

# 2014

# Interim Report



香港中華煤氣有限公司

**The Hong Kong and China Gas Company Limited**

*(Incorporated in Hong Kong under the Companies Ordinance with limited liability)*

(Stock Code: 3)

# THE HONG KONG AND CHINA GAS COMPANY LIMITED

## 2014 INTERIM REPORT

To Shareholders

Dear Sir or Madam,

### HALF-YEARLY RESULTS

The Directors are pleased to report that the unaudited profit after taxation attributable to shareholders of the Group for the six months ended 30th June 2014 amounted to HK\$3,727 million, an increase of HK\$107 million compared with the same period last year. Earnings per share for the first half of 2014 amounted to HK35.4 cents. Exclusive of the Group's share of a revaluation surplus from the International Finance Centre ("IFC") complex and unrealised exchange differences on the renminbi, the Group's operating profit after taxation for the six months ended 30th June 2014 increased by HK\$428 million to HK\$3,748 million, an increase of approximately 13.0 per cent compared to the same period last year mainly attributable to a rise in profit from the Group's local businesses and mainland utility businesses.

Highlights of the unaudited results of the Group for the six months ended 30th June 2014, as compared to the same period in 2013, are shown in the following table:

	Unaudited	
	Six months ended 30th June	
	2014	2013
Revenue before Fuel Cost Adjustment, HK million dollars	<b>14,827</b>	12,163
Revenue after Fuel Cost Adjustment, HK million dollars	<b>15,808</b>	13,147
Profit Attributable to Shareholders, HK million dollars	<b>3,727</b>	3,620
Earnings per Share, HK cents	<b>35.4</b>	34.4*
Interim Dividend per Share, HK cents	<b>12.0</b>	12.0
Town Gas Sold in Hong Kong, million MJ	<b>15,765</b>	15,144
Gas Sold in mainland China City-gas Business, ten thousand cubic metres; natural gas equivalent#	<b>768,123</b>	655,633
Number of Customers in Hong Kong as at 30th June	<b>1,810,647</b>	1,782,564
Number of City-gas Customers in mainland China as at 30th June#	<b>18,259,179</b>	15,664,617

\* Adjusted for the bonus issue in 2014

# Inclusive of all mainland city-gas projects of the Group

The unaudited condensed consolidated interim accounts are provided on pages 8 to 31 of this Interim Report. The unaudited interim accounts have been reviewed by the Company's audit committee and external auditor, PricewaterhouseCoopers.

## **GAS BUSINESS IN HONG KONG**

The local economy continued to grow moderately during the first half of 2014. Stable tourism and favourable overall local job conditions helped stimulate consumer spending. Restaurant and hotel sectors maintained steady growth. As a result, commercial and industrial gas sales increased during the first half of 2014. Residential gas sales also increased as the average temperature in the first quarter of 2014 in Hong Kong was lower than the same period last year. Overall, total volume of gas sales in Hong Kong during the first half of 2014 increased by 4.1 per cent to 15,765 million MJ while appliance sales also achieved good growth increasing by 15.3 per cent, both compared to the same period last year.

As at 30th June 2014, the number of customers was 1,810,647, an increase of 11,916 since the end of December 2013, meeting target estimates.

## **BUSINESS DEVELOPMENT IN MAINLAND CHINA**

The Group's mainland businesses progressed steadily during the first half of 2014 in respect of the number of projects and profit returns.

With on-going stable economic advancement of mainland China, the demand for energy is strong. A long-term steady supply of natural gas, the major clean energy resource on the mainland, is particularly essential. On 21st May 2014, a 30-year gas supply purchase and sales contract was signed between mainland China and Russia. Under this contract, Russia will start transmitting natural gas to the northeastern region of mainland China via a pipeline from 2018, an important move in guaranteeing sufficient gas sources. The mainland government has also formulated a natural gas utilisation policy to strengthen preventative measures to combat air pollution. The development of coal-based natural gas production ventures utilising the mainland's abundant coal resources is also being encouraged to increase alternative energy sources. This momentum is benefiting the Group's city-gas and natural gas businesses and helping to create continuous growth. The Group's development of emerging environmentally-friendly energy businesses and related research and development of new technologies, through its wholly-owned subsidiary ECO Environmental Investments Limited and the latter's subsidiaries (together known as "ECO"), are progressing well. With a number of environmentally-friendly and energy conservation projects already commissioned and new projects under development, a new foundation is being laid for long-term growth of the Group's businesses. In addition, as a result of the development of the Group's telecommunications businesses in Hong Kong and on the mainland over the last few years, several data centres and telecommunications conduit system project companies have since been established, which are now contributing to ever-more diversification of the Group's businesses.

Overall, inclusive of projects of the Group's subsidiary, Towngas China Company Limited ("Towngas China"; stock code: 1083.HK), the Group currently has 192 projects on the mainland, 19 more than at the end of 2013, spread across 24 provinces, autonomous regions and municipalities. These projects encompass upstream, midstream and downstream natural gas sectors, water sectors, environmentally-friendly energy applications, energy resources' exploration and utilisation, as well as telecommunications.

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

## UTILITY BUSINESSES IN MAINLAND CHINA

The Group's city-gas businesses are progressing well. Inclusive of Towngas China, the Group currently has a total of 126 city-gas projects in mainland cities spread across 23 provinces, autonomous regions and municipalities, of which seven are new projects established this year. The total volume of gas sales for these projects for the first half of 2014 was approximately 7,680 million cubic metres, an increase of 17.2 per cent over the same period last year. As at the end of June 2014, the Group's mainland gas customers stood at approximately 18.26 million, an increase of 16.6 per cent over the same period last year. The Group continues to be a large-scale city-gas enterprise with outstanding performance on the mainland.

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

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

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

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

## EMERGING ENVIRONMENTALLY-FRIENDLY ENERGY BUSINESSES

ECO's two major businesses in Hong Kong – an aviation fuel facility servicing Hong Kong International Airport, and dedicated liquefied petroleum gas (“LPG”) vehicular filling stations – are both operating smoothly. Total turnover for the aviation fuel facility for the first half of 2014 was 2.79 million tonnes, providing a safe and reliable fuel supply to Hong Kong International Airport and continuing to contribute to ECO's steady profit growth. Profit margins for the LPG refilling station business for the first half of 2014 significantly improved compared with the same period last year, benefiting from favourable fluctuations in LPG costs.

As haze and air pollution on the mainland are now a growing concern, the Chinese government is therefore increasing its efforts to promote the utilisation of natural gas with the aim of improving air quality. Developing refilling station networks supplying LNG as a fuel for vehicles and vessels, and gradually replacing diesel for heavy-duty trucks, are gaining momentum. In response to these trends, ECO has started to reinforce its LNG supply capacity with unconventional gas resources including coalbed gas and coke oven gas. ECO's coalbed methane liquefaction facility, located in Jincheng city, Shanxi province, is operating steadily and smoothly, with both production volume and liquefied products' selling prices rising significantly compared with the same period last year. ECO is now seeking more natural gas and coalbed gas supply sources on the mainland in order to expand its liquefaction capacity and distribution areas.

There is substantial coke demand for steel-making in the iron and steel industry in mainland China. During the industrial process to convert coking coal to coke, a large quantity of coke oven gas is generated which can be used to produce LNG firstly through methanation and then liquefaction. ECO has recently sped up its efforts to pin down long-term coke oven gas supply agreements with several coking plants, and has already commenced preparatory work on two projects of this kind, one located in Xuzhou city, Jiangsu province and the other in Heze city, Shandong province, with annual production capacities of 75,000 tonnes and 83,000 tonnes of LNG respectively. Commissioning of both projects is expected in the second half of 2015.

A network of ECO natural gas refilling stations is gradually taking shape in, amongst others, Shaanxi, Shandong, Shanxi, Henan and Liaoning provinces. ECO is also planning to provide LNG refilling facilities for incoming and outgoing heavy-duty trucks and river transport vessels at the logistics port of Jining city, Shandong province – a port which links an upstream railway with the nearby downstream Beijing-Hangzhou canal. All in all, ECO currently has 30 refilling stations in operation, under planning or construction, and further expansion of this business into even more provinces is actively in progress. As the number of refilling stations increases, the ECO brand name will gradually become more well-known in the market.

In view of a worldwide shortage and rising prices of petroleum, the mainland is speeding up its development of suitable substitutes in order to reduce reliance on imported crude oil. ECO is proactively studying the utilisation of innovative resource conversion technologies to produce high value-added environmentally-friendly energy, and is making progress with converting low-value raw materials into high value-added energy. Related research and development has shown promising results recently, which could help strengthen ECO's competitive edge in this new energy sector in future. Preparatory work for a related project located in the Chemical Industrial Park of Zhangjiagang city, Jiangsu province, has already commenced. This project, with an annual production capacity of 120,000 tonnes, will upgrade biological fatty-acids (such as palm oil residue and used cooking oil) into chemical products which can be used as substitutes for diesel, will be an important first step in developing ECO's biomass energy business.

