華潤燃氣控股有限公司
China Resources Gas Group Limited

(Incorporated in Bermuda with limited liability)
(Stock Code: 1193)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

Driven by organic and acquisition growths, CR Gas recorded an increase of 62% in turnover to HK$13,507 million and registered a 64% increase in net profit attributable to equity shareholders to HK$1,200 million.

Gross gas sales volume increased 29% to 7.2 billion m³ and total connected residential customers increased 20% to 10.5 million.

	2011 *'000*	**2010*** *'000*	**Increase** *(%)*
Turnover	**HK$13,506,632**	HK$8,326,747	62
Profit attributable to owners of the Company	**HK$1,200,473**	HK$733,685	64
Gross gas sales volume (m³)	**7,215,432**	5,576,897	29
Accumulated total connected residential customers	**10,498**	8,765	20

* *Before Restatement*

The board of directors (the "Board") of China Resources Gas Group Limited (the "Company" or "CR Gas") are pleased to announce the final results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries and jointly controlled entities are set out in Note 45 and Note 47 to the consolidated financial statements respectively.

RESULTS

The results of the Group for the year ended 31st December, 2011 are set out in the consolidated statement of comprehensive income on page 21.

SHARE CAPITAL AND SHARE OPTIONS

A total of 161,174,785 new shares were issued during the year as a source of fund for acquisition of more downstream city gas distribution business and as consideration for the purchase of 7 city gas projects from CRH. Details of the movements in share capital and share options of the Company during the year are set out in Note 32 and Note 33 to the consolidated financial statements respectively.

RESERVES

Movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 24 to 25 to the consolidated financial statements.

The Company's reserves available for distribution to shareholders at 31st December, 2011, amounted to HK$7,814,622,000.

FINAL DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of 10 HK cents per share. Together with the interim dividend of 2 HK cents per share paid in October 2011, total distribution for 2011 would thus be 12 HK cents per share (2010: 10 HK cents per share).

Subject to the approval of shareholders at the forthcoming annual general meeting, the final dividend will be payable on 15th June, 2012 to shareholders on the register of members of the Company on 6th June, 2012.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 25th May, 2012 to 31st May, 2012, both days inclusive. In order to determine the identity of members who are entitled to attend and vote at the annual general meeting to be held on 31st May, 2012, completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 24th May, 2012.

Subject to the approval of shareholders at the annual general meeting, the proposed final dividend will be payable to shareholders whose names appear on the register of members of the Company after the close of business at 4:30 p.m. on Wednesday, 6th June, 2012 and the register of members of the Company will be closed on Wednesday, 6th June, 2012, during which no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 5th June, 2012.

CAPITAL STRUCTURE

As at the end of the year, the authorized share capital of the Company was HK$1,000,000,000 dividend into 10,000,000,000 shares of HK$0.10 each, of which 1,992,269,718 shares had been issued and fully paid, and the shareholders' equity of the Group was HK$8,102,453,000.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

Acquisition of Flemming Limited

On 16th March, 2011, Thousand Victory Investments Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Wing Mou Oil Company Limited and Winfield Petrochemical Limited, to acquire the entire issued share capital of Flemming Limited (which was owned as to 50% by Wing Mou Oil Company Limited and 50% by Winfield Petrochemical Limited) for a consideration of RMB352.95 million, which will be paid in stages upon fulfilment of certain conditions.

Flemming Limited and its group members are principally engaged in the operation of 7 city gas distribution businesses in Shandong Province and Zhejiang Province in the PRC.

Acquisition of up to additional 5% registered capital in Zibo China Resources Gas Co., Ltd.

On 5th July, 2011, Zibo China Resources Gas (Hong Kong) Limited, a wholly-owned subsidiary of the Company, entered into a corporate reorganisation agreement with Zibo Xinneng Trade Union Committee, Zibo Xinneng Group Company and Zibo China Resources Gas Co., Ltd (Zibo CR Gas), to acquire up to additional 5% registered capital in Zibo CR Gas.

