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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, 2014

FINANCIAL HIGHLIGHTS

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

CHAIRMAN'S STATEMENTS

Dear Shareholders,

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

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

LATEST DEVELOPMENT – ACQUISITION OF 50% EQUITY IN SINO GAS

In November 2014, the Group successfully acquired 50% equity in Harmony Gas Holdings Limited, which indirectly holds 50% shareholding interests in the privatized Sino Gas International Holdings Inc. ("Sino Gas"). This is the largest acquisition of the Group since 2008. With ownership of 22 exclusive natural gas distribution projects owned by Sino Gas, the Group, through the acquisition, expanded its geographical coverage to areas with huge demand for natural gas such as Jiangsu, Hebei Province and Beijing. The three areas ranked the second, sixth and thirteenth districts of GDP growth in the PRC for 2014, and were the fifth, sixth and twelfth most populated districts in the PRC in 2013, respectively. Together with the 2,721 km of gas pipelines of Sino Gas, the Group covered 8,594,000 connectable urban population across the PRC as of the end of 2014, representing an increase of 2,703,000 or 45.9% as compared with that of 2013. This strategic footprint ensured the Group's promising future to develop natural gas distribution business in areas with strong market demand and growth potential. The construction of connecting pipes to the main national gas pipelines, namely Shaanxi-Beijing Pipeline I and III, Hebei-Nanjing Pipeline, Yulin-Jinan Pipeline, Yong-Tang-Qin Pipeline and Siping-Baishan Pipeline, for the newly acquired projects will start soon. Taking advantage of the proximity to the main pipelines, the gas supply to the new projects will be very stable and reliable with shorter construction time and lower costs expected. Hence, the integration and the further development of Sino Gas will become a strong growth driver of the Group in the near future.

RESULTS

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

BUSINESS REVIEW

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

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

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

FINANCING

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

PROSPECTS

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

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

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

APPRECIATION

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

Wang Wenliang
Chairman
Hong Kong
16th March, 2015

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, 2014, together with the comparative figures for the corresponding period in 2013, which are set out 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; and (ii) the construction and operation of compressed natural gas or liquefied natural gas ("CNG/LNG") vehicle filling stations in the People's Republic of China (the "PRC").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December, 2014

	NOTES	2014 HK$'000	2013 HK$'000
Turnover	3	**3,412,690**	3,130,885
Cost of sales		**(2,562,650)**	(2,385,210)
Gross profit		**850,040**	745,675
Other gains and losses	5	**29,454**	7,688
Other income	6	**37,092**	21,611
Selling and distribution costs		**(61,501)**	(60,348)
Administrative expenses		**(213,046)**	(202,695)
Research and development costs		**(422)**	(1,287)
Finance costs	7	**(84,565)**	(44,465)
Share of results of a joint venture		**13**	–
Profit before tax		**557,065**	466,179
Income tax expenses	8	**(167,285)**	(141,362)
Profit for the year	9	**389,780**	324,817
Other comprehensive (expense) income			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**(20,620)**	44,006
Total comprehensive income for the year		**369,160**	368,823

	NOTES	2014 HK$'000	2013 HK$'000
Profit for the year attributable to:			
Owners of the Company		**324,351**	262,248
Non-controlling interests		**65,429**	62,569
		389,780	324,817
Total comprehensive income attributable to:			
Owners of the Company		**305,811**	302,245
Non-controlling interests		**63,349**	66,578
		369,160	368,823
Earnings per share	*11*		
Basic		**HK12.85 cents**	HK10.39 cents
Diluted		**HK12.84 cents**	HK10.38 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2014

	NOTES	**2014** *HK$'000*	2013 *HK$'000*
Non-current assets			
Investment properties		**9,365**	9,016
Property, plant and equipment		**3,144,809**	2,559,305
Goodwill		**141,442**	122,001
Other intangible assets		**788,836**	695,003
Long-term deposits, prepayments and other receivables		**363,976**	143,813
Prepaid lease payments		**335,369**	283,994
Interest in a joint venture		**398,005**	–
Available-for-sale investments		**6,523**	3,840
		5,188,325	3,816,972
Current assets			
Inventories		**91,541**	81,468
Trade and bills receivables	*12*	**204,066**	178,542
Deposits, prepayments and other receivables	*12*	**262,467**	174,769
Entrusted loan receivable		**25,352**	–
Amount due from a joint venture		**286,742**	–
Prepaid lease payments		**9,775**	8,220
Amounts due from customers for contract work		**2,365**	–
Pledged bank deposits		**–**	9,397
Bank balances and cash		**828,189**	429,546
		1,710,497	881,942
Current liabilities			
Deferred income and advance received	*13*	**464,396**	314,662
Trade payables	*13*	**339,825**	317,007
Other payables and accrued charges	*13*	**205,353**	213,551
Amounts due to customers for contract work		**11,814**	23,347
Bank borrowings		**424,211**	528,215
Tax payables		**79,923**	61,994
		1,525,522	1,458,776
Net current assets (liabilities)		**184,975**	(576,834)
Total assets less current liabilities		**5,373,300**	3,240,138
Capital and reserves			
Share capital		**25,250**	25,240
Reserves		**1,968,798**	1,667,240
Equity attributable to owners of the Company		**1,994,048**	1,692,480
Non-controlling interests		**298,692**	236,194
Total equity		**2,292,740**	1,928,674
Non-current liabilities			
Deferred income and advance received		**6,409**	6,851
Bank borrowings		**3,028,519**	1,280,903
Deferred taxation		**45,632**	23,710
		3,080,560	1,311,464
		5,373,300	3,240,138