ECO's methanol production plant, in Inner Mongolia Autonomous Region, operated smoothly during the first half of 2014 with further increase in production output. On this basis, construction of a facility to further upgrading methanol into 140,000-tonne natural gasoline (a gasoline substitute chemical product) using self-developed technology has commenced; commissioning is expected before the end of 2014. This will be an important milestone for ECO's methanol upgrading business.

With regard to ECO's oilfield project in Thailand, progress was encouraging during the first half of 2014 with two high-yield wells drilled in March and April enabling a daily output of over 4,000 barrels of oil. This project is expected to achieve good results in 2014.

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

Towngas China, a subsidiary of the Group, recorded good business growth during the first half of 2014. Exclusive of unrealised exchange differences on the renminbi, Towngas China recorded a net profit of HK\$612 million, an increase of approximately 33.4 per cent compared with the same period last year. Inclusive of the exchange losses resulting from the depreciation of the renminbi during the period under review, Towngas China's profit after taxation attributable to its shareholders was HK\$468 million, a decrease of HK\$65 million compared with the same period last year. As at the end of June 2014, the Group had an approximately 62.25 per cent interest in Towngas China.

In May 2014, Standard & Poor's Ratings Services ("Standard & Poor's"), an international rating agency, upgraded its rating outlook on Towngas China to "positive" from "stable", and affirmed its "BBB" long-term corporate credit rating on the company. As a result of the outlook revision, Standard & Poor's raised its long-term Greater China regional scale credit rating on Towngas China to "cnA+" from "cnA". In July 2014, Moody's Investors Service ("Moody's"), another international rating agency, also upgraded its rating outlook on Towngas China to "positive" from "stable", and affirmed its "Baa2" issuer rating on the company. Such ratings demonstrate Towngas China's increasing credit strength and the rating agencies' recognition of the company's growth momentum.

Project development is also progressing well. Towngas China acquired seven new piped-gas projects during the first half of 2014 located in Xingyi city, Guizhou province; in Siping city, Jilin province; in Guyang county, Baotou city, Inner Mongolia Autonomous Region; in Jiayang county, Leshan city, Sichuan province; in Songyang county, Lishui city, Zhejiang province; in Tongshan district, Xuzhou city, Jiangsu province; and in Luliang county, Qujing city, Yunnan province. Towngas China also acquired a vehicular gas refilling station project in Qiqihar city, Heilongjiang province during the first half of 2014.

Towngas China has recently been honoured with "Company of the Year Award" in the "Gas Industry Awards 2014" jointly organised by the Institution of Gas Engineers & Managers of the United Kingdom and the Energy and Utilities Alliance (an international organisation), the first company on the mainland to win this international award. This is the third time the Group has won this award, demonstrating the industry's recognition of the Group's outstanding performance in safety and reliability of gas supply.

### **PROPERTY DEVELOPMENTS**

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

## **FINANCING PROGRAMMES**

In order to tap funding in a timely and flexible manner, the Group established a medium term note programme in 2009 under HKCG (Finance) Limited, a wholly-owned subsidiary of the Group. In line with the Group's long-term business investments, the Group had issued, as at 30th June 2014, medium term notes of an aggregate amount equivalent to HK\$10.2 billion with tenors ranging from 5 to 40 years under this programme.

In January 2014, the Group also issued its first perpetual subordinated guaranteed capital securities (the "Perpetual Capital Securities"), amounting to US\$300 million, through Towngas (Finance) Limited, another wholly-owned subsidiary of the Group. These Perpetual Capital Securities have a nominal interest rate of 4.75 per cent per annum for the first five years, a record low for securities of the same kind issued by corporations in Asia at that time, and thereafter will have a floating interest rate. The Perpetual Capital Securities, guaranteed by the Company, were listed on The Stock Exchange of Hong Kong Limited on 29th January 2014 (stock code: 6018.HK) and rated "A3" and "A-" by international rating agencies Moody's and Standard & Poor's respectively. The issuance helps further strengthen the Group's balance sheet, improve its financing maturity profile, diversify funding sources and maintain solid investment grade ratings.

## **HONG KONG EMPLOYEES AND PRODUCTIVITY**

As at 30th June 2014, the number of employees engaged in the town gas business in Hong Kong was 1,972 (30th June 2013: 1,945), the number of customers was 1,810,647, and each employee served the equivalent of 918 customers, slightly up compared to the same period last year. Inclusive of employees engaged in local businesses such as telecommunications, LPG vehicular refilling stations and engineering contractual works, the total number of the Group's employees engaged in businesses in Hong Kong was 2,341 as at the end of June 2014 compared with 2,281 as at the end of June 2013. Related manpower costs amounted to HK\$457 million for the first half of 2014, an increase of HK\$34 million compared with the corresponding period in 2013. The Group will continue to offer employees rewarding careers based on their capabilities and performance and arrange a variety of training programmes in order to constantly enhance the quality of the Group's customer services.

## **DIVIDEND**

Your Directors have declared an interim dividend of HK12 cents per share payable to shareholders whose names are on the register of shareholders of the Company as at 19th September 2014. To enable our Share Registrar to complete the necessary work associated with this payment, the register of shareholders will be closed on Thursday, 18th September 2014 and Friday, 19th September 2014, during which period no share transfers will be effected. Dividend warrants will be posted to shareholders on Friday, 3rd October 2014.

## **BUSINESS OUTLOOK FOR 2014**

The Company predicts steady growth in the number of customers in Hong Kong during 2014. Currently, favourable job conditions and an increasing number of inbound tourists in Hong Kong are helping to stimulate internal demand and consumer spending. In addition, the number of private residential units ready for completion this year is also forecast to reach a decade high, facilitating growth in gas customers and gas consumption. Market expansion of gas utilisation is also benefiting from the competitiveness of town gas, an energy resource combining both environmental and economic benefits. However, the overall business environment in Hong Kong is being impacted by increasing manpower costs and operating expenses across various business sectors. Nevertheless, the Company will continue to enhance its own operational efficiency so as to maintain stable development of its gas business in the territory.

In mainland China, slowdown in the real estate market, resulting from related control policies, is expected to impact revenue from connection fees for city-gas businesses in the short term. In addition, growth of industrial production is decelerating due to continuing global economic weaknesses, while growth of gas consumption in the commercial sector is also decreasing due to the mainland government's more cautious approach to official spending. Given all these factors, a slight slowing in overall profit growth for the Group's mainland businesses is expected in 2014. Nevertheless, there will be a continuing rise in demand for utility services and energy in the long run resulting from the mainland government's advocate of reduction of emissions and utilisation of clean energy to combat air pollution, and the country's rapid progress of urbanisation. Recent natural gas price reform better reflects the market situation on the mainland and favours a healthier development of the natural gas business sector in the long term. In respect of emerging environmentally-friendly energy businesses, following the Chinese government's move towards greater energy diversification, environmental protection and the creation of a more circular economy, the Group is continuing to develop and apply new technologies for conserving energy and reducing pollutant emissions. There is also a growing trend for greater use of low-sulfur, high-quality oil and natural gas as fuels for vehicles and vessels to reduce atmospheric pollution. All these aspects are beginning to ignite a new light illuminating the way for the Group's long-term development of its emerging environmentally-friendly energy businesses and business growth strategy.

With the Group's solid foundation in Hong Kong and its diverse business sectors spread across extensive areas on the mainland, together with its successful corporate brand names and sales channels built there over the last 20 years, and mainland society's rising concern over air quality, it is anticipated that there will be rising demand for clean energy. In addition, given that the number of piped-gas customers in Hong Kong and mainland China is increasing, the Group, with a sizeable customer base, foresees a promising return from its expanding and diversifying businesses.

Overall, the Group predicts good prospects and an even broader and better future for all its businesses in the years to come.

**LEE Shau Kee**  
Chairman

Hong Kong, 25th August 2014

**CONSOLIDATED INCOME STATEMENT (UNAUDITED)**

For the six months ended 30th June

	Note	2014 HK\$M	2013 HK\$M
Revenue	3	<b>15,808.0</b>	13,147.1
Total operating expenses	4	<b>(11,851.9)</b>	(9,789.6)
		<b>3,956.1</b>	3,357.5
Other (losses)/gains, net	5	<b>(30.5)</b>	404.0
Interest expense		<b>(497.6)</b>	(439.0)
Share of results of associates		<b>948.1</b>	799.1
Share of results of joint ventures		<b>783.3</b>	667.5
		<b>5,159.4</b>	4,789.1
Profit before taxation	6	<b>5,159.4</b>	4,789.1
Taxation	7	<b>(963.2)</b>	(770.9)
		<b>4,196.2</b>	4,018.2
Profit for the period		<b>4,196.2</b>	4,018.2
Attributable to:			
Shareholders of the Company		<b>3,726.6</b>	3,620.0
Holders of perpetual capital securities		<b>47.3</b>	–
Non-controlling interests		<b>422.3</b>	398.2
		<b>4,196.2</b>	4,018.2
Dividends	8	<b>1,261.9</b>	1,147.2
Earnings per share – basic and diluted, HK cents	9	<b>35.4</b>	34.4*

