CONSOLIDATED INCOME STATEMENT

for the year ended 31st December 2018

	Note	2018 HK$'M	2017 HK$'M
Revenue	5	**39,073.0**	32,476.5
Total operating expenses	6	**(30,689.8)**	(24,845.2)
		8,383.2	7,631.3
Other gains, net	7	**20.0**	630.1
Interest expense	9	**(1,176.6)**	(1,256.9)
Share of results of associates	21	**3,589.5**	2,604.3
Share of results of joint ventures	22	**1,523.4**	1,487.9
Profit before taxation	10	**12,339.5**	11,096.7
Taxation	13	**(1,907.6)**	(1,749.8)
Profit for the year		**10,431.9**	9,346.9
Attributable to:			
Shareholders of the Company		**9,312.8**	8,225.3
Holders of perpetual capital securities		**107.4**	111.2
Non-controlling interests		**1,011.7**	1,010.4
		10,431.9	9,346.9
Earnings per share – basic and diluted, HK cents	15	**60.5**	53.5*

* *Adjusted for the bonus share issue in 2018*

The notes on pages 99 to 191 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31st December 2018

	2018 HK$'M	2017 HK$'M
Profit for the year	**10,431.9**	9,346.9
Other comprehensive income:		
Item that will not be reclassified subsequently to profit or loss:		
Movement in reserve of equity investments at fair value through other comprehensive income	**6.7**	–
Remeasurements of retirement benefit	**(73.4)**	124.1
Items that may be reclassified subsequently to profit or loss:		
Movement in reserve of debt investments at fair value through other comprehensive income	**(20.9)**	–
Movement in reserve of available-for-sale financial assets	**–**	(120.5)
Change in fair value of cash flow hedges	**(88.7)**	(117.5)
Share of other comprehensive income/(loss) of an associate	**3.6**	(2.9)
Exchange differences	**(2,699.7)**	3,614.4
Other comprehensive (loss)/income for the year, net of tax	**(2,872.4)**	3,497.6
Total comprehensive income for the year	**7,559.5**	12,844.5
Total comprehensive income attributable to:		
Shareholders of the Company	**6,818.3**	11,137.0
Holders of perpetual capital securities	**107.4**	111.2
Non-controlling interests	**633.8**	1,596.3
	7,559.5	12,844.5

The notes on pages 99 to 191 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31st December 2018

	Note	2018 HK$'M	2017 HK$'M
Assets			
Non-current assets			
Property, plant and equipment	16	**57,978.8**	55,827.4
Investment property	17	**778.0**	764.0
Leasehold land	18	**2,214.5**	2,229.3
Intangible assets	19	**5,682.1**	5,883.6
Associates	21	**26,314.1**	23,393.4
Joint ventures	22	**10,950.3**	10,889.2
Available-for-sale financial assets	23	**–**	4,289.9
Financial assets at fair value through other comprehensive income	23	**1,127.0**	–
Financial assets at fair value through profit or loss	24	**3,506.7**	–
Derivative financial instruments	25	**55.4**	269.9
Retirement benefit assets	26	**–**	60.4
Other non-current assets	27	**3,474.0**	3,089.0
		112,080.9	106,696.1
Current assets			
Inventories	28	**2,480.7**	2,578.3
Trade and other receivables	29	**7,615.9**	7,512.0
Loan and other receivables from associates	21	**356.9**	241.4
Loan and other receivables from joint ventures	22	**822.6**	939.7
Loan and other receivables from non-controlling shareholders		**155.0**	103.1
Financial assets at fair value through profit or loss	24	**303.5**	42.1
Derivative financial instruments	25	**38.2**	119.6
Time deposits over three months	30	**338.6**	2,071.0
Time deposits up to three months, cash and bank balances	30	**8,500.8**	10,758.6
		20,612.2	24,365.8
Current liabilities			
Trade and other payables and contract liabilities	31	**(13,929.4)**	(14,269.8)
Amounts due to joint ventures	22	**(1,049.5)**	(1,137.9)
Loan and other payables due to non-controlling shareholders		**(148.0)**	(175.3)
Provision for taxation		**(496.8)**	(531.9)
Borrowings	32	**(8,062.7)**	(15,757.0)
Redeemable perpetual securities	32	**(2,349.6)**	–
Derivative financial instruments	25	**(114.9)**	(76.2)
		(26,150.9)	(31,948.1)
Total assets less current liabilities		**106,542.2**	99,113.8

The notes on pages 99 to 191 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

as at 31st December 2018

	Note	2018 HK$'M	2017 HK$'M
Non-current liabilities			
Deferred taxation	33	**(6,099.1)**	(5,723.1)
Borrowings	32	**(27,609.3)**	(21,161.8)
Asset retirement obligations		**(48.6)**	(46.9)
Derivative financial instruments	25	**(558.9)**	(604.5)
Retirement benefit liabilities	26	**(23.8)**	–
Other non-current liabilities	34	**(2,009.2)**	(1,331.6)
		(36,348.9)	(28,867.9)
Net assets		**70,193.3**	70,245.9
Capital and reserves			
Share capital	35	**5,474.7**	5,474.7
Reserves	36	**56,926.0**	54,964.1
Shareholders' funds		**62,400.7**	60,438.8
Perpetual capital securities	37	**–**	2,354.1
Non-controlling interests		**7,792.6**	7,453.0
Total equity		**70,193.3**	70,245.9

Approved by the Board of Directors on 20th March 2019

Lee Shau-kee
Director

David Li Kwok-po
Director

The notes on pages 99 to 191 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31st December 2018

	Note	2018 HK$'M	2017 HK$'M
Net cash from operating activities	41	**9,438.9**	8,524.4
Investing activities			
Receipt from sale of property, plant and equipment		**136.2**	63.0
Receipt from sale of leasehold land		**65.9**	7.7
Purchase of property, plant and equipment		**(6,567.0)**	(6,004.5)
Payment for leasehold land		**(179.0)**	(136.4)
Increase in other intangible assets		**–**	(4.2)
Increase in investments in associates		**(703.7)**	(303.1)
Increase in loans to associates		**(226.7)**	(135.8)
Repayment of loans by associates		**61.3**	7.9
Disposal of associates		**–**	29.6
Increase in investments in joint ventures		**(27.3)**	(71.2)
Increase in loans to joint ventures		**(14.7)**	(50.0)
(Decrease)/increase in amounts due to joint ventures		**(92.4)**	205.1
Repayment of loans by joint ventures		**51.7**	53.0
Consideration paid for acquisition of businesses in prior periods		**(22.1)**	(11.9)
Acquisition of businesses	42 (a)& (b)	**(61.6)**	(68.1)
Sale of financial assets at fair value through profit or loss		**803.0**	415.0
Sale of financial assets at fair value through other comprehensive income/available-for-sale financial assets		**84.2**	1,157.3
Purchase of financial assets at fair value through profit or loss		**(1,108.0)**	(303.5)
Purchase of financial assets at fair value through other comprehensive income/available-for-sale financial assets		**(26.4)**	(118.9)
Decrease in time deposits over three months		**1,724.3**	1,326.3
Interest received		**310.4**	256.2
Dividends received from investments in securities		**125.8**	187.5
Dividends received from associates		**949.9**	887.6
Dividends received from joint ventures		**939.6**	940.8
Net cash used in investing activities		**(3,776.6)**	(1,670.6)

The notes on pages 99 to 191 form part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT (Continued)

for the year ended 31st December 2018

	Note	2018 HK$'M	2017 HK$'M
Financing activities			
Shares bought back		**–**	(15.4)
Change in loans with non-controlling shareholders		**(76.6)**	3.8
Capital injection by non-controlling shareholders		**169.2**	15.1
Further acquisition of subsidiaries	42 (c)	**(70.6)**	(385.4)
Partial disposal of a subsidiary		**31.1**	–
Increase in borrowings		**20,526.2**	12,673.4
Repayment of borrowings		**(21,195.6)**	(9,919.9)
Interest paid to holders of perpetual capital securities		**(111.6)**	(110.9)
Interest paid		**(1,486.0)**	(1,571.8)
Dividends paid to shareholders of the Company	43 (a)	**(5,063.6)**	(4,603.2)
Dividends paid to non-controlling shareholders		**(511.0)**	(425.2)
Net cash used in financing activities		**(7,788.5)**	(4,339.5)
(Decrease)/increase in cash and cash equivalents		**(2,126.2)**	2,514.3
Cash and cash equivalents at 1st January		**10,758.6**	8,076.1
Effect of foreign exchange rate changes		**(131.6)**	168.2
Cash and cash equivalents at 31st December		**8,500.8**	10,758.6
Analysis of the balances of cash and cash equivalents			
Cash and bank balances		**4,857.1**	4,549.9
Time deposits up to three months		**3,643.7**	6,208.7
		8,500.8	10,758.6

The notes on pages 99 to 191 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31st December 2018

	Attributable to shareholders of the Company		Holders of perpetual capital securities	Non-controlling interests	Total
	Share capital HK$'M	Reserves HK$'M	HK$'M	HK$'M	HK$'M
As at 1st January 2018	**5,474.7**	**54,964.1**	**2,354.1**	**7,453.0**	**70,245.9**
Changes in accounting policy	**–**	**254.5**	**–**	**24.8**	**279.3**
As at 1st January 2018 (restated)	**5,474.7**	**55,218.6**	**2,354.1**	**7,477.8**	**70,525.2**
Profit for the year	**–**	**9,312.8**	**107.4**	**1,011.7**	**10,431.9**
Other comprehensive income:					
Movement in reserve of financial assets at fair value through other comprehensive income	**–**	**(33.3)**	**–**	**19.1**	**(14.2)**
Remeasurements of retirement benefit	**–**	**(73.4)**	**–**	**–**	**(73.4)**
Change in fair value of cash flow hedges	**–**	**(88.7)**	**–**	**–**	**(88.7)**
Share of other comprehensive income of an associate	**–**	**3.6**	**–**	**–**	**3.6**
Exchange differences	**–**	**(2,302.7)**	**–**	**(397.0)**	**(2,699.7)**
Total comprehensive income for the year	**–**	**6,818.3**	**107.4**	**633.8**	**7,559.5**
Capital injection	**–**	**–**	**–**	**169.2**	**169.2**
Further acquisition of subsidiaries (note 42(c))	**–**	**(22.2)**	**–**	**(48.4)**	**(70.6)**
Interest paid on perpetual capital securities	**–**	**–**	**(111.6)**	**–**	**(111.6)**
Dividends paid to shareholders of the Company	**–**	**(5,063.6)**	**–**	**–**	**(5,063.6)**
Dividends paid to non-controlling shareholders	**–**	**–**	**–**	**(511.0)**	**(511.0)**
Acquisition of businesses	**–**	**–**	**–**	**52.1**	**52.1**
Partial disposal of a subsidiary	**–**	**12.0**	**–**	**19.1**	**31.1**
Redemption of perpetual capital securities	**–**	**(37.1)**	**(2,349.9)**	**–**	**(2,387.0)**
As at 31st December 2018	**5,474.7**	**56,926.0**	**–**	**7,792.6**	**70,193.3**

The notes on pages 99 to 191 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

for the year ended 31st December 2018

	Attributable to shareholders of the Company				
	Share capital HK$'M	Reserves HK$'M	Holders of perpetual capital securities HK$'M	Non-controlling interests HK$'M	Total HK$'M
As at 1st January 2017	5,474.7	48,457.5	2,353.8	6,612.0	62,898.0
Profit for the year	–	8,225.3	111.2	1,010.4	9,346.9
Other comprehensive income:					
Remeasurements of retirement benefit	–	124.1	–	–	124.1
Movement in reserve of available-for-sale financial assets	–	(112.6)	–	(7.9)	(120.5)
Change in fair value of cash flow hedges	–	(117.5)	–	–	(117.5)
Share of other comprehensive loss of an associate	–	(2.9)	–	–	(2.9)
Exchange differences	–	3,020.6	–	593.8	3,614.4
Total comprehensive income for the year	–	11,137.0	111.2	1,596.3	12,844.5
Capital injection	–	–	–	15.1	15.1
Further acquisition of subsidiaries	–	(11.8)	–	(373.6)	(385.4)
Interest paid on perpetual capital securities	–	–	(110.9)	–	(110.9)
Dividends paid to shareholders of the Company	–	(4,603.2)	–	–	(4,603.2)
Dividends paid to non-controlling shareholders	–	–	–	(425.2)	(425.2)
Acquisition of businesses	–	–	–	28.4	28.4
Shares bought back	–	(15.4)	–	–	(15.4)
As at 31st December 2017	5,474.7	54,964.1	2,354.1	7,453.0	70,245.9

The notes on pages 99 to 191 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General information

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

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

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

As at 31st December 2018, the Group was in a net current liability position of approximately HK$5.5 billion. This was mainly because the maturity of the US$300 million perpetual securities had been reclassified to current liabilities upon serving of the redemption notice, as well as settlement of US$1 billion guaranteed notes which was not fully refinanced by non-current borrowings. Taking into the Group's available facilities, history of obtaining external financing and the Group's expected cash flows from operations, management believes that there are sufficient financial resources available to the Group to meet its liabilities as and when they fall due. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

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

(i) New or revised standards, interpretations and amendments adopted in 2018

The Group has adopted the following amendments to standards which are effective for the Group's financial year beginning 1st January 2018 and relevant to the Group.

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)-Interpretation 22	Foreign Currency Transactions and Advance Consideration

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

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(i) New or revised standards, interpretations and amendments adopted in 2018 (Continued)

Save as mentioned above, the HKICPA has issued the following new or amendments to standards which are effective for accounting period beginning 1st January 2018, with the impact of the adoption of these standards and the new accounting policies being disclosed in note 2(b).

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Clarification to HKFRS 15

(ii) New or revised standards, interpretations and amendments that are not yet effective for the year ended 31st December 2018 but relevant to the Group and have not been early adopted by the Group

HKFRS 16	Leases
HKFRS 17	Insurance Contracts
Amendments to HKAS 1 and HKAS 8	Amendments to Definition of Materiality
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Investments in Associates and Joint Ventures
Amendments to HKFRS 3	Definition of Business
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Annual Improvements Project	Annual Improvements to HKASs and HKFRSs 2015-2017 Cycle
HK(IFRIC)-Interpretation 23	Uncertainty over Income Tax Treatments
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

HKFRS 16 "Leases" (effective from 1st January 2019)

Nature of change

HKFRS 16 was issued in May 2016. It will result in almost all leases being recognised on the statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

Potential impact

The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) New or revised standards, interpretations and amendments that are not yet effective for the year ended 31st December 2018 but relevant to the Group and have not been early adopted by the Group (Continued)

HKFRS 16 "Leases" (effective from 1st January 2019) (Continued)

Potential impact (Continued)

As at the reporting date, the Group has non-cancellable operating lease commitments of HK$579.2 million (note 39).

The Group's activities as a lessor are not material and hence the management does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

The Group will apply the standard from its mandatory adoption date of 1st January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Upon adoption of HKFRS 16 on 1st January 2019, there would be recognition of right-of-use assets and lease liabilities in the Group's consolidated statement of financial position at 1st January 2019 and the aggregate amount of depreciation charge on the right-of-use assets and finance costs on the lease liabilities in the Group's consolidated income statement.

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

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

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

2 Summary of significant accounting policies (Continued)

(b) Changes in accounting policies

The impacts of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's consolidated financial statements are detailed below and it also discloses the new accounting policies that have been applied from 1st January 2018, where they are different to those applied in prior periods.

(i) Impact on the consolidated financial statements

As explained in note 2(b)(ii) below, HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the consolidated statement of financial position as at 31st December 2017, but are recognised in the opening consolidated statement of financial position on 1st January 2018.

The following tables show the adjustments recognised for each individual financial statement line item. Financial statement line items that were not affected by the changes have not been included. The adjustments are explained in more detail by standard below.

	31st December 2017 HK$'M	HKFRS 9 HK$'M	1st January 2018 HK$'M
Consolidated statement of financial position (extract)			
Non-current assets			
Associates	23,393.4	22.1	23,415.5
Joint ventures	10,889.2	(9.9)	10,879.3
Available-for-sale financial assets	4,289.9	(4,289.9)	–
Financial assets at FVPL	–	3,619.6	3,619.6
Financial assets at FVOCI	–	1,209.4	1,209.4
Derivative financial instruments	269.9	(231.9)	38.0
Current assets			
Trade and other receivables	7,512.0	(13.6)	7,498.4
Financial assets at FVPL	42.1	65.5	107.6
Non-current liabilities			
Deferred taxation	(5,723.1)	(92.0)	(5,815.1)
Capital and reserves			
Reserves	54,964.1	254.5	55,218.6
Non-controlling interests	7,453.0	24.8	7,477.8

(ii) HKFRS 9 Financial Instruments – Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets.

The adoption of HKFRS 9 Financial Instruments from 1st January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. The new accounting policies are set out in note 2(m) below. In accordance with the transitional provisions in HKFRS 9 (7.2.15), comparative figures have not been restated.

2 Summary of significant accounting policies (Continued)

(b) Changes in accounting policies (Continued)

(ii) HKFRS 9 Financial Instruments – Impact of adoption (Continued)

The total impact on the Group's retained profits as at 1st January 2018 is as follows:

	Notes	2018 HK$'M
Closing retained profits 31st December 2017 – HKAS 39		**53,166.9**
Reclassify investments from available-for-sale to FVPL	(a)	**153.4**
Increase in provision for trade receivables		**(8.5)**
Increase in provision for trade receivables of associates and joint ventures		**(10.0)**
Adjustment to retained profits from adoption of HKFRS 9 on 1st January 2018		**134.9**
Opening retained profits 1st January 2018 – HKFRS 9		**53,301.8**

(a) Classification and measurement

On 1st January 2018, the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets – 1st January 2018	Notes	**FVPL HK$'M**	**Available-for-sale HK$'M**	**FVOCI HK$'M**	**Derivative financial instruments HK$'M**
Closing balance 31st December 2017 – HKAS 39		**42.1**	**4,289.9**	**–**	**389.5**
Reclassify investments from available-for-sale to FVPL	(i)	**3,453.2**	**(3,248.6)**	**–**	**–**
Reclassify equity investments from available-for-sale to FVOCI	(ii)	**–**	**(579.5)**	**747.6**	**–**
Reclassify bonds from available-for-sale to FVOCI	(iii)	**–**	**(461.8)**	**461.8**	**–**
Reclassify embedded derivatives from derivative financial instruments to FVPL		**231.9**	**–**	**–**	**(231.9)**
Opening balance 1st January 2018 – HKFRS 9		**3,727.2**	**–**	**1,209.4**	**157.6**

2 Summary of significant accounting policies (Continued)

(b) Changes in accounting policies (Continued)

(ii) HKFRS 9 Financial Instruments – Impact of adoption (Continued)

(a) Classification and measurement (Continued)

The impact (net of tax) of these changes on the Group's equity is as follows:

	Notes	Effect on AFS reserves HK$'M	Effect on FVOCI reserve HK$'M	Effect on retained profits* HK$'M
Opening balance – HKAS 39		**7.0**	**–**	**53,166.9**
Reclassify listed equities from available-for-sale to FVOCI	(ii)	**9.4**	**(9.4)**	**–**
Reclassify bonds from available-for-sale to FVOCI	(iii)	**(16.4)**	**16.4**	**–**
Reclassify unlisted equities from available-for-sale to FVPL	(i)	**–**	**–**	**153.4**
Reclassify unlisted equities from available-for-sale to FVOCI	(ii)	**–**	**119.6**	**–**
Total impact		**(7.0)**	**126.6**	**153.4**
Opening balance – HKFRS 9		**–**	**126.6**	**53,320.3**

* *Before adjustment for impairment. See note (b) below.*

Note

(i) Reclassification from available-for-sale to FVPL

Certain listed and unlisted equities were reclassified from available-for-sale to financial assets at FVPL. Related fair value gains (net of tax) of HK$153.4 million were recognised in retained profits on 1st January 2018.