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2014

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2014

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

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

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

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

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

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

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

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

HKFRS 15 Revenue from contracts with customers

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

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

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

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

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

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

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 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.

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:

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

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

(a) sales of piped gas;

(b) connection revenue from gas pipeline construction;

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

(d) sales of liquefied petroleum gas; and

(e) sales of stoves and related equipment.

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

Segment revenue and results

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

For the year ended 31st December, 2014

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

For the year ended 31st December, 2013

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

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

Segment assets and liabilities

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

As at 31st December, 2014

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

As at 31st December, 2013

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

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

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

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

Other segment information

2014

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

2013

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

Geographical information

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

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

5. OTHER GAINS AND LOSSES

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

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

6. OTHER INCOME

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

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

7. FINANCE COSTS

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

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

8. INCOME TAX EXPENSES

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

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

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

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

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

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

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

9. PROFIT FOR THE YEAR

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

10. DIVIDENDS

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

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

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

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

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

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

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

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

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

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

Ageing of trade receivables which are past due but not impaired

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

Movement in the allowance for doubtful debts

Trade receivables

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

Other receivables

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

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

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.

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

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

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

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

Deferred income and advance received classified as current liabilities represent the amounts received from customers before the contract work is performed and advance payments from customers for natural gas. Deferred income and advance received classified as non-current liabilities are government grants of HK$6,409,000 (2013: HK$6,851,000).

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

LIQUIDITY, FINANCIAL RESOURCES AND WORKING CAPITAL

Liquidity

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

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

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

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

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

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

Financial resources

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

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

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

Working capital

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

EXPOSURE TO EXCHANGE RATE FLUCTUATIONS

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

EMPLOYEE INFORMATION

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

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

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

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

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

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

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

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

The closing price of the Shares on 8th April, 2011 was HK$0.48, which was the date immediately before the date on which the share options were granted on 11th April, 2011. In respect of the share options exercised during the year ended 31st December, 2014, the weighted average closing share price immediately before the date of exercise is HK$2.18.

Save as disclosed above, at no time during the year under review was the Company, its subsidiaries, its ultimate holding company or any subsidiaries of its ultimate holding company a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CHARGE ON THE GROUP'S ASSETS

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

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

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

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

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

CAPITAL COMMITMENTS

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

CONTINGENT LIABILITIES

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

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; and (ii) the construction and operation of CNG/LNG vehicle filling stations in the PRC.

Downstream Piped Gas Distribution

New Gas Projects Expansion

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

Sino Gas Project

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

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

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

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

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

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

Zhejiang Zhongyu Project

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

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

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

Dezhou Wangyuan Project

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

Additional interest of Xiuwu Zhongyu

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

New CNG/LNG Vehicle Filling Stations Expansion

Newly established CNG/LNG vehicle filling stations

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

Disposal of a liquefied petroleum gas business

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

Major Operational Data

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

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

	2014	2013	Increase/ (Decrease)
Number of operational locations *(Note a)***	**52**	29	23
– Henan Province	**21**	21	–
– Hebei Province	**15**	–	15
– Jiangsu Province	**6**	2	4
– Shandong Province	**4**	4	–
– Jilin Province	**2**	–	2
– Fujian Province	**1**	1	–
– Heilongjiang Province	**1**	1	–
– Zhejiang Province	**1**	–	1
– Anhui Province	**1**	–	1
Connectable urban population ('000) *(Note b)***	**8,594**	5,891	45.9%
Connectable residential households ('000)*	**2,455**	1,683	45.9%
New piped gas connections by the Group made during the year			
– Residential households	**146,997**	150,849	(2.6)%
– Industrial customers	**95**	84	13.1%
– Commercial customers	**670**	515	30.1%
Accumulated number of connected piped gas customers*			
– Residential households	**1,344,627**	834,471	61.1%
– Industrial customers	**625**	506	23.5%
– Commercial customers	**4,082**	2,749	48.5%
Penetration rate of residential pipeline connection *(Note c)*	**53.0%**	49.6%	3.4%
Unit of piped natural gas sold ('000 m^3)	**685,953**	742,984	(7.7)%
– Residential households	**124,150**	103,715	19.7%
– Industrial customers	**467,183**	564,685	(17.3)%
– Commercial customers	**66,979**	61,357	9.2%
– Wholesale customers	**27,641**	13,227	109.0%
Unit of piped mixed gas sold ('000 m^3)	**31,221**	36,351	(14.1)%
Unit of piped coal gas sold ('000 m^3)	**53,663**	41,025	30.8%

