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

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3633)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2013

FINANCIAL HIGHLIGHTS

	For the year ended 31st December,		
	2013 *HK$'000*	2012 *HK$'000*	**% changes**
Turnover	**3,130,885**	2,754,084	13.7%
Sales of piped gas	**2,243,421**	2,007,110	11.8%
Connection revenue from gas pipeline construction	**618,774**	546,378	13.3%
Operation of CNG/LNG filling stations	**242,908**	166,431	46.0%
Gross profit (Gross margin)	**745,675** **(23.8%)**	648,612 (23.6%)	15.0% (+0.2)%
Profit attributable to owners of the Company (Net profit margin)	**262,248** **(8.4%)**	226,021 (8.2%)	16.0% (+0.2%)
Earnings per share Basic Diluted	 **HK10.39 cents** **HK10.38 cents**	 HK9.05 cents HK9.01 cents	 14.8% 15.2%
EBITDA	**602,789**	523,821	15.1%
Net assets value per share	**HK$0.7**	HK$0.6	16.7%

CHAIRMAN'S STATEMENTS

On behalf of the Board of Directors of Zhongyu Gas Holdings Limited, I am pleased to announce that the Group recorded overall encouraging annual results for the year ended 31st December, 2013 (the "Year"). The Group's natural gas operations continued to develop steadily during the Year. Turnover amounted to approximately HK$3,130,885,000 in 2013, representing a growth of 13.7% as compared to HK$2,754,084,000 in 2012. The revenue growth was mainly attributable to the continuous expansion of the Group's downstream gas distribution in the People's Republic of China (the "PRC"), comprising of sales of piped gas, connection revenue from gas pipeline construction and operation of compressed natural gas or liquefied natural gas ("CNG/LNG") filling stations.

10th Anniversary

2013 marked the 10th anniversary of the Group. As an early mover in the natural gas development sector and a successful developer of vertically integrated gas operations in China, the Group has grasped the opportunities arising from favourable natural gas policies of the PRC Government and achieved remarkable success in the past decade. Together with the expansion of gas project networks across China, the Group provides an increasing number of household, industrial and commercial users with clean energy, which lays a solid foundation to boost the Group's long-term steady growth. In the next decade, the Group will continue to devote resources to further expand our downstream distribution and increase the penetration rate, ultimately achieving sustainable growth and enhancing shareholder value in the long run.

Business Review

2013 was a challenging but fruitful period. During the Year, the PRC witnessed export and economic slowdown as the world economy underwent a period of change and adjustment. However, progressing urbanization and growing domestic consumption in the PRC have increase the demand of natural gas for both residential households and commercial customers. In addition, air pollution and environmental issues have attracted widespread attention and become a leading problem for the PRC government. In August 2013, an environmental initiative was introduced by the PRC government to reduce the number of newly built coal-fired power plants, as well as to tackle pollution problems by spending approximately US$275 billion. Against this backdrop, clean energies such as natural gas experienced rapid development during the Year. Along with the increasing demand in natural gas, the rationalization of gas prices and the growing pace of pipeline construction, the domestic natural gas market is expected to achieve significant growth in the coming years. This is in line with the PRC government's determination to increase natural gas consumption and supply as stated in The 12th Five-year Plan (2011-2015) For Natural Gas Development.

On 10th July, 2013, the National Development and Reform Commission of the PRC adjusted the natural gas price of non-residential gate stations. The national average gate station price has increased by 15% to RMB1.95 per cubic meter from RMB1.69 per cubic meter. The natural gas price of residential gate stations has not yet been adjusted. On 15th August and 1st September, 2013, the Group received the Notice on the Adjustment of Natural Gas Prices for non-residential users and Vehicles Natural Gas Prices in Linyi City (關於調整臨沂市非居民用天然氣和車用天然氣銷售價格的通知) issued by the Bureau of Commodity Prices in Linyi City and the Notice on the Adjustment of Natural Gas Prices for non-residential users in Henan Province (關於調整河南省非居民用天然氣銷售價格的通知) (together the "Notices") issued by the Henan Province Development and Reform Commission respectively. Pursuant to the Notices, the selling price of natural gas for non-residential users and motor vehicles of the Group's subsidiaries in Linyi City, and the selling price of natural gas for non-residential users in Jiaozuo City, Luohe City, Jiyuan City, Yanshi City and Xinmi City were increased during the Year.

Subsequent to the commencement of large scale gas supply from the main pipeline of the Second West-East Gas Pipeline in July 2011, piped gas supply for the Group's projects located in various cities has increased significantly. Moreover, the connection and supply of gas to Yanshi City and Xinmi City from the sub-pipeline of the Second West-East Gas Pipeline has also completed and supply commenced in October 2012 and March 2013 respectively, resulting in significant sales growth of piped gas to Yanshi City and Xinmi City during the Year. As a result, most of the gas projects of the Group, with the exception of projects in Yongcheng City, Nanjing City, Shaowu City and Tieli City, are connected and supplied through the First and Second West-East Gas Pipelines, enabling the Group to connect with more end users, increasing the Group's turnover and in turn, enhancing its earnings base.

The growth of domestic consumption and household disposable income has correspondingly boosted the sales of piped gas. Due to continued urbanization and relatively robust economic performance in Henan and Shandong Provinces of the PRC, demand for natural gas from residential households as well as industrial customers also realized steady growth during the Year. As a result, the downstream gas sales volume reached 875,160,000 m^3 in 2013, an increase of 4.1% over 841,054,000 m^3 in 2012.

During the Year, the Group progressively expanded its market share to boost future growth. In June 2013, Linyi Zhongyu Energy Company Limited ("Linyi Zhongyu Energy"), a non-wholly-owned subsidiary of the Company, established a company namely 東海縣中裕燃氣有限公司 (Donghai County Zhongyu Gas Company Limited) ("Donghai County Zhongyu") with two individual parties in Donghai County, Lianyungang City, Jiangsu Province, the PRC. Linyi Zhongyu Energy currently owns 67% equity interests of Donghai County Zhongyu, which is principally engaged in the construction and operation of piped natural gas projects in Shilianghe Town of Donghai County.

In September and November 2013, Zhongyu (Henan) Energy Holdings Limited ("Zhongyu Henan"), a wholly-owned subsidiary of the Company further expanded its footprints in Wuzhi County, Henan Province, Tieli City and Heilongjiang Province to develop the business of constructing natural gas reserves and related pipeline infrastructure projects as well as operation of CNG filling station through the acquisition of 100% equity interests in Wuzhi County Gaoyuan Natural Gas Company Limited and Tieli City Jiahua Gas Company Limited respectively.

In addition, Lingbao Zhongyu Gas Company Limited, a wholly-owned subsidiary of the Company, entered into an agreement with the Housing and Urban-Rural Development Bureau of Lingbao City in December 2013 to obtain a right for constructing and operating of piped natural gas projects on an exclusive basis in a new development district located in Sanmenxia City, Henan Province.

The Chinese automobile market has been the world's largest since 2009. The steady growth of automobile consumption in the PRC generated demand for natural gas and CNG/LNG filling stations. During the Year, 15 new CNG/LNG filling stations of the Group, including fourteen newly established and one newly acquired, have come into operation, bringing the total number of the Group's CNG/LNG filling stations to 27. The Group believes that the construction of CNG/LNG filling stations will provide a solid foundation for further development of its vertically integrated value chain, and expects additional investment in this area in the coming years. As at 31st December, 2013, the Group had 12 CNG/LNG filling stations under construction, among which, the Group has planned to complete construction of 9 CNG/LNG filling stations in 2014 in order to increase its market share to further enhance its revenue base and profit growth.

During the Year, the Group disposed part of its liquefied petroleum gas ("LPG") business in Sanmenxia City and Jiaozuo City in order to focus the Group's resources on other businesses. The Company believes the aforementioned acquisitions or projects will continue to fuel the Group's business growth in the domestic gas distribution market in the PRC.

Prospects

The Group is confident in its future prospects as the steady growth of the natural gas market in the PRC is expected to be maintained. The favorable domestic business environment and the growing demand for piped gas consumption arising from progressing urbanization and increasing consumption of automobiles will also serve to drive growth. In the future, the Group will expand its downstream natural gas distribution with a focus on high margin commercial and industrial users and CNG/LNG filling stations, with the goal of increasing its penetration rate in the areas it is currently operating in.

Under the 12th Five-year Plan (2011-2015) of the PRC, it is expected that the annual domestic gas consumption will reach 260 billion cubic meters (cu m), representing an 8.3 percent share in the primary energy mix in 2015. Currently, gas demand in the PRC reaches approximately 100 billion cubic meters a year. The implementation of beneficial policies by the State and progressing urbanization in the PRC will continuously boost the domestic gas demand and support the steady expansion of the Group's overall business.

In addition to its vertical integration strategies, the Group is cautiously seeking suitable investment opportunities. With our healthy financial position, together with the constant cash inflow generated by our downstream projects, we believe that we would be able to strategically increase our market penetration. We believe that Zhongyu Gas is well-positioned to capture the opportunities arising from the economic development in the PRC and maximize our shareholders' returns.

Finally, I would like to extend my greatest appreciation to our management team and staff for their dedication and contribution. I would also like to take this opportunity to express appreciation to our shareholders and customers for their continuous support and confidence in the Group.