(ii) Equity investments previously classified as available-for-sale

The Group elected to present in other comprehensive income ("OCI") changes in the fair value of certain equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of HK$579.5 million were reclassified from available-for-sale financial assets to FVOCI and fair value gains (net of tax) of HK$110.2 million were recognised in FVOCI reserve on 1st January 2018.

(iii) Available-for-sale instruments classified as FVOCI

Listed bonds were reclassified from available-for-sale to FVOCI, as the Group's business model is achieved both by collecting contractual cash flows and selling of these assets. For those that were designated as FVOCI debt instrument, the contractual cash flows of these investments are solely principal and interest. As a result, listed bonds with a fair value of HK$461.8 million were reclassified from available-for-sale financial assets to FVOCI and fair value gains (net of tax) of HK$16.4 million were reclassified from the available-for-sale financial assets reserve to the FVOCI reserve on 1st January 2018.

(iv) Other financial assets

Equity securities – held for trading are required to be held at FVPL under HKFRS 9, but there was no impact on the amounts recognised in relation to these assets from the adoption of HKFRS 9.

2 Summary of significant accounting policies (Continued)

(b) Changes in accounting policies (Continued)

(ii) HKFRS 9 Financial Instruments – Impact of adoption (Continued)

(b) Impairment of financial assets

The Group has three types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- trade receivables,
- other receivables and loan and other receivables from associates, joint ventures and non-controlling shareholders, and
- debt investments carried at FVOCI.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the table in note 2(b)(ii) above.

While cash and bank balances are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables
The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

On that basis, the loss allowance as at 1st January 2018 was determined as follows:

HK$'M	Current	1 – 30 days	31 – 60 days	61 – 90 days	Over 90 days	Total
Weighted average expected loss rate	**0%**	**0%**	**0%**	**0%**	**43.0%**	
Gross carrying amount – trade receivables	**3,053.5**	**240.0**	**119.0**	**41.5**	**468.3**	**3,922.3**
Loss allowance	**–**	**–**	**–**	**–**	**201.4**	**201.4**

The loss allowances for trade receivables as at 31st December 2017 reconcile to the opening loss allowances on 1st January 2018 as follows:

	Trade receivables HK$'M
At 31st December 2017 – calculated under HKAS 39	**(187.8)**
Amounts restated through opening retained profits and non-controlling interests	**(13.6)**
Opening loss allowance as at 1st January 2018 calculated under HKFRS 9	**(201.4)**

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 90 days past due.

2 Summary of significant accounting policies (Continued)

(b) Changes in accounting policies (Continued)

(ii) HKFRS 9 Financial Instruments – Impact of adoption (Continued)

(b) Impairment of financial assets (Continued)

Other receivables and loan and other receivables from associates, joint ventures and non-controlling shareholders

The loss allowance for other receivables and loan and other receivables from associates, joint ventures and non-controlling shareholders as a result of applying the expected credit risk model was immaterial as there is no increase in credit risk during the year.

Debt investments

All of the Group's debt investments at FVOCI are considered to have low credit risk, and the loss allowance recognised during the year was therefore limited to 12 months expected losses. Management consider 'low credit risk' for most of the listed bonds with an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

(c) Accounting policies applied from 1st January 2018

The Group's new accounting policies applied upon adoption of HKFRS 9 Financial Instruments are set out in note 2(m).

(iii) HKFRS 15 Revenue from Contracts with Customers – Impact of adoption

As explained in note 2(a) above, the Group has adopted HKFRS 15 from 1st January 2018, which resulted in changes in accounting policies. In accordance with the transitional provisions in HKFRS 15, comparative figures have not been restated. The accounting policies were changed to comply with HKFRS 15, which replaces both the provisions of HKAS 18 Revenue ("HKAS 18") and HKAS 11 Construction Contracts ("HKAS 11") and the interpretations that relate to the recognition, classification and measurement of revenue. There is no material impact to the consolidated financial statements for the year ended 31st December 2018 by adopting HKFRS 15 and HKAS 18 and HKAS 11. From 1st January 2018 onwards, the Group has adopted the following accounting policies on revenues:

Revenues are recognised when or as the control of the goods or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the good or service may be transferred over time or at a point in time. In summary, revenue from gas sales, water sales, oil and coal related sales and equipment sales is recognised at a point in time. Revenue from maintenance services is recognised over time. Other sales include rental income and finance income which are excluded from the scope of HKFRS 15. The remaining revenue streams within other sales are either recognised over time or at a point in time. Revenue from connection income may be recognised over time or at a point in time depending on the terms of the contracts and performance obligations involved.

Control of the goods or service is transferred over time if the Group's performance:

– provides all of the benefits received and consumed simultaneously by the customer;

– creates or enhances an asset that the customer controls as the Group performs; or

– does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

– direct measurements of the value transferred by the Group to the customer; or

– the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.

2 Summary of significant accounting policies (Continued)

(b) Changes in accounting policies (Continued)

(iii) HKFRS 15 Revenue from Contracts with Customers – Impact of adoption (Continued)

Incremental costs incurred to obtain a contract, if recoverable, are capitalised as contract assets and subsequently amortised when the related revenue is recognised.

The adoption does not have a material impact on the recognition of the Group's main revenue streams except for accounting for connection income as detailed below. Rental income from lease agreements is specifically excluded from the scope of the new standard.

Accounting for connection income

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

Under HKFRS 15, revenue from connection income may be recognised over time or at a point in time depending on the terms of the contracts and actual work performed. If the Group satisfies the performance obligation over time then revenue will be recognised over time based on progress of the work. Otherwise, revenue is recognised at a point in time when the performance obligations are satisfied.

Presentation of contract liabilities

Contract liabilities in relation to advance received from customers were previously presented as receipt in advance and other payables and accruals within trade and other payables and contract liabilities (HK$7,138.5 million as at 31st December 2017).

Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(c) Consolidation

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

(i) Subsidiaries

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

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the date of acquisition. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 in the profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

2 Summary of significant accounting policies (Continued)

(c) Consolidation (Continued)

(i) Subsidiaries (Continued)

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

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

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

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

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

(iii) Disposal of subsidiaries

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

(iv) Associates

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

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

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

2 Summary of significant accounting policies (Continued)

(c) Consolidation (Continued)

(iv) Associates (Continued)

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

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

Dilution gains and losses in associates are recognised in the profit or loss.

In the Company’s statement of financial position, the investment in an associate is stated at the cost less provision for impairment. The result of the associate is accounted for by the Company on the basis of dividend received and receivable.

(v) Joint ventures

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

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

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

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

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

2 Summary of significant accounting policies (Continued)

(c) Consolidation (Continued)

(v) Joint ventures (Continued)

Dilution gains and losses in joint ventures are recognised in the profit or loss.

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

(d) Segment reporting

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

(e) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at FVPL are recognised in the profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets are included in OCI.

(iii) Group companies

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

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

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

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

2 Summary of significant accounting policies (Continued)

(f) Exploration and evaluation expenditure

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

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

(g) Property, plant and equipment

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

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

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

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

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

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

2 Summary of significant accounting policies (Continued)

(h) Deferred overburden removal costs

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

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

(i) Investment property

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

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

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

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value. Fair value is based on active market value, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed in accordance with the HKIS Valuation Standards (2017 Edition) published by the Hong Kong Institute of Surveyors ("HKIS"). These valuations are reviewed annually by qualified valuers. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

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

Changes in fair values are recognised in the profit or loss.

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

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

2 Summary of significant accounting policies (Continued)

(j) Leases

(i) Operating leases

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

(ii) Finance leases

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

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

(k) Intangible assets

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

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

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

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

Goodwill are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

2 Summary of significant accounting policies (Continued)

(m) Investments and other financial assets

(i) Classification

From 1st January 2018, the Group classifies its financial assets in the following categories: those to be measured subsequently at fair value (either through OCI or through profit or loss) and those to be measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in the profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in the profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. The group classifies its debt instruments as FVOCI where assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in the profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the profit or loss and recognised in other gains, net. Interest income from these financial assets is included in finance income using the effective interest rate method.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in the profit or loss as other gains, net when the group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains, net in the profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2 Summary of significant accounting policies (Continued)

(m) Investments and other financial assets (Continued)

(iv) Impairment

From 1st January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 29 for further details.

(v) Accounting policies applied until 31st December 2017

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until 31st December 2017, the Group classified its financial assets in the following categories: financial assets at FVPL, loans and receivables and available-for-sale financial assets. The classification depended on the purpose for which the financial assets were acquired. Management determined the classification of its financial assets at initial recognition.

(i) Financial assets at FVPL

Financial assets at FVPL were financial assets held for trading and those designated at FVPL at inception. A financial asset was classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category were classified as current assets.

(ii) Loans and receivables

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

(iii) Available-for-sale financial assets

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

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

Regular purchases and sales of financial assets were recognised on trade-date – the date on which the Group committed to purchase or sell the asset. Investments were initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at FVPL were initially recognised at fair value and transaction costs were expensed in the profit or loss. Financial assets were derecognised when the rights to receive cash flows from the investments had expired or had been transferred and the Group had transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at FVPL were subsequently carried at fair value.

2 Summary of significant accounting policies (Continued)

(m) Investments and other financial assets (Continued)

(v) Accounting policies applied until 31st December 2017 (Continued)

Gains and losses arising from changes in the fair value of the "financial assets at FVPL" category were presented in the profit or loss within "other gains, net", in the period in which they arise. Dividend income from financial assets at FVPL was recognised in the profit or loss as part of "other gains, net" when the Group's right to receive payment was established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale were analysed between translation differences resulting from changes in amortised cost of the securities and other changes in the carrying amount of the securities. Translation differences resulting from changes in the amortised cost of the securities were recognised in the profit or loss, and other changes in the carrying amount were recognised in OCI.

When available-for-sale financial assets were sold or impaired, the accumulated fair value adjustments recognised in equity were included in the profit or loss as gains and losses on disposal of available-for-sale financial assets under "other gains, net".

Interest on available-for-sale financial assets calculated using the effective interest method was recognised in the profit or loss as part of "other gains, net". Dividends on available-for-sale equity instruments were recognised in the profit or loss as part of "other gains, net" when the Group's right to receive payments was established.

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

The Group might choose to reclassify a non-derivative trading financial asset out of the financial assets at FVPL category if the financial asset was no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables were permitted to be reclassified out of the financial assets at FVPL category only in rare circumstances arising from a single event that was unusual and highly unlikely to recur in the near term.

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

(n) Derivative financial instruments and hedging activities

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

At the inception of the hedging, the Group documents the economic, relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedges items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 25. Movements in the hedging reserve in shareholders' equity are shown in note 36. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

2 Summary of significant accounting policies (Continued)

(n) Derivative financial instruments and hedging activities (Continued)

Cash flow hedge that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss within "other gains, net".

When option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the options as the hedging instrument.

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognised in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item ('aligned time value') are recognised within OCI in the costs of hedging reserve within equity.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognised within OCI in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects the profit or loss, as follows:

– Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in the profit or loss as the hedged item affects the profit or loss (for example through cost of sales).

– The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in the profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to the profit or loss.

(o) Inventories

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

(p) Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer.

2 Summary of significant accounting policies (Continued)

(p) Contract assets and contract liabilities (Continued)

The combination of those rights and performance obligations gives rise to a net contract asset or a net contract liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the cumulative revenue recognised in the profit or loss exceeds cumulative payments made by customers. Conversely, the contract is a liability and recognised as contract liabilities if the cumulative payments made by customers exceeds the revenue recognised in the profit or loss.

Contract assets are assessed for impairment under the same approach adopted for impairment assessment of financial assets carried at amortised cost. Contract liabilities are recognised as revenue when the Group transfers the goods or services to the customers and therefore satisfied its performance obligation.

The incremental costs of obtaining a contract with a customer are capitalised and presented as contract related assets, if the Group expects to recover those costs, and are subsequently amortised on a systematic basis that is consistent with the transfer to the customers of the goods or services to which the assets relate. The Group recognises an impairment loss in the profit or loss to the extent that the carrying amount of the contract related assets recognised exceeds the remaining amounts of consideration that the Group expects to receive less the costs that relate directly to providing those goods or services that have not been recognised as expenses.

(q) Construction contracts

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

When the outcome of a construction contract cannot be reasonably measured, but the Group expects to recover the costs incurred in satisfying the performance obligation, contract revenue is recognised only to the extent of contract costs incurred until such time that the outcome of the performance obligation can be reasonably measured.

When the outcome of a construction contract can be reasonably measured, contract revenue is recognised over time by measuring the progress towards complete satisfaction of that performance obligation. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

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

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

(r) Trade and other receivables

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

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Further information about the Group's accounting for trade receivables and description of the Group's impairment policies are described in note 29 and note 3(b) respectively.

2 Summary of significant accounting policies (Continued)

(s) Cash and cash equivalents

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

(t) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. The amounts are unsecured and are usually paid within 30 days of recognition. Trade payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

(u) Borrowings and borrowing costs

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

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

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

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

(v) Current and deferred taxation

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

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

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

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

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

2 Summary of significant accounting policies (Continued)

(w) Revenue and income recognition

(i) Gas sales – recognised at point in time and based on gas consumption derived from meter readings.

(ii) Water sales – recognised at a point in time and based on water consumption derived from meter readings.

(iii) Liquefied petroleum gas sales – recognised at a point in time and upon completion of the gas filling transaction.

(iv) Equipment sales – recognised at a point in time and upon completion of installation work or when equipment, materials and parts are delivered to customers and title has passed.

(v) Oil and coal related sales – recognised at a point in time and upon completion of delivery and title has passed.

(vi) Maintenance and service charges – recognised over time when services are provided.

(vii) Interest income – recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(viii) Dividend income – recognised when the right to receive payment is established.

(ix) Rental income – recognised on a straight-line accrual basis over the terms of lease agreements.

(x) Construction and gas connection income – recognised in accordance with note 2(q).

(x) Employee benefits

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

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

(i) Defined contribution retirement schemes

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

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

(ii) Defined benefit retirement scheme

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

2 Summary of significant accounting policies (Continued)

(x) Employee benefits (Continued)

(ii) Defined benefit retirement scheme (Continued)

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

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

(y) Provisions and contingencies

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

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

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

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

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

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

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

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

3 Financial risk management

Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

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

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

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

At 31st December 2018, if the RMB had weakened/strengthened by 2 per cent (2017: 2 per cent) against HKD with all other variables held constant, pre-tax profit for the year would have been HK$124.5 million (2017: HK$93.8 million) lower/higher.

(ii) Price risk

The Group is exposed to equity securities price risk for the listed equity investments held by the Group which are classified as financial assets at FVOCI and financial assets at FVPL of HK$348.3 million (2017: HK$273.4 million) and HK$264.1 million (2017: HK$42.1 million) respectively.

The Group also held unlisted equity investments which are classified as FVPL of HK$39.4 million (2017: HK$39.6 million). The underlyings of the investments are listed equity securities, which making them subject to equity securities price risk.

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

Majority of the Group's equity securities are publicly traded and are included in one of the following indexes: Hang Seng Index, S&P 500 Index and Euro Stoxx 50 Price Index.

3 Financial risk management (Continued)

Financial risk factors (Continued)

(a) Market risk (Continued)

(ii) Price risk (Continued)

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

	Impact on pre-tax profit		Impact on equity	
	2018 HK$'M	2017 HK$'M	**2018 HK$'M**	2017 HK$'M
Hang Seng Index	**26.8**	2.5	**9.2**	10.7
S&P 500 Index	**3.2**	1.2	**–**	–
Euro Stoxx 50 Price Index	**3.6**	–	**–**	2.9

Pre-tax profit for the year would increase/decrease as a result of gains/losses on equity securities classified as at FVPL. Equity would increase/decrease as a result of gains/losses on equity securities classified as FVOCI.

(iii) Cash flow and fair value interest rate risk

Financial instruments at fixed and variable rates expose the Group to fair value interest rate risk and cash flow interest rate risk respectively. The Group's interest-bearing assets mainly comprise floating and fixed rate bank deposits of HK$8,839.4 million (2017: HK$12,829.6 million). The Group's interest bearing liabilities mainly comprises floating rate borrowings of HK$18,339.9 million (2017: HK$12,433.9 million), fixed rate borrowings of HK$19,681.7 million (2017: HK$24,484.9 million) and floating rate deposits received from customers of HK$1,371.5 million (2017: HK$1,331.6 million).

At 31st December 2018, if market interest rates on bank deposits are 100 basis points (2017: 100 basis points) higher/lower with all other variables held constant, pre-tax profit for the year would be HK$48.6 million (2017: HK$131.1 million) higher/lower, mainly as a result of higher/lower interest income on floating rate bank deposits.

At 31st December 2018, if market interest rates on borrowings and customers' deposits are 100 basis points (2017: 100 basis points) higher/lower with all other variables held constant, pre-tax profit for the year would be HK$197.0 million (2017: HK$143.6 million) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings and customers' deposits.