The acquisition, upon completion, will increase the stake of the Company in Zibo CR Gas to more than 50%, which will increase the revenue and earnings contribution to the Group. The approval from the relevant authorities in the PRC in respect of the corporate reorganisation are being obtained as at the date of this announcement.

Acquisition of Fourth Batch of City Gas Projects from CRH

On 22nd July, 2011, for a consideration of HK$1,710 million, the Company announced the acquisition of a batch of 7 city gas distribution projects from Powerfaith Enterprises Limited ("Powerfaith"), a wholly-owned subsidiary of its controlling shareholder, CRH. This was the fourth batch of city gas projects acquired from CRH since the last three batches in 2008, 2009 and 2010. This batch included projects in Yueyang, Zhongshan, Jingdezhen, Anyang, Huizhou Dayawan, Dandong and Dalian Huayuankou.

Some 80% of the gas sales volume of these projects are made to industrial and commercial customers of higher margins. These projects offer a lot of room to grow once additional gas supply are increasing available from West-East Phase 2 pipelines and LNG terminals in these regions.

After obtaining independent shareholders' approval and the fulfillment of all necessary conditions on 31st August, 2011, the consideration was satisfied by the issue of 161,174,785 shares at HK$10.6096 per share which represents an approximate 5% discount on the average closing price of the shares for the 15 trading days of HK$11.1680 up to and including 21st July, 2011.

Privatisation and withdrawal of listing of the H shares of Zhengzhou China Resources Gas Co., Ltd. ("Zhengzhou Gas") and a voluntary conditional offer made for all the issued shares of Zhengzhou Gas

On 10th October, 2011, the board of directors of the Company notified Zhengzhou Gas that it was considering to place before the shareholders of Zhengzhou Gas a proposal which, if implemented, would result in the delisting of H shares of Zhengzhou Gas from the Stock Exchange and a voluntary conditional offer made for all the issued shares of Zhengzhou Gas, other than those owned by the Company and members of its group.

The Company subsequently made the offer on 23rd November, 2011 in compliance with the Hong Kong Code on Takeovers and Mergers ("Takeovers Code") on the following basis:

For the H share offer – 1.5 new shares of the Company for each H share held as share consideration rounded down to the nearest whole share or cash of HK$14.73 for every H share held; and

For the Domestic share offer – cash of RMB12.02 for every Domestic share held, being RMB equivalent of HK$14.73 based on the exchange rate.

On 9th January, 2012, the Company and Zhengzhou Gas jointly announced that the special resolutions to approve the withdrawal of listing of the H shares were duly passed by way of poll at the H shares class meeting and the EGM. The valid acceptances have been received in respect of 22,647,000 H shares and 25,380,333 Domestic shares, representing 94.41% and 95.00% of the total number of the votes respectively. In addition, Zhengzhou Gas also announced that the special resolution to approve amendments to the articles of association was duly passed by way of poll at the EGM. The valid acceptances have been received in respect of 96,159,333 Domestic shares, representing 98.63% of the total number of the votes.

On 6th February, 2012, the Company and Zhengzhou Gas jointly announced that valid acceptances under the offers had been received in respect of 100,000 Domestic shares (representing approximately 0.14% of the total issued Domestic shares) and 47,969,222 H shares (representing approximately 87.11% of the total issued H shares), among which, cash consideration is applicable to 100,000 Domestic shares and 1,083,786 H shares and share consideration is applicable to 46,885,436 H shares initially. The closing date of the offers was originally set on 6th February, 2012, in order to provide more time for independent Zhengzhou Gas shareholders who have not accepted the offers to tender valid acceptance forms, the Company decided to extend the closing date of the offers to 20th February, 2012.

On 13th February, 2012, the boards of the Company and Zhengzhou Gas jointly announced that listing of the H shares would be withdrawn from the Stock Exchange with effect from 9:00 a.m. on 14th February, 2012.