Wang Wenliang
Chairman
Hong Kong
13th March, 2014

The board of directors (the "Board" or the "Directors") of Zhongyu Gas Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December, 2013, together with the comparative figures for the corresponding period in 2012, which are set out as below. The Group is principally engaged in (i) the investment, operation and management of city gas pipeline infrastructure, distribution of piped gas to residential, industrial and commercial users; (ii) the construction and operation of CNG/LNG filling stations for vehicles; and (iii) the exploration, exploitation and development of coalbed methane gas ("CBM") in the PRC.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December, 2013

	NOTES	**2013** *HK$'000*	2012 *HK$'000*
Turnover	*3*	**3,130,885**	2,754,084
Cost of sales		**(2,385,210)**	(2,105,472)
Gross profit		**745,675**	648,612
Other gains and losses	*5*	**7,688**	7,050
Other income	*6*	**21,611**	22,180
Selling and distribution costs		**(60,348)**	(45,990)
Administrative expenses		**(202,695)**	(187,484)
Research and development costs		**(1,287)**	(1,288)
Finance costs	*7*	**(44,465)**	(32,513)
Profit before tax		**466,179**	410,567
Income tax expenses	*8*	**(141,362)**	(129,013)
Profit for the year	*9*	**324,817**	281,554
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**44,006**	14,388
Total comprehensive income for the year		**368,823**	295,942
Profit for the year attributable to:			
Owners of the Company		**262,248**	226,021
Non-controlling interests		**62,569**	55,533
		324,817	281,554
Total comprehensive income attributable to:			
Owners of the Company		**302,245**	240,152
Non-controlling interests		**66,578**	55,790
		368,823	295,942
Earnings per share	*11*		
Basic		**HK10.39 cents**	HK9.05 cents
Diluted		**HK10.38 cents**	HK9.01 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2013

	NOTES	**2013** **HK$'000**	2012 *HK$'000*
Non-current assets			
Investment properties		**9,016**	7,589
Property, plant and equipment	*12*	**2,559,305**	1,955,577
Goodwill		**122,001**	110,261
Other intangible assets	*13*	**695,003**	478,521
Deposits paid for acquisition of a subsidiary	*14*	**10,367**	–
Deposits paid for acquisition of property, plant and equipment and prepaid lease payments	*15*	**133,446**	84,080
Prepaid lease payments		**283,994**	178,072
Available-for-sale investment		**3,840**	3,738
		3,816,972	2,817,838
Current assets			
Inventories	*16*	**81,468**	74,409
Trade and bills receivables	*17*	**178,542**	155,990
Deposits, prepayments and other receivables	*17*	**174,769**	114,170
Prepaid lease payments		**8,220**	5,473
Amounts due from customers for contract work	*18*	**–**	13,562
Pledged bank deposits		**9,397**	18,689
Bank balances and cash		**429,546**	348,570
		881,942	730,863
Current liabilities			
Deferred income and advance received	*19*	**314,662**	242,951
Trade payables	*19*	**317,007**	248,517
Other payables and accrued charges	*19*	**213,551**	203,369
Amounts due to customers for contract work	*18*	**23,347**	10,369
Bank borrowings		**528,215**	660,852
Tax payables		**61,994**	51,647
		1,458,776	1,417,705
Net current liabilities		**(576,834)**	(686,842)
Total assets less current liabilities		**3,240,138**	2,130,996

	NOTES	**2013**	2012
		HK$'000	*HK$'000*
Capital and reserves			
Share capital	*20*	**25,240**	25,240
Reserves		**1,667,240**	1,364,995
Equity attributable to owners of the Company		**1,692,480**	1,390,235
Non-controlling interests		**236,194**	171,227
Total equity		**1,928,674**	1,561,462
Non-current liabilities			
Deferred income and advance received	*19*	**6,851**	25,372
Bank borrowings		**1,280,903**	525,181
Deferred taxation		**23,710**	18,981
		1,311,464	569,534
		3,240,138	2,130,996

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2013

	Attributable to owners of the Company										
	Share capital	Share premium	Share option reserve	Property revaluation reserve	Other reserve	Statutory surplus reserve	Translation reserve	Accumulated profits	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000* *(Note)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2012	23,982	816,047	19,143	1,128	1,049	42,462	182,975	1,655	1,088,441	140,699	1,229,140
Profit for the year	–	–	–	–	–	–	–	226,021	226,021	55,533	281,554
Other comprehensive income for the year	–	–	–	–	–	–	14,131	–	14,131	257	14,388
Total comprehensive income for the year	–	–	–	–	–	–	14,131	226,021	240,152	55,790	295,942
Transfer to statutory surplus reserve	–	–	–	–	–	13,284	–	(13,284)	–	–	–
Exercise of share options	1,258	79,007	(18,623)	–	–	–	–	–	61,642	–	61,642
Dividend paid by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	(25,262)	(25,262)
At 31st December, 2012	25,240	895,054	520	1,128	1,049	55,746	197,106	214,392	1,390,235	171,227	1,561,462
Profit for the year	–	–	–	–	–	–	–	262,248	262,248	62,569	324,817
Other comprehensive income for the year	–	–	–	–	–	–	39,997	–	39,997	4,009	44,006
Total comprehensive income for the year	–	–	–	–	–	–	39,997	262,248	302,245	66,578	368,823
Transfer to statutory surplus reserve	–	–	–	–	–	6,159	–	(6,159)	–	–	–
Dividend paid by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	(5,835)	(5,835)
Capital contribution from non-controlling interest of a subsidiary	–	–	–	–	–	–	–	–	–	4,224	4,224
At 31st December, 2013	25,240	895,054	520	1,128	1,049	61,905	237,103	470,481	1,692,480	236,194	1,928,674

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2013

	NOTE	2013 HK$'000	2012 HK$'000
Operating activities			
Profit before tax		**466,179**	410,567
Adjustments for:			
Depreciation of property, plant and equipment		**80,834**	65,774
Amortisation of other intangible assets		**6,734**	10,187
Amortisation of prepaid lease payments		**4,577**	4,780
Net loss (gain) on disposal/written-off of property, plant and equipment		**1,921**	(2,898)
Net allowance (reversal of allowance) for doubtful debts			
– trade receivables		**148**	58
– other receivables		**650**	(192)
Net reversal of impairment loss recognised on amounts due from customers for contract work		**(2,739)**	(3,083)
Interest income		**(3,247)**	(3,125)
Finance costs		**44,465**	32,513
Increase in fair value of investment properties		**(1,204)**	(935)
Operating cash flows before movements in working capital		**598,318**	513,646
Increase in inventories		**(5,828)**	(8,542)
Increase in trade and bills receivables		**(22,673)**	(14,667)
(Increase) decrease in deposits, prepayments and other receivables		**(54,401)**	95
Decrease (increase) in amounts due from customers for contract work		**16,301**	(10,479)
Increase in deferred income and advance received	24	**70,404**	43,981
Increase (decrease) in trade payables		**68,084**	(27,194)
(Decrease) increase in other payables and accrued charges		**(64,860)**	30,785
Increase (decrease) in amounts due to customers for contract work		**12,978**	(3,492)
Cash generated from operations		**618,323**	524,133
Interest received		**3,247**	3,125
Income taxes paid		**(131,579)**	(102,952)
Withholding tax paid		**(3,840)**	(8,334)
Net cash from operating activities		**486,151**	415,972

	NOTES	2013 HK$'000	2012 HK$'000
Investing activities			
Purchases of property, plant and equipment		**(473,284)**	(188,325)
Proceeds from disposal of property, plant and equipment		**10,568**	3,621
Proceed from disposal of prepaid lease payment		**–**	3,119
Withdrawal of pledged bank deposits		**18,689**	15,893
Placement of pledged bank deposits		**(9,397)**	–
Acquisition of subsidiary and business	*21*	**(91,138)**	–
Addition of prepaid lease payments		**(83,400)**	(38,477)
Acquisition of assets and liabilities through acquisitions of subsidiaries	*22*	**(138,068)**	(331,144)
Deposit paid for acquisition of a subsidiary	*14*	**(10,367)**	–
Deposit paid for acquisition of property, plant and equipment and prepaid lease payments		**(133,446)**	(158,598)
Purchase of intangible assets		**(1,264)**	(9,282)
Decrease in loan receivables		**–**	19,888
Net cash used in investing activities		**(911,107)**	(683,305)
Financing activities			
Interest paid		**(83,962)**	(72,479)
New borrowings raised		**1,397,752**	776,601
Repayments of borrowings		**(807,001)**	(476,203)
Proceeds from issue of shares upon exercise of share options		**–**	61,642
Dividend paid by subsidiaries to its non-controlling interest		**(5,835)**	(25,262)
Capital contribution from non-controlling interest of a subsidiary		**4,224**	–
Net cash from financing activities		**505,178**	264,299
Net increase (decrease) in cash and cash equivalents		**80,222**	(3,034)
Cash and cash equivalents at 1st January		**348,570**	351,275
Effect of foreign exchange rate changes		**754**	329
Cash and cash equivalents at 31st December, represented by bank balances and cash		**429,546**	348,570

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

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

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 – 2011 cycle
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and Disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
Amendments to HKAS 1	Presentation of items of other comprehensive income
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine

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

HKFRS 12 Disclosure of interests in other entities

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

HKFRS 13 Fair value measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The Group has applied the amendments to HKAS 1 "Presentation of items of other comprehensive income". Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[1]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle[2]
HKFRS 9	Financial Instruments[3]
HK(IFRIC) – Int 21	Levies[1]

[1] Effective for annual periods beginning on or after 1st January, 2014.
[2] Effective for annual periods beginning on or after 1st July, 2014.
[3] Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.
[4] Effective for annual periods beginning on or after 1st July, 2014, with limited exceptions.

Amendments to HKAS 36 Recoverable amount disclosures for non-financial assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The Directors anticipate that the application of these amendments to HKAS 36 will result in more extensive disclosures in the Group's consolidated financial statements.

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3. TURNOVER

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

	2013	2012
	HK$'000	*HK$'000*
Sales of piped gas	**2,243,421**	2,007,110
Connection revenue from gas pipeline construction	**618,774**	546,378
Operation of CNG/LNG filling stations	**242,908**	166,431
Sales of liquefied petroleum gas	**16,465**	29,667
Sales of stoves and related equipment	**9,317**	4,498
	3,130,885	2,754,084

4. SEGMENT INFORMATION

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

(a) sales of piped gas;

(b) connection revenue from gas pipeline construction;

(c) operation of CNG/LNG filling stations;

(d) sales of liquefied petroleum gas;

(e) sales of CBM; and

(f) sales of stoves and related equipment.

Segment revenue and results

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

For the year ended 31st December, 2013

	Sales of piped gas HK$'000	Connection revenue from gas pipeline construction HK$'000	Operation of CNG/LNG filling stations HK$'000	Sales of liquefied petroleum gas HK$'000	Sales of CBM HK$'000	Sales of stoves and related equipment HK$'000	Consolidated HK$'000
Segment revenue	**2,243,421**	**618,774**	**242,908**	**16,465**	**–**	**9,317**	**3,130,885**
Segment profit (loss)	**219,319**	**313,627**	**33,188**	**2,232**	**(8,316)**	**4,072**	**564,122**
Interest income and other gains							**10,930**
Central corporate expenses							**(64,408)**
Finance costs							**(44,465)**
Profit before tax							**466,179**

For the year ended 31st December, 2012

	Sales of piped gas HK$'000	Connection revenue from gas pipeline construction HK$'000	Operation of CNG/LNG filling stations HK$'000	Sales of liquefied petroleum gas HK$'000	Sales of CBM HK$'000	Sales of stoves and related equipment HK$'000	Consolidated HK$'000
Segment revenue	2,007,110	546,378	166,431	29,667	–	4,498	2,754,084
Segment profit (loss)	177,442	297,648	19,282	(62)	(9,568)	(270)	484,472
Interest income and other gains							6,681
Central corporate expenses							(48,073)
Finance costs							(32,513)
Profit before tax							410,567

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 2. Segment profit (loss) represents the profit earned by/loss from each segment without allocation of central administration costs, directors' salaries, bank interest income, increase in fair value of investment properties, net foreign exchange gain, certain sundry income, finance costs and income tax expenses. This is the measure reported to the chief operating decision makers for the purposes of resources allocation and performance assessment.