(b) Credit risk

Credit risk of the Group mainly arises from:

	2018 HK$'M	2017 HK$'M
Cash and bank deposits	**8,839.4**	12,829.6
Debt securities	**204.6**	851.3
Trade receivables	**3,563.5**	3,734.5
Other receivables	**2,470.9**	2,118.5
Loan and other receivables from joint ventures	**862.5**	963.7
Loan and other receivables from associates	**1,171.6**	999.3
Loan and other receivables from non-controlling interests	**155.0**	103.1
Other non-current assets	**2,706.3**	2,603.8

3 Financial risk management (Continued)

Financial risk factors (Continued)

(b) Credit risk (Continued)

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

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

The credit quality of financial assets can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates is as follows:

	2018	2017
	%	%
Cash and bank deposits		
AA	**13.5**	0.6
A	**68.1**	74.1
BBB	**12.0**	20.2
BB	**1.4**	1.5
Unrated	**5.0**	3.6
	100.0	100.0
Debt securities		
AA	**8.0**	5.7
A	**39.4**	68.7
BBB	**11.5**	–
Unrated	**41.1**	25.6
	100.0	100.0

Credit ratings are quoted from Bloomberg.

Credit quality of loan and other receivables from associates, loan and other receivables from joint ventures, other non-current assets and trade and other receivables are disclosed in notes 21, 22, 27 and 29 respectively to the consolidated financial statements. None of the financial assets that are fully performing has been renegotiated during the year.

The Group has three types of financial assets that are subject to the expected credit loss model, including trade receivables, other receivables and loan and other receivables from associates, joint ventures and non-controlling shareholders and debt investments carried at amortised cost and FVOCI. While cash and bank balances are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

3 Financial risk management (Continued)

Financial risk factors (Continued)

(b) Credit risk (Continued)

Trade receivables (Continued)

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Group used expected loss rates ranging from 0% to 50% based on the aging for classes with different credit risk characteristics and exposures. The expected credit loss rates are estimated based on the historical credit losses experienced over the expected life of the debtors and are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 31st December 2018 and 1st January 2018 (on adoption of HKFRS 9) was determined as follows for trade receivables:

31st December 2018 HK$'M	Current	1 – 30 days	31 – 60 days	61 – 90 days	Over 90 days	Total
Weighted average expected loss rate	0%	0%	0%	0%	49.9%	
Gross carrying amount – trade receivables	2,937.5	169.4	107.7	126.4	443.7	3,784.7
Loss allowance	–	–	–	–	221.2	221.2

1st January 2018 HK$'M	Current	1 – 30 days	31 – 60 days	61 – 90 days	Over 90 days	Total
Weighted average expected loss rate	0%	0%	0%	0%	43.0%	
Gross carrying amount – trade receivables	3,053.5	240.0	119.0	41.5	468.3	3,922.3
Loss allowance	–	–	–	–	201.4	201.4

The closing loss allowances for trade receivables as at 31st December 2018 and 2017 reconcile to the opening loss allowances as follows:

	Trade receivables	
	2018 HK$'M	2017 HK$'M
At 31st December (calculated under HKAS 39)	**187.8**	134.4
Amounts restated through opening retained profits	**13.6**	–
Opening loss allowance as at 1st January 2018 (calculated under HKFRS 9)/ 1st January 2017 (calculated under HKAS 39)	**201.4**	134.4
Increase in loss allowance recognised in the profit or loss during the year	**37.5**	50.9
Receivables written off during the year as uncollectible	**(6.8)**	(2.0)
Unused amount reversed	**(6.8)**	–
Exchange differences	**(4.1)**	4.5
At 31st December	**221.2**	187.8

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 90 days past due.

3 Financial risk management (Continued)

Financial risk factors (Continued)

(b) Credit risk (Continued)

Other receivables and loans and other receivables from associates, joint ventures and non-controlling shareholders

The loss allowance for other receivables and loans and other receivables from associates, joint ventures and non-controlling shareholders as a result of applying the expected credit risk model was immaterial.

Debt investments

All of the Group's debt investments at FVOCI are considered to have low credit risk, and the loss allowance recognised during the year was therefore limited to 12 months expected losses. Management consider 'low credit risk' for most of the listed bonds with an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

(c) Liquidity risk

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

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

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

	Less than 1 year HK$'M	Between 1 and 2 years HK$'M	Between 2 and 5 years HK$'M	Over 5 years HK$'M
At 31st December 2018				
Trade and other payables	**4,784.4**	**–**	**–**	**–**
Loan and other payables to joint ventures	**1,049.5**	**–**	**–**	**–**
Loan and other payables to non-controlling shareholders	**148.0**	**–**	**–**	**–**
Borrowings	**11,592.5**	**2,734.6**	**18,832.2**	**12,009.0**
Derivative financial instruments	**114.9**	**–**	**558.9**	**–**
At 31st December 2017				
Trade and other payables	11,781.3	–	–	–
Loan and other payables to joint ventures	1,137.9	–	–	–
Loan and other payables to non-controlling shareholders	175.3	–	–	–
Borrowings	17,040.9	4,537.9	9,803.8	12,163.2
Derivative financial instruments	76.2	–	604.5	–

3 Financial risk management (Continued)

Financial risk factors (Continued)

(c) Liquidity risk (Continued)

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

Capital risk management

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

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

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

The gearing ratios at 31st December 2018 and 2017 are as follows:

	2018 HK$'M	2017 HK$'M
Total borrowings	**(38,021.6)**	(36,918.8)
Less: Time deposits, cash and bank deposits	**8,839.4**	12,829.6
Redeemable perpetual securities (note)	**2,349.6**	–
Net borrowing excluding redeemable perpetual securities	**(26,832.6)**	(24,089.2)
Shareholders' funds	**(62,400.7)**	(60,438.8)
Perpetual capital securities	**–**	(2,354.1)
Net borrowing (note)	**(29,182.2)**	(24,089.2)
	(91,582.9)	(86,882.1)
Gearing ratio	**29%**	28%

Note

For the purpose of providing a more meaningful gearing ratio analysis, management has reclassified the redeemable perpetual securities from total borrowings to equity, on the basis that the Group has refinanced the redeemable perpetual securities by issuing new perpetual capital securities in February 2019.

Fair value estimation

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

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

3 Financial risk management (Continued)

Fair value estimation (Continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31st December 2018 and 2017. See note 17 for disclosures of the investment properties that are measured at fair value.

	Level 1		Level 2		Level 3		Total	
HK$'M	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Assets								
Financial assets at FVPL								
– Equity securities	**264.1**	42.1	**39.4**	–	**3,506.7**	–	**3,810.2**	42.1
Derivative financial instruments	**–**	–	**93.6**	157.6	**–**	231.9	**93.6**	389.5
Financial assets at FVOCI								
– Debt securities	**204.6**	–	**–**	–	**–**	–	**204.6**	–
– Equity investment	**348.3**	–	**–**	–	**574.1**	–	**922.4**	–
Available-for-sale financial assets								
– Debt securities	**–**	461.8	**–**	–	**–**	–	**–**	461.8
– Equity investment	**–**	273.4	**–**	39.6	**–**	2,976.1	**–**	3,289.1
Total assets	**817.0**	777.3	**133.0**	197.2	**4,080.8**	3,208.0	**5,030.8**	4,182.5
Liabilities								
Other payables	**–**	–	**–**	–	**154.0**	154.0	**154.0**	154.0
Derivative financial instruments	**–**	–	**673.8**	680.7	**–**	–	**673.8**	680.7
Total liabilities	**–**	–	**673.8**	680.7	**154.0**	154.0	**827.8**	834.7

There are no changes in valuation techniques during the year.

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

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

Specific valuation techniques used to value financial instruments include:

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

3 Financial risk management (Continued)

Fair value estimation (Continued)

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

– Financial assets include a total of HK$3.1 billion of an unlisted equity investment and its related derivative, which are considered entirely as FVPL. In respect of this unlisted equity investment, the fair value is determined based on the discounted cash flow model. The significant unobservable inputs include discount rate of 12.6 per cent, sales price, sales volume and expected free cash flows of the investee. The fair value decreases with the increase in the discount rate, and increases with the increase in the sales price, sales volume or expected free cash flows of the investee. In respect of the related derivative, the fair value is determined based on the binomial and black scholes models. The significant unobservable inputs, except for those included in the fair value of the unlisted equity investment, mainly include expected volatility of the fair value of the unlisted equity investment. The fair value increases with the increase in the volatility.

– Financial assets also include unlisted equity investments of HK$0.4 billion, the fair values of which are determined based on the attributable net assets values or attributable net asset value after taking into account estimated fair value-to-book ratio and marketability discount. The significant unobservable input includes attributable net asset value and the estimated fair value-to-book ratio and marketability discount. The fair value increases with the increase in the attributable net asset values or fair value-to-book ratio or the decrease in the marketability discount.

– Financial liability represents contingent consideration which is generated from the further acquisition of a subsidiary in 2015 under other payables in level 3. The fair value is determined based on discounted cash flow model. The significant unobservable inputs include discount rate of 4.0 per cent and the rate of probability on the outflow of resources will be required to settle the obligation. The fair value decreases with the increase in the discount rate, and increases with the increase in the rate of probability.

The following table presents the changes in level 3 instruments for the year ended 31st December 2018 and 2017.

	Financial assets		Financial liability	
	2018 HK$'M	2017 HK$'M	**2018 HK$'M**	2017 HK$'M
At 1st January	**4,150.4**	3,057.4	**154.0**	154.0
Change in fair value	**176.1**	(77.8)	**9.8**	(11.3)
Exchange difference	**(245.7)**	228.4	**(9.8)**	11.3
At 31st December	**4,080.8**	3,208.0	**154.0**	154.0

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

4 Critical accounting estimates and judgements

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

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

(a) Estimated impairment of assets

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

Discount rate

Discount rates reflect the current market assessments of the time value of money and are based on the estimated cost of capital. The discount rates are calculated based on the discount rate applicable to each cash generating unit adjusted for the relevant impact and timing of tax cash flows. The discount rates used ranged from 8.5 per cent to 11.3 per cent.

Selling price and production volume

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

In respect to the Group's mining and oil properties in mainland China and Thailand respectively (under new energy business segment), the Group tested them for impairment by estimating the value-in-use of these projects as at 31st December 2018. The key assumptions adopted in the test were coal and oil reserves, future business growth, selling price, production volume, production costs and discount rate of 10 to 10.1 per cent. Based on the result of the tests, an impairment loss of HK$200 million was recognised in the profit or loss for the year ended 31st December 2018. Assuming projected revenue decreased by 5 per cent and 3 per cent for mining and oil properties respectively or the discount rate increased by 100 basis point, the value-in-use calculated for each of these projects would not result in a further material loss to the Group.

(b) Property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovation. Management will change the depreciation charge where useful lives are different from the previously estimated lives. It will also write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold. For cost incurred and capitalised as property, plant and equipment, management assessed whether the Group has control over these assets based on relevant regulations and the terms as stipulated in the relevant agreements, where applicable.

4 Critical accounting estimates and judgements (Continued)

(c) Estimate of fair value of investment property

The valuation of investment properties (including those held by an associate) are performed in accordance with the "The HKIS Valuation Standards (2017 Edition)" published by the HKIS and the 'International Valuation Standards' published by the International Valuation Standards Committee. The valuation is reviewed annually by qualified valuers by considering the information from a variety of sources including:

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

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

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

(d) Estimate of gas and water consumption

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

(e) Recognition of gas connection income and allocation of transaction price

Critical judgements in recognising revenue

When gas connection income is recognised over time, the progress towards complete satisfaction of the performance obligation is measured using input method. Management are required to exercise significant judgement in their review and revision of the estimates of the total contract costs and actual costs incurred up to the end of the reporting period for each contract as the contract progresses, based on past experience and specific circumstances.

Critical judgements in allocating the transaction prices

Some gas connection contracts include an installation services. Because these contracts include multiple performance obligations, the transaction price must be allocated to the performance obligations on a relative stand-alone selling price basis.

Management estimates that the stand-alone selling price at contract inception based on expected cost plus a margin approach for installation services and residual approach for connection services.

(f) Reserve estimates

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

4 Critical accounting estimates and judgements (Continued)

(f) Reserve estimates (Continued)

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

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

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

(g) Estimate of fair value of equity investments

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods (such as discounted cash flow model) and makes assumptions that are mainly based on market conditions existing at each date of statement of financial position. Details of the key assumptions used and the impact of changes to these assumptions are described in note 3.

5 Segment information

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

	2018 HK$'M	2017 HK$'M
Gas sales before fuel cost adjustment	**27,922.4**	22,865.8
Fuel cost adjustment	**1,025.1**	649.4
Gas sales after fuel cost adjustment	**28,947.5**	23,515.2
Connection income	**3,292.7**	2,922.2
Equipment sales and maintenance services	**2,801.2**	2,634.6
Water and related sales	**1,365.8**	1,249.7
Oil and coal related sales	**1,338.2**	989.0
Other sales	**1,327.6**	1,165.8
	39,073.0	32,476.5

5 Segment information (Continued)

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

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

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

2018 HK$'M	**Gas, water and related businesses**		**New Energy**	**Property**	**Other segments**	**Total**
	Hong Kong	**Mainland China**				
Revenue recognised at a point in time	**10,081.7**	**23,974.6**	**2,715.5**	**–**	**270.2**	**37,042.0**
Revenue recognised over time	**–**	**1,016.8**	**–**	**–**	**553.8**	**1,570.6**
Finance and rental income	**–**	**–**	**394.3**	**66.1**	**–**	**460.4**
	10,081.7	**24,991.4**	**3,109.8**	**66.1**	**824.0**	**39,073.0**
Adjusted EBITDA	**4,769.2**	**5,673.4**	**945.8**	**41.6**	**137.8**	**11,567.8**
Depreciation and amortisation	**(747.4)**	**(1,302.6)**	**(354.7)**	**–**	**(109.8)**	**(2,514.5)**
Unallocated expenses						**(670.1)**
						8,383.2
Other gains, net						**20.0**
Interest expense						**(1,176.6)**
Share of results of associates	**–**	**951.5**	**32.4**	**2,599.2**	**6.4**	**3,589.5**
Share of results of joint ventures	**–**	**1,513.9**	**1.2**	**9.2**	**(0.9)**	**1,523.4**
Profit before taxation						**12,339.5**
Taxation						**(1,907.6)**
Profit for the year						**10,431.9**

5 Segment information (Continued)

Share of results of associates includes HK$2,030.0 million (2017: HK$1,217.0 million) being the Group's share of change in valuation of investment properties at the International Finance Centre (the "IFC") complex for the year.

2017 HK$'M	Gas, water and related businesses Hong Kong	Gas, water and related businesses Mainland China	New Energy	Property	Other segments	Total
Revenue	9,386.1	19,680.2	2,658.5	66.3	685.4	32,476.5
Adjusted EBITDA	4,648.9	4,916.1	843.7	42.1	181.1	10,631.9
Depreciation and amortisation	(734.3)	(1,126.6)	(407.5)	–	(86.3)	(2,354.7)
Unallocated expenses						(645.9)
						7,631.3
Other gains, net						630.1
Interest expense						(1,256.9)
Share of results of associates	–	831.7	(0.9)	1,768.0	5.5	2,604.3
Share of results of joint ventures	–	1,479.6	1.0	9.0	(1.7)	1,487.9
Profit before taxation						11,096.7
Taxation						(1,749.8)
Profit for the year						9,346.9

The segment assets at 31st December 2018 and 2017 are as follows:

2018 HK$'M	**Gas, water and related businesses Hong Kong**	**Gas, water and related businesses Mainland China**	**New Energy**	**Property**	**Other segments**	**Total**
Segment assets	**17,278.3**	**67,989.8**	**17,579.3**	**15,899.2**	**4,194.1**	**122,940.7**
Unallocated assets:						
Financial assets at FVOCI						**1,127.0**
Financial assets at FVPL						**3,810.2**
Time deposits, cash and bank balances excluded from segment assets						**3,973.1**
Others (note)						**842.1**
Total assets						**132,693.1**

Note

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

5 Segment information (Continued)

2017 HK$'M	Gas, water and related businesses Hong Kong	 Mainland China	New Energy	Property	Other segments	Total
Segment assets	17,335.7	65,453.5	17,898.4	13,924.8	3,897.5	118,509.9
Unallocated assets:						
Available-for-sale financial assets						4,289.9
Financial assets at FVPL						42.1
Time deposits, cash and bank balances excluded from segment assets						7,031.1
Others (note)						1,188.9
Total assets						131,061.9

The Company is domiciled in Hong Kong. The Group's revenue from external customers in Hong Kong for the year ended 31st December 2018 is HK$11,521.5 million (2017: HK$10,721.3 million), and the revenue from external customers in mainland China and other geographical locations is HK$27,551.5 million (2017: HK$21,755.2 million).

At 31st December 2018, the total of non-current assets other than financial instruments located in Hong Kong is HK$30,437.3 million (2017: HK$27,772.0 million), and the total of non-current assets other than financial instruments located in mainland China and other geographical locations is HK$74,092.4 million (2017: HK$71,760.5 million).

For the years ended 31st December 2018 and 2017, the percentage of revenues attributable to the Group's five largest customers is less than 30 per cent.

6 Total operating expenses

	2018 HK$'M	2017 HK$'M
Stores and materials used	**20,597.9**	15,691.9
Manpower costs (note 11)	**3,295.1**	3,034.9
Depreciation and amortisation	**2,537.2**	2,374.8
Other operating items	**4,259.6**	3,743.6
	30,689.8	24,845.2

7 Other gains, net

	2018 HK$'M	2017 HK$'M
Net investment gains (note 8)	**230.0**	729.7
Fair value gain on investment property (note 17)	**12.5**	33.6
Gain on deemed disposal of partial interest in associates	**–**	253.4
Gain on disposal of associates	**–**	23.8
Project research and development costs	**(28.3)**	(46.9)
Provision for assets	**(200.0)**	(365.1)
Ineffective portion on cash flow hedges	**5.8**	2.0
Others	**–**	(0.4)
	20.0	630.1

8 Net investment gains

	2018 HK$'M	2017 HK$'M
(a) Interest income		
Bank deposits	**188.0**	188.6
Listed financial assets at FVOCI	**8.0**	–
Listed available-for-sale financial assets	**–**	8.4
Loans to associates and joint ventures	**90.1**	41.8
Others	**13.2**	17.3
	299.3	256.1
(b) Net realised and unrealised gains/(losses) and interest income on financial assets at FVPL and derivative financial instruments		
Listed securities	**(64.4)**	10.3
Unlisted securities	**148.6**	(387.8)
Exchange differences	**(1.2)**	65.2
	83.0	(312.3)
(c) Net gains on FVOCI/available-for-sale financial assets		
Listed securities	**–**	276.6
Unlisted securities	**–**	(35.1)
Exchange differences	**2.8**	2.2
	2.8	243.7
(d) Dividend income		
Listed available-for-sale financial assets	**–**	58.0
Unlisted available-for-sale financial assets	**–**	128.9
Listed financial assets at FVPL	**3.6**	0.6
Listed financial assets at FVOCI	**21.0**	–
Unlisted financial assets at FVOCI	**101.2**	–
	125.8	187.5
(e) Exchange (losses)/gains	**(280.9)**	354.7
	230.0	729.7

9 Interest expense

	2018 HK$'M	2017 HK$'M
Interest on bank loans and overdrafts wholly repayable within five years	**753.8**	624.3
Interest on guaranteed notes wholly repayable within five years	**413.3**	565.9
Interest on guaranteed notes not wholly repayable within five years	**326.3**	304.3
	1,493.4	1,494.5
Less: amount capitalised	**(316.8)**	(237.6)
	1,176.6	1,256.9

The interest expense is capitalised at average rates from 1.35 per cent to 6.18 per cent (2017: 2.98 per cent to 6.42 per cent) per annum.