On 20th February, 2012, the Company and Zhengzhou Gas jointly announced that the offers has closed. The valid acceptances under the offers had been received in respect of 100,000 Domestic shares (representing 0.14% of the total issued Domestic shares) and 48,978,667 H shares (representing approximately 88.95% of the total issued H shares). Cash consideration is applicable to 100,000 Domestic shares and 1,151,231 H shares and share consideration is applicable to 47,827,436 H shares.

The approvals from the relevant authorities in the PRC in respect of transferring the above stated 100,000 Domestic shares are still pending as at the date of this announcement.

Establishment of a joint venture company in Tianjin

On 2nd November, 2011, the Company, through China Resources Gas (Hong Kong) Investment Limited ("China Resources Gas"), a wholly-owned subsidiary of the Company, entered into the Joint Venture Contract, the Supplemental Agreement and the Articles of Association with 天津市燃氣集團有限公司 (translated as Tianjin Gas Group Company Limited) in relation to the proposed establishment of the Joint Venture Company. The Joint Venture Company will principally engage in, among other things, the investment, construction and operation of city gas pipelines, the sale and distribution of gas, the provision of gas related equipment, apparatus and ancillary services, as well as gas facilities repair and maintenance in Tianjin Municipality of the PRC.

The proposed total investment was RMB6 billion (equivalent to approximately HK$7.39 billion) and the proposed registered capital was RMB5 billion (equivalent to approximately HK$6.16 billion), of which 49% (being RMB2.45 billion, equivalent to approximately HK$3.02 billion) would be contributed in cash by China Resources Gas. Regulatory approval from relevant PRC authorities are being sought as at the date of this announcement.

Acquisition of further interest in a joint venture company in Jiangning District, Nanjing

The Company, on 9th April, 2010, through China Resources Gas Limited, its wholly-owned subsidiary, entered into a sino-foreign equity joint venture arrangement with 南京市江寧區煤氣（集團）公司 (translated as Nanjing City Jiangning District Gas (Group) Company Limited) pursuant to the joint venture contract and the articles of association in relation to the establishment of the joint venture company namely Nanjing Jiangning China Resources Gas Co., Ltd. (南京江寧華潤燃氣有限公司) ("Jiangning CR Gas"), which became a jointly controlled entity of the Company upon establishment. Jiangning CR Gas is principally engaged in, among other things, the investment, construction and operation of the city piped gas facilities as well as the supply and sale of gas in Jiangning District, Nanjing City of the PRC. The aggregate cash contribution of RMB600 million was contributed by China Resources Gas Limited to Jiangning CR Gas for a 49% stake in Jiangning CR Gas.

On 9th November, 2011, the board announced that China Resources Gas Limited would increase its interest in the registered capital of the joint venture company from 49% to 70% upon completion of a corporate reorganisation. The registered capital of the joint venture company would be reduced from RMB951 million (equivalent to approximately HK$1,171.63 million) to RMB665.7 million (equivalent to approximately HK$820.14 million) and the Joint Venture Company would return an equivalent amount to 南京市江寧區煤氣（集團）公司 (translated as Nanjing City Jiangning District Gas (Group) Company Limited).

On 31st December, 2011, the corporate reorganisation was completed and China Resources Gas Limited hold 70% stake in Jiangning CR Gas.

Establishment of a joint venture company in Ningbo

On 26th December, 2011, the Company, through China Resources Gas (China) Investment Limited ("CR Gas Investment"), an indirect wholly-owned subsidiary of the Company, entered into the Co-operation Agreement with 寧波城建投資控股有限公司 (translated as Ningbo Urban Construction Planning and Investment Holding Company Limited) ("Ningbo Urban Construction") and 寧波興光燃氣集團有限公司 (translated as Ningbo Xingguang Gas Group Company) ("Ningbo Xingguang Gas"), a wholly-owned subsidiary of Ningbo Urban Construction. The proposed business scope of the joint venture company includes the construction and operation of the city piped gas facilities as well as the supply and sale of gas in Ningbo City, the PRC.