\* Adjusted for the bonus issue in 2014

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30th June

	2014 HK\$M	2013 HK\$M
Profit for the period	4,196.2	4,018.2
Other comprehensive income:		
Items that will not be reclassified to profit or loss:		
Remeasurements of retirement benefit	–	88.3
Items that may be reclassified subsequently to profit or loss:		
Revaluation surplus/(deficit) of available-for-sale financial assets transferred to equity	54.4	(322.8)
Impairment loss on available-for-sale financial assets transferred to income statement	–	34.8
Change in fair value of cash flow hedges	(40.1)	84.5
Share of comprehensive income of an associate	1.8	–
Exchange differences	(729.2)	628.9
Other comprehensive (loss)/income for the period, net of tax	(713.1)	513.7
Total comprehensive income for the period	3,483.1	4,531.9
Total comprehensive income attributable to:		
Shareholders of the Company	3,121.2	4,021.1
Holders of perpetual capital securities	47.3	–
Non-controlling interests	314.6	510.8
	3,483.1	4,531.9

## CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 30th June 2014

	Note	At 30th June 2014 HK\$M	At 31st December 2013 HK\$M
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	46,651.0	45,450.9
Investment property		646.0	646.0
Leasehold land		1,623.7	1,551.4
Intangible assets		5,696.3	5,253.3
Associates		16,913.0	17,015.1
Joint ventures		8,958.3	8,939.0
Available-for-sale financial assets		2,868.8	2,937.3
Derivative financial instruments		343.3	421.4
Retirement benefit assets		66.3	66.3
Other non-current assets		2,349.9	2,425.8
		<u>86,116.6</u>	<u>84,706.5</u>
<b>Current assets</b>			
Inventories		2,366.6	2,383.1
Trade and other receivables	11	6,567.7	6,567.6
Loan and other receivables from associates		306.1	116.5
Loan and other receivables from joint ventures		1,883.6	1,664.7
Loan and other receivables from non-controlling shareholders		155.3	157.2
Financial assets at fair value through profit or loss		558.5	661.3
Time deposits over three months		848.4	1,289.3
Time deposits up to three months, cash and bank balances		11,920.6	8,849.0
		<u>24,606.8</u>	<u>21,688.7</u>
<b>Current liabilities</b>			
Trade and other payables	12	(10,817.1)	(11,272.3)
Amounts due to joint ventures		(379.2)	(596.6)
Loan and other payables to non-controlling shareholders		(524.1)	(274.2)
Provision for taxation		(1,101.0)	(896.4)
Borrowings		(6,318.5)	(6,222.3)
		<u>(19,139.9)</u>	<u>(19,261.8)</u>
<b>Net current assets</b>		<u>5,466.9</u>	<u>2,426.9</u>
<b>Total assets less current liabilities</b>		<u>91,583.5</u>	<u>87,133.4</u>

**CONSOLIDATED BALANCE SHEET (UNAUDITED) (continued)**

As at 30th June 2014

		<b>At 30th June 2014 HK\$M</b>	At 31st December 2013 HK\$M
<b>Non-current liabilities</b>			
Customers' deposits		(1,241.4)	(1,233.4)
Deferred taxation		(4,913.9)	(4,711.3)
Borrowings		(25,191.6)	(24,401.1)
Loan payables to non-controlling shareholders		(21.6)	(22.1)
Asset retirement obligations		(31.2)	(29.2)
Derivative financial instruments		(287.5)	(365.8)
		<u>(31,687.2)</u>	<u>(30,762.9)</u>
<b>Net assets</b>		<u><b>59,896.3</b></u>	<u>56,370.5</u>
<b>Capital and reserves</b>			
Share capital	13	5,474.7	2,389.9
Share premium	14	–	2,861.0
Reserves	16	44,053.5	42,418.0
Proposed dividend	16	1,261.9	2,198.7
		<u>50,790.1</u>	<u>49,867.6</u>
Shareholders' funds			
		<u>50,790.1</u>	<u>49,867.6</u>
<b>Perpetual capital securities</b>	15	2,354.1	–
<b>Non-controlling interests</b>		<u>6,752.1</u>	<u>6,502.9</u>
<b>Total equity</b>		<u><b>59,896.3</b></u>	<u>56,370.5</u>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30th June

	Note	2014 HK\$M	2013 HK\$M
Net cash from operating activities		<b>4,022.3</b>	3,448.4
Investing activities			
Purchase of property, plant and equipment		<b>(2,428.9)</b>	(2,196.4)
Consideration paid for acquisition of subsidiaries in prior periods		<b>(241.1)</b>	(319.2)
Acquisition of subsidiaries		<b>(304.5)</b>	(678.1)
Interest received		<b>171.5</b>	149.7
Dividends received from investments in securities		<b>194.0</b>	107.7
Dividends received from associates		<b>428.1</b>	422.4
Dividends received from joint ventures		<b>250.4</b>	399.0
Other cash flows from investing activities		<b>737.5</b>	268.5
Net cash used in investing activities		<b>(1,193.0)</b>	(1,846.4)
Financing activities			
Dividends paid to shareholders of the Company		<b>(2,198.7)</b>	(1,998.8)
Issue of perpetual capital securities	15	<b>2,306.8</b>	–
Interest paid		<b>(636.9)</b>	(599.2)
Other cash flows from financing activities		<b>917.9</b>	336.4
Net cash from/(used in) financing activities		<b>389.1</b>	(2,261.6)
Increase/(decrease) in cash and cash equivalents		<b>3,218.4</b>	(659.6)
Cash and cash equivalents at 1st January		<b>8,849.0</b>	12,186.4
Effect of foreign exchange rate changes		<b>(146.8)</b>	61.0
Cash and cash equivalents at 30th June		<b>11,920.6</b>	11,587.8
Analysis of balances of cash and cash equivalents			
Cash and bank balances		<b>4,841.8</b>	5,345.0
Time deposits up to three months		<b>7,078.8</b>	6,242.8
		<b>11,920.6</b>	11,587.8

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30th June

	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	Share premium HK\$M	Reserves HK\$M			
Total equity as at 1st January 2014	2,389.9	2,861.0	44,616.7	–	6,502.9	56,370.5
Profit for the period	–	–	3,726.6	47.3	422.3	4,196.2
Other comprehensive income:						
Revaluation surplus of available-for- sale financial assets transferred to equity	–	–	54.4	–	–	54.4
Change in fair value of cash flow hedges	–	–	(40.6)	–	0.5	(40.1)
Share of comprehensive income of an associate	–	–	1.8	–	–	1.8
Exchange differences	–	–	(621.0)	–	(108.2)	(729.2)
Total comprehensive income for the period	–	–	3,121.2	47.3	314.6	3,483.1
Transition to no-par value regime on 3rd March 2014	3,084.8	(2,861.0)	(223.8)	–	–	–
Capital injection	–	–	–	–	72.5	72.5
Dividends paid to shareholders of the Company	–	–	(2,198.7)	–	–	(2,198.7)
Dividends paid to non-controlling shareholders	–	–	–	–	(192.8)	(192.8)
Acquisition of businesses	–	–	–	–	44.7	44.7
Issue of perpetual capital securities	–	–	–	2,306.8	–	2,306.8
Issue of shares of a subsidiary under share option schemes	–	–	–	–	10.2	10.2
Total equity as at 30th June 2014	<u>5,474.7</u>	<u>–</u>	<u>45,315.4</u>	<u>2,354.1</u>	<u>6,752.1</u>	<u>59,896.3</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) (continued)

For the six months ended 30th June

	Attributable to shareholders of the Company			Non- controlling interests HK\$M	Total HK\$M
	Share capital HK\$M	Share premium HK\$M	Reserves HK\$M		
Total equity as at 1st January 2013, as previously reported	2,172.6	3,078.3	40,067.6	5,148.4	50,466.9
Effect of adoption of HKAS 19 (amendment 2011)	–	–	(116.7)	–	(116.7)
Total equity as at 1st January 2013, as restated	2,172.6	3,078.3	39,950.9	5,148.4	50,350.2
Profit for the period	–	–	3,620.0	398.2	4,018.2
Other comprehensive income:					
Remeasurements of retirement benefit	–	–	88.3	–	88.3
Revaluation deficit of available-for-sale financial assets transferred to equity	–	–	(322.8)	–	(322.8)
Impairment loss on available-for- sale financial assets transferred to income statement	–	–	34.8	–	34.8
Change in fair value of cash flow hedges	–	–	81.5	3.0	84.5
Exchange differences	–	–	519.3	109.6	628.9
Total comprehensive income for the period	–	–	4,021.1	510.8	4,531.9
Capital injection	–	–	–	45.2	45.2
Dividends paid to shareholders of the Company	–	–	(1,998.8)	–	(1,998.8)
Dividends paid to non-controlling shareholders	–	–	–	(160.0)	(160.0)
Bonus issue	217.3	(217.3)	–	–	–
Further acquisition of a subsidiary	–	–	(2.1)	(14.0)	(16.1)
Acquisition of businesses	–	–	–	52.7	52.7
Disposal of a subsidiary	–	–	–	(107.0)	(107.0)
Partial disposal of a subsidiary	–	–	(13.6)	13.6	–
Issue of shares of a subsidiary	–	–	327.0	603.3	930.3
Issue of shares of a subsidiary under share option schemes	–	–	(2.3)	(1.4)	(3.7)
Total equity as at 30th June 2013	<u>2,389.9</u>	<u>2,861.0</u>	<u>42,282.2</u>	<u>6,091.6</u>	<u>53,624.7</u>

## NOTES TO THE CONDENSED INTERIM ACCOUNTS (UNAUDITED)

### 1. Basis of preparation and accounting policies

The unaudited condensed consolidated interim accounts, which do not constitute statutory accounts, have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and in compliance with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Except as described below, the accounting policies used in the preparation of these unaudited condensed consolidated interim accounts are consistent with those set out in the annual report for the year ended 31st December 2013.