10 Profit before taxation

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

	2018 HK$'M	2017 HK$'M
Cost of inventories sold	**22,666.0**	17,956.6
Depreciation and amortisation	**2,537.2**	2,374.8
(Gain)/loss on disposal/write off of property, plant and equipment	**(1.2)**	4.2
(Gain)/loss on disposal of leasehold land	**(40.3)**	0.3
Impairment loss of trade receivables	**37.5**	50.9
Impairment loss of available-for-sale financial assets	**–**	135.8
Operating lease rentals		
– land and buildings	**146.5**	126.3
– plant and equipment	**13.8**	12.3
Rental income from investment property		
– gross rental income	**(66.1)**	(66.3)
– outgoing expenses	**24.2**	23.9
Auditors' remuneration	**27.6**	26.7
Net loss on residential maintenance (note)	**56.1**	57.7

Note

	2018 HK$'M	2017 HK$'M
Analysis of net loss on residential maintenance:		
Residential maintenance revenue	**(209.0)**	(206.6)
Less expenses:		
Manpower costs	**152.3**	147.3
Other operating and administrative expenses	**112.8**	117.0
Net loss	**56.1**	57.7

11 Manpower costs

(a) Staff costs

	2018 HK$'M	2017 HK$'M
Salaries and wages	**2,857.1**	2,619.5
Pension costs – defined contribution retirement schemes	**422.8**	397.1
Pension costs – defined benefit retirement scheme (note 26)	**15.2**	18.3
	3,295.1	3,034.9

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2017: two) directors whose emoluments are reflected in the analysis shown in note 12. Details of the emoluments payable to the remaining three (2017: three) individuals during the year are as follows:

	2018 HK$'M	2017 HK$'M
Fee, salaries, allowances and benefits in kind	**9.1**	8.8
Performance bonus	**13.4**	13.3
Contributions to retirement scheme	**3.4**	3.3
	25.9	25.4

Number of individuals whose emoluments fell within:

Emoluments band (HK$'M)	2018	2017
10.0 – 11.0	**1**	1
9.0 – 10.0	**–**	–
8.0 – 9.0	**1**	1
7.0 – 8.0	**–**	–
6.0 – 7.0	**1**	1

(c) Emoluments of senior management

Senior management for the years ended 31st December 2018 and 2017 were all executive directors of the Company whose emoluments have been shown in note 12.

12 Benefits and interests of directors

(a) Directors' emoluments

Name of director	Fees HK$'M	Salary, allowances and benefits in kind HK$'M	Performance bonus HK$'M	Contributions to retirement scheme HK$'M	Others HK$'M	Total HK$'M
	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking					
2018						
Alfred Chan Wing-kin (Managing Director) (note (i))	0.4	6.4	25.0	6.0	–	37.8
Peter Wong Wai-yee (note (i))	0.4	4.6	8.7	2.6	–	16.3
Lee Shau-kee	0.7	0.3	–	–	–	1.0
Leung Hay-man	0.4	–	–	–	–	0.4
Colin Lam Ko-yin	0.3	0.1	–	–	–	0.4
Lee Ka-kit	0.3	–	–	–	–	0.3
Lee Ka-shing	0.3	–	–	–	–	0.3
David Li Kwok-po	0.7	–	–	–	–	0.7
Poon Chung-kwong	0.7	–	–	–	–	0.7
	4.2	11.4	33.7	8.6	–	57.9

Note

(i) Mr. Alfred Chan Wing-kin and Mr. Peter Wong Wai-yee who are also directors of Towngas China Company Limited ("Towngas China"), a significant subsidiary of the Group. In this connection, the above emoluments included Mr. Alfred Chan Wing-kin and Mr. Peter Wong Wai-yee each received directors' emoluments from Towngas China of HK$0.2 million and HK$6.3 million (2017: HK$0.2 million and HK$6.0 million) respectively, and no share-based payments were received during the year and 2017.

12 Benefits and interests of directors (Continued)

(a) Directors' emoluments (Continued)

Name of director	Fees HK$'M	Salary, allowances and benefits in kind HK$'M	Performance bonus HK$'M	Contributions to retirement scheme HK$'M	Others HK$'M	Total HK$'M
	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking					
2017						
Alfred Chan Wing-kin (Managing Director) (note (i))	0.4	6.0	25.7	5.7	–	37.8
Peter Wong Wai-yee (note (i))	0.4	4.4	8.4	2.4	–	15.6
Lee Shau-kee	0.7	0.3	–	–	–	1.0
Leung Hay-man	0.5	–	–	–	–	0.5
Colin Lam Ko-yin	0.3	0.1	–	–	–	0.4
Lee Ka-kit	0.3	–	–	–	–	0.3
Lee Ka-shing	0.3	–	–	–	–	0.3
David Li Kwok-po	0.7	–	–	–	–	0.7
Poon Chung-kwong	0.7	–	–	–	–	0.7
	4.3	10.8	34.1	8.1	–	57.3

The above remuneration paid to directors of the Company also represents the amount of short-term employee benefits of HK$49.3 million (2017: HK$49.2 million) and post-employment benefits of HK$8.6 million (2017: HK$8.1 million) paid to the Group's senior management during the year ended 31st December 2018. There were no other long-term benefits, termination benefits and share-based payment paid to the Group's senior management during the year (2017: nil).

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

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

13 Taxation

The amount of taxation charged to the profit or loss represents:

	2018 HK$'M	2017 HK$'M
Current taxation – provision for Hong Kong Profits Tax at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits for the year	**713.6**	727.5
Current taxation – provision for other countries income tax at the prevailing rates on the estimated assessable profits for the year (note (a))	**822.0**	707.1
Current taxation – over provision in prior years	**(4.5)**	(94.4)
Deferred taxation – origination and reversal of temporary differences	**287.5**	290.5
Withholding tax	**89.0**	119.1
	1,907.6	1,749.8

13 Taxation (Continued)

Note

(a) The prevailing tax rates of mainland China and Thailand range from 15 per cent to 25 per cent (2017: 15 per cent to 25 per cent) and 50 per cent (2017: 50 per cent) respectively.

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

	2018 HK$'M	2017 HK$'M
Profit before taxation	**12,339.5**	11,096.7
Less: Share of results of associates	**(3,589.5)**	(2,604.3)
Share of results of joint ventures	**(1,523.4)**	(1,487.9)
	7,226.6	7,004.5
Calculated at a tax rate of 16.5% (2017: 16.5%)	**1,192.4**	1,155.7
Effect of different tax rates in other countries	**359.7**	319.5
Income not subject to taxation	**(138.7)**	(206.5)
Expenses not deductible for taxation purposes	**350.8**	378.7
Utilisation of previously unrecognised tax losses	**(29.7)**	(31.9)
Over provision in prior years	**(4.5)**	(94.4)
Withholding tax	**89.0**	119.1
Others	**88.6**	109.6
	1,907.6	1,749.8

Share of associates' taxation for the year ended 31st December 2018 of HK$463.6 million (2017: HK$399.3 million) is included in the profit or loss as share of results of associates.

Share of joint ventures' taxation for the year ended 31st December 2018 of HK$614.8 million (2017: HK$577.2 million) is included in the profit or loss as share of results of joint ventures.

14 Dividends

	2018 HK$'M	2017 HK$'M
Interim, paid of HK12 cents per ordinary share (2017: HK12 cents per ordinary share)	**1,846.4**	1,678.5
Final, proposed of HK23 cents per ordinary share (2017: HK23 cents per ordinary share)	**3,538.9**	3,217.2
	5,385.3	4,895.7

At a meeting held on 20th March 2019, the directors of the Company declared a final dividend of HK23 cents per ordinary share for the year ended 31st December 2018. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation of retained earnings for the year ended 31st December 2018.

15 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK$9,312.8 million (2017: HK$8,225.3 million) and the weighted average of 15,386,411,131 shares (2017: 15,386,661,131 shares [1]) in issue during the year.

As there were no diluted potential ordinary shares outstanding during the year (2017: nil), the diluted earnings per share for the year ended 31st December 2018 is the same as the basic earnings per share.

[1] *Adjusted for the bonus share issue in 2018*

16 Property, plant and equipment

	Buildings, plant and equipment HK$'M	Mains and risers HK$'M	Meters and installations HK$'M	Mining and oil properties HK$'M	Others HK$'M	Capital work in progress HK$'M	Total HK$'M
Cost							
At 1st January 2018	**20,342.7**	**36,025.6**	**3,777.9**	**4,215.5**	**931.9**	**10,845.1**	**76,138.7**
Additions	**1,208.5**	**864.9**	**300.0**	**41.5**	**35.7**	**4,660.5**	**7,111.1**
Acquisition of businesses (note 42 (a) & (b))	**0.9**	**–**	**–**	**–**	**–**	**39.6**	**40.5**
Transfers from capital work in progress	**1,811.5**	**2,618.5**	**5.7**	**5.7**	**6.9**	**(4,448.3)**	**–**
Disposals/write off	**(180.4)**	**(64.9)**	**(84.7)**	**(4.9)**	**–**	**(1.5)**	**(336.4)**
Impairment	**–**	**–**	**–**	**(200.0)**	**–**	**–**	**(200.0)**
Exchange differences	**(797.8)**	**(1,400.3)**	**(5.9)**	**(16.6)**	**(48.3)**	**(412.6)**	**(2,681.5)**
At 31st December 2018	**22,385.4**	**38,043.8**	**3,993.0**	**4,041.2**	**926.2**	**10,682.8**	**80,072.4**
Accumulated depreciation							
At 1st January 2018	**8,323.8**	**8,475.3**	**2,496.8**	**856.4**	**159.0**	**–**	**20,311.3**
Charge for the year	**1,061.9**	**1,035.6**	**283.7**	**86.9**	**22.5**	**–**	**2,490.6**
Disposals/write off	**(120.1)**	**(14.8)**	**(65.4)**	**(0.9)**	**–**	**–**	**(201.2)**
Exchange differences	**(246.7)**	**(248.0)**	**(3.9)**	**2.0**	**(10.5)**	**–**	**(507.1)**
At 31st December 2018	**9,018.9**	**9,248.1**	**2,711.2**	**944.4**	**171.0**	**–**	**22,093.6**
Net book value							
At 31st December 2018	**13,366.5**	**28,795.7**	**1,281.8**	**3,096.8**	**755.2**	**10,682.8**	**57,978.8**
At 31st December 2017	12,018.9	27,550.3	1,281.1	3,359.1	772.9	10,845.1	55,827.4

16 Property, plant and equipment (Continued)

	Buildings, plant and equipment HK$'M	Mains and risers HK$'M	Meters and installations HK$'M	Mining and oil properties HK$'M	Others HK$'M	Capital work in progress HK$'M	Total HK$'M
Cost							
At 1st January 2017	18,307.2	31,848.8	3,485.4	3,986.9	837.2	8,288.3	66,753.8
Additions	730.4	441.7	368.2	66.4	27.5	4,579.3	6,213.5
Acquisition of businesses	39.6	10.3	–	–	–	22.0	71.9
Transfers from capital work in progress	464.6	2,081.9	0.4	–	3.9	(2,550.8)	–
Disposals/write off	(143.8)	(14.2)	(83.7)	(0.8)	–	–	(242.5)
Impairment	–	–	–	(313.6)	–	–	(313.6)
Exchange differences	944.7	1,657.1	7.6	476.6	63.3	506.3	3,655.6
At 31st December 2017	20,342.7	36,025.6	3,777.9	4,215.5	931.9	10,845.1	76,138.7
Accumulated depreciation							
At 1st January 2017	7,201.8	7,305.9	2,283.6	636.5	116.4	–	17,544.2
Charge for the year	964.7	890.2	270.6	149.9	30.8	–	2,306.2
Disposals/write off	(109.4)	(3.5)	(62.3)	(0.1)	–	–	(175.3)
Exchange differences	266.7	282.7	4.9	70.1	11.8	–	636.2
At 31st December 2017	8,323.8	8,475.3	2,496.8	856.4	159.0	–	20,311.3
Net book value							
At 31st December 2017	12,018.9	27,550.3	1,281.1	3,359.1	772.9	10,845.1	55,827.4
At 31st December 2016	11,105.4	24,542.9	1,201.8	3,350.4	720.8	8,288.3	49,209.6

17 Investment property

	2018 HK$'M	2017 HK$'M
At 1st January	**764.0**	729.0
Fair value gain (note 7)	**12.5**	33.6
Others	**1.5**	1.4
At 31st December	**778.0**	764.0

The Group's interest in the commercial investment property is located in Hong Kong under a land lease of over 50 years. The investment property was revalued at 31st December 2018 by an independent professionally qualified valuer, Knight Frank Petty Limited which conform to the The HKIS Valuation Standards (2017 Edition) shown in note 2(i).

17 Investment property (Continued)

Fair value measurements using significant unobservable inputs

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

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

Unobservable inputs	Commercial complex	Car park	Relationship of unobservable inputs to fair value
Capitalisation rate	5.4%	8.75%	The higher the capitalisation rate, the lower the fair value
Monthly rent	HK$19.2 /sq.ft.	N/A	The higher the market rent, the higher the fair value

Valuation processes of the Group

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

– Verifies all major inputs to the independent valuation report;

– Assesses property valuation movements when compared with the prior year valuation report;

– Holds discussions with the independent valuer.

18 Leasehold land

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

	2018 HK$'M	2017 HK$'M
At 1st January	**2,229.3**	2,016.6
Additions	**179.0**	136.4
Acquisition of businesses	**–**	12.1
Disposals	**(25.7)**	(8.0)
Amortisation	**(62.0)**	(59.6)
Exchange differences	**(106.1)**	131.8
At 31st December	**2,214.5**	2,229.3

19 Intangible assets

	2018 HK$'M	2017 HK$'M
(a) Goodwill		
At 1st January	**5,443.3**	5,146.1
Acquisition of businesses (note 42 (a) & (b))	**5.9**	74.0
Exchange differences	**(168.7)**	223.2
At 31st December	**5,280.5**	5,443.3
(b) Other intangible asset		
Cost		
At 1st January	**527.7**	492.5
Addition	**–**	4.2
Exchange differences	**(22.8)**	31.0
At 31st December	**504.9**	527.7
Accumulated amortisation		
At 1st January	**(87.4)**	(66.2)
Amortisation	**(18.0)**	(17.5)
Exchange differences	**2.1**	(3.7)
At 31st December	**(103.3)**	(87.4)
Net book value		
At 31st December	**401.6**	440.3
Total intangible assets	**5,682.1**	5,883.6

Goodwill is allocated to cash-generating units that are expected to benefit from the business combination in which the goodwill arose, majority related to segment - gas, water and related businesses in mainland China. The goodwill balance included HK$2,242.0 million (2017: HK$2,242.0 million) related to the Group's investments in Towngas China. The Group tests goodwill annually for impairment, or more frequently if there are indications that it might be impaired. For the purpose of impairment test, the recoverable amount of the cash-generating units is determined based on either fair value less costs of disposal or value-in-use calculations. The fair value less costs of disposal is by referencing to active market information. The value-in-use calculations are derived from cash flow projections based on the most recent financial budget for the next five years approved by management. Cash flows beyond five year period have been extrapolated using growth rates from 0.0 per cent to 10.0 per cent (2017: 0.0 per cent to 10.0 per cent) per annum which are determined by considering both internal and external factors relating to the cash-generating units. Discount rate used of 8.5 per cent or 10.0 per cent (2017: 8.5 per cent or 10.0 per cent) is adopted to reflect specific risks relating to the relevant cash-generating units. Based on impairment tests prepared, there is no impairment for intangible assets as at 31st December 2018 and 2017.

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

20 Subsidiaries

Material non-controlling interests

The total non-controlling interest as at 31st December 2018 is HK$7,792.6 million (2017: HK$7,453.0 million) of which HK$5,662.4 million (2017: HK$5,336.0 million) is attributable to Towngas China and for the non-controlling interest in respect of other individual subsidiaries of the Group is not material.

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

	Towngas China	
Summarised statement of financial position	**2018 HK$'M**	2017 HK$'M
Assets		
Non-current assets	**25,962.2**	24,918.8
Current assets	**4,499.0**	4,182.1
	30,461.2	29,100.9
Liabilities		
Non-current liabilities	**(8,118.5)**	(6,332.7)
Current liabilities	**(8,138.1)**	(9,308.5)
	(16,256.6)	(15,641.2)
Net assets	**14,204.6**	13,459.7

	Towngas China	
Summarised income statement and comprehensive income statement	**2018 HK$'M**	2017 HK$'M
Revenue	**11,787.0**	8,759.8
Profit before taxation	**1,892.1**	1,917.7
Taxation	**(479.0)**	(405.4)
Profit for the year	**1,413.1**	1,512.3
Other comprehensive (loss)/income	**(912.3)**	1,087.0
Total comprehensive income	**500.8**	2,599.3
Total comprehensive income attributable to non-controlling interests	**64.1**	204.3
Dividend paid to non-controlling shareholders	**91.2**	99.4

20 Subsidiaries (Continued)

Summarised cash flows statement	Towngas China 2018 HK$'M	Towngas China 2017 HK$'M
Net cash generated from operating activities	**1,284.4**	1,514.8
Net cash used in investing activities	**(2,142.9)**	(1,880.0)
Net cash inflow from financing activities	**967.5**	519.8
Net increase in cash and cash equivalents	**109.0**	154.6
Cash and cash equivalents at beginning of year	**1,605.3**	1,351.1
Effect of foreign exchange rate changes	**(102.8)**	99.6
Cash and cash equivalents at end of year	**1,611.5**	1,605.3

21 Associates

	2018 HK$'M	2017 HK$'M
Investments in associates, including goodwill	**25,499.4**	22,635.5
Loans to associates – non-current	**814.7**	757.9
	26,314.1	23,393.4
Loan and other receivables from associates – current	**356.9**	241.4
Fair value of listed investments	**10,712.5**	14,055.4

Loan and other receivables from associates are analysed below:

(i) Loans to associates in mainland China of HK$1,107.1 million (2017: HK$983.9 million) with effective interest rates ranging from 4.35 per cent to 7.20 per cent per annum (2017: 4.35 per cent to 7.20 per cent per annum) are unsecured and fully repayable in 2019 to 2020 (2017: 2018 to 2019).