Segment assets and liabilities

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

As at 31st December, 2013

	Sales of piped gas *HK$'000*	Connection revenue from gas pipeline construction *HK$'000*	Operation of CNG/LNG filling stations *HK$'000*	Sales of liquefied petroleum gas *HK$'000*	Sales of CBM *HK$'000*	Sales of stoves and related equipment *HK$'000*	Consolidated *HK$'000*
ASSETS							
Segment assets	**3,734,013**	**175,635**	**238,998**	**2,396**	**2,251**	**1,277**	**4,154,570**
Investment properties							**9,016**
Available-for-sale investment							**3,840**
Property, plant and equipment for corporate use							**50,612**
Prepaid lease payments for corporate use							**3,686**
Pledged bank deposits							**9,397**
Bank balances and cash							**429,546**
Other assets							**38,247**
Consolidated assets							**4,698,914**
LIABILITIES							
Segment liabilities	**616,566**	**222,526**	**20,739**	**3,917**	**–**	**3,422**	**867,170**
Tax payables							**61,994**
Bank borrowings							**1,809,118**
Deferred tax liabilities							**23,710**
Other liabilities							**8,248**
Consolidated liabilities							**2,770,240**

As at 31st December, 2012

	Sales of piped gas *HK$'000*	Connection revenue from gas pipeline construction *HK$'000*	Operation of CNG/LNG filling stations *HK$'000*	Sales of liquefied petroleum gas *HK$'000*	Sales of CBM *HK$'000*	Sales of stoves and related equipment *HK$'000*	Consolidated *HK$'000*
ASSETS							
Segment assets	2,887,262	78,223	114,385	25,254	2,419	6,212	3,113,755
Investment properties							7,589
Available-for-sale investment							3,738
Property, plant and equipment for corporate use							39,123
Prepaid lease payments for corporate use							3,588
Pledged bank deposits							18,689
Bank balances and cash							348,570
Other assets							13,649
Consolidated assets							3,548,701
LIABILITIES							
Segment liabilities	514,566	175,907	9,425	19,883	–	5,208	724,989
Tax payables							51,647
Bank borrowings							1,186,033
Deferred tax liabilities							18,981
Other liabilities							5,589
Consolidated liabilities							1,987,239

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

- all assets are allocated to operating segments, other than investment properties, available-for-sale investment, property, plant and equipment and prepaid lease payments for corporate use, certain deposits, prepayments and other receivables, pledged bank deposits and bank balances and cash; and

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

Other segment information

2013

	Sales of piped gas *HK$'000*	Connection revenue from gas pipeline construction *HK$'000*	Operations of CNG/LNG filling stations *HK$'000*	Sales of liquefied petroleum gas *HK$'000*	Sales of CBM *HK$'000*	Sales of stoves and related equipment *HK$'000*	Segment total *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:									
Capital additions	**618,873**	**–**	**61,115**	**133**	**1,425**	**–**	**681,546**	**15,545**	**697,091**
Loss (gain) on disposal/ written-off of property, plant and equipment	**1,986**	**66**	**–**	**–**	**(131)**	**–**	**1,921**	**–**	**1,921**
Amortisation of prepaid lease payments	**3,964**	**–**	**613**	**–**	**–**	**–**	**4,577**	**–**	**4,577**
Depreciation of property, plant and equipment	**71,982**	**–**	**3,338**	**61**	**917**	**–**	**76,298**	**4,536**	**80,834**
Amortisation of other intangible assets	**4,339**	**–**	**2,395**	**–**	**–**	**–**	**6,734**	**–**	**6,734**
Net reversal of impairment loss recognised on amounts due from customers for contract work	**–**	**(2,739)**	**–**	**–**	**–**	**–**	**(2,739)**	**–**	**(2,739)**
Net allowance for doubtful debts	**148**	**–**	**–**	**–**	**–**	**–**	**148**	**650**	**798**
Research and development cost	**–**	**–**	**–**	**–**	**1,287**	**–**	**1,287**	**–**	**1,287**
Amounts regularly provided to the chief operating decision makers but not included in the measure of segment profits or loss:									
Income tax expenses	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**141,362**	**141,362**

2012

	Sales of piped gas *HK$'000*	Connection revenue from gas pipeline construction *HK$'000*	Operations of CNG/LNG filling stations *HK$'000*	Sales of liquefied petroleum gas *HK$'000*	Sales of CBM *HK$'000*	Sales of stoves and related equipment *HK$'000*	Segment total *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:									
Capital additions	520,501	–	8,250	68	321	–	529,140	2,319	531,459
(Gain) loss on disposal/ written-off of property, plant and equipment	(2,902)	4	–	–	–	–	(2,898)	–	(2,898)
Amortisation of prepaid lease payments	3,712	–	1,068	–	–	–	4,780	–	4,780
Depreciation of property, plant and equipment	55,349	–	3,210	2,686	1,486	–	62,731	3,043	65,774
Amortisation of other intangible assets	7,829	–	2,358	–	–	–	10,187	–	10,187
Net reversal of impairment loss recognised on amounts due from customers for contract work	–	(3,083)	–	–	–	–	(3,083)	–	(3,083)
Net allowance (reversal of allowance) for doubtful debts	58	–	–	–	–	–	58	(192)	(134)
Research and development cost	–	–	–	–	1,288	–	1,288	–	1,288
Amounts regularly provided to the chief operating decision makers but not included in the measure of segment profits or loss:									
Income tax expenses	–	–	–	–	–	–	–	129,013	129,013

Geographical information

All the turnover of the Group for both years are derived from the PRC.

All the non-current assets of the Group for both years are located in the PRC.

Information about major customer

Revenue from a customer contributing over 10% of the total sales of the Group is as follows:

	2013	2012
	HK$'000	*HK$'000*
Customer A[1]	**N/A[2]**	326,895

[1] Revenue from sales of piped gas.

[2] The corresponding revenue did not contribute over 10% of the total sales of the Group. None of the customers contributed over 10% of total revenue of the Group for the current year.

5. OTHER GAINS AND LOSSES

	2013	2012
	HK$'000	*HK$'000*
Net (allowance) reversal of allowance for doubtful debts		
– trade receivables	**(148)**	(58)
– other receivables	**(650)**	192
Net foreign exchange gain	**6,464**	–
Increase in fair value of investment properties	**1,204**	935
Net reversal of impairment loss recognised on amounts due from customers for contract work *(note)*	**2,739**	3,083
Net (loss) gain on disposal/written-off of property, plant and equipment	**(1,921)**	2,898
	7,688	7,050

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

6. OTHER INCOME

	2013	2012
	HK$'000	*HK$'000*
Bank interest income	**3,247**	3,125
Government subsidies *(note)*	**9,454**	9,102
Sundry income	**8,910**	9,953
	21,611	22,180

Note: During the year ended 31st December, 2013, the Group has received subsidies of HK$9,454,000 (2012: HK$9,102,000) from the relevant PRC governments for promoting the use of natural gas. There are no conditions attached to the subsidies granted to the Group.

7. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Interests on bank borrowings:		
– wholly repayable within five years	**80,489**	62,880
– over five years	**3,473**	9,599
Total borrowing costs	**83,962**	72,479
Less: Amounts capitalised in construction in progress	**(39,497)**	(39,966)
	44,465	32,513

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 6.16% (2012: 7.77%) per annum to expenditure on qualifying assets.

8. INCOME TAX EXPENSES

	2013	2012
	HK$'000	*HK$'000*
PRC Enterprise Income Tax:		
Current tax	**134,958**	115,320
Underprovision in prior years	**6,968**	1,552
Withholding tax levied on dividends paid previously not recognised	**–**	4,252
	141,926	121,124
Deferred tax:		
Current year	**(564)**	7,889
	141,362	129,013

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

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

Under the EIT Law of the PRC, withholding tax is imposed on the dividend declared to non-PRC tax residents in respect of profits earned by PRC subsidiaries from 1st January, 2008 onwards. During the year ended 31st December, 2013, withholding tax amounting to HK$3,840,000 (2012: HK$8,334,000) was charged by the PRC tax authority which levied on the dividends paid to overseas group entities.

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

	2013	2012
	HK$'000	*HK$'000*
Profit before tax	**466,179**	410,567
Tax at the domestic income tax rate of 25% (2012: 25%) *(note)*	**116,545**	102,642
Tax effect of expenses not deductible for tax purpose	**11,300**	4,381
Tax effect of income not taxable for tax purpose	**(4,881)**	(1,804)
Underprovision in respect of prior years	**6,968**	1,552
Tax effect of estimated tax losses not recognised	**9,720**	8,022
Utilisation of estimated tax losses previously not recognised	**(1,288)**	(417)
Effect of different tax rates of group entities operating in other jurisdictions	**2,998**	1,887
Withholding tax levied on dividends paid previously not recognised	**–**	4,252
Deferred tax on undistributed earnings of subsidiaries	**–**	8,498
Tax charge for the year	**141,362**	129,013

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

9. PROFIT FOR THE YEAR

	2013 HK$'000	2012 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**2,015**	1,804
Amortisation of other intangible assets (included in cost of sales)	**6,734**	10,187
Amortisation of prepaid lease payments	**4,577**	4,780
Depreciation of property, plant and equipment	**80,834**	65,774
Employee benefits expenses, other than directors (including contributions to retirement benefits schemes of HK$27,222,000 (2012: HK$25,683,000))	**180,091**	151,359
Operating lease rentals in respect of rented premises	**5,566**	3,598
Cost of inventories recognised as expenses in respect of:		
Contract cost for gas pipeline construction	**236,225**	171,568
Cost of inventories recognised as expenses in respect of sales of piped gas, liquefied petroleum gas and stoves equipment	**1,789,513**	1,634,658
	2,025,738	1,806,226
Gross rental income from investment properties with minimal outgoings	**(627)**	(610)
Gross rental income from equipment with minimal outgoings	**(345)**	(444)

10. DIVIDENDS

No dividend was paid or proposed during 2013, nor has any dividend been proposed since the end of the reporting period (2012: nil).