The Group has adopted the following new or revised standards, interpretations and amendments to standards which are effective for the Group’s financial year beginning 1st January 2014 and relevant to the Group.

HKAS 32 (Amendment)	“Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities”
HKAS 36 (Amendment)	“Recoverable Amount Disclosures for Non-Financial Assets”
HKAS 39 (Amendment)	“Novation of Derivatives and Continuation of Hedge Accounting”
Amendments to HKAS 19 (2011)	“Defined Benefit Plans: Employee Contribution”
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	“Investment Entities”
HKFRSs Amendments	“Annual improvements to HKFRSs 2010-2012 Cycle and Annual improvements to HKFRSs 2011-2013 Cycle”
HK (IFRIC) – Int 21	“Levies”

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

The HKICPA has issued a number of new or revised standards, interpretations and amendments to standards which are not effective for accounting period beginning 1st January 2014 and the Group has not early adopted the rules.

## 2. Financial risk management and fair value estimation of financial instruments

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

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

The following table presents the Group's assets and liabilities that are measured at fair value at 30th June 2014 and 31st December 2013.

	Level 1		Level 2		Total	
	At 30th June 2014 HK\$M	At 31st December 2013 HK\$M	At 30th June 2014 HK\$M	At 31st December 2013 HK\$M	At 30th June 2014 HK\$M	At 31st December 2013 HK\$M
<b>Assets</b>						
Financial assets at fair value through profit or loss						
– Debt securities	524.5	618.8	–	–	524.5	618.8
– Equity securities	34.0	42.5	–	–	34.0	42.5
Derivative financial instruments	–	–	343.3	421.4	343.3	421.4
Available-for-sale financial assets						
– Debt securities	664.1	746.3	–	–	664.1	746.3
– Equity investments	1,722.1	1,705.9	–	–	1,722.1	1,705.9
Loans to associates	–	–	766.0	1,046.8	766.0	1,046.8
Loans to joint ventures	–	–	409.6	401.9	409.6	401.9
Aviation fuel facility construction receivable	–	–	2,188.6	2,133.6	2,188.6	2,133.6
<b>Total assets</b>	<b>2,944.7</b>	<b>3,113.5</b>	<b>3,707.5</b>	<b>4,003.7</b>	<b>6,652.2</b>	<b>7,117.2</b>
<b>Liabilities</b>						
Derivative financial instruments	–	–	287.5	365.8	287.5	365.8

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

## 2. Financial risk management and fair value estimation of financial instruments *(continued)*

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

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

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. As at 30th June 2014, the Group did not have financial instruments under this category.

Specific valuation techniques used to value financial instruments includes:

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

### 3. 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:

	<b>Six months ended 30th June</b>	
	<b>2014</b>	2013
	<b>HK\$M</b>	HK\$M
Gas sales before fuel cost adjustment	<b>11,067.4</b>	9,246.2
Fuel cost adjustment	<b>980.6</b>	983.9
	<hr/>	<hr/>
Gas sales after fuel cost adjustment	<b>12,048.0</b>	10,230.1
Gas connection income	<b>1,503.9</b>	1,194.6
Equipment sales and maintenance services	<b>914.3</b>	797.4
Water sales	<b>286.6</b>	271.4
Oil and coal related sales	<b>672.2</b>	239.9
Other sales	<b>383.0</b>	413.7
	<hr/>	<hr/>
	<b>15,808.0</b>	13,147.1
	<hr/> <hr/>	<hr/> <hr/>

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 are 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 earnings before interest, tax, depreciation and amortisation (the "adjusted EBITDA"). Other information provided, except as noted below, to the ECM is measured in a manner consistent with that in the accounts.

### 3. SEGMENT INFORMATION (continued)

The segment information for the six months ended 30th June 2014 and 2013 provided to the ECM for the reportable segments is as follows:

	<u>Gas, water and related businesses</u>		<u>New Energy</u>	<u>Property</u>	<u>Other segments</u>	<u>Total</u>
	<u>Hong Kong</u>	<u>Mainland China</u>				
	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
2014						
Revenue	5,240.3	8,787.8	1,577.1	24.2	178.6	15,808.0
Adjusted EBITDA	2,446.9	2,119.0	544.7	14.1	37.3	5,162.0
Depreciation and amortisation	(325.1)	(423.7)	(168.3)	-	(24.4)	(941.5)
Unallocated expenses						(264.4)
						3,956.1
Other losses, net						(30.5)
Interest expense						(497.6)
Share of results of associates	-	451.6	(0.6)	497.2	(0.1)	948.1
Share of results of joint ventures	-	779.8	0.9	2.6	-	783.3
Profit before taxation						5,159.4
Taxation						(963.2)
Profit for the period						4,196.2

Share of results of associates includes HK\$257.6 million (2013: HK\$126.6 million) being the Group's share of change in valuation of investment properties at the International Finance Centre (the "IFC") complex for the period.

### 3. SEGMENT INFORMATION (continued)

	<u>Gas, water and related businesses</u>		<u>New Energy</u>	<u>Property</u>	<u>Other segments</u>	<u>Total</u>
	<u>Hong Kong</u>	<u>Mainland China</u>				
	<u>HK\$M</u>	<u>HK\$M</u>	<u>HK\$M</u>	<u>HK\$M</u>	<u>HK\$M</u>	<u>HK\$M</u>
2013						
Revenue	<u>4,929.9</u>	<u>6,997.9</u>	<u>979.8</u>	<u>21.2</u>	<u>218.3</u>	<u>13,147.1</u>
Adjusted EBITDA	2,300.2	1,737.0	290.6	12.5	47.3	4,387.6
Depreciation and amortisation	(316.9)	(346.9)	(89.5)	–	(17.0)	(770.3)
Unallocated expenses						(259.8)
						3,357.5
Other gains, net						404.0
Interest expense						(439.0)
Share of results of associates	–	445.1	(0.7)	355.2	(0.5)	799.1
Share of results of joint ventures	–	664.0	0.8	2.7	–	667.5
Profit before taxation						4,789.1
Taxation						(770.9)
Profit for the period						<u>4,018.2</u>

The segment assets at 30th June 2014 and 31st December 2013 are as follows:

	<u>Gas, water and related businesses</u>		<u>New Energy</u>	<u>Property</u>	<u>Other segments</u>	<u>Total</u>
	<u>Hong Kong</u>	<u>Mainland China</u>				
	<u>HK\$M</u>	<u>HK\$M</u>	<u>HK\$M</u>	<u>HK\$M</u>	<u>HK\$M</u>	<u>HK\$M</u>
<b>30th June 2014</b>						
Segment assets	<b>15,759.4</b>	<b>53,502.0</b>	<b>19,610.9</b>	<b>10,243.3</b>	<b>1,818.9</b>	<b>100,934.5</b>
Unallocated assets:						
Available-for-sale financial assets						2,868.8
Financial assets at fair value through profit or loss						558.5
Time deposits, cash and bank balances excluded from segment assets						5,675.8
Others (Note)						685.8
Total assets	<u>15,759.4</u>	<u>53,502.0</u>	<u>19,610.9</u>	<u>10,243.3</u>	<u>1,818.9</u>	<u>110,723.4</u>

Note

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

### 3. SEGMENT INFORMATION (continued)

	<u>Gas, water and related businesses</u>		<u>New Energy</u>	<u>Property</u>	<u>Other segments</u>	<u>Total</u>
	<u>Hong Kong</u>	<u>Mainland China</u>				
31st December 2013	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M	HK\$M
Segment assets	16,058.1	51,507.3	19,489.8	10,562.7	1,505.3	99,123.2
Unallocated assets:						
Available-for-sale financial assets						2,937.3
Financial assets at fair value through profit or loss						661.3
Time deposits, cash and bank balances excluded from segment assets						2,777.2
Others (Note)						896.2
Total assets	<u>16,058.1</u>	<u>51,507.3</u>	<u>19,489.8</u>	<u>10,562.7</u>	<u>1,505.3</u>	<u>106,395.2</u>

The Company is domiciled in Hong Kong. The Group's revenue from external customers in Hong Kong for the six months ended 30th June 2014 is HK\$5,866.2 million (2013: HK\$5,575.8 million), and the revenue from external customers in other geographical locations is HK\$9,941.8 million (2013: HK\$7,571.3 million).

At 30th June 2014, the total of non-current assets other than financial instruments located in Hong Kong and other geographical locations are HK\$21,287.1 million and HK\$59,201.2 million (31st December 2013: HK\$21,662.7 million and HK\$57,193.0 million) respectively.