(ii) The remaining balances are unsecured, interest free and have no fixed terms of repayment.

(iii) Loan and other receivables from associates are considered to have low credit risk and the loss allowance recognised (if any) was therefore limited to 12 month expected credit loss.

(iv) Loan and other receivables are denominated in the following currencies:

	2018 HK$'M	2017 HK$'M
USD	**560.1**	501.2
RMB	**609.1**	495.2
HKD	**2.4**	2.9
	1,171.6	999.3

21 Associates (Continued)

Particulars of the principal associates as at 31st December 2018 are listed below:

	Name	Note	Issued share capital/ registered capital	Percentage of the Group's equity interest	Place of incorporation/ operation	Principal activity
	China-Singapore Suzhou Industrial Park Broad Energy Services Co., Ltd.		RMB71.1 million	25	PRC	Cooling and heating system business
	Hainan Petrochina Kunlun Hong Kong & China Gas Co., Ltd.		RMB50.4 million	49	PRC	Gas sales and related businesses
	Shenzhen Gas Corporation Limited		RMB2,877.8 million	26.5	PRC	Gas sales and related businesses
	港華儲氣有限公司	(ii)	RMB100 million	64	PRC	Gas storage project
	Central Waterfront Property Investment Holdings Limited	(i)	US$100	15.8	British Virgin Islands	Investment holding
	GH-Fusion Limited	(ii)	US$200	50	British Virgin Islands	Investment holding
	江蘇海企港華燃氣股份有限公司		RMB216.7 million	32.9	PRC	LNG refilling station for vessels
	Hangzhou Natural Gas Company Limited		RMB1,195.0 million	24	PRC	Mid-stream natural gas and piped city-gas project
	Anhui Province Natural Gas Development Company Limited		RMB336.0 million	20.6	PRC	Mid-stream natural gas project
	Hebei Natural Gas Company Limited		RMB920.0 million	43	PRC	Mid-stream natural gas project
	河南省中原石油天然氣管網有限公司		RMB60.0 million	49	PRC	Mid-stream natural gas project
1	河北金建佳天然氣有限公司		RMB90.0 million	20	PRC	LNG receiving terminal; pier
#2	Foshan Water Environmental Protection Co., Ltd		RMB824.3 million	26	PRC	Water project
	Towngas DETA Telecom (Dalian) Co., Ltd.		RMB10.0 million	49	PRC	Telecommunications business
	中經名氣網絡技術（北京）有限公司		RMB10.0 million	49	PRC	Telecommunications business

[1] *Newly formed during the year*
[2] *Newly acquired during the year*
\# *Direct associate of the Company*

Notes

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

(ii) The Group can only exercise significant influence over the board of directors in the associates.

21 Associates (Continued)

Particulars of the principal associates as at 31st December 2018 are listed below: (Continued)

Name	Issued share capital/ registered capital	Percentage of the Group's equity interest	Place of incorporation/ operation	Principal activity
Shanxi Yuanping Guoxin Compressed Natural Gas Co., Ltd.	RMB20.0 million	42	PRC	Vehicular fuel refilling station
China-Singapore Suzhou Industrial Park Environmental Technology Co., Ltd.	RMB185.0 million	49	PRC	Water treatment project
Held by Towngas China Company Limited (TCCL) and the respective equity interest held by TCCL is shown accordingly.				
Changchun Gas Co., Ltd.	RMB609.0 million	28.2	PRC	Gas sales and related businesses
Dalian DETA Hong Kong and China Gas Co., Ltd.	RMB137.2 million	40	PRC	Gas sales and related businesses
Foshan Gas Group Co., Ltd.	RMB500.0 million	38.7	PRC	Gas sales and related businesses
撫州市撫北天然氣有限公司	RMB16.0 million	40	PRC	Gas sales and related businesses
臨朐港華燃氣有限公司	US$5.7 million	42.4	PRC	Gas sales and related businesses
Shandong Jihua Gas Co., Ltd.	RMB400.0 million	49	PRC	Gas sales and related businesses
石家莊華博燃氣有限公司	RMB45.0 million	45	PRC	Gas sales and related businesses
Zibo Lubo Gas Company Limited	RMB100.0 million	27	PRC	Gas sales and related businesses
Anhui Province Wenery Towngas Natural Gas Company Limited	RMB240.0 million	49	PRC	Mid-stream natural gas project
四川能投分布式能源有限公司	RMB500.0 million	25	PRC	Distributed energy systems businesses

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

	2018 HK$'M	2017 HK$'M
Income	**17,049.9**	13,166.4
Expenses, including taxation	**(13,460.4)**	(10,562.1)
Profit after taxation	**3,589.5**	2,604.3
Other comprehensive income/(loss)	**3.6**	(2.9)
Total comprehensive income	**3,593.1**	2,601.4

21 Associates (Continued)

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

	CWPI	
Summarised statement of financial position	**2018 HK$'M**	2017 HK$'M
Assets		
Non-current assets	**115,205.6**	102,367.8
Current assets	**582.3**	770.6
	115,787.9	103,138.4
Liabilities		
Non-current liabilities	**(18,371.1)**	(18,345.7)
Current liabilities	**(2,199.7)**	(2,140.8)
	(20,570.8)	(20,486.5)
Net assets	**95,217.1**	82,651.9

	CWPI	
Summarised income statement and statement of comprehensive income	**2018 HK$'M**	2017 HK$'M
Income	**19,373.9**	13,902.0
Expenses, including taxation	**(2,911.8)**	(2,705.1)
Profit after taxation	**16,462.1**	11,196.9
Other comprehensive income/(loss)	**23.1**	(18.6)
Total comprehensive income	**16,485.2**	11,178.3
Share of total comprehensive income (15.79%)	**2,603.0**	1,765.1
Dividend received from the associate	**619.0**	584.2

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

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

	CWPI	
	2018 HK$'M	2017 HK$'M
Net assets		
At 1st January	**82,651.9**	75,173.6
Profit for the year	**16,462.1**	11,196.9
Other comprehensive income/(loss)	**23.1**	(18.6)
Dividend paid	**(3,920.0)**	(3,700.0)
At 31st December	**95,217.1**	82,651.9

21 Associates (Continued)

	2018 HK$'M	2017 HK$'M
Carrying value		
Interest in an associate (15.79%)	**15,034.8**	13,050.7

22 Joint ventures

	2018 HK$'M	2017 HK$'M
Investments in joint ventures, including goodwill	**10,910.4**	10,865.2
Loans to joint ventures – non-current	**39.9**	24.0
	10,950.3	10,889.2
Loan and other receivables from joint ventures – current	**822.6**	939.7
Loan and other payable to joint ventures – current	**(1,049.5)**	(1,137.9)

Loan and other receivables from joint ventures are analysed below:

(i) Loans to joint ventures in mainland China of HK$466.1 million (2017: HK$444.7 million) with effective interest rates ranging from 4.35 per cent to 5.88 per cent per annum (2017: 4.35 per cent to 4.75 per cent per annum) are unsecured and fully repayable in 2019 to 2020 (2017: 2018 to 2019).

(ii) Loan to a joint venture in Hong Kong of HK$62.0 million (2017: HK$79.0 million) is unsecured, interest free and has no fixed terms of repayment.

(iii) The remaining balances are unsecured, interest free and with no fixed terms of repayment.

(iv) Loan and other receivables from joint ventures are considered to have low credit risk and the loss allowance recognised (if any) was therefore limited to 12-month expected credit loss.

(v) Loans and other receivables are denominated in the following currencies:

	2018 HK$'M	2017 HK$'M
RMB	**786.2**	877.8
HKD	**76.3**	85.9
	862.5	963.7

Amounts due to joint ventures are analysed below:

(i) Loan from a joint venture of HK$533.5 million (2017: HK$487.4 million) with effective interest rate of 4.44 per cent per annum (2017: 4.44 per cent per annum) is unsecured and repayable in 2019.

(ii) Loans from joint ventures of HK$516.0 million (2017: HK$648.1 million) with effective interest rate of 2.78 – 2.785 per cent per annum (2017: 2.57 per cent per annum) are unsecured and have no fixed terms of repayment.

(iii) The remaining balances are unsecured, interest free and with no fixed terms of repayment.

(iv) Loan and other payables to joint ventures are denominated in RMB (2017: denominated in RMB).

22 Joint ventures (Continued)

Particulars of the principal joint ventures as at 31st December 2018 are listed below:

	Name	Note	Issued share capital/ registered capital	Percentage of the Group's equity interest	Place of incorporation/ operation	Principal activity
	Hua Yan Environmental Industry Development (Suzhou) Co., Ltd.	(i)	RMB75.0 million	55	PRC	Food and green waste treatment project
#	Beijing Beiran & HKCG Gas Company Limited		RMB44.4 million	49	PRC	Gas sales and related businesses
	Changzhou Hong Kong and China Gas Company Limited		RMB166.0 million	50	PRC	Gas sales and related businesses
	Jinan Hong Kong and China Gas Company Limited		RMB470.0 million	49	PRC	Gas sales and related businesses
	Nanjing Hong Kong and China Gas Company Limited		RMB700.0 million	49	PRC	Gas sales and related businesses
	Suzhou Hong Kong and China Gas Company Limited	(i)	RMB200.0 million	55	PRC	Gas sales and related businesses
#	Tongling Hong Kong and China Gas Company Limited	(i)	RMB100.0 million	70	PRC	Gas sales and related businesses
	Wuhan Natural Gas Company Limited		RMB420.0 million	49	PRC	Gas sales and related businesses
#	Xian Qinhua Natural Gas Company Limited		RMB1,000.0 million	49	PRC	Gas sales and related businesses
	Zhangjiagang Hong Kong and China Gas Company Limited		RMB100.0 million	50	PRC	Gas sales and related businesses
	Jilin Province Natural Gas Limited Company		RMB220.0 million	49	PRC	Mid-stream natural gas project
	Yieldway International Limited		HK$2.0	50	Hong Kong	Property development
	Maanshan ECO Auto Fuel Company Limited		RMB10.5 million	30	PRC	Vehicular fuel refilling station
	Suzhou Industrial Park Qingyuan Hong Kong & China Water Company Limited		RMB1,200.0 million	50	PRC	Water supply and sewage treatment

Direct joint ventures of the Company

Note

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

22 Joint ventures (Continued)

Particulars of the principal joint ventures as at 31st December 2018 are listed below: (Continued)

Name	Issued share capital/ registered capital	Percentage of the Group's equity interest	Place of incorporation/ operation	Principal activity
Held by Towngas China Company Limited (TCCL) and the respective equity interest held by TCCL is shown accordingly.				
Anqing Hong Kong and China Gas Company Limited	RMB73.0 million	50	PRC	Gas sales and related businesses
重慶港華燃氣有限公司	RMB20.0 million	50	PRC	Gas sales and related businesses
Hangzhou Hong Kong and China Gas Company Limited	US$20.0 million	50	PRC	Gas sales and related businesses
Maanshan Hong Kong and China Gas Company Limited	US$13.0 million	50	PRC	Gas sales and related businesses
Taian Taishan Hong Kong and China Gas Company Limited	RMB80.0 million	49	PRC	Gas sales and related businesses
Weifang Hong Kong and China Gas Company Limited	US$16.9 million	50	PRC	Gas sales and related businesses
Weihai Hong Kong and China Gas Company Limited	RMB99.2 million	50	PRC	Gas sales and related businesses
Wuhu Hong Kong & China Gas Company Limited	RMB52.8 million	50	PRC	Gas sales and related businesses
Zibo Hong Kong and China Gas Company Limited	RMB100.0 million	50	PRC	Gas sales and related businesses
泰安市泰港燃氣有限公司	RMB139.2 million	49	PRC	Mid-stream natural gas project

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

	2018 HK$'M	2017 HK$'M
Income	**15,031.7**	12,365.4
Expenses, including taxation	**(13,508.3)**	(10,877.5)
Profit after taxation and total comprehensive income	**1,523.4**	1,487.9

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

23 Financial assets at fair value through other comprehensive income/ Available-for-sale financial assets

	2018 HK$'M	2017 HK$'M
Debt securities (Note (a))	**204.6**	461.8
Equity securities (Note (b))	**922.4**	3,828.1
	1,127.0	4,289.9

Notes

(a)

	2018 HK$'M	2017 HK$'M
Debt securities		
Listed – Hong Kong	**84.0**	165.6
Listed – overseas	**120.6**	296.2
	204.6	461.8

(b)

	2018 HK$'M	2017 HK$'M
Equity securities		
Listed – Hong Kong	**216.8**	208.4
Listed – overseas	**131.5**	65.0
Unlisted	**574.1**	3,554.7
	922.4	3,828.1

Included in the equity securities, there are HK$157.5 million of perpetual bonds and HK$764.9 million of investments that are engaged in the provision of natural gas and related services and gas pipeline construction services. These are strategic investments and the Group considers the classification of FVOCI to be more relevant.

(c) Financial assets at FVOCI/Available-for-sale financial assets are denominated in the following currencies:

	2018 HK$'M	2017 HK$'M
RMB	**617.9**	3,580.1
HKD	**147.0**	208.4
USD	**362.1**	501.4
	1,127.0	4,289.9

24 Financial assets at fair value through profit or loss

	2018 HK$'M	2017 HK$'M
Equity securities (note (a))		
Current	**303.5**	42.1
Non-current	**3,506.7**	–
	3,810.2	42.1

Notes

		2018 HK$'M	2017 HK$'M
(a)	Equity securities		
	Listed – Hong Kong	**232.6**	30.0
	Listed – overseas	**31.5**	12.1
	Unlisted	**3,546.1**	–
		3,810.2	42.1

Financial assets at FVPL are denominated in the following currencies:

	2018 HK$'M	2017 HK$'M
HKD	**232.6**	30.0
USD	**70.9**	12.1
RMB	**3,506.7**	–
	3,810.2	42.1

25 Derivative financial instruments

	2018		2017	
	Assets HK$'M	**Liabilities HK$'M**	Assets HK$'M	Liabilities HK$'M
Non-current				
Cross currency swap and interest rate swap contracts – cash flow hedges	**27.9**	**(558.9)**	19.2	(475.7)
Foreign currency forward contracts – held-for-trading	**–**	**–**	1.5	(90.1)
Cross currency swap contracts – held-for-trading	**22.1**	**–**	17.3	(38.7)
Related derivative of available-for-sale financial asset	**–**	**–**	231.9	–
Interest rate swap contracts – held-for-trading	**5.4**	**–**	–	–
	55.4	**(558.9)**	269.9	(604.5)
Current				
Cross currency swap and interest rate swap contracts – cash flow hedges	**37.2**	**(50.6)**	114.5	–
Foreign currency forward contracts – held-for-trading	**1.0**	**(64.3)**	5.1	(76.2)
	38.2	**(114.9)**	119.6	(76.2)

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

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

Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

The ineffective portion recognised in the profit or loss that arises from cash flow hedges amounts to a gain of HK$5.8 million (2017: a gain of HK$2.0 million).

25 Derivative financial instruments (Continued)

The major terms of the outstanding derivative contracts are as follows:

Notional amount	Maturity	Forward contract rate	Interest rate (per annum)		Exchange frequency	
			Receive	Pay	Receive	Pay
Cross currency swap and interest rate swap contracts – cash flow hedges						
# USD1 billion	2018	USD1 to HKD7.8	6.25%	5.2% – 5.66%	Semi-annually	Quarterly or semi-annually
RMB400 million	2021	HKD1 to RMB0.88	4.45%	1 month HIBOR + 0.58%	Annually	Monthly
USD100 million	2021	USD1 to RMB6.87	3 month LIBOR + 0.53%	4.43%	Quarterly	Quarterly
AUD50 million	2021	AUD1 to HKD7.78	6.43%	3.42%	Semi-annually	Semi-annually
AUD86 million	2022	AUD1 to HKD7.90 – HKD8.21	5.37% – 5.85%	2.75% – 3.42%	Semi-annually or annually	Semi-annually or annually
JPY10 billion	2022	JPY100 to HKD9.705 – HKD9.897	1.19% – 1.36%	3.33% – 3.46%	Semi-annually	Semi-annually
AUD25 million	2025	AUD1 to HKD5.42	3.83%	2.99%	Semi-annually	Semi-annually
JPY2 billion	2027	JPY100 to HKD6.877	0.35%	2.9%	Annually	Quarterly
Foreign currency forward contracts – held-for-trading						
#RMB539.5 million	2018	HKD1 to RMB0.90 – RMB0.91	Nil	Nil	Nil	Nil
#RMB456.1 million	2018	USD1 to RMB7.02	Nil	Nil	Nil	Nil
RMB1,031.7 million	2019	HKD1 to RMB0.92 – RMB0.94	Nil	Nil	Nil	Nil
Cross currency swap contracts – held-for-trading						
RMB1,860.8 million	2019	HKD1 to RMB0.84 – RMB0.89	3 month HIBOR + 0.6% or 3 month HIBOR + 0.7%	4.37% – 4.83%	Quarterly	Quarterly
USD250 million	2019	USD1 to HKD7.785	4.75%	4.18% – 4.23%	Semi-annually	Quarterly or semi-annually
RMB355.1 million	2019	HKD1 to RMB0.88 (Initial exchange) HKD1 to RMB0.94 (Final exchange)	Not applicable	Not applicable	On maturity	On maturity
Interest rate swap contracts – held-for-trading						
HKD270 million	2021	Not applicable	3%	1 month HIBOR + 0.55%	Annually	Monthly

Fully settled in 2018

Gains and losses recognised in the hedging reserve in equity (note 36) on the swaps as of 31st December 2018 will be continuously released to the profit or loss until the repayment of relevant borrowings.

26 Retirement benefit (liabilities)/assets

	2018 HK$'M	2017 HK$'M
At 31st December	**(23.8)**	60.4

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

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

	2018 HK$'M	2017 HK$'M
Fair value of plan assets	**546.7**	624.9
Present value of funded obligations	**(570.5)**	(564.5)
Net (liabilities)/assets in the consolidated statement of financial position	**(23.8)**	60.4

The plan assets did not include any shares of the Company as at 31st December 2018 (2017: nil).