11. EARNINGS PER SHARE

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

	2013 HK$'000	2012 HK$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share, being profit for the year attributable to owners of the Company	**262,248**	226,021

	2013 '000	2012 '000
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**2,524,008**	2,498,246
Effect of dilutive potential ordinary shares:		
Share options issued by the Company (note)	**2,265**	9,380
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,526,273**	2,507,626

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

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Construction in progress	Leasehold improvements	Pipelines	Machinery and equipment	Furniture and fixtures	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST								
At 1st January, 2012	125,053	189,285	15,848	1,100,112	189,888	7,209	65,108	1,692,503
Exchange adjustments	2,325	4,701	165	13,809	2,942	101	816	24,859
Acquisition of assets through acquisitions of subsidiaries *(note 22)*	–	1,650	–	–	105	–	202	1,957
Additions	2,874	444,450	259	5,705	19,563	910	9,939	483,700
Disposals/written-off	–	–	–	(84)	–	(6)	(3,352)	(3,442)
Transfer	65,610	(232,809)	–	129,705	37,494	–	–	–
At 31st December, 2012	195,862	407,277	16,272	1,249,247	249,992	8,214	72,713	2,199,577
Exchange adjustments	6,114	13,079	412	38,274	7,446	272	2,327	67,924
Acquisition of subsidiary and business *(note 21)*	10,760	71	–	26,283	7,462	129	129	44,834
Acquisition of assets through acquisitions of subsidiaries *(note 22)*	–	11,380	–	–	140	5	3,694	15,219
Additions	9,084	541,690	14	16,656	13,510	1,194	30,279	612,427
Disposals/written-off	(1,950)	–	–	(43,524)	(10,677)	(443)	(7,521)	(64,115)
Transfer	31,982	(397,943)	–	348,557	16,506	898	–	–
At 31st December, 2013	251,852	575,554	16,698	1,635,493	284,379	10,269	101,621	2,875,866
DEPRECIATION								
At 1st January, 2012	20,882	–	2,690	82,830	41,201	3,534	26,565	177,702
Exchange adjustments	417	–	19	1,587	770	60	390	3,243
Provided for the year	8,295	–	138	34,438	13,972	890	8,041	65,774
Eliminated on disposals/written-off	–	–	–	(7)	–	(3)	(2,709)	(2,719)
At 31st December, 2012	29,594	–	2,847	118,848	55,943	4,481	32,287	244,000
Exchange adjustments	1,128	–	47	4,272	2,061	159	1,027	8,694
Provided for the year	9,660	–	–	43,122	17,229	1,288	9,535	80,834
Eliminated on disposals/written-off	(853)	–	–	(8,866)	(2,955)	(326)	(3,967)	(16,967)
At 31st December, 2013	39,529	–	2,894	157,376	72,278	5,602	38,882	316,561
CARRYING VALUES								
At 31st December, 2013	212,323	575,554	13,804	1,478,117	212,101	4,667	62,739	2,559,305
At 31st December, 2012	166,268	407,277	13,425	1,130,399	194,049	3,733	40,426	1,955,577

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

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

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

As at 31st December, 2013, the Group is in the process of obtaining title deeds from relevant government authority for its buildings in the PRC amounting to HK$31,399,000 (2012: HK$20,201,688). In the opinion of the Directors, the Group is not required to incur additional cost in obtaining the title deeds for its buildings in the PRC.

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

As at 31st December, 2012, the Group has pledged certain buildings and pipelines in the PRC having carrying value of HK$29,469,000 and HK$385,659,000 respectively, to secure certain bank borrowings granted to the Group.

13. OTHER INTANGIBLE ASSETS

	Development costs	Exclusive rights of operation	Other operating rights	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
COST				
At 1st January, 2012	45,970	109,311	178,109	333,390
Exchange adjustments	504	2,400	2,087	4,991
Additions	–	9,282	–	9,282
Acquisition of assets through acquisitions of subsidiaries *(note 22)*	–	329,371	–	329,371
At 31st December, 2012	46,474	450,364	180,196	677,034
Exchange adjustments	1,267	11,205	5,149	17,621
Additions	–	1,264	–	1,264
Acquisition of subsidiary and business *(note 21)*	–	48,582	–	48,582
Acquisition of assets through acquisitions of subsidiaries *(note 22)*	–	162,555	–	162,555
At 31st December, 2013	47,741	673,970	185,345	907,056
AMORTISATION AND IMPAIRMENT				
At 1st January, 2012	45,970	19,134	121,614	186,718
Exchange adjustments	504	236	868	1,608
Charged for the year	–	7,829	2,358	10,187
At 31st December, 2012	46,474	27,199	124,840	198,513
Exchange adjustments	1,267	1,115	4,424	6,806
Charged for the year	–	4,339	2,395	6,734
At 31st December, 2013	47,741	32,653	131,659	212,053
CARRYING VALUES				
At 31st December, 2013	–	641,317	53,686	695,003
At 31st December, 2012	–	423,165	55,356	478,521

Development costs represent costs incurred for extraction of CBM in the PRC, and the costs were fully impaired in prior years.

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

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

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

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

	2013	2012
	HK$'000	*HK$'000*
Sales of piped gas ("Unit A")	**641,317**	423,165
Operation of CNG filling stations ("Unit C")	**53,686**	55,356
Sales of CBM ("Unit D")	**Nil**	Nil

Impairment testing on Unit A

Unit A consists of several CGUs which represent the operations of different subsidiaries engaging in sales of piped gas. For impairment test purpose, management reviews each CGU's recoverable amount for comparison with the carrying amount of the respective CGU. The aggregate carrying amounts of the CGUs of Unit A comprise intangible assets of HK$641,317,000 (2012: HK$423,165,000), goodwill of HK$64,565,000 (2012: HK$54,349,000), property, plant and equipment of HK$1,682,029,000 (2012: HK$1,169,571,000) and prepaid lease payments of HK$105,285,000 (2012: HK$99,761,000). The recoverable amount of each CGU has been determined based on the value in use calculation of each CGU using the following assumptions for 2013 and 2012:

Period of cash flow projections	5 years (2012: 5 years)
Growth rates beyond 5-year period extrapolated in the financial budgets approved by the management	0.95% – 5.15% (2012: 0.17% – 2.28%)
Discount rates	13.00% – 13.60% (2012: 13.00% – 13.60%)

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

Impairment testing on Unit C

Unit C consists of several CGUs which represent the operation of different subsidiaries engaging in the operation of CNG filling stations. For impairment test purpose, management reviews each CGU's recoverable amount for comparison with the carrying amount of the respective CGU. The aggregate carrying amounts of the CGUs of Unit C comprise intangible assets of HK$53,686,000 (2012: HK$55,356,000), property, plant and equipment of HK$46,433,000 (2012: HK$39,284,000) and prepaid lease payments of HK$51,901,000 (2012: HK$11,421,000). The recoverable amount of each CGU has been determined based on the value in use calculation of each CGU using the following assumptions for 2013 and 2012:

Period of cash flow projections	5 years (2012: 5 years)
Growth rate beyond 5-year period extrapolated in the financial budgets approved by the management	0% (2012: 0%)
Discount rate	15.00% (2012: 16.00%)

There is no growth rate expected based on historical data. A key assumption for the value in use calculation is the budgeted gross margin, which is determined based on the respective CGU's past performance and management's expectations for the market development. At the end of the reporting period, the recoverable amount of each CGU of Unit C approximates its carrying amount and no impairment loss or reversal of impairment loss is considered necessary.

Impairment testing on Unit D

Due to the anticipated delay in the de-watering and releasing processes for the commercial production of CBM, it is not probable that any future economic benefits associated with Unit D will flow to the Group. Accordingly, the management recognised full impairment on the carrying amount of the development costs in prior years.

During the year ended 31st December, 2013, the Group continues the de-watering process. The management is unable to demonstrate the technical feasibility of completing the extraction process for the purpose of commercial production in the near future. As a result, the additional cost incurred for Unit D amounting to HK$1,287,000 (2012: HK$1,288,000) was charged to profit or loss as research and development costs.

14. DEPOSITS PAID FOR ACQUISITION OF A SUBSIDIARY

On 6th December, 2013, Zhongyu (Henan) Energy Holdings Limited ("Zhongyu Henan") a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with independent third parties to acquire 100% equity interest in 德州旺源燃氣有限公司 Dezhou Wangyuan Gas Company Limited ("Dezhou Wangyuan") at a total cash consideration of RMB81,000,000 (equivalent to HK$103,673,000). Dezhou Wangyuan is principally engaged in sales of piped gas in the PRC. A deposit of RMB8,100,000 (equivalent to HK$10,367,000) was paid during the year ended 31st December, 2013. The acquisition is subject to certain conditions which are not yet satisfied at the end of the reporting period.

15. DEPOSITS PAID FOR ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS

As at 31st December, 2013, deposit of RMB39,316,000 (2012: RMB32,460,000) (equivalent to HK$50,322,000 (2012: HK$40,443,000)) was paid to a supplier for acquisition of construction materials mainly for construction of the Group's pipelines.

16. INVENTORIES

	2013	2012
	HK$'000	*HK$'000*
Construction materials	**78,001**	68,849
Finished goods	**3,467**	5,560
	81,468	74,409

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

The Group allows an average credit period of 30 days (2012: 30 days) to its trade customers. The bills receivables are matured within the range of 30 days to 180 days (2012: 60 days to 180 days) for the year ended 31st December, 2013. The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates for sales of piped gas and the billing dates for work performed for construction contracts:

	2013	2012
	HK$'000	*HK$'000*
0 – 30 days	**136,886**	136,360
31 – 90 days	**331**	186
91 – 180 days	**1,121**	1
181 – 360 days	**50**	547
Trade receivables	**138,388**	137,094
0 – 90 days	**30,287**	18,585
91 – 180 days	**9,867**	311
Bills receivables	**40,154**	18,896
Trade and bills receivables	**178,542**	155,990

Included in deposits, prepayments and other receivables is advance to suppliers of natural gas and construction materials for customers' gas pipeline construction amounting to HK$79,996,000 (2012: HK$56,383,000).

Trade receivables of HK$136,886,000 (2012: HK$136,360,000) and bills receivables of HK$40,154,000 (2012: HK$18,896,000) were neither past due nor impaired. These customers are mainly local reputable real estate developers and corporate entities in Henan and Shangdong provinces and no significant counterparty default was noted in the past.

As at 31st December, 2013, trade receivables of HK$1,502,000 (2012: HK$734,000) were past due but not provided for as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these trade receivables is 120 days (2012: 210 days).

Ageing of trade receivables which are past due but not impaired

	2013	2012
	HK$'000	*HK$'000*
31 – 90 days	**331**	186
91 – 180 days	**1,121**	1
181 – 360 days	**50**	547
	1,502	734

Movement in the allowance for doubtful debts

Trade receivables

	2013	2012
	HK$'000	*HK$'000*
Balance at beginning of year	**2,936**	2,878
Increase in allowance recognised in profit or loss	**148**	58
Balance at the end of year	**3,084**	2,936

Other receivables

	2013	2012
	HK$'000	*HK$'000*
Balance at beginning of year	**6,404**	6,596
Increase (decrease) in allowance recognised in profit or loss	**650**	(192)
Balance at the end of year	**7,054**	6,404

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

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

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

	2013	2012
	HK$'000	*HK$'000*
Contracts in progress at the end of the reporting period:		
Contract costs incurred plus recognised profits	**180,272**	213,920
Less: Progress billings	**(184,174)**	(188,543)
Less: Impairment losses recognised *(note)*	**(19,445)**	(22,184)
	(23,347)	3,193
Analysed for reporting purposes as:		
Amounts due from customers for contract work	**–**	13,562
Amounts due to customers for contract work	**(23,347)**	(10,369)
	(23,347)	3,193

At 31st December, 2013, advances received from customers before the contract work is performed amounted to HK$155,514,000 (2012: HK$138,037,000) and were included in deferred income and advance received classified as current liabilities.