The proposed total investment of the joint venture company was up to RMB4 billion. The joint venture company would be owned by CR Gas Investment and Ningbo Urban Construction as to 49% and 51% respectively.

Establishment of the Joint Venture Company is subject to, among others, an independent asset appraisal of Ningbo Xingguang Gas and confirmation of such appraisal by the relevant PRC governmental authorities, finalization of the joint venture contract and other transaction documentation to be agreed and executed by CR Gas Investment and Ningbo Urban Construction, including the purchase price for the acquisition of 49% interest in Ningbo Xingguang Gas by CR Gas Investment.

CR Gas Investment and Ningbo Urban Construction intend to complete all the necessary procedures for the establishment of the joint venture, including (without limitation) asset appraisal and approvals from the relevant PRC governmental or regulatory authorities, in or around June 2012.

Other acquisitions are stated in Note 35 and Note 36 of the consolidated financial statements.

GOING CONCERN

On the basis of current financial projections and facilities available, the Group has adequate financial resources to continue its operation for the foreseeable future. For this reason, the going concern basis continues to be adopted in preparing the consolidated financial statements.

BANK AND OTHER BORROWINGS

The particulars of bank and other borrowings of the Group as at 31st December, 2011 are set out in Note 29 to the consolidated financial statements.

FINANCIAL SUMMARY

A financial summary of the Group for the last five financial periods is set out on page 94 of this announcement.

PROPERTY, PLANT AND EQUIPMENT/INVESTMENT PROPERTIES

Details of the movements in the property, plant and equipment and investment properties of the Group during the year are set out in Note 15 and Note 17 to the consolidated financial statements respectively.

INTANGIBLE ASSETS

Details of the movements in the goodwill and operating rights of the Group during the year are set out in Note 20 and 21 to the consolidated financial statements respectively.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st December, 2011, the aggregate turnover attributable to the five largest customers accounted for were less than 30% of the Group's total turnover.

For the year ended 31st December, 2011, the aggregate purchases attributable to the five largest suppliers accounted for were approximately 84% of the Group's total purchases, out of which 68% was attributable to the largest supplier.

None of the Directors, their associates or any shareholders (which to the knowledge of the Directors owns more than 5% of the Company's share capital) has any interest in any of the Group's five largest customers or suppliers.

DIRECTORS AND SERVICE CONTRACTS

The Directors of the Company during the year and up to the date of this announcement are:

Executive Directors:

Mr. Ma Guoan
Mr. Wang Chuandong
Mr. Ong Thiam Kin

Non-executive Directors:

Mr. Du Wenmin
Mr. Wei Bin

Independent Non-executive Directors:

Mr. Wong Tak Shing
Mr. Luk Chi Cheong
Ms. Yu Jian

The Company has received an annual confirmation from each Independent Non-executive Director with each confirming his independence pursuant to rule 3.13 of the Listing Rules and the Company still considers such Directors are independent of the Company.

Pursuant to bye-law 110(A) of the Company's Bye-laws, Mr. Du Wenmin, Mr. Wei Bin and Mr. Wong Tak Shing shall retire from office by rotation at the forthcoming annual general meeting and shall be eligible for re-election.

None of Directors, including Directors proposed for re-election at the forthcoming annual general meeting, has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

The term of office of each Non-executive Director, including Independent Non-executive Director, is for a period of three years subject to requirement that one-third of all the Directors shall retire from office by rotation at each annual general meeting pursuant to the Bye-laws of the Company.

DIRECTORS' INTERESTS IN CONTRACTS

There was no contract of significance (to which the Company or its subsidiary or its holding company or its fellow subsidiary was a party) subsisting during or at the end of the financial year in which a Director of the Company is or was materially interested, either directly or indirectly.

DIRECTORS' REMUNERATION

The emolument payable to each Director is based on his relevant qualifications, experience and expertise, his duties and responsibilities and performance of the Company. The current market situation will also be taken into account. Bonus and incentive awards may be granted to individual Directors in recognition of their contribution to the Group. All the aforesaid form the emolument policy and long term incentive for Directors of the Company.