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

	2018 HK$'M	2017 HK$'M
Current service cost	**16.4**	17.3
Net interest (income)/cost	**(1.3)**	0.9
Administrative expenses	**0.1**	0.1
Total (note 11)	**15.2**	18.3

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

	2018 HK$'M	2017 HK$'M
Actuarial loss/(gain) due to liability experience	**18.8**	(2.9)
Actuarial gain due to financial assumption changes	**(6.0)**	–
Actuarial gain due to demographic assumption changes	**(9.7)**	(0.1)
Actuarial losses/(gains)	**3.1**	(3.0)
Return on plan assets, excluding amounts included in interest income	**70.3**	(121.1)
Total	**73.4**	(124.1)

26 Retirement benefit (liabilities)/assets (Continued)

The movements in the defined benefit obligations are as follows:

	2018 HK$'M	2017 HK$'M
At 1st January	**564.5**	574.3
Current service cost	**16.4**	17.3
Interest cost	**11.0**	11.1
Benefits paid	**(24.5)**	(35.2)
Actuarial losses/(gains)	**3.1**	(3.0)
At 31st December	**570.5**	564.5

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

	2018 HK$'M	2017 HK$'M
At 1st January	**624.9**	524.2
Return on plan assets, excluding amounts included in interest income	**(70.3)**	121.1
Interest income recognised in consolidated income statement	**12.3**	10.2
Contribution paid by employer	**4.4**	4.7
Benefits paid	**(24.5)**	(35.2)
Administrative expenses	**(0.1)**	(0.1)
At 31st December	**546.7**	624.9

The movements in the (liabilities)/assets recognised in the consolidated statement of financial position are as follows:

	2018 HK$'M	2017 HK$'M
At 1st January	**60.4**	(50.1)
Remeasurement effects recognised in other comprehensive income	**(73.4)**	124.1
Total cost of defined benefit retirement scheme (note 11)	**(15.2)**	(18.3)
Contribution paid by employer	**4.4**	4.7
At 31st December	**(23.8)**	60.4

26 Retirement benefit (liabilities)/assets (Continued)

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

	2018 %	2017 %
Equity securities	**75.0**	76.0
Debt securities	**23.0**	20.0
Cash	**2.0**	4.0

The principal actuarial assumptions used are as follows:

	2018 %	2017 %
Discount rate	**2.1**	2.0
Expected rate of future salary increases	**4.5**	4.5

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

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	**0.25%**	**Decrease by 2.6%**	**Increase by 2.7%**
Salary increase rate	**0.25%**	**Increase by 1.5%**	**Decrease by 2.2%**
Maximum salary scale increase rate	**0.25%**	**Increase by 0.4%**	**Decrease by 1.1%**

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

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

Expected contributions to the scheme for the year ending 31st December 2019 are HK$4.3 million.

26 Retirement benefit (liabilities)/assets (Continued)

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

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

The weighted average duration of the benefit obligation is 10.8 years. Expected maturity analysis of benefit undiscounted payments:

	Within 5 years HK$'M	**Beyond 5 years but within 10 years HK$'M**	**Beyond 10 years HK$'M**
As 31st December 2018			
Expected benefit payments	**127.4**	**196.0**	**625.3**

27 Other non-current assets

	2018 HK$'M	2017 HK$'M
Aviation fuel facility construction receivable (note (a))	**2,702.7**	2,581.6
Other receivables and prepayments (note(b))	**771.3**	507.4
	3,474.0	3,089.0

Notes

(a) Aviation fuel facility construction receivable is denominated in HKD, unsecured and will be recovered by monthly instalments up to 2047.

(b) Balance mainly represents a prepayment for inventory to a supplier which is denominated in RMB.

28 Inventories

	2018 HK$'M	2017 HK$'M
Stores and materials	**1,844.7**	1,753.6
Work in progress	**636.0**	824.7
	2,480.7	2,578.3

The Group wrote down the carrying value of inventories by HK$5.7 million (2017: The Group wrote down the carrying value of inventories by HK$2.1 million) to its net realisable value during the year.

29 Trade and other receivables

	2018 HK$'M	2017 HK$'M
Trade receivables (note (a))	**3,563.5**	3,734.5
Payments in advance (note (b))	**1,581.5**	1,659.0
Other receivables	**2,470.9**	2,118.5
	7,615.9	7,512.0

Trade and other receivables are denominated in the following currencies:

	2018 HK$'M	2017 HK$'M
RMB	**4,845.4**	4,521.3
HKD	**2,730.7**	2,957.9
USD	**33.8**	31.5
Others	**6.0**	1.3
	7,615.9	7,512.0

Notes

(a) The Group has established credit policies for different types of customers. The credit periods offered for trade receivables, which are subject to periodic review by management, range from 30 to 60 days except for gas receivables of the Company which are due by 8 working days after billing date. As at 31st December 2018, the aging analysis of the trade receivables, net of impairment provision, is as follows:

	2018 HK$'M	2017 HK$'M
0 – 30 days	**3,106.9**	3,293.5
31 – 60 days	**107.7**	119.0
61 – 90 days	**126.4**	41.5
Over 90 days	**222.5**	280.5
	3,563.5	3,734.5

29 Trade and other receivables (Continued)

Notes (Continued)

(a) (Continued)

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected credit loss allowance for trade receivables. This results in an increase of the loss allowance by HK$13.6 million on 1st January 2018. Note 2(b)(ii)(b) provides for details about the calculation of the allowance.

The loss allowance further increased from HK$201.4 million to HK$221.2 million during the year.

Information about the impairment of trade receivables can be found in note 3(b).

(b) Balance mainly represents prepayment for purchase of materials and services in relation to the Group's gas and New Energy businesses in Hong Kong and mainland China. As at 31st December 2018, the directors of the Company reviewed the composition of the balance and considered the amount is recoverable.

30 Time deposits, cash and bank balances

	2018 HK$'M	2017 HK$'M
Time deposits over three months	**338.6**	2,071.0
Time deposits up to three months	**3,643.7**	6,208.7
Cash and bank balances	**4,857.1**	4,549.9
	8,500.8	10,758.6

The effective interest rates on time deposits in Hong Kong and mainland China are 2.70 per cent and 1.82 per cent per annum respectively (2017: 1.96 per cent and 1.73 per cent per annum). These deposits have average maturity dates within 200 days (2017: 163 days).

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

	2018 HK$'M	2017 HK$'M
USD	**1,771.5**	4,685.6
RMB	**5,366.8**	4,732.1
HKD	**1,660.0**	3,365.8
THB	**37.0**	41.2
Others	**4.1**	4.9
	8,839.4	12,829.6

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

31 Trade and other payables and contract liabilities

	2018 HK$'M	2017 HK$'M
Trade payables (note (a))	**3,078.1**	2,977.2
Other payables and accruals (note (b))	**4,225.5**	4,723.3
Contract liabilities/receipt in advance (note (c))	**6,625.8**	6,569.3
	13,929.4	14,269.8

Notes

(a) At 31st December 2018, the aging analysis of the trade payables is as follows:

	2018 HK$'M	2017 HK$'M
0 – 30 days	**1,404.7**	1,340.0
31 – 60 days	**399.3**	488.0
61 – 90 days	**300.0**	298.0
Over 90 days	**974.1**	851.2
	3,078.1	2,977.2

(b) The balances mainly represent accrual for services or goods received from suppliers.

(c) The balances mainly represent non-refundable advance received from customers for utility connection services, provision of gas and provision of maintenance service.

The following table shows the amount of the revenue recognised in the current reporting period relates to contract liability balance at the beginning of the year:

	2018 HK$'M
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**3,378.3**

As at 31st December 2018, the amount of unsatisfied performance obligations expected to be recognised within one year and after one year are HK$3,664.9 million and HK$4,246.5 million respectively.

As permitted under HKFRS 15, the Group needs not disclose its remaining performance obligations related to provision of gas as the Group recognises such revenue from the satisfaction of the performance obligation in the amount to which the Group has a right to invoice.

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

	2018 HK$'M	2017 HK$'M
RMB	**11,648.3**	11,916.5
HKD	**2,064.9**	2,208.8
USD	**199.5**	127.0
Others	**16.7**	17.5
	13,929.4	14,269.8

32 Borrowings

	2018 HK$'M	2017 HK$'M
Non-current		
Bank and other loans	**14,400.7**	8,413.7
Guaranteed notes (note (a))	**13,208.6**	12,748.1
	27,609.3	21,161.8
Current		
Bank and other loans	**7,563.0**	8,023.3
Guaranteed notes (note (a))	**499.7**	7,733.7
Redeemable perpetual securities (note (b))	**2,349.6**	–
	10,412.3	15,757.0
Total borrowings	**38,021.6**	36,918.8

Notes

(a) Guaranteed notes comprise:

(i) The HK$11,608.0 million, RMB400.0 million, AUD161.0 million and JPY12,000.0 million (2017: HK$11,038.0 million, AUD161.0 million and JPY12,000.0 million) (which in aggregate is equivalent to HK$13,809.3 million (2017: HK$12,852.2 million)) guaranteed notes were issued by HKCG (Finance) Limited, a wholly-owned subsidiary of the Company, between 2nd June 2009 and 26th September 2018. The notes are unsecured and guaranteed by the Company as to repayment, carry fixed coupon rates ranging from 0.35 per cent to 6.43 per cent per annum payable quarterly, half-yearly or annually in arrear and have maturity terms between 3 to 40 years.

(ii) The US$1 billion guaranteed notes were issued by HKCG (Finance) Limited, a wholly-owned subsidiary of the Company, on 7th August 2008. The notes were unsecured and guaranteed by the Company as to repayment, carried a fixed coupon rate of 6.25 per cent per annum payable semi-annually in arrear and had a maturity term of 10 years. The notes were listed on The Stock Exchange of Hong Kong Limited. At 31st December 2017, notes with a principal amount of US$995.0 million, which was equivalent to HK$7,774.9 million, were outstanding in the market and the market value of the notes was HK$7,947.9 million. The notes were matured and fully repaid in August 2018.

(b) Redeemable perpetual securities

In January 2014, the Group issued its first perpetual subordinated guaranteed capital securities (the "perpetual capital securities"), amounting to US$300.0 million through, Towngas (Finance) Limited, a wholly-owned subsidiary of the Company. The perpetual capital securities were guaranteed by the Company, bore distribution at a rate of 4.75 per cent per annum for the first five years and thereafter would have a floating distribution rate. The perpetual capital securities were perpetual and were redeemable, at the option of the Group, in January 2019 or thereafter every six months on the distribution payment date. The distribution payment could be deferred at the discretion of the Group. Therefore, they were classified as equity instruments, and recorded in equity in the consolidated statement of financial position up to 17th December 2018, on which a redemption notice was issued that the issuer would redeem all of the perpetual capital securities on 28th January 2019 (the "First Call Date") at their principal amount together with any distribution accrued to the First Call Date. In such case, the perpetual capital securities were reclassified to redeemable perpetual securities under current borrowings as at 31st December 2018.

32 Borrowings (Continued)

Notes (Continued)

(b) Redeemable perpetual securities (Continued)

New perpetual capital securities of the same amount, i.e. US$300.0 million, have been issued subsequently in February 2019 to refinance the redemption and will be treated as equity in the consolidated statement of financial position as at 31st December 2019.

(c) The maturity of borrowings is as follows:

	Bank and other loans		Guaranteed notes and redeemable perpetual securities	
	2018 HK$'M	2017 HK$'M	**2018 HK$'M**	2017 HK$'M
Within 1 year	**7,563.0**	8,023.3	**2,849.3**	7,733.7
Between 1 and 2 years	**1,841.3**	3,501.1	**–**	495.2
Between 2 and 5 years	**12,541.0**	4,891.7	**4,039.3**	2,977.4
Wholly repayable within 5 years	**21,945.3**	16,416.1	**6,888.6**	11,206.3
Wholly repayable over 5 years	**18.4**	20.9	**9,169.3**	9,275.5

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

	2018					2017				
	HKD	**USD**	**RMB**	**AUD**	**JPY**	HKD	USD	RMB	AUD	JPY
Bank and other loans	**2.9%**	**4.4%**	**4.6%**	**N/A**	**1.2%**	2.0%	2.3%	4.4%	N/A	1.2%
Guaranteed notes and redeemable perpetual securities	**3.5%**	**4.8%**	**2.9%**	**3.1%**	**3.3%**	3.5%	5.4%	N/A	3.1%	3.3%

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

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

	2018 HK$'M	2017 HK$'M
HKD	**21,994.9**	15,704.7
RMB	**11,118.7**	11,127.0
USD	**3,146.6**	8,256.1
AUD	**888.6**	982.0
JPY	**872.8**	849.0
	38,021.6	36,918.8

33 Deferred taxation

The movements in the deferred taxation are as follows:

	2018 HK$'M	2017 HK$'M
At 1st January	**5,723.1**	5,067.3
Changes in accounting policy	**92.0**	–
At 1st January (restated)	**5,815.1**	5,067.3
Charged to the profit or loss	**376.5**	409.6
Charged to other comprehensive income	**19.6**	–
Withholding tax	**(33.1)**	(53.4)
Exchange differences	**(79.0)**	299.6
At 31st December	**6,099.1**	5,723.1

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

	Accelerated tax depreciation		Mining and oil properties		Others		Total	
Deferred tax liabilities	**2018 HK$'M**	2017 HK$'M	**2018 HK$'M**	2017 HK$'M	**2018 HK$'M**	2017 HK$'M	**2018 HK$'M**	2017 HK$'M
At 1st January	**3,257.3**	2,852.7	**1,679.0**	1,536.9	**805.9**	696.8	**5,742.2**	5,086.4
Changes in accounting policy	**–**	–	**–**	–	**92.0**	–	**92.0**	–
At 1st January (restated)	**3,257.3**	2,852.7	**1,679.0**	1,536.9	**897.9**	696.8	**5,834.2**	5,086.4
Charged/(credited) to profit or loss	**307.3**	314.4	**(10.6)**	(20.8)	**79.8**	116.0	**376.5**	409.6
Charged to other comprehensive income	**–**	–	**–**	–	**19.6**	–	**19.6**	–
Withholding tax	**–**	–	**–**	–	**(33.1)**	(53.4)	**(33.1)**	(53.4)
Exchange differences	**(65.6)**	90.2	**10.7**	162.9	**(24.1)**	46.5	**(79.0)**	299.6
At 31st December	**3,499.0**	3,257.3	**1,679.1**	1,679.0	**940.1**	805.9	**6,118.2**	5,742.2

	Provisions		Tax losses		Total	
Deferred tax assets	**2018 HK$'M**	2017 HK$'M	**2018 HK$'M**	2017 HK$'M	**2018 HK$'M**	2017 HK$'M
At 1st January and 31st December	**(8.3)**	(8.3)	**(10.8)**	(10.8)	**(19.1)**	(19.1)
Net deferred tax liabilities at 31st December					**6,099.1**	5,723.1

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of HK$705.4 million (2017: HK$600.6 million) in respect of losses amounting to HK$3,025.1 million (2017: HK$2,561.5 million) that can be carried forward and set off against future taxable income. These tax losses have no expiry dates except for the tax losses of HK$2,425.9 million (2017: HK$2,094.1 million) which will expire at various dates up to and including 2023 (2017: 2022).

34 Other non-current liabilities

	2018 HK$'M	2017 HK$'M
Customers' deposits (note (a))	**1,371.5**	1,331.6
Contract liabilities (note (b))	**637.7**	–
	2,009.2	1,331.6

Notes

(a) Customers' deposits mainly represent deposits received from customers pursuant to gas supply contracts agreed with customers and are repayable upon termination of gas supply contracts. The carrying values of the deposits approximate the fair value as the impact of discount is not significant. The balances are denominated in HKD and bear interest at bank savings rate.

(b) The balance includes only the non-current portion of contract liabilities.

35 Share capital

	Number of shares		Share capital	
	2018	2017	**2018 HK$'M**	2017 HK$'M
Issued and fully paid:				
At beginning of year	**13,987,646,483**	12,717,042,258	**5,474.7**	5,474.7
Bonus shares	**1,398,764,648**	1,271,604,225	**–**	–
Shares bought back	**–**	(1,000,000)	**–**	–
At end of year	**15,386,411,131**	13,987,646,483	**5,474.7**	5,474.7

36 Reserves

	Investment revaluation reserve HK$'M	Hedging reserve HK$'M	Exchange reserve HK$'M	Retained profits HK$'M	Total HK$'M
At 1st January 2018	7.0	138.8	1,651.4	53,166.9	54,964.1
Changes in accounting policy	119.6	–	–	134.9	254.5
As at 1st January 2018 (restated)	126.6	138.8	1,651.4	53,301.8	55,218.6
Profit attributable to shareholders	–	–	–	9,312.8	9,312.8
Other comprehensive income:					
Remeasurements of retirement benefit	–	–	–	(73.4)	(73.4)
Change in value of financial assets at FVOCI	(33.3)	–	–	–	(33.3)
Change in fair value of cash flow hedges	–	(88.7)	–	–	(88.7)
Share of other comprehensive income of an associate	–	3.6	–	–	3.6
Exchange differences	–	–	(2,302.7)	–	(2,302.7)
Total comprehensive income for the year	(33.3)	(85.1)	(2,302.7)	9,239.4	6,818.3
Partial disposal of a subsidiary	–	–	–	12.0	12.0
Further acquisition of subsidiaries	–	–	–	(22.2)	(22.2)
Redemption of perpetual capital securities	–	–	–	(37.1)	(37.1)
2017 final dividend paid	–	–	–	(3,217.2)	(3,217.2)
2018 interim dividend paid	–	–	–	(1,846.4)	(1,846.4)
At 31st December 2018	93.3	53.7	(651.3)	57,430.3	56,926.0
Balance after 2018 final dividend proposed	93.3	53.7	(651.3)	53,891.4	53,387.1
2018 final dividend proposed	–	–	–	3,538.9	3,538.9
	93.3	53.7	(651.3)	57,430.3	56,926.0

36 Reserves (Continued)

	Investment revaluation reserve HK$'M	Hedging reserve HK$'M	Exchange reserve HK$'M	Retained profits HK$'M	Total HK$'M
At 1st January 2017	119.6	259.2	(1,369.2)	49,447.9	48,457.5
Profit attributable to shareholders	–	–	–	8,225.3	8,225.3
Other comprehensive income:					
Remeasurements of retirement benefit	–	–	–	124.1	124.1
Change in value of available-for-sale financial assets	165.0	–	–	–	165.0
Release of reserve of available-for-sale financial assets upon disposal	(413.4)	–	–	–	(413.4)
Impairment loss on available-for-sale financial assets transferred to the profit or loss	135.8	–	–	–	135.8
Change in fair value of cash flow hedges	–	(117.5)	–	–	(117.5)
Share of other comprehensive loss of an associate	–	(2.9)	–	–	(2.9)
Exchange differences	–	–	3,020.6	–	3,020.6
Total comprehensive income for the year	(112.6)	(120.4)	3,020.6	8,349.4	11,137.0
Shares bought back	–	–	–	(15.4)	(15.4)
Further acquisition of subsidiaries	–	–	–	(11.8)	(11.8)
2016 final dividend paid	–	–	–	(2,924.7)	(2,924.7)
2017 interim dividend paid	–	–	–	(1,678.5)	(1,678.5)
At 31st December 2017	7.0	138.8	1,651.4	53,166.9	54,964.1
Balance after 2017 final dividend proposed	7.0	138.8	1,651.4	49,949.7	51,746.9
2017 final dividend proposed	–	–	–	3,217.2	3,217.2
	7.0	138.8	1,651.4	53,166.9	54,964.1

37 Perpetual capital securities

In December 2018, a redemption notice was issued that the issuer will redeem all of the perpetual capital securities on 28th January 2019 (the "First Call Date") at their principal amount together with any distribution accrued to the First Call Date. In such case, the perpetual capital securities are reclassified to current borrowings as at 31st December 2018. Details of the reclassification are disclosed in note 32 in the report.