Note: The Directors reviewed the recoverable amounts of the amounts due from customers for contract work and identified that certain projects are under slow construction progress. In the opinion of the Directors, for amounts that recoverability is uncertain, impairment losses were recognised in full. For those amounts previously impaired but subsequently settled, impairment losses were reversed. Accordingly, during the year ended 31st December, 2013, the Group recognised a net reversal of impairment loss of HK$2,739,000 (2012: HK$3,083,000).

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

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

	2013	2012
	HK$'000	*HK$'000*
0 – 30 days	**238,521**	194,328
31 – 90 days	**33,499**	31,313
91 – 180 days	**7,399**	4,602
Over 180 days	**37,588**	18,274
Trade payables	**317,007**	248,517

The average credit period on purchase of goods is 90 days (2012: 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Deferred income and advance received classified as current liabilities represent the amounts received from customers before the contract work is performed and advance payments from customers for natural gas. Deferred income and advance received classified as non-current liabilities are government grants of HK$6,851,000 (2012: HK$25,372,000). Due to redevelopment of Jiaozuo City, Jiaozuo government subsidised the Group for enhancement and relocation of certain pipelines in Jiaozuo City. During the year ended 31st December, 2013, advance receipts amounting to HK$19,092,000 has been derecognised upon relocation of the pipelines, as disclosed in note 24.

Included in other payables and accrued charges are deposits received from customers in relation to gas supply business of HK$36,165,000 (2012: HK$58,007,000), accrued expenses of HK$24,719,000 (2012: HK$22,023,000) and unsettled consideration for the acquisition of assets and liabilities through acquisition of a subsidiary of HK$45,437,000 (2012: nil) as disclosed in note 22(i).

20. SHARE CAPITAL

	Number of shares		**Amount**	
	2013	2012	**2013**	2012
	'000	*'000*	***HK$'000***	*HK$'000*
Ordinary shares of HK$0.01 each				
Authorised	**10,000,000**	10,000,000	**100,000**	100,000
Issued and fully paid				
At beginning of year	**2,524,008**	2,398,208	**25,240**	23,982
Exercise of share options	**–**	125,800	**–**	1,258
At end of year	**2,524,008**	2,524,008	**25,240**	25,240

All the shares issued during the year ended 31st December, 2012 rank pari passu with the then existing shares in all respects.

21. ACQUISITION OF SUBSIDIARY AND BUSINESS

(i) Acquisition of subsidiary

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

Consideration transferred:

	HK$'000
Cash	65,482

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

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

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	65,482
Less: Net assets acquired	(56,784)
	8,698

Net cash outflow on acquisition of Wuzhi County Gaoyuan:

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

Included in the profit for the year is HK$20,000 attributable to the additional business generated by Wuzhi County Gaoyuan. Revenue for the year includes HK$5,040,000 generated from Wuzhi County Gaoyuan.

(ii) Acquisition of business

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

Consideration transferred:

	HK$'000
Cash	33,495

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

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

Goodwill arising on acquisition:

	HK$'000
Consideration transferred	33,495
Less: Net assets acquired	(33,495)
	–

Net cash outflow on acquisition of JZCG:

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

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

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

22. ACQUISITION OF ASSETS AND LIABILITIES THROUGH ACQUISITIONS OF SUBSIDIARIES

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

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

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

(ii) On 8th October, 2012, Zhongyu Henan acquired 100% equity interest in 南京晶橋能源投資管理有限公司 Nanjing Jingqiao Energy Investment Management Company Limited ("Nanjing Jingqiao") for RMB130,000,000 (equivalent to HK$160,296,000) from an independent third party. The principal asset of Nanjing Jingqiao is an exclusive right of selling and distributing piped gas in Jingqiao Town, Nanjing City. Nanjing Jingqiao has not commenced business at the date of acquisition.

	HK$'000
Net assets acquired	
Property, plant and equipment	1,289
Other intangible asset – exclusive right of operation	158,012
Prepayments and other receivables	3,022
Bank balances and cash	1,179
Other payables	(3,206)
	160,296
Net cash outflow arising on acquisition	
Cash consideration paid	160,296
Less: Cash and cash equivalents acquired	(1,179)
	159,117

(iii) On 12th December, 2012, Zhongyu Henan acquired 100% equity interest in 上海宣閩能源投資管理有限公司 Shanghai Xuanmin Energy Investment Management Company Limited ("Shanghai Xuanmin") for RMB145,000,000 (equivalent to HK$180,371,000) from an independent third party. The principal asset of Shanghai Xuanmin is an exclusive right of selling and distributing piped gas in Shaowu City. Shanghai Xuanmin has not commenced business at the date of acquisition.

	HK$'000
Net assets acquired	
Property, plant and equipment	668
Other intangible asset – exclusive right of operation	171,359
Bank balances and cash	8,344
	180,371
Net cash outflow arising on acquisition	
Cash consideration paid	180,371
Less: Cash and cash equivalents acquired	(8,344)
	172,027

In the opinion of the Directors, the above acquisitions did not constitute a business combination in accordance with HKFRS 3 "Business combination" as Tieli Zhongyu, Nanjing Jingqiao and Shanghai Xuanmin have not commenced business at the dates of acquisition. All acquisitions have been accounted for as acquisition of assets and liabilities through acquisitions of subsidiaries.

23. CAPITAL COMMITMENTS

As at 31st December, 2013, the capital expenditure in respect of the acquisition of property, plant and equipment and prepaid lease payments contracted for but not provided in the consolidated financial statements is HK$49,558,000 (2012: HK$64,998,000).

24. MAJOR NON-CASH TRANSACTION

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

LIQUIDITY, FINANCIAL RESOURCES AND WORKING CAPITAL

Liquidity

As at 31st December, 2013, the Group's net current liabilities decreased by approximately HK$110,008,000 or 16.0% to approximately HK$576,834,000 (2012: HK$686,842,000).

The decrease was mainly attributable to (i) decline in the carrying amount of bank borrowings repayable within one year from approximately HK$660,852,000 in 2012 to HK$528,215,000 in 2013; (ii) the increase of 53.1% in deposits, prepayments and other receivables to approximately HK$174,769,000 in 2013 from approximately HK$114,170,000 in 2012; (iii) the increase of 23.2% in bank balances and cash to approximately HK$429,546,000 in 2013 from approximately HK$348,570,000 in 2012; which was offset by (iv) the increase of 29.5% in the current portion of deferred income and advance received to approximately HK$314,662,000 in 2013 from approximately HK$242,951,000 in 2012; and (v) the increase of 27.6% trade payables to approximately HK$317,007,000 in 2013 from approximately HK$248,517,000 in 2012.

As at 31st December, 2013, the Group's current ratio, represented by a ratio of total current assets to total current liabilities, was approximately 0.6 (2012: 0.5).

As at 31st December, 2013, the total assets increased by approximately HK$1,150,213,000 or 32.4% to HK$4,698,914,000 (2012: HK$3,548,701,000).

As at 31st December, 2013, the total bank borrowings increased by approximately HK$623,085,000 or 52.5% to HK$1,809,118,000 (2012: HK$1,186,033,000).

As at 31st December, 2013, the Group had total net debts of approximately HK$1,379,572,000 (2012: HK$837,463,000), measured as total bank borrowings minus the bank balances and cash. As at 31st December, 2013, the Group had net gearing ratio of approximately 71.5% (2012: 53.6%), measured as total net debts to total equity of approximately HK$1,928,674,000 (2012: HK$1,561,462,000).

Financial resources

On 26th April, 2013, the Company entered into a loan agreement in Hong Kong with a bank based in Taiwan (the "Bank"), pursuant to which the Bank made available to the Company a loan facility of up to US$15,000,000. The Company had made the full drawing of US$15,000,000 as at 31st December, 2013.

On 5th June, 2013, the Company entered into a syndicated loan agreement with seven banks based in Taiwan and one bank based in China (the "Lenders") in Hong Kong, pursuant to which the Lenders made available to the Company a loan facility of up to US$72,000,000. The Company had made the full drawing of US$72,000,000 as at 31st December, 2013.

During the year ended 31st December, 2013, the Group generally financed its operations with internally generated resources and bank borrowings. As at 31st December, 2013, all of the bank borrowings were secured or unsecured and on normal commercial basis.

Working capital

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

EXPOSURE TO EXCHANGE RATE FLUCTUATIONS

During the year, the Group experienced only immaterial exchange rates fluctuations as most of the Group's monetary assets and liabilities were denominated in either Renminbi or the United States dollars and the Group conducted its business transactions principally in Renminbi. The Group expects that the appreciation of Renminbi against the Hong Kong dollars and the United States dollars will continue in the foreseeable future. Accordingly, the Group considered that as the exchange rate risk of the Group is considered to be minimal, the Group did not employ any financial instruments for hedging purposes.

EMPLOYEE INFORMATION

As at 31st December, 2013, the Group had a total of 2,137 employees (2012: 2,272) in Hong Kong and the PRC, and the total employee benefit expenses (other than directors) for the year was approximately HK$180,091,000 (2012: HK$151,359,000). The increase was mainly due to (i) the increase in the salary expenses in production cost resulting from turnover increase; (ii) the increase in the number of headcount for managerial grade of the Group's subsidiaries and salary increment. More than 99.7% of the Group's employees are located in the PRC.

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

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

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

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

On 11th April, 2011, share options to subscribe for an aggregate of 159,000,000 ordinary shares at par value HK$0.01 each of the Company were granted to the eligible participants by the Company pursuant to the Old Share Option Scheme. The exercise price of share options granted was HK$0.49 per share. The share options granted shall be valid for a period of ten years from the date of grant. 3,000,000 number of share options granted under the Old Share Option Scheme are still outstanding as at 31st December, 2012 and 2013. No share options were exercised during the year. No options have yet been granted under the New Share Option Scheme.

CHARGE ON THE GROUP'S ASSETS

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

As at 31st December 2012, the Group has pledged certain buildings and pipelines in the PRC having carrying value of HK$29,469,000 and HK$385,659,000 respectively, to secure certain bank borrowings granted to the Group.

As at 31st December, 2013, the Group has pledged certain prepaid lease payments in the PRC having carrying value of HK$11,363,000 (2012: HK$14,756,000) to secure certain bank borrowings granted to the Group.

As at 31st December, 2013, pursuant to letters of undertaking, the Group is required to maintain deposits of RMB1,283,000 (equivalent to HK$1,643,000) and USD1,000,000 (equivalent to HK$7,754,000) (2012: RMB15,000,000 (equivalent to HK$18,689,000)) with banks as a condition precedent to the supply of natural gas from its suppliers and a bank borrowing (2012: a bank borrowing).