### 4. Total operating expenses

	<b>Six months ended 30th June</b>	
	<b>2014</b>	2013
	<b>HK\$M</b>	HK\$M
Stores and materials used	<b>8,246.1</b>	6,706.5
Manpower costs	<b>1,159.6</b>	1,012.4
Depreciation and amortisation	<b>948.7</b>	775.5
Other operating items	<b>1,497.5</b>	1,295.2
	<u><b>11,851.9</b></u>	<u>9,789.6</u>

## 5. Other (losses)/gains, net

	Six months ended 30th June	
	2014 HK\$M	2013 HK\$M
Net investment (losses)/gains	(13.1)	461.5
Loss on disposal of a subsidiary	–	(34.7)
Project research and development costs	(20.3)	(17.4)
Others	2.9	(5.4)
	<u>(30.5)</u>	<u>404.0</u>

## 6. Profit before taxation

Profit before taxation is stated after charging cost of inventories sold of HK\$9,020.9 million (2013: HK\$7,278.5 million).

## 7. Taxation

	Six months ended 30th June	
	2014 HK\$M	2013 HK\$M
Current taxation	762.7	634.3
Deferred taxation relating to the origination and reversal of temporary differences	200.5	136.6
	<u>963.2</u>	<u>770.9</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the period. Other countries profits tax has been calculated on the estimated assessable profits for the period at the rates prevailing in the respective jurisdictions.

## 8. Dividends

	Six months ended 30th June	
	2014 HK\$M	2013 HK\$M
2013 Final, paid, of HK23 cents per ordinary share (2012 Final: HK23 cents per ordinary share)	2,198.7	1,998.8
2014 Interim, proposed, of HK12 cents per ordinary share (2013 Interim: HK12 cents per ordinary share)	1,261.9	1,147.2
	<u>3,460.6</u>	<u>3,146.0</u>

## 9. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK\$3,726.6 million (2013: HK\$3,620.0 million) and the weighted average of 10,515,637,553 shares (2013: 10,515,637,553 shares\*) in issue during the period.

As the impact of diluted potential ordinary shares of a subsidiary is insignificant during the reporting periods of 2014 and 2013, the diluted earnings per share for the period ended 30th June 2014 and 2013 are approximately the same as the basic earnings per share.

\* Adjusted for the bonus issue in 2014.

## 10. Property, plant and equipment

	<b>Buildings, plant, mains, mining and oil properties and other equipment HK\$M</b>
Cost	
At 1st January 2014	58,739.6
Additions	2,596.1
Acquisition of businesses (Note 20)	318.5
Disposals/write off	(99.1)
Exchange differences	(856.8)
	<hr/>
At 30th June 2014	60,698.3
	<hr/>
Accumulated depreciation	
At 1st January 2014	13,288.7
Charge for the period	946.4
Disposals/write off	(72.2)
Exchange differences	(115.6)
	<hr/>
At 30th June 2014	14,047.3
	<hr/>
Net book value	
At 30th June 2014	46,651.0
	<hr/> <hr/>
At 31st December 2013	45,450.9
	<hr/> <hr/>

## 10. Property, plant and equipment (continued)

	Buildings, plant, mains, mining and oil properties and other equipment HK\$M
Cost	
At 1st January 2013	52,311.3
Additions	2,652.6
Acquisition of businesses	259.1
Disposal of a subsidiary	(232.3)
Disposals/write off	(115.2)
Exchange differences	610.7
	<u>55,486.2</u>
At 30th June 2013	<u>55,486.2</u>
Accumulated depreciation	
At 1st January 2013	11,761.3
Charge for the period	776.0
Disposal of a subsidiary	(48.8)
Disposals/write off	(85.4)
Exchange differences	75.3
	<u>12,478.4</u>
At 30th June 2013	<u>12,478.4</u>
Net book value	
At 30th June 2013	<u><u>43,007.8</u></u>
At 31st December 2012	<u><u>40,550.0</u></u>

## 11. Trade and other receivables

	At 30th June 2014 HK\$M	At 31st December 2013 HK\$M
Trade receivables (Note)	3,324.2	3,517.3
Payments in advance	1,799.7	1,763.6
Other receivables	1,443.8	1,286.7
	<u>6,567.7</u>	<u>6,567.6</u>

The Group recognised a loss of HK\$5.6 million (2013: HK\$6.7 million) for the impairment of its trade and other receivables during the period. The impairment has been included in other operating items (Note 4).

## 11. Trade and other receivables (continued)

Note

The Group has established credit policies for different types of customers. The credit period offered for trade receivables, which subject to periodic review by management, ranges from 30 to 60 days except for gas receivables of the Company which are due by 8 working days after billing date. As at 30th June 2014, the aging analysis of the trade receivables, net of impairment provision, is as follows:

	<b>At 30th June 2014 HK\$M</b>	At 31st December 2013 HK\$M
0 – 30 days	2,847.4	3,067.8
31 – 60 days	79.3	80.7
61 – 90 days	49.2	37.9
Over 90 days	348.3	330.9
	<u>3,324.2</u>	<u>3,517.3</u>

## 12. Trade and other payables

	<b>At 30th June 2014 HK\$M</b>	At 31st December 2013 HK\$M
Trade payables (Note a)	2,435.6	2,622.5
Other payables and accruals (Note b)	8,381.5	8,649.8
	<u>10,817.1</u>	<u>11,272.3</u>

Notes

(a) The aging analysis of the trade payables is as follows:

	<b>At 30th June 2014 HK\$M</b>	At 31st December 2013 HK\$M
0 – 30 days	1,078.5	1,384.2
31 – 60 days	173.3	197.4
61 – 90 days	263.5	252.9
Over 90 days	920.3	788.0
	<u>2,435.6</u>	<u>2,622.5</u>

(b) The balance includes an amount of approximately HK\$45.7 million (At 31st December 2013: HK\$45.7 million) payable to Henderson Land Development Company Limited in relation to its entitlement to 27 per cent of the net sales proceeds generated from the sales of residential units of Grand Waterfront.

### 13. Share capital

	Number of Shares		Share Capital	
	At 30th June 2014	At 31st December 2013	At 30th June 2014 HK\$M	At 31st December 2013 HK\$M
Authorised: (Note a) Ordinary shares (Note b)	–	10,000,000,000	–	2,500.0
Issued and fully paid: At beginning of period/year	9,559,670,503	8,690,609,549	2,389.9	2,172.6
Transition to no-par value regime on 3rd March 2014 (Note c)	–	–	3,084.8	–
Bonus shares	955,967,050	869,060,954	–	217.3
At end of period/year	<b>10,515,637,553</b>	9,559,670,503	<b>5,474.7</b>	2,389.9

#### Notes

- (a) Under the Hong Kong Companies Ordinance (Cap.622), which commenced operation on 3rd March 2014, the concept of authorised share capital no longer exists.
- (b) In accordance with section 135 of the Hong Kong Companies Ordinance (Cap.622), the Company's shares no longer have a par or nominal value with effect from 3rd March 2014. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition.
- (c) In accordance with the transitional provisions set out in section 37 of Schedule 11 to Hong Kong Companies Ordinance (Cap.622), on 3rd March 2014, any amount standing to the credit of the share premium account and capital redemption reserve have become part of the Company's share capital.

### 14. Share premium

	At 30th June 2014 HK\$M	At 31st December 2013 HK\$M
At beginning of period/year	2,861.0	3,078.3
Transition to no-par value regime on 3rd March 2014 (Note 13)	(2,861.0)	–
Less: Bonus issue	–	(217.3)
At end of period/year	–	2,861.0

## 15. 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 balance sheet.

## 16. Reserves

	Investment revaluation reserve HK\$M	Capital redemption reserve HK\$M	Hedging reserve HK\$M	Other reserve HK\$M	Exchange reserve HK\$M	Unappro- priated profits HK\$M	Total HK\$M
At 1st January 2014	366.9	223.8	376.0	(14.4)	3,855.4	37,610.3	42,418.0
Profit attributable to shareholders	-	-	-	-	-	3,726.6	3,726.6
Other comprehensive income:							
Revaluation surplus of available-for-sale financial assets transferred to equity	54.4	-	-	-	-	-	54.4
Change in fair value of cash flow hedges	-	-	(40.6)	-	-	-	(40.6)
Share of comprehensive income of an associate	-	-	1.8	-	-	-	1.8
Exchange differences	-	-	-	-	(621.0)	-	(621.0)
Total comprehensive income for the period	54.4	-	(38.8)	-	(621.0)	3,726.6	3,121.2
Transition to no-par value regime on 3rd March 2014 (Note 13)	-	(223.8)	-	-	-	-	(223.8)
2013 final dividend proposed	-	-	-	-	-	2,198.7	2,198.7
2013 final dividend paid	-	-	-	-	-	(2,198.7)	(2,198.7)
At 30th June 2014	<u>421.3</u>	<u>-</u>	<u>337.2</u>	<u>(14.4)</u>	<u>3,234.4</u>	<u>41,336.9</u>	<u>45,315.4</u>
Balance after 2014 interim dividend proposed	421.3	-	337.2	(14.4)	3,234.4	40,075.0	44,053.5
2014 interim dividend proposed	-	-	-	-	-	1,261.9	1,261.9
	<u>421.3</u>	<u>-</u>	<u>337.2</u>	<u>(14.4)</u>	<u>3,234.4</u>	<u>41,336.9</u>	<u>45,315.4</u>