38 Contingent liabilities

The Company and the Group did not have any material contingent liabilities as at 31st December 2018 and 2017.

39 Commitments

(a) Capital expenditures for property, plant and equipment

	2018 HK$'M	2017 HK$'M
Contracts had been entered into but not brought into the consolidated financial statements at 31st December	**3,496.0**	4,164.1

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

	2018 HK$'M	2017 HK$'M
Contracts had been entered into but not brought into the consolidated financial statements at 31st December	**2,912.1**	2,809.0

(c) The Group has committed to provide sufficient funds in the forms of capital and loan contributions to finance certain gas and New Energy projects under various contracts in mainland China. The directors of the Company estimate that as at 31st December 2018, the Group's commitments to these projects were approximately HK$1,848.6 million (2017: HK$2,571.5 million).

(d) Lease commitments

Lessee

At 31st December 2018, future aggregate minimum lease payments of land, buildings, plant and equipment under non-cancellable operating leases are as follows:

	2018 HK$'M	2017 HK$'M
Not later than 1 year	**135.9**	133.7
Later than 1 year and not later than 5 years	**277.5**	265.9
Later than 5 years	**165.8**	221.7
	579.2	621.3

39 Commitments (Continued)

(d) Lease commitments (Continued)

Lessor

The Group leases out the building facilities of the commercial complex and car parks of Grand Waterfront (further details of the carrying value of the property are contained in note 17). Except for certain car parks rented out on an hourly or a monthly basis, these leases typically run for a period of 2 to 5 years. At 31st December 2018, future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	2018 HK$'M	2017 HK$'M
Not later than 1 year	**23.7**	28.8
Later than 1 year and not later than 5 years	**14.5**	16.1
	38.2	44.9

40 Related party transactions

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

(a) Interest income and sales of goods and services

	2018 HK$'M	2017 HK$'M
Associates		
Sale of goods and services (note (i))	**20.2**	30.4
Loan interest income (note (ii))	**79.8**	36.7
Joint ventures		
Sale of goods and services (note (i))	**69.6**	64.0
Loan interest income (note (ii))	**12.8**	7.3
Other related parties		
Sale of goods and services (note (i))	**65.7**	46.0
Interest income from bank deposits (note (i))	**3.3**	1.3

40 Related party transactions (Continued)

(b) Interest expense and purchase of goods and services

	2018 **HK$'M**	2017 HK$'M
Associates		
Purchase of goods and services (note (i))	**468.2**	320.2
Joint ventures		
Purchase of goods and services (note (i))	**75.7**	42.8
Loan interest expenses (note (ii))	**27.6**	26.9
Other related parties		
Purchase of goods and services (note (i))	**21.9**	22.2
Interest expense on bank loans (note (i))	**25.0**	26.6

Notes

(i) These related party transactions were conducted at prices and terms as agreed by parties involved.

(ii) For the terms and year end balances of loans, please refer to notes 21 and 22.

(c) Year end balances arising from interest income, interest expense and sale or purchase of goods and services from other related parties

	2018 **HK$'M**	2017 HK$'M
Time deposits and interest receivables	**–**	420.4
Bank loans and interest payables	**443.1**	805.0
Trade receivables	**4.5**	4.7
Trade payables	**–**	0.6

(d) Other related party transactions are also disclosed in notes 12, 21, 22, 29 and 31.

41 Notes to consolidated cash flow statement

(a) Reconciliation of profit before taxation to net cash from operating activities

	2018 HK$'M	2017 HK$'M
Profit before taxation	**12,339.5**	11,096.7
Share of results of associates	**(3,589.5)**	(2,604.3)
Share of results of joint ventures	**(1,523.4)**	(1,487.9)
Gain on disposal of associates	**–**	(23.8)
Fair value gain on investment property	**(12.5)**	(33.6)
Gain on deemed disposal of partial interest in associates	**–**	(253.4)
Impairment of trade receivables	**37.5**	30.9
Provision for assets	**200.0**	365.1
Ineffective portion on cash flow hedges	**(5.8)**	(2.0)
Unhedged portion on cash flow hedges	**–**	0.4
Interest income	**(299.3)**	(256.1)
Interest expense	**1,176.6**	1,256.9
Dividend income from investments in securities	**(125.8)**	(187.5)
Depreciation and amortisation	**2,537.2**	2,374.8
(Gain)/loss on disposal/write off of property, plant and equipment	**(1.2)**	4.2
(Gain)/loss on disposal of leasehold land	**(40.3)**	0.3
Net gain on FVOCI/available-for-sale financial assets	**(2.8)**	(243.7)
Net realised and unrealised (gain)/loss on investments in financial assets at FVPL and derivative financial instruments	**(83.0)**	312.3
Tax paid	**(1,542.7)**	(1,473.8)
Exchange differences	**280.9**	(354.7)
Changes in working capital		
Increase in customers' deposits	**39.9**	28.8
Decrease/(increase) in inventories	**44.8**	(422.9)
Increase in trade and other receivables	**(621.9)**	(1,297.1)
Increase in trade and other payables and contract liabilities	**618.2**	1,673.7
Increase in asset retirement obligations	**1.7**	7.5
Changes in retirement benefit assets	**10.8**	13.6
Net cash from operating activities	**9,438.9**	8,524.4

41 Notes to consolidated cash flow statement (Continued)

(b) Reconciliation of liabilities arising from financing activities

	Borrowings HK$'M
At 1st January 2018	36,918.8
Cash flows	(669.4)
Exchange differences	(572.9)
Reclassified from perpetual capital securities	2,343.9
Others	1.2
At 31st December 2018	38,021.6

42 Business combinations

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

For the year ended 31st December 2018, the following businesses are acquired:

	Percentage of registered capital acquired	Purchase consideration HK$'M
邢台市易高興化清潔能源有限公司	80	26.4

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

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

	Acquirees' fair value at acquisition date HK$'M
Property, plant and equipment (note 16)	27.0
Trade and other receivables	1.3
Trade and other payables	(1.0)
Net assets	27.3
Non-controlling interests	(5.5)
Net identifiable assets acquired	21.8
Goodwill (note 19 (a))	4.6
Purchase consideration	26.4

42 Business combinations (Continued)

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

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

Net cash flow arising on acquisition:

	HK$'M
Purchase consideration for acquisition of businesses, settled in cash	**14.0**
Cash and cash equivalents in business acquired	**–**
Cash outflow on acquisition of businesses	**14.0**

As at 31st December 2018, purchase consideration of HK$12.4 million remained unpaid and included in trade and other payables.

(b) Business combination under Towngas China

For the year ended 31st December 2018, Towngas China acquired the following businesses:

	Percentage of registered capital acquired	Purchase consideration HK$'M
徐州工業園區中港熱力有限公司	**51**	**49.7**

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

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

	Acquirees' fair value at acquisition date HK$'M
Property, plant and equipment (note 16)	**13.5**
Trade and other receivables	**86.9**
Cash and bank balances	**2.1**
Trade and other payables	**(7.5)**
Net assets	**95.0**
Non-controlling interests	**(46.6)**
Net identifiable assets acquired	**48.4**
Goodwill (note 19 (a))	**1.3**
Purchase consideration	**49.7**

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

42 Business combinations (Continued)

(b) Business combination under Towngas China (Continued)

Net cash flow arising on acquisition:

	HK$'M
Purchase consideration for acquisition of business, settled in cash	**49.7**
Cash and cash equivalents in business acquired	**(2.1)**
Cash outflow on acquisition of business	**47.6**

(c) Further acquisition of subsidiaries

During the year, the Group has further acquired the interest in several subsidiaries. The total consideration for all further acquisitions is approximately HK$70.6 million. The difference between the share of net assets value acquired and total consideration of HK$22.2 million was recognised directly in equity for these transactions with non-controlling interests.

(d) Apart from the above, there were no other material acquisitions during the year ended 31st December 2018.

43 Statement of financial position of the Company

	2018 HK$'M	2017 HK$'M
Assets		
Non-current assets		
Property, plant and equipment	**12,111.1**	11,613.3
Leasehold land	**211.0**	218.0
Subsidiaries	**19,508.2**	18,148.3
Associate	**631.0**	–
Joint ventures	**831.7**	831.7
Retirement benefit assets	**–**	60.4
	33,293.0	30,871.7
Current assets		
Inventories	**1,125.2**	1,198.4
Trade and other receivables	**2,114.5**	2,091.5
Loan and other receivables from associates	**21.6**	21.5
Other receivables from joint ventures	**24.3**	16.9
Derivative financial instruments	**–**	0.4
Time deposits over three months	**–**	980.1
Time deposits up to three months, cash and bank balances	**1,587.2**	1,487.5
	4,872.8	5,796.3
Current liabilities		
Trade and other payables and contract liabilities	**(1,537.9)**	(1,606.3)
Provision for taxation	**(187.4)**	(169.5)
	(1,725.3)	(1,775.8)
Total assets less current liabilities	**36,440.5**	34,892.2
Non-current liabilities		
Loan and other payables to subsidiaries	**(12,333.4)**	(11,790.0)
Customers' deposits	**(1,355.4)**	(1,316.5)
Deferred taxation	**(1,393.5)**	(1,333.2)
Retirement benefit liabilities	**(23.8)**	–
Borrowings	**(1,040.8)**	(247.8)
	(16,146.9)	(14,687.5)
Net assets	**20,293.6**	20,204.7

43 Statement of financial position of the Company (Continued)

	2018 HK$'M	2017 HK$'M
Capital and reserves		
Share capital	**5,474.7**	5,474.7
Reserves (note (a))	**14,818.9**	14,730.0
	20,293.6	20,204.7

Approved by the Board of Directors on 20th March 2019

Lee Shau-kee
Director

David Li Kwok-po
Director

43 Statement of financial position of the Company (Continued)

Note

(a) Reserves of the Company

	Investment revaluation reserve HK$'M	Retained profits HK$'M	Total HK$'M
At 1st January 2018	**–**	**14,730.0**	**14,730.0**
Profit attributable to shareholders	**–**	**5,225.9**	**5,225.9**
Other comprehensive income:			
Remeasurements of retirement benefit	**–**	**(73.4)**	**(73.4)**
Total comprehensive income for the year	**–**	**5,152.5**	**5,152.5**
2017 final dividend paid	**–**	**(3,217.2)**	**(3,217.2)**
2018 interim dividend paid	**–**	**(1,846.4)**	**(1,846.4)**
At 31st December 2018	**–**	**14,818.9**	**14,818.9**
Balance after 2018 final dividend proposed	**–**	**11,280.0**	**11,280.0**
2018 final dividend proposed	**–**	**3,538.9**	**3,538.9**
	–	**14,818.9**	**14,818.9**
At 1st January 2017	7.8	14,101.7	14,109.5
Profit attributable to shareholders	–	5,122.8	5,122.8
Other comprehensive income:			
Remeasurements of retirement benefit	–	124.1	124.1
Change in value of available-for-sale financial assets	(7.8)	–	(7.8)
Total comprehensive income for the year	(7.8)	5,246.9	5,239.1
Shares bought back	–	(15.4)	(15.4)
2016 final dividend paid	–	(2,924.7)	(2,924.7)
2017 interim dividend paid	–	(1,678.5)	(1,678.5)
At 31st December 2017	–	14,730.0	14,730.0
Balance after 2017 final dividend proposed	–	11,512.8	11,512.8
2017 final dividend proposed	–	3,217.2	3,217.2
	–	14,730.0	14,730.0

Subsidiaries

The following is a list of the principal subsidiaries as at 31st December 2018:

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

\# *Direct subsidiaries of the Company*
† *Wholly foreign-owned enterprises*

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2018: (Continued)

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
Gas, water and related businesses in Mainland China (Continued)				
† 新密港華燃氣有限公司	US$12.5 million	100	PRC	Gas sales and related businesses
† 港華支付科技(深圳)有限公司	RMB28.0 million	100	PRC	Payment gateway and related businesses
瀋陽三全工程監理諮詢有限公司	RMB3.0 million	60	PRC	Project management
† Maanshan Hong Kong and China Water Company Limited	RMB212.6 million	100	PRC	Water supply and related businesses
# Wuhu Hong Kong and China Water Company Limited	RMB400.0 million	75	PRC	Water supply and related businesses
Wujiang Hong Kong and China Water Company Limited	RMB860.0 million	80	PRC	Water supply and related businesses
† 安徽省江北華衍水務有限公司	RMB374.4 million	100	PRC	Water supply and related businesses
† Hong Kong & China Gas Investment Limited	US$75.0 million	100	PRC	Investment holding
* Towngas China Company Limited	2,810,027,892 shares of HK$0.1 each	67.5	Cayman Islands/ Hong Kong	Investment holding
The following subsidiaries engaged in gas businesses are held by Towngas China Company Limited (TCCL) and the respective equity interest held by TCCL is shown accordingly.				
† *An Shan Hong Kong and China Gas Company Limited*	*US$15.0 million*	*100*	*PRC*	*Gas sales and related businesses*
Baotou Hong Kong & China Gas Company Limited	*RMB20.0 million*	*85*	*PRC*	*Gas sales and related businesses*
Beipiao Hong Kong and China Gas Company Limited	*RMB56.0 million*	*80*	*PRC*	*Gas sales and related businesses*
Ben Xi Hongkong and China Gas Company Limited	*RMB335.0 million*	*80*	*PRC*	*Gas sales and related businesses*
Boxing Hong Kong & China Gas Co., Ltd	*RMB40.0 million*	*65*	*PRC*	*Gas sales and related businesses*
† *Cang Xi Hong Kong and China Gas Company Limited*	*RMB20.0 million*	*100*	*PRC*	*Gas sales and related businesses*
Cangxian Hong Kong & China Gas Co., Ltd.	*RMB10.0 million*	*90*	*PRC*	*Gas sales and related businesses*
Changting Hong Kong and China Gas Company Limited	*RMB22.0 million*	*90*	*PRC*	*Gas sales and related businesses*
Chaoyang Hongkong and China Gas Company Limited	*US$10.8 million*	*90*	*PRC*	*Gas sales and related businesses*
潮州楓溪港華燃氣有限公司	*RMB60.0 million*	*60*	*PRC*	*Gas sales and related businesses*
Chi Ping Hong Kong and China Gas Co. Ltd.	*RMB40.0 million*	*85*	*PRC*	*Gas sales and related businesses*
† *Chizhou Hong Kong and China Gas Company Ltd*	*RMB20.0 million*	*100*	*PRC*	*Gas sales and related businesses*

\# *Direct subsidiaries of the Company*
† *Wholly foreign-owned enterprises*
* *A listed company in The Stock Exchange of Hong Kong Limited*

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2018: (Continued)

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
Gas, water and related businesses in Mainland China (Continued)				
Dafeng Hong Kong and China Gas Company Limited	*RMB80.0 million*	*51*	*PRC*	*Gas sales and related businesses*
† *Dalian Changxing Hong Kong and China Gas Co. Ltd.*	*US$14.0 million*	*100*	*PRC*	*Gas sales and related businesses*
† *Dalian Lvshun Hong Kong and China Gas Co. Ltd.*	*US$15.0 million*	*100*	*PRC*	*Gas sales and related businesses*
Da Yi Hong Kong and China Gas Company Limited	*RMB20.0 million*	*100*	*PRC*	*Gas sales and related businesses*
† *Feicheng Hong Kong and China Gas Company Limited*	*RMB32.0 million*	*100*	*PRC*	*Gas sales and related businesses*
† *阜新大力燃氣有限責任公司*	*RMB13.9 million*	*100*	*PRC*	*Gas sales and related businesses*
Fuxin Hongkong and China Gas Company Limited	*RMB77.2 million*	*90*	*PRC*	*Gas sales and related businesses*
† *阜新新邱港華燃氣有限公司*	*RMB34.0 million*	*100*	*PRC*	*Gas sales and related businesses*
† *Gao Chun Hong Kong and China Gas Co., Ltd.*	*US$7.5 million*	*100*	*PRC*	*Gas sales and related businesses*
† *Gongzhuling Hong Kong and China Gas Company Limited*	*RMB88.0 million*	*100*	*PRC*	*Gas sales and related businesses*
† *廣西中威管道燃氣發展集團有限責任公司*	*RMB30.0 million*	*100*	*PRC*	*Gas sales and related businesses*
† *Guilin Hong Kong & China Gas Co., Ltd.*	*RMB30.0 million*	*100*	*PRC*	*Gas sales and related businesses*
† *Huang Shan Hong Kong & China Gas Co., Ltd.*	*RMB40.0 million*	*100*	*PRC*	*Gas sales and related businesses*
† *Huangshan Huizhou Hong Kong & China Gas Co., Ltd.*	*US$2.1 million*	*100*	*PRC*	*Gas sales and related businesses*
† *Huang Shan Taiping Hong Kong & China Gas Co., Ltd.*	*US$3.5 million*	*100*	*PRC*	*Gas sales and related businesses*
Huzhou Hong Kong and China Gas Company Limited	*US$10.5 million*	*98.9*	*PRC*	*Gas sales and related businesses*
Jiajiang Hong Kong & China Gas Company Limited	*RMB20.0 million*	*70*	*PRC*	*Gas sales and related businesses*
Jianping Hong Kong and China Gas Company Limited	*RMB58.0 million*	*80*	*PRC*	*Gas sales and related businesses*
簡陽港華燃氣有限公司	*RMB150.0 million*	*100*	*PRC*	*Gas sales and related businesses*
Ji Nan Ping Yin Hong Kong & China Gas Co., Ltd.	*RMB200.0 million*	*82.2*	*PRC*	*Gas sales and related businesses*
九江港華燃氣有限公司	*RMB10.0 million*	*60*	*PRC*	*Gas sales and related businesses*
† *Kazuo Hong Kong & China Gas Co., Ltd.*	*US$6.4 million*	*100*	*PRC*	*Gas sales and related businesses*
† *Laiyang Hong Kong and China Gas Co., Ltd*	*US$11.5 million*	*100*	*PRC*	*Gas sales and related businesses*
† *Lezhi Hong Kong and China Gas Company Limited*	*RMB30.0 million*	*100*	*PRC*	*Gas sales and related businesses*