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

As at 31st December, 2013, the Board did not have any specific plans for material investment or capital assets.

CAPITAL COMMITMENTS

As at 31st December, 2013, the capital expenditure in respect of the acquisition of property, plant and equipment and prepaid lease payments contracted for but not provided in the consolidated financial statements is HK$49,558,000 (2012: HK$64,998,000).

BUSINESS REVIEW

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

Downstream Piped Gas Distribution

Gas Sources from the West-East Gas Pipeline

The main pipeline of the Second West-East Gas Pipeline has completed and commenced gas supply in July 2011. As a result, piped gas supply for the Group's projects located in various cities has increased significantly, enabling the Group to connect with more end users, increasing the Group's turnover and in turn, enhancing its earning base.

The connection and supply of gas to Yanshi City and Xinmi City from the sub-pipeline of the Second West-East Gas Pipeline has completed and supply commenced in October 2012 and March 2013 respectively. As a result, the sales of piped gas to Yanshi City and Xinmi City has greatly increased. The gas in most of the gas projects of the Group except the gas projects in Yongcheng City, Nanjing City, Shaowu City and Tieli City, are connected and supplied through the First and Second West-East Gas Pipelines.

New Gas Projects Expansion

During the financial year, the Group secured 5 additional gas projects with exclusive rights, including Wuzhi County and Lingbao City of Henan Province, Donghai County of Jiangsu Province, Tieli City of Heilongjiang Province and Dezhou City of Shandong Province. As a result, the number of projects secured by the Group in PRC increased to 29, and the total connectable urban population coverage increased by 1.58 million to 5.89 million.

Donghai County Project

On 4th June, 2013, Linyi Zhongyu Energy Company Limited ("Linyi Zhongyu Energy"), a non-wholly-owned subsidiary of the Company, established a company, namely 東海縣中裕燃氣有限公司 (Donghai County Zhongyu Gas Company Limited) ("Donghai County Zhongyu") with two individual parties in Donghai County, Lianyungang City, Jiangsu Province, the PRC. To the best of Directors' knowledge, information and belief having made all reasonable enquiries, such two individual parties are third parties independent of the Company and its connected persons ("Independent Third Parties").

Donghai County Zhongyu is owned as to 67% by Linyi Zhongyu Energy and the remaining 33% by the aforesaid Independent Third Parties. The registered capital of Donghai County Zhongyu is RMB10,000,000 and is contributed as to RMB6,700,000 by Linyi Zhongyu Energy in cash and the remaining RMB3,300,000 by the aforesaid Independent Third Parties in cash. Upon establishment, Donghai County Zhongyu becomes an indirect non-wholly-owned subsidiary of the Company. Donghai County Zhongyu is engaged principally in the construction and operation of piped natural gas projects on an exclusive basis for 30 years in Shilianghe Town of Donghai County, Lianyungang City, Jiangsu Province, the PRC since 11th April, 2013. Shilianghe Town is an industrial zone.

The Directors are of the view that the transaction will enhance the earning base and enlarge the geographical coverage of the Group. As all of the applicable percentage ratios in respect of the transaction were less than 5%, the transaction did not constitute a discloseable transaction of the Company under the Listing Rules and no announcement was made in this respect.

Wuzhi County Project

On 1st September, 2013, 孟州高遠天然氣有限公司 Mengzhou Gaoyuan Natural Gas Company Limited ("Mengzhou Gaoyuan") as transferor, and Zhongyu (Henan) Energy Holdings Limited ("Zhongyu Henan"), a wholly owned subsidiary of the Company, as transferee, entered into an equity transfer agreement pursuant to which Mengzhou Gaoyuan agreed to transfer to Zhongyu Henan 100% of the equity interest in 武陟縣高遠天然氣有限公司 Wuzhi County Gaoyuan Natural Gas Company Limited ("Wuzhi Gaoyuan") held by it.

The transactions contemplated under the equity transfer agreement have completed and Zhongyu Henan now owns the entire equity interest in Wuzhi Gaoyuan.

Wuzhi Gaoyuan was established in 2006 in Wuzhi County, the PRC with limited liability. It is principally engaged in the business of constructing natural gas reserves and related pipeline infrastructure projects as well as operation of CNG filling stations in Wuzhi County, the PRC. Wuzhi Gaoyuan obtained the concession right from local authorities of Wuzhi County, the PRC, to operate the sales and distribution of natural gas in Wuzhi County, the PRC. The concession right is for a period of 30 years and has been granted for exclusive operations since 27th November, 2013.

Wuzhi County is located in Jiaozuo City, Henan Province, the PRC. The total area and population of the county is 805 square kilometers and 740,000 respectively. The business sector in Wuzhi County has developed rapidly and its comprehensive economic strength keeps growing. There are over 195 industrial large scale enterprises in the County with gross domestic product in Wuzhi County of 18 billion yuan.

The Directors are of the view that the transaction can enhance the earning base and enlarge the geographical coverage of the Group. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mengzhou Gaoyuan and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

The consideration of RMB51 million (equivalent to approximately HK$65 million) was determined after arm's length negotiation between the parties to the equity transfer agreement with reference to the potential economic benefit which Wuzhi Gaoyuan could bring into the Group and its business prospects. As at 31st December, 2013, the consideration was paid by Zhongyu Henan to Mengzhou Gaoyuan and the acquisition was completed. The consideration paid under the equity transfer agreement was funded by bank borrowings.

As all of the applicable percentage ratios in respect of the transaction were less than 5%, the transaction did not constitute a discloseable transaction of the Company under the Listing Rules and no announcement was made in this respect.

Tieli City Project

On 18th November, 2013, 鄭州康玲商貿有限公司 Zhengzhou Kangling Trading Company Limited ("Zhengzhou Kangling") as transferor, and Zhongyu Henan, a wholly owned subsidiary of the Company, as transferee, entered into an equity transfer agreement pursuant to which Zhengzhou Kangling agreed to transfer to Zhongyu Henan 100% of the equity interest in 鐵力市嘉華燃氣有限公司 Tieli City Jiahua Gas Company Limited held by it. The company name was changed to 鐵力中裕燃氣有限公司 Tieli Zhongyu Gas Company Limited ("Tieli Zhongyu Gas") after acquisition.

The transactions contemplated under the equity transfer agreement have completed and Zhongyu Henan now owns the entire equity interest in Tieli Zhongyu Gas.

Tieli Zhongyu Gas was established in 2010 in Heilongjiang Province, the PRC with limited liability. It is principally engaged in the business of constructing natural gas reserves and related pipeline infrastructure projects in Chengguan Town of Tieli City, Heilongjiang Province, the PRC. Tieli Zhongyu Gas obtained the concession right from local authorities of Tieli City, Heilongjiang Province, the PRC, to operate the sales and distribution of natural gas in Chengguan Town, Tieli City, Heilongjiang Province, the PRC. The concession right is for a period of 30 years and has been granted for exclusive operations since 15th June, 2009. The economy in Tieli City is sustainable and has developed rapidly. The gross domestic product in Tieli City has substantially increased in recent years.

The Directors are of the view that the transaction can enhance the earning base and enlarge the geographical coverage of the Group. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Zhengzhou Kangling and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

The consideration of RMB145 million (equivalent to approximately HK$185 million) was determined after arm's length negotiation between the parties to the equity transfer agreement with reference to the potential economic benefit which Tieli Zhongyu Gas could bring into the Group and its business prospects. The acquisition was completed on 29th November, 2013 and on that date control in Tieli Zhongyu Gas was passed to the Group. The consideration paid under the equity transfer agreement was funded by internally generated resources and bank borrowings.

As all of the applicable percentage ratios in respect of the transaction were less than 5%, the transaction did not constitute a discloseable transaction of the Company under the Listing Rules and no announcement was made in this respect.

Lingbao Zhongyu Project

On 24th December, 2013, 靈寶中裕燃氣有限公司 Lingbao Zhongyu Gas Company Limited ("Lingbao Zhongyu"), a wholly owned subsidiary of the Company, entered into an agreement with 靈寶市住房和城鄉建設局 The Housing and Urban-Rural Development Bureau of Lingbao City to obtain a right for constructing and operating piped natural gas projects on an exclusive basis in a new development district located in Sanmenxia City, Henan Province, the PRC.

Lingbao Zhongyu is a limited liability company established in Lingbao City on 23rd December, 2013 and the registered capital of Lingbao Zhongyu is RMB20,000,000. The concession right is for a period of 30 years and has been granted for exclusive operations since 24th December, 2013. The Directors are of the view that the entering into of the agreement could provide an opportunity for the Group to further invest in the natural gas business in the PRC in order to enlarge the geographical coverage of its operations.

Dezhou Wangyuan Projects

On 6th December, 2013, Zhongyu Henan a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with independent third parties to acquire 100% equity interest in 德州旺源燃氣有限公司 Dezhou Wangyuan Gas Company Limited ("Dezhou Wangyuan") at a total cash consideration of RMB81,000,000 (equivalent to HK$103,673,000). Dezhou Wangyuan is principally engaged in sales of piped gas in Tianqu industrial zone of Dezhou City, Shangdong Province, the PRC. A deposit of RMB8,100,000 (equivalent to HK$10,367,000) was paid during the year ended 31st December, 2013. The acquisition is subject to certain conditions which are not yet satisfied at the end of the reporting period.

As all of the applicable percentage ratios in respect of the transaction were less than 5%, the transaction did not constitute a discloseable transaction of the Company under the Listing Rules and no announcement was made in this respect.

Adjustment for the non-residential natural gas price of gate stations

The National Development and Reform Commission of the PRC has adjusted the non-residential natural gas price of gate stations since 10th July, 2013. The national average gate station price has increased by 15% to RMB1.95 per cubic meter from RMB1.69 per cubic meter. The residential natural gas price of gate stations has not been adjusted.

On 15th August, 2013, the Group received the Notice on the Adjustment of Natural Gas Prices for non-residential users and Vehicles Natural Gas Prices in Linyi City (關於調整臨沂市非居民用天然氣和車用天然氣銷售價格的通知) (the "Notice in Linyi"), which was issued by the Bureau of Commodity Prices in Linyi City. Pursuant to the Notice in Linyi, the selling price of natural gas for non-residential users and motor vehicles of the Group's subsidiaries in Linyi City was increased during the Year.

On 1st September, 2013, the Group received the Notice on the Adjustment of Natural Gas Prices for non-residential users in Henan Province (關於調整河南省非居民用天然氣銷售價格的通知) (the "Notice in Henan"), which was issued by the Henan Province Development and Reform Commission ("Henan DRC"). Pursuant to the Notice in Henan, the selling price of natural gas for non-residential users of the Group's subsidiaries in Jiaozuo City, Luohe City, Jiyuan City, Yanshi City and Xinmi City was increased during the Year.