## 16. Reserves (continued)

	Investment revaluation reserve HK\$M	Capital redemption reserve HK\$M	Hedging reserve HK\$M	Capital reserve HK\$M	Other reserve HK\$M	Exchange reserve HK\$M	Unappro- priated profits HK\$M	Total HK\$M
At 1st January 2013, as previously reported	479.4	223.8	228.4	155.5	(12.1)	3,132.7	33,861.1	38,068.8
Effect of adoption of HKAS 19 (amendment 2011)	-	-	-	-	-	-	(116.7)	(116.7)
At 1st January 2013, as restated	479.4	223.8	228.4	155.5	(12.1)	3,132.7	33,744.4	37,952.1
Profit attributable to shareholders	-	-	-	-	-	-	3,620.0	3,620.0
Other comprehensive income:								
Remeasurements of retirement benefit	-	-	-	-	-	-	88.3	88.3
Revaluation deficit of available-for-sale financial assets transferred to equity	(322.8)	-	-	-	-	-	-	(322.8)
Impairment loss on available-for-sale financial assets transferred to income statement	34.8	-	-	-	-	-	-	34.8
Change in fair value of cash flow hedges	-	-	81.5	-	-	-	-	81.5
Exchange differences	-	-	-	-	-	519.3	-	519.3
Total comprehensive income for the period	(288.0)	-	81.5	-	-	519.3	3,708.3	4,021.1
2012 final dividend proposed	-	-	-	-	-	-	1,998.8	1,998.8
2012 final dividend paid	-	-	-	-	-	-	(1,998.8)	(1,998.8)
Further acquisition of a subsidiary	-	-	-	-	-	-	(2.1)	(2.1)
Partial disposal of a subsidiary	-	-	-	-	-	-	(13.6)	(13.6)
Issue of shares of a subsidiary	-	-	-	-	-	-	327.0	327.0
Issue of shares of a subsidiary under share option schemes	-	-	-	-	(2.3)	-	-	(2.3)
At 30th June 2013	<u>191.4</u>	<u>223.8</u>	<u>309.9</u>	<u>155.5</u>	<u>(14.4)</u>	<u>3,652.0</u>	<u>37,764.0</u>	<u>42,282.2</u>
Balance after 2013 interim dividend proposed	191.4	223.8	309.9	155.5	(14.4)	3,652.0	36,616.8	41,135.0
2013 interim dividend proposed	-	-	-	-	-	-	1,147.2	1,147.2
	<u>191.4</u>	<u>223.8</u>	<u>309.9</u>	<u>155.5</u>	<u>(14.4)</u>	<u>3,652.0</u>	<u>37,764.0</u>	<u>42,282.2</u>

## 17. Contingent liabilities

The Group did not have any significant contingent liabilities as at 30th June 2014 and 31st December 2013.

## 18. Commitments

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

	<b>At 30th June 2014 HK\$M</b>	At 31st December 2013 HK\$M
Authorised but not brought into the accounts	<u>3,366.0</u>	<u>3,408.5</u>
Of which, contracts had been entered into	<u>3,364.9</u>	<u>3,355.1</u>

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

	<b>At 30th June 2014 HK\$M</b>	At 31st December 2013 HK\$M
Authorised but not brought into the accounts	<u>2,286.5</u>	<u>2,356.1</u>
Of which, contracts had been entered into	<u>1,910.5</u>	<u>1,975.2</u>

(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 30th June 2014, the Group's commitments to these projects were approximately HK\$1,250.6 million (At 31st December 2013: HK\$2,029.0 million).

### (d) Lease Commitments

Lessee

At 30th June 2014, future aggregate minimum lease payments of land, buildings and equipment under non-cancellable operating leases are as follows:

	<b>At 30th June 2014 HK\$M</b>	At 31st December 2013 HK\$M
Not later than 1 year	110.2	105.1
Later than 1 year and not later than 5 years	153.5	151.1
Later than 5 years	<u>232.8</u>	<u>212.5</u>
	<u>496.5</u>	<u>468.7</u>

## 18. Commitments (continued)

### (d) Lease Commitments (continued)

Lessor

The Group leases out the building facilities of the commercial complex and car parks of Grand Waterfront and rental of server and equipment under operating leases. Except for certain car parks are rented out on an hourly or a monthly basis, these leases typically run for a period of 2 to 10 years. Future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	At 30th June 2014 HK\$M	At 31st December 2013 HK\$M
Not later than 1 year	53.9	44.2
Later than 1 year and not later than 5 years	185.6	165.7
Later than 5 years	266.6	282.5
	<u>506.1</u>	<u>492.4</u>

## 19. Related party transactions

Save as disclosed elsewhere in the accounts, no significant related party transactions were undertaken by the Group at any time during the period.

## 20. Business combinations under Towngas China

For the period ended 30th June 2014, Towngas China acquired the following businesses:

	Percentage of registered capital acquired	Purchase consideration HK\$M
<b>Business combinations in:</b>		
Xingyi Hong Kong & China Gas Company Limited	70%	118.4
Jiajing Hong Kong & China Gas Company Limited	70%	66.4
Songyang Hong Kong & China Gas Company Limited	51%	56.8
Siping Hong Kong & China Gas Company Limited	80%	61.4
Baotou Hong Kong & China Gas Company Limited	85%	227.2
Qianxinanzhou Ruiyang Compressed Natural Gas Company Limited	70%	26.3
Luliang Hong Kong & China Gas Company Limited	—*	116.0

\* During the period, the Towngas China acquired the identifiable assets and liabilities associated with the business of sales and distribution of piped gas from the former owners.

## 20. Business combinations under Towngas China (continued)

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

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

	<b>Acquirees' provisional fair value at acquisition date HK\$M</b>
Property, plant and equipment (Note 10)	318.5
Leasehold land	70.5
Inventories	8.8
Trade and other receivables	44.3
Cash and bank balances	17.8
Trade and other payables	(164.9)
Taxation	(0.7)
Borrowings	(22.9)
Deferred taxation	(26.5)
	<hr/>
Net assets	244.9
Non-controlling interests	(44.7)
	<hr/>
Net identifiable assets acquired	200.2
Provisional goodwill	472.3
	<hr/>
Purchase consideration	<u>672.5</u>

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

### Net cash outflow arising on acquisitions:

	<b>HK\$M</b>
Purchase consideration	672.5
Cash and cash equivalents in businesses acquired	(17.8)
	<hr/>
Cash outflow on acquisition of businesses	<u>654.7</u>

As at 30th June 2014, purchase consideration of HK\$142.7 million and HK\$207.5 million remained unpaid and included in trade and other payables and loan and other payables to non-controlling shareholders respectively.

## FINANCIAL RESOURCES REVIEW

### Liquidity and capital resources

As at 30th June 2014, the Group had a net current deposits position of HK\$6,451 million (31st December 2013: HK\$3,916 million) and long-term borrowings of HK\$25,192 million (31st December 2013: HK\$24,401 million). In addition, banking facilities available for use amounted to HK\$11,200 million (31st December 2013: HK\$11,200 million).

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

### Financing structure

In May 2009, the Group established a US\$1 billion Medium Term Note Programme (the "Programme") which gives the Group the flexibility to issue notes at favorable terms and timing under the Programme. In May 2012, the Programme was updated with the size increased to US\$2 billion. Up to 30th June 2014, the Group issued notes in the total amount of HK\$10,210 million (31st December 2013: HK\$10,210 million) with maturity terms of 5 years, 10 years, 12 years, 15 years, 30 years and 40 years in Renminbi, Australian dollar, Japanese yen and Hong Kong dollar under the Programme (the "MTNs"). The carrying value of the issued MTNs as at 30th June 2014 was HK\$9,849 million (31st December 2013: HK\$9,789 million).

As at 30th June 2014, the outstanding principal amount of the 10-year US dollar Guaranteed Notes (the "Guaranteed Notes") issued in August 2008 at a fixed coupon rate of 6.25 per cent per annum was US\$995 million (31st December 2013: US\$995 million) and the carrying value was HK\$7,666 million (31st December 2013: HK\$7,663 million).

As at 30th June 2014, the Group's borrowings amounted to HK\$31,510 million (31st December 2013: HK\$30,623 million). The Notes mentioned above together with the bank and other loans of HK\$1,303 million (31st December 2013: HK\$1,360 million) had fixed interest rate and were unsecured. While the bank and other loans of HK\$12 million of a newly acquired joint venture during the year 2014 was secured by a pledge of certain assets of the joint venture, the remaining bank and other loans were unsecured and had a floating interest rate, of which HK\$6,424 million (31st December 2013: HK\$5,614 million) were long-term bank loans and HK\$6,256 million (31st December 2013: HK\$6,197 million) had maturities within one year on revolving credit or term loan facilities. As at 30th June 2014, the maturity profile of the Group's borrowings was 20 per cent within 1 year, 18 per cent within 1 to 2 years, 36 per cent within 2 to 5 years and 26 per cent over 5 years (31st December 2013: 20 per cent within 1 year, 8 per cent within 1 to 2 years, 44 per cent within 2 to 5 years and 28 per cent over 5 years).

