong Kong and China Gas (Zhengzhou) Limited	HK\$100	100	Hong Kong	Investment holding
Hong Kong and China Water (Anhui Jiangbei) Limited	HK\$100	100	Hong Kong	Investment holding
M-Tech Instrument Corporation (Holding) Limited	HK\$119	100	Hong Kong	Investment holding
Sky Global Limited	US\$100	100	British Virgin Islands/ Hong Kong	Investment holding
TGT Harbin Company Limited	HK\$100	100	Hong Kong	Investment holding
TGT BROADBANDgo Company Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
TGT Destic Company Limited	HK\$100	100	Hong Kong	Investment holding
<sup>1</sup> TGT Shanghai Data Services Company Limited	HK\$100	100	Hong Kong	Investment holding
TGT TGgo Company Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
# Towngas International Company Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding
# Towngas Investment Company Limited	HK\$2	100	Hong Kong	Investment holding
Towngas Telecommunications (China) Limited	US\$1	100	British Virgin Islands/ Hong Kong	Investment holding

<sup>1</sup> Newly formed during the year

# Direct subsidiaries of the Company

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