New CNG/LNG Filling Stations Expansion

Newly established CNG/LNG filling stations

The Group continued to develop vehicles natural gas refueling station business actively. During the financial year, 14 vehicle CNG/LNG refilling stations were built and put into operation.

Newly acquired CNG filling station

During the financial year, the Group acquired a new vehicle CNG refilling station in Jiaozuo City, Henan Province, the PRC.

During the year, Zhongyu Henan acquired 100% of the issued share capital 焦作中裕壓縮氣有限公司 Jiaozuo Zhongyu Compressed Gas Company Limited ("Jiaozuo Compressed Gas") for a consideration of RMB26.3 million (equivalent to HK33.5 million) from an independent third party. The acquisition was completed on 30th November, 2013 and on that date control in Jiaozuo Compressed Gas passed to the Group. Jiaozuo Compressed Gas is currently operating a CNG filling station in Jiaozuo. The Directors are of the view that the acquisition can continue to expand the Group's business in operating CNG/LNG filling stations.

As all of the applicable percentage ratios in respect of the transaction were less than 5%, the transaction did not constitute a discloseable transaction of the Company under the Listing Rules and no announcement was made in this respect.

Disposal of part of a liquefied petroleum gas business

During the period under review, the Group disposed part of its liquefied petroleum gas business in Sanmenxia City and Jiaozuo City in order to focus the Group's resources on other businesses. As a result, the sales of liquefied petroleum gas has decreased greatly by 44.5%. As all of the applicable percentage ratios in respect of the transaction were less than 5%, the transaction did not constitute a discloseable transaction of the Company under the Listing Rules and no announcement was made in this respect.

Major Operational Data

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

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

	2013	2012	Increase/ (Decrease)
Number of operational locations *(Note a)*	**29**	24	5
– Henan Province	**21**	19	2
– Shandong Province	**4**	3	1
– Jiangsu Province	**2**	1	1
– Fujian Province	**1**	1	–
– Heilongjiang Province	**1**	0	1
Connectable urban population ('000) *(Note b)*	**5,891**	4,308	36.7%
Connectable residential households ('000)	**1,683**	1,231	36.7%
New piped gas connections made during the year			
– Residential households	**164,587**	137,647	19.6%
– Industrial customers	**84**	77	9.1%
– Commercial customers	**515**	450	14.4%
Accumulated number of connected piped gas customers			
– Residential households	**834,471**	669,884	24.6%
– Industrial customers	**506**	422	19.9%
– Commercial customers	**2,749**	2,234	23.1%

	2013	2012	Increase/ (Decrease)
Penetration rate of residential pipeline connection *(Note c)*	**49.6%**	54.4%	(4.8%)
Unit of piped natural gas sold ('000 m^3)	**742,984**	704,087	5.5%
– Residential households	**103,715**	80,711	28.5%
– Industrial customers	**564,685**	551,519	2.4%
– Commercial customers	**61,357**	55,086	11.4%
– Wholesale customers	**13,227**	16,771	(21.1%)
The piped natural gas usage per day ('000 m^3)			
– Residential households	**284**	221	28.5%
– Industrial customers	**1,547**	1,398	10.7%
– Commercial customers	**168**	151	11.3%
– Wholesale customers	**36**	46	(21.7%)
Unit of piped mixed gas sold ('000 m^3)	**36,351**	37,008	(1.8%)
Unit of piped coal gas sold ('000 m^3)	**41,025**	60,473	(32.2%)
Number of CNG/LNG Filling Stations			
– Accumulated	**27**	12	15
– Under construction	**12**	8	4
Unit of natural gas sold to vehicles ('000 m^3)	**54,800**	39,486	38.8%
The natural gas usage per station ('000 m^3)	**3,131**	2,632	19.0%
Unit of bottle LPG sold (ton)	**2,117**	3,840	(44.9%)
Total length of existing intermediate and main pipelines (km)	**3,204**	2,509	27.7%
Average selling price of natural gas (pre-tax) (RMB per m^3)			
– Residential households	**1.95**	1.95	–
– Industrial customers	**2.35**	2.21	6.3%
– Commercial customers	**2.68**	2.50	7.2%
– Whole sale customers	**1.94**	1.93	0.5%
– CNG/LNG filling stations	**3.51**	3.43	2.3%
Average cost of natural gas (RMB per m^3)	**2.01**	1.90	5.8%

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

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

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

Upstream CBM Exploration

With the aim to ensuring sufficient and cost-effective gas supply for the Group's downstream gas projects located in the PRC and enhancing the Group's profitability, the Group tapped into the upper stream CBM supply market in the PRC in 2007.

As at 31st December, 2013, the Group secured eight coal blocks, situated at Jiaozuo, Zhengzhou, Pingdingshan (including Yuzhou and Ruzhou), Hebi, Yima, Yongxia, Henan Province, the PRC to explore, exploit, develop and produce CBM. The Group will continue to update investors on the latest exploration progress.

FINANCIAL REVIEW

Overall

The Group's results for the year ended 31st December, 2013 was mainly driven by organic growth of the businesses. The Group's profit attributable to owners of the Company reached HK$262,248,000 (2012: HK$226,021,000).

Turnover

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

	Year ended 31st December,				
	2013	**% of total**	2012	% of total	Increase/ (Decrease)
	HK$'000		*HK$'000*		
Sales of Piped Gas	**2,243,421**	**71.6%**	2,007,110	72.9%	11.8%
Connection revenue from Gas Pipeline Construction	**618,774**	**19.8%**	546,378	19.8%	13.3%
Operation of CNG/LNG Filling Stations	**242,908**	**7.8%**	166,431	6.0%	46.0%
Sales of Stoves and Related Equipment	**9,317**	**0.3%**	4,498	0.2%	107.1%
Sub-total	**3,114,420**	**99.5%**	2,724,417	98.9%	14.3%
Sales of Liquefied Petroleum Gas	**16,465**	**0.5%**	29,667	1.1%	(44.5)%
Total	**3,130,885**	**100%**	2,754,084	100%	13.7%

The turnover for the year increased by 13.7% to approximately HK$3,130,885,000 from approximately HK$2,754,084,000 for the corresponding period last year. The significant growth in turnover was mainly attributable to the robust growth in sales of piped gas to industrial and residential customers as well as connection revenue from gas pipeline construction for residential customers.

Sales of Piped Gas

Sales of piped gas for the year ended 31st December, 2013 amounted to approximately HK$2,243,421,000, representing an increase of approximately 11.8% over the corresponding period last year.

Nearly 97% of the total sales of piped gas was derived from the provision of natural gas. The rapid growth in sales of piped gas was mainly attributable to the increase in gas sales volume by 5.5% to 742,984,000 m^3 from 704,087,000 m^3.

Sales of piped gas for the year contributed approximately 71.6% of the total turnover of the Group. As compared with the percentage of approximately 72.9% during the corresponding period last year, sales of piped gas continued to be the major source of turnover of the Group.

Residential households

The growth in sales of piped gas to residential households was supported by the Group's organic growth in population due to urbanization in its existing project cities in China. The Group provided new natural gas connections for 164,587 residential households, up 19.6% as compared with the number of new connections recorded last year. During the year, the piped natural gas usage per day provided by the Group to residential households was approximately 284,000 m^3 (2012: 221,000 m^3).

Industrial customers

The Chinese Government has continued to encourage industrial customers with high energy consumption to gradually adopt clean energy such as natural gas to replace highly polluting coal and oil with a view to facilitating energy conservation and emission reduction. The increase in gas consumption of industrial customers drove the piped gas sales increment.

The connection and supply of gas to Yanshi City from the sub-pipeline of Second West-East Gas Pipeline was completed and supply commenced in October 2012. As a result, piped gas supply for the Group's project located in the Yanshi City has increased greatly, which allows the Group to connect to more industrial users in order to increase the Group's turnover.

The average selling price of natural gas for industrial customers was increased by 6.3% when compared to the corresponding period last year, which pushed up the sales during the year. During the year, the piped natural gas usage per day provided by the Group to its industrial customers was approximately 1,547,000 m^3 (2012: 1,398,000 m^3).

Commercial customers

As such, in addition to fulfilling the demand of residential customers for natural gas, the Group stepped up gas connection for industrial and commercial customers. During the year, the Group connected 515 commercial customers. As at 31st December, 2013, the number of commercial customers of the Group reached 2,749, representing an increase of approximately 23.1% respectively as compared with the same period last year.

The average selling price of natural gas for commercial customers increased by 7.2% when compared to the corresponding period last year, which pushed up the sales during the year. During the year, the piped natural gas usage per day provided by the Group to its commercial customers was approximately 168,000 m^3 (2012: 151,000 m^3).

Gas Pipeline Construction

Connection revenue from gas pipeline construction for the year ended 31st December, 2013 amounted to approximately HK$618,774,000, representing an increase of approximately 13.3% over the corresponding period last year. The increase in connection revenue from gas pipeline construction was mainly attributable to the increase in construction work for gas pipeline connection completed for residential households to 164,587 from 137,647.

For the year, the average connection fee for residential households was RMB2,760 (2012: RMB2,700) which was a slight increase when compared to the corresponding period last year. The connection fee charged to industrial/commercial customers by the Group was significantly higher than that charged to residential households and was determined on a case-by-case basis.

During the year, the connection revenue from gas pipeline construction contributed approximately 19.8% of the total turnover of the Group, which was approximately the same as that for the corresponding period last year. The connection revenue from gas pipeline construction continued to be one of the major sources of turnover for the Group.

As at 31st December, 2013, the Group's penetration rates of residential pipeline connection reached 49.6% (2012: 54.4%) (represented by the percentage of the accumulated number of the Group's connected residential households to the estimated aggregate number of connectable residential households in its operation regions).

Operation of CNG/LNG Filling Station

Revenue from operating CNG/LNG filling stations for the year ended 31st December, 2013 amounted to approximately HK$242,908,000, representing an increase of approximately 46.0% over the corresponding period last year. The increase was mainly due to an increase in the number of CNG/LNG filling stations from twelve to twenty-seven stations. The natural gas usage per station increased by 19.0% to approximately 3,131,000 m^3 for the year ended 31st December, 2013 from approximately 2,632,000 m^3 for the corresponding period last year.

During the year, the turnover derived from operating CNG/LNG filling stations accounted for approximately 7.8% of the total turnover of the Group. In addition, the Group commenced building an additional twelve CNG/LNG refilling stations in the PRC. It is targeted that the nine new CNG/LNG refilling stations will complete construction in 2014. The remaining new CNG/LNG refilling station is expected to complete construction in the first half of 2015.

Gross profit margin

The overall gross profit margin for the year ended 31st December, 2013 was approximately 23.8% (2012: 23.6%). The gross profit margin for the sales of piped natural gas was 15.2% (2012: 15.3%); for the gas pipeline construction was 61.8% (2012: 64.3%); and for the operation of CNG/LNG filling stations was 22.6% (2012: 21.7%).