The US dollar Guaranteed Notes, the RMB Note, AUD Note and JPY Note issued, and a bank loan of RMB500 million raised in Hong Kong are hedged to Hong Kong dollars by currency swaps and the Group's borrowings are primarily denominated in Hong Kong dollars and Renminbi; thus, the Group has no significant exposure to foreign exchange risk. The gearing ratio [net borrowing/(shareholders' funds + perpetual capital securities + net borrowing)] for the Group as at 30th June 2014 remained healthy at 26 per cent (31st December 2013: 29 per cent).

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

## **Contingent liabilities**

As at 30th June 2014, the Group did not provide any guarantee in respect of bank borrowing facilities made available to any associates, joint ventures or third parties (31st December 2013: Nil).

## **Currency profile**

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

## **Group's investments in securities**

Under the guidance of the Group's Treasury Committee, investments have been made in equity and debt securities. As at 30th June 2014, the investments in securities amounted to HK\$3,427 million (31st December 2013: HK\$3,599 million). The performance of the Group's investments in securities was satisfactory.

## **OTHER INFORMATION**

### **Corporate governance**

During the six months ended 30th June 2014, the Company had complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

### **Model code for dealing in securities by Directors**

The Company has adopted the model code as set out in Appendix 10 to the Listing Rules as the code for dealing in securities of the Company by the Directors (the "Model Code"). Following specific enquiries by the Company, all Directors have confirmed that they have fully complied with the required standard set out in the Model Code throughout the six months ended 30th June 2014.

### **Audit committee**

An audit committee was formed in May 1996 to review and supervise the financial reporting process and internal controls of the Group. An audit committee meeting was held in August 2014 to review the unaudited interim accounts for the six months ended 30th June 2014. PricewaterhouseCoopers, the Group's external auditor, carried out a review of the unaudited interim accounts for the six months ended 30th June 2014 in accordance with the Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. An unmodified review report was issued subsequent to the review.

### **Purchase, sale or redemption of the Company's listed securities**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June 2014.

## Disclosure of interests

### A. Directors

As at 30th June 2014, the interests and short positions of each Director of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

#### Shares and underlying shares (Long positions)

Name of company	Name of director	Interest in shares				Interest in underlying shares pursuant to share options	Aggregate interest	%*
		Personal interests	Family interests	Corporate interests	Other			
The Hong Kong and China Gas Company Limited	Dr. the Hon. Lee Chau Kee			4,364,016,823 (Note 3)			4,364,016,823	41.50
	Dr. the Hon. David Li Kwok Po	29,311,282					29,311,282	0.28
	Mr. Lee Ka Kit				4,364,016,823 (Note 2)		4,364,016,823	41.50
	Mr. Alfred Chan Wing Kin	200,371 (Note 5)					200,371	0.00
	Mr. Lee Ka Shing				4,364,016,823 (Note 2)		4,364,016,823	41.50
	Professor Poon Chung Kwong	136,906 (Note 4)					136,906	0.00
Lane Success Development Limited	Dr. the Hon. Lee Chau Kee			9,500 (Note 6)			9,500	95
	Mr. Lee Ka Kit				9,500 (Note 6)		9,500	95
	Mr. Lee Ka Shing				9,500 (Note 6)		9,500	95
Yieldway International Limited	Dr. the Hon. Lee Chau Kee			2 (Note 7)			2	100
	Mr. Lee Ka Kit				2 (Note 7)		2	100
	Mr. Lee Ka Shing				2 (Note 7)		2	100
Towngas China Company Limited ("Towngas China")	Dr. the Hon. Lee Chau Kee			1,642,489,654 (Note 8)			1,642,489,654	62.80
	Mr. Lee Ka Kit				1,642,489,654 (Note 8)		1,642,489,654	62.80
	Mr. Lee Ka Shing				1,642,489,654 (Note 8)		1,642,489,654	62.80
	Mr. Alfred Chan Wing Kin					3,618,000 (Note 9)	3,618,000	0.14
	Mr. Peter Wong Wai Yee					3,015,000 (Note 9)	3,015,000	0.12

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

## Options to subscribe for shares of Towngas China (Long positions)

Pursuant to the share option scheme of Towngas China, a subsidiary of the Company, certain Directors of the Company have been granted options to subscribe for the shares of Towngas China, details of which as at 30th June 2014 were as follows:

Name of company	Name of director	Date of grant	Exercise period	Exercise price (HK\$)	Number of shares of Towngas China subject to outstanding options as at 01.01.2014*	Number of shares of Towngas China subject to outstanding options as at 30.06.2014*
Towngas China	Mr. Alfred Chan Wing Kin	16.03.2007	16.03.2008 – 27.11.2015	3.811	1,085,400	1,085,400
		16.03.2007	16.03.2009 – 27.11.2015	3.811	1,085,400	1,085,400
		16.03.2007	16.03.2010 – 27.11.2015	3.811	1,447,200	1,447,200
	Total				3,618,000	3,618,000
	Mr. Peter Wong Wai Yee	16.03.2007	16.03.2008 – 27.11.2015	3.811	904,500	904,500
		16.03.2007	16.03.2009 – 27.11.2015	3.811	904,500	904,500
		16.03.2007	16.03.2010 – 27.11.2015	3.811	1,206,000	1,206,000
	Total				3,015,000	3,015,000

\* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

Save as mentioned above, as at 30th June 2014, there were no other interests or short positions of the Directors of the Company in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) recorded in the register maintained by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

## B. Substantial shareholders and others (Long positions)

As at 30th June 2014, the interests and short positions of every person, other than the Directors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

	Name of company	No. of shares in which interested	%*
<b>Substantial shareholders</b> (a person who is entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting)	Disralei Investment Limited (Note 1)	2,429,459,749	23.10
	Timpani Investments Limited (Note 1)	3,373,077,283	32.08
	Faxson Investment Limited (Note 1)	4,364,016,823	41.50
	Henderson Land Development Company Limited (Note 1)	4,364,016,823	41.50
	Henderson Development Limited (Note 1)	4,364,016,823	41.50
	Hopkins (Cayman) Limited (Note 2)	4,364,016,823	41.50
	Riddick (Cayman) Limited (Note 2)	4,364,016,823	41.50
	Rimmer (Cayman) Limited (Note 2)	4,364,016,823	41.50
<b>Persons other than substantial shareholders</b>	Macrostar Investment Limited (Note 1)	990,939,540	9.42
	Chelco Investment Limited (Note 1)	990,939,540	9.42
	Medley Investment Limited (Note 1)	943,617,534	8.97
	Commonwealth Bank of Australia (Note 10)	564,455,528	5.37

\* Percentage which the aggregate long position in the shares represents to the number of issued shares of the Company.

Save as mentioned above, as at 30th June 2014, the register maintained by the Company pursuant to section 336 of the SFO recorded no other interests or short positions in shares and underlying shares of the Company.

Notes:

- These 4,364,016,823 shares were beneficially owned by Macrostar Investment Limited ("Macrostar"), Medley Investment Limited ("Medley") and Disralei Investment Limited ("Disralei"). Macrostar was a wholly-owned subsidiary of Chelco Investment Limited, which was in turn, a wholly-owned subsidiary of Faxson Investment Limited ("FIL"). Medley and Disralei were wholly-owned subsidiaries of Timpani Investments Limited, which was in turn, a wholly-owned subsidiary of FIL. FIL was a wholly-owned subsidiary of Henderson Land Development Company Limited ("HLD"). Henderson Development Limited ("HD") was entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of HLD.
- These 4,364,016,823 shares are duplicated in the interests described in Note 1. Hopkins (Cayman) Limited ("Hopkins") owned all the issued ordinary shares which carry the voting rights in the share capital of HD as trustee of a unit trust ("Unit Trust"). Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"), as trustees of the respective discretionary trusts, held units in the Unit Trust. Mr. Lee Ka Kit and Mr. Lee Ka Shing, as discretionary beneficiaries of the discretionary trusts, were taken to have duties of disclosure in relation to these shares by virtue of Part XV of the SFO.
- These 4,364,016,823 shares are duplicated in the interests described in Notes 1 and 2. Dr. the Hon. Lee Shau Kee beneficially owned all the issued shares in Rimmer, Riddick and Hopkins and was taken to be interested in these shares by virtue of Part XV of the SFO.
- These 136,906 shares were jointly held by Professor Poon Chung Kwong and his spouse.
- These 200,371 shares were jointly held by Mr. Alfred Chan Wing Kin and his spouse.