	2014	2013	Increase/ (Decrease)
Number of CNG/LNG Vehicle Filling Stations			
– Accumulated	**44**	27	17
– Under construction	**19**	12	7
Unit of natural gas sold to vehicles ('000 m^3)	**98,877**	54,800	80.4%
Unit of bottle LPG sold (ton)	**1,348**	2,117	(36.3)%
Total length of existing intermediate and main pipelines (km)*	**7,880**	3,204	145.9%
Average selling price of natural gas (pre-tax) (RMB per m^3)			
– Residential households	**1.94**	1.95	(0.5)%
– Industrial customers	**2.71**	2.35	15.3%
– Commercial customers	**3.05**	2.68	13.8%
– Wholesale customers	**2.14**	1.94	10.3%
– CNG/LNG vehicle filling stations	**3.70**	3.51	5.4%
Average cost of natural gas (RMB per m^3)	**2.24**	2.02	10.9%
Average connection fee for residential households (RMB)	**2,835**	2,760	2.7%

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

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

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

* The information in 2014 is including the statistics of the Sino Gas Project.

Upstream CBM Exploration

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

FINANCIAL REVIEW

Overall

The Group's results for the year ended 31st December, 2014 was mainly driven by organic growth of the businesses. The Group's profit attributable to owners of the Company reached HK$324,351,000 (2013: HK$262,248,000).

Turnover

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

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

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

Sales of Piped Gas

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

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

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

Sales of piped natural gas by customers:

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

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

Industrial customers

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

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

Residential households

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

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

Commercial customers

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

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

Gas Pipeline Construction

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

Connection revenue from gas pipeline construction by customers

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

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

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

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

As at 31st December, 2014, the Group's penetration rates of residential pipeline connection reached 53.0% (2013: 49.6%) (represented by the percentage of the accumulated number of the Group's connected residential households to the estimated aggregate number of connectable residential households in its operation regions).

Operation of CNG/LNG Vehicle Filling Stations

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

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

Gross profit margin

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

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

Other gains and losses

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

Other income

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

Selling and distribution costs

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

Administrative expenses

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

Finance costs

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

Income tax expenses

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

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

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

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

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

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

Profit attributable to owners of the Company

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

Net Profit Margin

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

Earnings per share

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

Net assets value per share

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

The net assets value represents total assets minus total liabilities.

DISCLOSURE OF INTERESTS

(a) Interests of Directors

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

Long positions in the Shares of the Company

Name of Directors	*Notes*	**Nature of Shares and/or underlying Shares**	**Type of Interests**	**Approximate percentage of issued share capital** *(Note 4)*
Mr. Wang Wenliang	*1*	584,125,542	Beneficial and interest in controlled corporation	23.13%
Mr. Xu Yongxuan	*2*	1,000,000	Beneficial	0.04%
Mr. Lui Siu Keung	*3*	6,000,000	Beneficial	0.24%
Mr. Lu Zhaoheng	*3*	3,000,000	Beneficial	0.12%
Mr. Li Chunyan	*3*	1,000,000	Beneficial	0.04%
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 15,112,000 shares and 1,560,000 shares are directly held by Mr. Wang Wenliang and his spouse respectively.

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

3. The shares are directly held by the director.

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

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

(b) Interests of substantial shareholders of the Company

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

Long positions in the Shares of the Company

Name of Shareholder	*Notes*	**Type of interests**	**Number of Shares**	**Approximate percentage of interests** *(Note 4)*
China Gas Holdings Limited	*1*	Interest of controlled corporation	1,111,934,142	44.04%
Rich Legend International Limited	*1*	Beneficial	1,111,934,142	44.04%
Hezhong	*2*	Beneficial	567,453,542	22.47%
Ms. Feng Haiyan	*3*	Interest of sponse	580,819,542	23.00%

Notes:

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

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

3. Ms. Feng Haiyan directly holds 1,560,000 shares and is deemed to be interested in 579,259,542 shares under the SFO as she is the spouse of Mr. Wang Wenliang.

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

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

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 23.13% of the total issued shares of the Company as at 31st December, 2014. He is in charge of the Group's overall strategic decisions and has played a vital role in developing the business of the Group.

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

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, they have all confirmed their compliance with the required standard of dealings and the Model Code regarding securities transactions by Directors adopted by the Company.

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, 2014. 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, 2014.

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, 2014 will be despatched to the shareholders in April 2015 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, 2014 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 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, 16th March, 2015