During the year, the National Development and Reform Commission of the PRC has adjusted the non-residential natural gas price of gate stations and the Group has also obtained Notice in Linyi and Notice in Henan. The cost increase from upstream natural gas price can be transferred to non-residential customers, thus the gross profit margin for the sales of piped gas slightly decrease.

The slight decrease in the gross profit margin of connection revenue from gas pipeline construction resulted from the increase in material cost and labour cost. The slight increase in the gross profit margin of operation of CNG/LNG filling station resulted from the increase in average selling price of natural gas for CNG/LNG filling stations and the increase in the cost of natural gas for natural gas for CNG/LNG filling stations is relatively less.

Other gains and losses

Other gains increased by 9.0% to approximately HK$7,688,000 in 2013 from other gains approximately HK$7,050,000 in 2012. Other gains for the year includes: (i) allowance for doubtful debts in trade and other receivables of approximately HK$798,000 (2012: net reversal of allowance for doubtful debts in trade and other receivables: HK$134,000); (ii) increase in fair value of investment properties of approximately HK$1,204,000 (2012: HK$935,000); (iii) net reversal of impairment loss recognised on amounts due from customers for contract work of approximately HK$2,739,000 (2012: HK$3,083,000). Pursuant to the Group's accounting policy, amounts due from customers for contract work would be impaired if those respective contract works are not completed within one year; (iv) net loss on disposal/written off of property, plant and equipment of approximately HK$1,921,000 (2012: net gain on disposal/written-off of property, plant and equipment: HK$2,898,000); (vi) foreign exchange gain generated from the bank borrowings denominated in United States dollars of approximately HK$6,404,000 (2012: nil).

Other income

Other income slightly decreased to approximately HK$21,611,000 in 2013 from approximately HK$22,180,000 in 2012. The 2013 balance represented the bank interest income of approximately HK$3,247,000 (2012: HK$3,125,000), government subsidies of approximately HK$9,454,000 (2012: HK$9,102,000) and sundry income of approximately HK$8,910,000 (2012: HK$9,953,000).

Selling and distribution costs

Selling and distribution costs increased by 31.2% to approximately HK$60,348,000 in 2013 from approximately HK$45,990,000 in 2012. The increase was mainly attributable to (i) the staff costs and related expenses, which increased by 28.6% to approximately HK$37,984,000 from approximately HK$29,547,000 as a result of increased salary and bonus for PRC subsidiaries; (ii) the repair and maintenance expenses, which increased by 49.4% to approximately HK$7,598,000 from approximately HK$5,085,000 resulting from the reformation of gas meter; (iii) the advertising expenses, which increased by 67.7% to approximately HK$1,664,000 from approximately HK$992,000 for promoting the use of natural gas.

Administrative expenses

Administrative expenses increased by 8.1% to approximately HK$202,695,000 in 2013 from approximately HK$187,484,000 in 2012. The increase was mainly attributable to (i) staff costs and related expenses, which increased by 11.4% to approximately HK$88,714,000 in 2013 from approximately HK$79,636,000 in 2012 resulting from the increase in headcount for managerial grade of the Group's subsidiaries as well as salary increment; (ii) director emoluments, which increased by 123.7% to approximately HK$18,713,000 in 2013 from approximately HK$8,365,000 in 2012 resulting from the director bonus of approximately HK$9,040,000; which was set off by (iii) the decrease in donation to The Community Chest of Hong Kong of HK$1,000,000; and (iv) the decrease in professional fee of 71.7% to approximately HK$699,000 in 2013 from approximately HK$2,467,000 in 2012 as the professional fee in 2012 was paid for transferring the Company's listing from the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") to the Main Board of the Stock Exchange.

Research and development costs

The research and development costs represented development costs incurred for exploration of CBM in the PRC. It decreased to approximately HK$1,287,000 in 2013 from approximately HK$1,288,000 in 2012. Such development costs mainly include the cost of technical services and studies, exploration drilling, fracturing and dewatering. Pursuant to the Group's accounting policy, development cost shall be treated as expenses if the discovery of commercial reserve is not confirmed within one year.

Finance costs

Finance costs increased by 36.8% to approximately HK$44,465,000 in 2013 from approximately HK$32,513,000 in 2012. The increase was mainly attributable to the increase in average bank borrowings.

Income tax expenses

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

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

Under the EIT Law of the PRC, withholding tax is imposed on the dividend declared to non-PRC tax residents in respect of profits earned by PRC subsidiaries from 1st January, 2008 onwards. During the year ended 31st December, 2013, withholding tax amounting to HK$3,840,000 (2012: HK$8,334,000) was charged by the PRC tax authority which levied on the dividends paid to overseas group entities.

Accordingly, the income tax expenses in 2013 amounted to approximately HK$141,362,000 (2012: HK$129,013,000).

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

The Group's EBITDA was approximately HK$602,789,000 in 2013, representing an increase of 15.1% as compared with that of approximately HK$523,821,000 in 2012.

Profit attributable to owners of the Company

As a result of the above, profit attributable to owners of the Company was approximately HK$262,248,000 in 2013, representing an increase of 16.0% as compared with that of approximately HK$226,021,000 in 2012.

Net Profit Margin

As at 31st December, 2013, the net profit margin, represented a ratio of profit attributable to owners of the Company to turnover, was approximately 8.4% (2012: 8.2%).

Earnings per share

The basic and diluted earnings per share attributable to the owners of the Company were HK10.39 cents and HK10.38 cents respectively in 2013, as compared with that of HK9.05 cents and HK9.01 cents respectively in 2012.

Net assets value per share

The net assets value per share attributable to the owners of the Company was HK$0.7 in 2013, representing an increase of 16.7% as compared with that of HK$0.6 in 2012.

The net assets value represents total assets minus total liabilities.

DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at 31st December, 2013, the interests and short positions of the Directors and the Joint Managing Directors of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules were as follows:

Long positions in the Shares of the Company

Name of Directors	*Notes*	Nature of Shares and/or underlying Shares	Type of Interests	Approximate percentage of issued share capital *(Note 4)*
Mr. Wang Wenliang	*1*	579,259,542	Beneficial and interest in controlled corporation	22.95%
Mr. Xu Yongxuan	*2*	1,000,000	Beneficial	0.04%
Mr. Lui Siu Keung	*3*	6,000,000	Beneficial	0.24%
Mr. Lu Zhaoheng	*3*	3,000,000	Beneficial	0.12%
Mr. Li Chunyan	*2*	1,000,000	Beneficial	0.04%
Mr. Luo Yongtai	*2*	1,000,000	Beneficial	0.04%

Notes:

1. Among these shares and/or underlying shares, 567,453,542 shares are held by Hezhong Investment Holding Company Limited ("Hezhong"). Mr. Wang Wenliang is beneficially interested in 100% of the issued share capital of Hezhong. The remaining 11,806,000 shares are directly held by Mr. Wang Wenliang.

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

3. The shares are directly held by the director.

4. As at 31st December, 2013, the total issued share capital of the Company was 2,524,007,684.

Save as disclosed above, as at 31st December, 2013, none of the Directors nor the Joint Managing Directors of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Interests of substantial shareholders of the Company

So far as is known to the Directors, as at 31st December, 2013, the following entities (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Long positions in the Shares of the Company

Name of Shareholder	*Notes*	**Type of interests**	**Number of Shares**	**Approximate percentage of interests** *(Note 3)*
China Gas Holdings Limited	*1*	Interest of controlled corporation	1,111,934,142	44.05%
Rich Legend International Limited	*1*	Beneficial	1,111,934,142	44.05%
Hezhong	*2*	Beneficial	567,453,542	22.48%

Notes:

1. According to the disclosure of interests pages as shown in the website of the Stock Exchange as at 31st March, 2013, China Gas Holdings Limited controlled 100% of Rich Legend International Limited ("Rich Legend") and is therefore deemed to be interested in the 1,111,934,142 Shares held by Rich Legend. This does not include an interest in 568,619,542 Shares which, based on such disclosure are not held beneficially by Rich Legend but are held by Rich Legend in a capacity described as "Other" in the relevant disclosure of interests pages. Apart from the information ascertained in the disclosure of interest pages as shown in the website of the Stock Exchange, the Company has no further information.

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

3. As at 31st December, 2013, the total issued share capital of the Company was 2,524,007,684.

Save as disclosed above, as at 31st December, 2013, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

COMPETING INTEREST

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

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

CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules. During the period under review, the Company has complied with all the applicable code provisions under the CG Code, except for the following deviation:

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

The Chairman of the Company is Mr. Wang Wenliang and the Joint Managing Directors (who have similar roles and responsibilities as those of a chief executive) consist of Mr. Wang Wenliang and Mr. Lui Siu Keung. As a result, the dual role that Mr. Wang Wenliang has as the Chairman and a Joint Managing Director may constitute a deviation from CG Code Provision A.2.1.

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

Mr. Wang Wenliang is one of the largest shareholder of the Company who is deemed to hold approximately 22.95% of the total issued shares of the Company as at the date of this report. He is in charge of the Group's overall strategic decisions and has played a vital role in developing the business of the Group.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted and complied with the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry of all Directors, during the period under review, the Company confirms that the Directors complied with the required standard against which the Company.

AUDIT COMMITTEE

The Company's Audit Committee, comprising Mr. Li Chunyan, Dr. Luo Yongtai and Mr. Hung, Randy King Kuen, as the independent non-executive Directors, has reviewed with the Company's management the accounting principles and practices adopted by the Group and financial reporting matters including a review of the annual results of the Group for the year ended 31st December, 2013. There were no disagreements within the Audit Committee in relation to the accounting treatment adopted by the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the shares during the year ended 31st December, 2013.

PUBLICATION OF INFORMATION ON THE WEBSITES OF HONG KONG EXCHANGES AND CLEARING LIMITED AND THE COMPANY

This announcement is required to be published on the website of The Hong Kong Exchanges and Clearing Limited ("HKEX") at www.hkex.com.hk under "Latest Listed Company Information" and the Company at www.zhongyugas.com under "Announcement" respectively. The annual report of the Company for the year ended 31st December, 2013 will be despatched to the shareholders by the end of March 2014 and will be published on the websites of the HKEX and the Company accordingly.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes thereto for the year ended 31st December, 2013 as set out in the Preliminary Announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the Preliminary Announcement.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises of Mr. Wang Wenliang (Chairman and Joint Managing Director), Mr. Lui Siu Keung (Joint Managing Director and Chief Financial Officer) and Mr. Lu Zhaoheng, as the executive Directors, Mr. Xu Yongxuan (Vice-Chairman), as the non-executive Directors and Mr. Li Chunyan, Dr. Luo Yongtai and Mr. Hung, Randy King Kuen, as the independent non-executive Directors.

By Order of the Board
ZHONGYU GAS HOLDINGS LIMITED
Wang Wenliang
Chairman

Hong Kong, 13th March, 2014