† *Wholly foreign-owned enterprises*

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2018: (Continued)

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
Gas, water and related businesses in Mainland China (Continued)				
† *Longkou Hongkong and China Gas Company Limited*	*US$7.1 million*	*100*	*PRC*	*Gas sales and related businesses*
† *Luliang Hong Kong & China Gas Company Limited*	*RMB52.0 million*	*100*	*PRC*	*Gas sales and related businesses*
Maanshan Bowang Hong Kong & China Gas Co., Ltd.	*US$10.0 million*	*75.1*	*PRC*	*Gas sales and related businesses*
† *Maanshan Jiangbei Hong Kong and China Towngas Company Limited*	*US$10.0 million*	*100*	*PRC*	*Gas sales and related businesses*
Mengcun Hong Kong & China Gas Co., Ltd.	*RMB10.0 million*	*90*	*PRC*	*Gas sales and related businesses*
Mianzhu Hong Kong and China Gas Co., Ltd.	*RMB30.0 million*	*80*	*PRC*	*Gas sales and related businesses*
† *Mianyang Hong Kong & China Gas Co., Ltd.*	*RMB90.0 million*	*100*	*PRC*	*Gas sales and related businesses*
Mianyang Heqing Towngas Co., Ltd.	*RMB10.0 million*	*80*	*PRC*	*Gas sales and related businesses*
Mianzhu Yuquan Hong Kong and China Gas Co., Ltd.	*RMB5.0 million*	*80*	*PRC*	*Gas sales and related businesses*
Miluo Hong Kong and China Gas Co. Ltd.	*RMB50.0 million*	*70*	*PRC*	*Gas sales and related businesses*
Mei Shan Peng Shan Hong Kong and China Gas Company Limited (Formerly named as Peng Shan Hong Kong and China Gas Company Limited)	*RMB20.0 million*	*70*	*PRC*	*Gas sales and related businesses*
Peng Xi Hong Kong and China Gas Company Limited	*RMB20.0 million*	*100*	*PRC*	*Gas sales and related businesses*
平昌港華燃氣有限公司	*RMB20.0 million*	*90*	*PRC*	*Gas sales and related businesses*
Qingdao Dong Yi Hong Kong and China Gas Company Limited	*RMB30.0 million*	*60*	*PRC*	*Gas sales and related businesses*
Qingdao Zhongji Hong Kong and China Gas Company Limited	*RMB73.5 million*	*90*	*PRC*	*Gas sales and related businesses*
清遠港華燃氣有限公司	*RMB50.0 million*	*80*	*PRC*	*Gas sales and related businesses*
Qinhuangdao Hong Kong & China Gas Co., Ltd.	*RMB15.0 million*	*51*	*PRC*	*Gas sales and related businesses*
齊齊哈爾港華燃氣有限公司	*RMB128.6 million*	*61.7*	*PRC*	*Gas sales and related businesses*
韶關港華燃氣有限公司	*RMB20.0 million*	*100*	*PRC*	*Gas sales and related businesses*
† *Shenyang Hong Kong & China Gas Company Limited*	*US$24.5 million*	*100*	*PRC*	*Gas sales and related businesses*
Siping Hong Kong & China Gas Company Limited	*RMB45.0 million*	*80*	*PRC*	*Gas sales and related businesses*
松陽港華燃氣有限公司	*RMB80.0 million*	*51.4*	*PRC*	*Gas sales and related businesses*
Tie Ling Hong Kong and China Gas Company Limited	*RMB233.0 million*	*80*	*PRC*	*Gas sales and related businesses*

† *Wholly foreign-owned enterprises*

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2018: (Continued)

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
Gas, water and related businesses in Mainland China (Continued)				
† *Tongshan Hong Kong and China Gas Co. Ltd*	*RMB124.0 million*	*100*	*PRC*	*Gas sales and related businesses*
Tongxiang Hong Kong and China Gas Company Limited	*US$7.0 million*	*76*	*PRC*	*Gas sales and related businesses*
† *Towngas Natural Gas Sales Co., Ltd.*	*RMB50.0 million*	*100*	*PRC*	*Procurement of natural gas sources*
威遠港華燃氣有限公司	*RMB30.0 million*	*100*	*PRC*	*Gas sales and related businesses*
† *Wuhu Jiangbei Hong Kong & China Gas Company Limited*	*RMB200.0 million*	*100*	*PRC*	*Gas sales and related businesses*
Wulian Hong Kong & China Gas Company Limited	*RMB20.0 million*	*70*	*PRC*	*Gas sales and related businesses*
† *Wuning Hong Kong & China Gas Co., Ltd.*	*RMB40.0 million*	*100*	*PRC*	*Gas sales and related businesses*
成都新都港華燃氣有限公司	*RMB30.0 million*	*100*	*PRC*	*Gas sales and related businesses*
Xin Jin Hong Kong and China Gas Company Limited	*RMB40.0 million*	*60*	*PRC*	*Gas sales and related businesses*
Xingyi Hong Kong & China Gas Company Limited	*RMB50.0 million*	*70*	*PRC*	*Gas sales and related businesses*
修水港華燃氣有限公司	*RMB30.0 million*	*80*	*PRC*	*Gas sales and related businesses*
† *Yang Jiang Hong Kong and China Gas Company Limited*	*RMB50.0 million*	*100*	*PRC*	*Gas sales and related businesses*
Yan Shan Hong Kong & China Gas Co., Ltd.	*RMB10.0 million*	*90*	*PRC*	*Gas sales and related businesses*
Yangxin Hong Kong & China Gas Company Limited	*RMB18.0 million*	*51*	*PRC*	*Gas sales and related businesses*
† *Yifeng Hongkong and China Gas Co., Ltd.*	*RMB32.0 million*	*100*	*PRC*	*Gas sales and related businesses*
† *Yingkou Hong Kong and China Gas Co., Ltd.*	*US$9.4 million*	*100*	*PRC*	*Gas sales and related businesses*
Yue Chi Hong Kong and China Gas Company Limited	*RMB30.0 million*	*90*	*PRC*	*Gas sales and related businesses*
† *Zhao Yuan Hong Kong & China Gas Co., Ltd.*	*RMB22.0 million*	*100*	*PRC*	*Gas sales and related businesses*
† *Zhong Jiang Hong Kong and China Gas Company Limited*	*RMB30.0 million*	*100*	*PRC*	*Gas sales and related businesses*
† *Zhongxiang Hong Kong & China Gas Co., Ltd.*	*RMB42.0 million*	*100*	*PRC*	*Gas sales and related businesses*
資陽港華燃氣有限公司	*RMB30.0 million*	*90*	*PRC*	*Gas sales and related businesses*
大連瓦房店港華燃氣有限公司 (Formerly named as 大連瓦房店金宇港華燃氣有限公司)	*RMB40.0 million*	*60*	*PRC*	*Gas sales and related businesses*
Heilongjiang Hong Kong & China Lianfu New Energy Company Limited	*RMB13.0 million*	*55*	*PRC*	*Vehicle gas refilling stations*
† *Qiqihar Xingqixiang Gas Company Limited*	*RMB60.0 million*	*100*	*PRC*	*Vehicle gas refilling stations*
內蒙古港億天然氣有限公司	*RMB80.0 million*	*85*	*PRC*	*Mid-stream natural gas project*
† *Towngas China Energy Investment Limited (Formerly named as Towngas China Energy Investment (Shenzhen) Limited)*	*RMB250.0 million*	*100*	*PRC*	*Investment holding*
† *Towngas Investments Limited*	*US$200.0 million*	*100*	*PRC*	*Investment holding*
唐山港能投智慧能源有限公司	*RMB80.0 million*	*49*	*PRC*	*Distributed energy systems businesses*

† *Wholly foreign-owned enterprises*

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2018: (Continued)

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
New Energy businesses				
ECO Aviation Fuel Development Limited	HK$2	100	Hong Kong	Aviation fuel facility
ECO Aviation Fuel Services Limited	HK$10,000	100	Hong Kong	Aviation fuel facility
ECO Landfill Gas (NENT) Limited	HK$100	100	Hong Kong	Landfill gas project
P-Tech Landfill Gas (SENT) Company Limited	HK$100	100	Hong Kong	Landfill gas project
ECO Biochemical Technology (Zhangjiagang) Company Limited	US$42.3 million	100	PRC	Chemical business
Inner Mongolia ECO Coal Chemical Technology Company Limited	RMB1,017.0 million	100	PRC	Chemical business
唐山易高農業科技有限公司	RMB3.0 million	100	PRC	Chemical business
湖北易高生物能源有限公司	RMB15.0 million	100	PRC	Chemical business
河北易高生物能源有限公司	RMB140.0 million	100	PRC	Chemical business
Inner Mongolia Ke Jian Coal Company Limited	RMB486.0 million	100	PRC	Coal related business
Qinhuangdao YiTeng Trade Co. Ltd.	US$20.0 million	100	PRC	Coal related business
濟寧易祥煤炭貿易有限公司	RMB2.0 million	100	PRC	Coal related business
易高卓新節能技術（上海）有限公司	RMB14.0 million	100	PRC	Consultancy service
易高清潔能源管理服務（西安）有限公司	US$1.5 million	100	PRC	Engineering service
易高新能源工程管理服務（深圳）有限公司	RMB15.0 million	100	PRC	Engineering service
易高卓新（上海）融資租賃有限公司	RMB170.0 million	100	PRC	Financing
Shanxi ECO Coalbed Methane Co., Ltd	RMB200.0 million	70	PRC	LNG business
Xuzhou ECO ZhongTai New Energy Co., Ltd.	US$24.5 million	80	PRC	LNG business
山東嘉祥易隆港務有限公司	RMB180.0 million	88	PRC	Logistics business
ECO Orient Resources (Thailand) Ltd.	THB425.0 million	100	Thailand	Oil business
† ECO Services Management Company Limited	RMB80.0 million	100	PRC	Project management
易高環保能源科技（張家港）有限公司	US$3.3 million	100	PRC	Research and Development
Anyang ECO Clean Energy Co., Ltd.	US$2.3 million	100	PRC	Vehicular fuel refilling station
Chifeng ECO Clean Energy Co., Ltd.	RMB14.9 million	100	PRC	Vehicular fuel refilling station
Chiping ECO Yi Yun Gas Co. Ltd.	RMB15.0 million	100	PRC	Vehicular fuel refilling station
Dong Ping ECO Energy Co. Ltd.	RMB25.5 million	91	PRC	Vehicular fuel refilling station
Fengxiang ECO Clean Energy Company Limited	RMB15.0 million	100	PRC	Vehicular fuel refilling station
Guangzhou ECO Environmental Energy Co., Ltd.	US$2.1 million	100	PRC	Vehicular fuel refilling station
Hanzhong ECO Clean Energy Co., Ltd.	US$2.1 million	100	PRC	Vehicular fuel refilling station
Hebei ECO Hua Tong Clean Energy Co., Ltd	RMB31.0 million	100	PRC	Vehicular fuel refilling station
† Henan ECO Clean Energy Co., Ltd.	US$2.2 million	100	PRC	Vehicular fuel refilling station
Jiaxiang ECO Energy Co., Ltd.	RMB28.0 million	100	PRC	Vehicular fuel refilling station

† *Wholly foreign-owned enterprises*

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2018: (Continued)

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
New Energy businesses (Continued)				
Kaifeng ECO Clean Energy Co., Ltd.	US$2.4 million	100	PRC	Vehicular fuel refilling station
Liaocheng ECO Clean Energy Co. Ltd.	US$2.1 million	100	PRC	Vehicular fuel refilling station
Linzhou City ECO Clean Energy Co., Ltd.	US$3.3 million	100	PRC	Vehicular fuel refilling station
MeiXian ECO Clean Energy Co., Ltd.	RMB14.2 million	100	PRC	Vehicular fuel refilling station
Nanyang ECO Clean Energy Co., Ltd.	RMB10.1 million	100	PRC	Vehicular fuel refilling station
Qingtongxia ECO Clean Energy Co., Ltd.	RMB15.4 million	100	PRC	Vehicular fuel refilling station
† Shaan Xi ECO Clean Energy Co., Ltd.	RMB27.0 million	100	PRC	Vehicular fuel refilling station
Shanxian ECO Clean Energy Co., Ltd.	US$2.3 million	100	PRC	Vehicular fuel refilling station
Shanxian ECO RLM Clean Energy Co., Ltd.	RMB13.0 million	90	PRC	Vehicular fuel refilling station
Shanxi ECO Nova Clean Energy Co., Ltd.	RMB20.0 million	75	PRC	Vehicular fuel refilling station
Urad Middle Banner Xinran Natural Gas Co., Ltd	RMB8.3 million	100	PRC	Vehicular fuel refilling station
Weishan ECO Energy Co., Ltd.	US$4.7 million	100	PRC	Vehicular fuel refilling station
Wuzhong ECO Clean Energy Co., Ltd.	RMB10.5 million	100	PRC	Vehicular fuel refilling station
Shaanxi ECO Yida Clean Energy Co., Ltd.	RMB12.0 million	100	PRC	Vehicular fuel refilling station
Xiwuzhumuqin Country ECO Clean Energy Co., Ltd.	RMB14.9 million	100	PRC	Vehicular fuel refilling station
Xuzhou ECO Energy Co., Ltd	RMB20.0 million	80	PRC	Vehicular fuel refilling station
Zhongwei ECO Clean Energy Co., Ltd.	RMB12.4 million	100	PRC	Vehicular fuel refilling station
察哈爾右翼前旗易高清潔能源有限公司	RMB14.9 million	100	PRC	Vehicular fuel refilling station
神木易高耀清能源有限公司	RMB38.2 million	100	PRC	Vehicular fuel refilling station
內蒙古易高清潔能源有限公司	RMB14.0 million	90	PRC	Vehicular fuel refilling station
江西易高凌峰清潔能源有限公司	RMB30.0 million	70	PRC	Vehicular fuel refilling station
邢台市易高港興清潔能源有限公司	RMB17.1 million	80	PRC	Vehicular fuel refilling station
1 邢台市易高興化清潔能源有限公司	RMB23.3 million	80	PRC	Vehicular fuel refilling station
錫林郭勒盟易高清潔能源有限公司	RMB14.9 million	100	PRC	Vehicular fuel refilling station
化德易高清潔能源有限公司	RMB14.4 million	100	PRC	Vehicular fuel refilling station
周至易高清潔能源有限公司	RMB9.6 million	100	PRC	Vehicular fuel refilling station
烏拉特前旗新德寶商貿有限責任公司	RMB6.8 million	100	PRC	Vehicular fuel refilling station
中衛海興易高清潔能源有限公司	RMB14.8 million	100	PRC	Vehicular fuel refilling station
山西忻州易高清潔能源有限公司	RMB14.9 million	100	PRC	Vehicular fuel refilling station
烏蘭察布市豐華商貿有限公司	RMB10.7 million	100	PRC	Vehicular fuel refilling station
巴彥淖爾市耀進燃氣有限公司	RMB10.0 million	90	PRC	Vehicular fuel refilling station
杭錦後旗耀進燃氣有限公司	RMB10.0 million	90	PRC	Vehicular fuel refilling station
韓城市易高美源清潔能源有限公司	RMB41.0 million	90	PRC	Vehicular fuel refilling station
漯河易高清潔能源有限公司	RMB14.5 million	85	PRC	Vehicular fuel refilling station
† ECO Environmental Energy Investments Limited	US$100.0 million	100	PRC	Investment holding
† ECO Environmental Resources Investments Limited	US$299.0 million	100	PRC	Investment holding

† *Wholly foreign-owned enterprises*
1 *Newly acquired during the year*

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2018: (Continued)

Name	Issued share capital/ registered capital	Percentage of issued/ registered capital held	Place of incorporation/ operation	Principal activity
Other businesses				
HDC Data Centre Limited	HK$100	100	Hong Kong	Telecommunications business
Towngas Telecommunications Fixed Network Limited	HK$35.0 million	100	Hong Kong	Telecommunications business
† Towngas Telecom (Fengxian) Company Limited	RMB7.5 million	100	PRC	Telecommunications business
† Towngas Telecom (Peixian) Company Limited	RMB9.0 million	100	PRC	Telecommunications business
Towngas Telecom (Shandong) Company Limited	RMB40.0 million	90.1	PRC	Telecommunications business
Towngas Chibo Data Service (Jinan) Co., Ltd.	RMB168.0 million	87.4	PRC	Telecommunications business
† Towngas Telecommunications (Shenzhen) Company Limited	RMB6.0 million	100	PRC	Telecommunications business
TGT China Cloud Data Services (Harbin) Co., Ltd.	RMB63.0 million	80	PRC	Telecommunications business
TGT Union Financial Data Services (Dongguan) Co., Ltd.	RMB80.0 million	60	PRC	Telecommunications business
大連億達名氣通數據有限公司	RMB76.0 million	90	PRC	Telecommunications business
北京馳波名氣通數據服務有限公司	RMB10.0 million	98.7	PRC	Telecommunications business
名氣通網絡（深圳）有限公司	RMB29.5 million	100	PRC	Telecommunications business
萊陽名氣通電訊有限公司	US$1.6 million	90	PRC	Telecommunications business
Hong Kong and China Technology (Wuhan) Company Limited	RMB21.2 million	100	PRC	System Development & Consulting Services
珠海卓鋭高科信息技術有限公司	RMB7.0 million	100	PRC	System Development & Consulting Services
M-Tech Instrument (Hong Kong) Limited	HK$100	100	Hong Kong	Gas meter and related businesses
† 卓度計量技術（深圳）有限公司	RMB60.0 million	100	PRC	Gas meter and related businesses
† 卓通管道系統（中山）有限公司	RMB41.0 million	100	PRC	PE piping system business
U-Tech Engineering Company Limited	HK$20.0 million	100	Hong Kong	Engineering and related businesses
P-Tech Engineering Company Limited	HK$2	100	Hong Kong	Engineering and related businesses
Starmax Assets Limited	HK$90.0 million	100	British Virgin Islands/ Hong Kong	Property development
Financing & securities investments				
# Eagle Legend International Limited	HK$100	100	Hong Kong	Financing
# HKCG (Finance) Limited	HK$100	100	Hong Kong	Financing
TCCL (Finance) Limited	HK$1	67.5	Hong Kong	Financing
# Towngas (Finance) Limited	HK$100	100	British Virgin Islands	Financing
Barnaby Assets Limited	US$1	100	British Virgin Islands/ Hong Kong	Securities investment

\# *Direct subsidiaries of the Company*
† *Wholly foreign-owned enterprises*

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2018: (Continued)

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

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2018: (Continued)

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

Subsidiaries (Continued)

The following is a list of the principal subsidiaries as at 31st December 2018: (Continued)

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

\# *Direct subsidiaries of the Company*

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