6. These 9,500 shares in Lane Success Development Limited were beneficially owned by a wholly-owned subsidiary of the Company (as to 4,500 shares) and a wholly-owned subsidiary of HLD (as to 5,000 shares). Dr. the Hon. Lee Shau Kee, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in HLD and the Company as set out in Notes 1 to 3 by virtue of Part XV of the SFO.
7. These 2 shares in Yieldway International Limited were beneficially owned by a wholly-owned subsidiary of the Company (as to 1 share) and a wholly-owned subsidiary of HLD (as to 1 share). Dr. the Hon. Lee Shau Kee, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in HLD and the Company as set out in Notes 1 to 3 by virtue of Part XV of the SFO.
8. These 1,642,489,654 shares in Towngas China representing 62.80% of the total issued shares in Towngas China were taken to be interested by Hong Kong & China Gas (China) Limited (as to 1,599,141,814 shares), Planwise Properties Limited (as to 40,825,858 shares) and Superfun Enterprises Limited (as to 2,521,982 shares), wholly-owned subsidiaries of the Company, upon their submission of election forms with Towngas China electing to receive new shares in Towngas China in lieu of cash dividend pursuant to Towngas China's scrip dividend scheme on 24th June 2014. Subsequent to the allotment of new shares by Towngas China on 11th July 2014, the said percentage figure of interest in Towngas China's shares was adjusted to 62.39% as at 11th July 2014. Dr. the Hon. Lee Shau Kee, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in the Company as set out in Notes 1 to 3 by virtue of Part XV of the SFO.
9. These options represent personal interests held by the Directors.
10. The Company has been notified that Commonwealth Bank of Australia ("Commonwealth Bank") was taken to be interested in these 564,455,528 shares which were held by indirect wholly-owned subsidiaries of Commonwealth Bank as at 30th June 2014. Referring to their previous notice dated 5th March 2014 of holding 479,526,700 shares as recorded in the Company's register, such increase in shareholding was not required to be disclosed under Part XV of the SFO.

### Share option scheme of Towngas China

Towngas China operates a share option scheme ("2005 Main Board Scheme") under which the board of Towngas China may, at its discretion, offer any employee (including any director) of Towngas China or its subsidiaries options to subscribe for shares in Towngas China subject to the terms and conditions stipulated in the above scheme. The 2005 Main Board Scheme was approved by its shareholders on 28th November 2005 and has a life of 10 years until 27th November 2015.

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

Option types	Date of grant	Exercise period	Exercise price (HK\$)
<b>2005 Main Board Scheme:</b>			
2006 Options	03.10.2006	04.10.2007 – 27.11.2015	2.796
	03.10.2006	04.04.2008 – 27.11.2015	2.796
	03.10.2006	04.10.2008 – 27.11.2015	2.796
2007 Options	16.03.2007	16.03.2008 – 27.11.2015	3.811
	16.03.2007	16.03.2009 – 27.11.2015	3.811
	16.03.2007	16.03.2010 – 27.11.2015	3.811

The following table discloses movements in the share options of Towngas China during the period:

	Option types	Date of grant	Exercise period	Exercise price (HK\$)	Number of shares of Towngas China subject to outstanding options as at 01.01.2014	Exercised during the period	Number of shares of Towngas China subject to outstanding options as at 30.06.2014	Weighted average closing price of shares of Towngas China immediately before the date(s) on which options were exercised (HK\$)
<b>Category 1: Directors of Towngas China</b>								
Mr. Alfred Chan Wing Kin	2007 Options	16.03.2007	16.03.2008 – 27.11.2015	3.811	1,085,400	–	1,085,400	–
		16.03.2007	16.03.2009 – 27.11.2015	3.811	1,085,400	–	1,085,400	–
		16.03.2007	16.03.2010 – 27.11.2015	3.811	1,447,200	–	1,447,200	–
Mr. Peter Wong Wai Yee	2007 Options	16.03.2007	16.03.2008 – 27.11.2015	3.811	904,500	–	904,500	–
		16.03.2007	16.03.2009 – 27.11.2015	3.811	904,500	–	904,500	–
		16.03.2007	16.03.2010 – 27.11.2015	3.811	1,206,000	–	1,206,000	–
Other directors of Towngas China	2007 Options	16.03.2007	16.03.2008 – 27.11.2015	3.811	904,500	–	904,500	–
		16.03.2007	16.03.2009 – 27.11.2015	3.811	1,213,500	309,000	904,500	9.06
		16.03.2007	16.03.2010 – 27.11.2015	3.811	2,412,000	1,206,000	1,206,000	9.06
<b>Total for Category 1</b>					<b>11,163,000</b>	<b>1,515,000</b>	<b>9,648,000</b>	
<b>Category 2: Employees of Towngas China</b>								
	2006 Options	03.10.2006	04.10.2007 – 27.11.2015	2.796	301,500	180,900	120,600	9.19
		03.10.2006	04.04.2008 – 27.11.2015	2.796	542,700	19,100	523,600	9.19
		03.10.2006	04.10.2008 – 27.11.2015	2.796	723,600	–	723,600	–
	2007 Options	16.03.2007	16.03.2008 – 27.11.2015	3.811	301,500	301,500	–	9.20
		16.03.2007	16.03.2009 – 27.11.2015	3.811	301,500	301,500	–	9.20
		16.03.2007	16.03.2010 – 27.11.2015	3.811	402,000	402,000	–	9.20
<b>Total for Category 2</b>					<b>2,572,800</b>	<b>1,205,000</b>	<b>1,367,800</b>	
<b>All categories</b>					<b>13,735,800</b>	<b>2,720,000</b>	<b>11,015,800</b>	

Notes:

1. The vesting period of the share options is from the date of grant until the commencement of the exercise period.
2. During the period, no share option was cancelled or had lapsed.
3. During the period, no new option was granted.

### Arrangements to purchase shares or debentures

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

## Changes in the information of Directors

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the information of Directors of the Company required to be disclosed are shown as follows:

- 1) **Dr. the Hon. LEE Shau Kee** G.B.M., D.B.A. (Hon.), D.S.Sc. (Hon.), LL.D. (Hon.),  
*Chairman & Non-executive Director*

Dr. Lee resigned as the Chairman of Miramar Hotel and Investment Company, Limited (“Miramar”) and was re-designated as Non-executive Director of Miramar on 12th June 2014.

- 2) **Mr. LEE Ka Kit** J.P., D.B.A. (Hon.),  
*Non-executive Director*

Mr. Lee was awarded an Honorary Degree of Doctor of Business Administration by Edinburgh Napier University on 3rd July 2014.

- 3) **Mr. Alfred CHAN Wing Kin** B.B.S., C.Eng., F.H.K.I.E., F.I.Mech.E., F.I.G.E.M., F.E.I., M.Sc. (Eng), B.Sc. (Eng),  
*Managing Director*

Mr. Chan was appointed as the Chairman of The Hong Kong Management Association on 10th July 2014.

- 4) **Mr. LEE Ka Shing**  
*Non-executive Director*

(i) Mr. Lee was appointed as a Member of The Court of The Hong Kong Polytechnic University on 1st April 2014.

(ii) Mr. Lee was re-designated as the Chairman and Chief Executive Officer of Miramar on 12th June 2014.

- 5) **Mr. Peter WONG Wai Yee** C.P.A., C.M.A., A.C.I.S., A.C.S., F.I.G.E.M., F.H.K.I.o.D., M.B.A.,  
*Executive Director and Chief Operating Officer – Utilities Business*

Mr. Wong was elected as a Fellow of the Institution of Gas Engineers & Managers of the United Kingdom on 20th June 2014.

- 6) During the annual general meeting held on 4th June 2014, the shareholders of the Company approved the revised Director’s fee for each Director at the rate of HK\$200,000 per annum; in the case of the Chairman of the Board an additional fee at the rate of HK\$200,000 per annum; in the case of each Director acting as member of (a) Audit Committee an additional fee at the rate of HK\$250,000 per annum; (b) Remuneration Committee an additional fee at the rate of HK\$100,000 per annum; and (c) Nomination Committee an additional fee at the rate of HK\$100,000 per annum with effect from the financial year of 2014.

## CORPORATE INFORMATION

### Board of directors

As at the date of this report, the board of directors of the Company comprises Dr. the Hon. Lee Shau Kee (Chairman), Mr. Leung Hay Man\*, Mr. Colin Lam Ko Yin, Dr. the Hon. David Li Kwok Po\*, Mr. Lee Ka Kit, Mr. Alfred Chan Wing Kin, Mr. Lee Ka Shing, Professor Poon Chung Kwong\* and Mr. Peter Wong Wai Yee.

\* *Independent Non-executive Director*

### Registered office

23rd Floor, 363 Java Road, North Point,  
Hong Kong

### Company's website

[www.towngas.com](http://www.towngas.com)

### Share registrar

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor, Hopewell Centre,  
183 Queen's Road East, Wanchai, Hong Kong  
Telephone number: 2862 8555  
Fax number: 2865 0990

### Investor relations

Corporate Investment and Investor Relations Department  
Telephone number: 2963 3189  
Fax number: 2911 9005  
E-mail address: [invrelation@towngas.com](mailto:invrelation@towngas.com)

### Corporate Communications Department

Telephone number: 2963 3493  
Fax number: 2516 7368  
E-mail address: [ccd@towngas.com](mailto:ccd@towngas.com)

### Company Secretarial Department

Telephone number: 2963 3292  
Fax number: 2562 6682  
E-mail address: [compsec@towngas.com](mailto:compsec@towngas.com)

*A printed version of this Interim Report is available on request from the Company and the Company's Share Registrar free of charge. The website version of this Interim Report is also available on the Company's website.*