DIRECTORS' INTEREST IN SECURITIES

Save as disclosed below, as at 31st December, 2011, none of the Directors, chief executive of the Company and their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

(a) Interests in issued ordinary shares of the Company

Name of Directors	Capacity	Long or short position	Number of shares	Aggregate percentage of interest[1]
Mr. Wang Chuandong	Beneficial owner	Long position	100,000	0.0050%
Mr. Ong Thiam Kin	Beneficial owner	Long position	100,000	0.0050%
Mr. Du Wenmin	Beneficial owner	Long position	54,000	0.0027%
Mr. Wong Tak Shing	Beneficial owner	Long position	80,000	0.0040%

Note:

1. This represents the percentage of aggregate long position in ordinary shares to the total issued share capital of the Company as at 31st December, 2011.

(b) Interests in issued ordinary shares and underlying shares of China Resources Enterprise, Limited ("CRE"), an associated corporation of the Company

Name of Directors	Long or short position	Number of shares	Number of share options[1]	Exercise price per share (HK$)	Date of grant	Aggregate percentage of interest[2]
Mr. Wang Chuandong	Long position	300,000	300,000[3]	10.35	04/10/2004	0.0250%
Mr. Du Wenmin	Long position	100,000	–	–	–	0.0042%

Notes:

1. This refers to the number of underlying shares of CRE covered by its share option schemes.
2. This represents the percentage of aggregate long position in ordinary shares and underlying shares of CRE to the total issued share capital of CRE as at 31st December, 2011.
3. The exercisable period during which the share options may be exercised is from 4th October, 2004 to 3rd October, 2014.
4. All interests disclosed above are being held by each Director in his capacity as beneficial owner.
5. In each case, HK$1.00 is payable upon acceptance of the share options granted.

(c) Interests in issued ordinary shares and underlying shares of China Resources Power Holdings Company Limited ("CRP"), an associated corporation of the Company

Name of Directors	Long or short position	Number of shares	Number of share options[1]	Exercise price per share (HK$)	Date of grant	Aggregate percentage of interest[2]
Mr. Ma Guoan	Long position	22,000[3]	–	–	–	0.0005%
Mr. Wang Chuandong	Long position	–	101,800[4]	2.75	06/10/2003	0.0021%
Mr. Du Wenmin	Long position	480,240	–	–	–	0.0101%

Notes:

1. This refers to the number of underlying shares of CRP covered by its share option scheme.
2. This represents the percentage of aggregate long position in ordinary shares and underlying shares of CRP to the total issued share capital of CRP as at 31st December, 2011.
3. Mr. Ma Guoan was deemed to be interested in the ordinary shares through the interest of his spouse.
4. The share options are exercisable in 5 tranches, from 6th October, 2004, 2005, 2006, 2007 and 2008 to 5th October, 2013.
5. Save as otherwise disclosed under note 3, interests disclosed above are being held by each Director in his capacity as beneficial owner.
6. In each case, HK$1.00 is payable upon acceptance of the share options granted.

(d) Interests in issued ordinary shares and underlying shares of China Resources Land Limited ("CRL"), an associated corporation of the Company

Name of Directors	Long or short position	Number of shares	Number of share options[1]	Exercise price per share (HK$)	Date of grant	Aggregate percentage of interest[2]
Mr. Du Wenmin	Long position	1,040,000	–	–	–	0.0178%

Notes:

1. This refers to the number of underlying shares of CRL covered by its share option scheme.
2. This represents the percentage of aggregate long position in ordinary shares and underlying shares of CRL to the total issued share capital of CRL as at 31st December, 2011.
3. All interests disclosed above are being held by the Director in his capacity as beneficial owner.
4. In each case, HK$1.00 is payable upon acceptance of the share options granted.

(e) Interests in issued ordinary shares and underlying shares of China Resources Cement Holdings Limited ("CR Cement"), an associated corporation of the Company

Name of Directors	Long or short position	Number of shares	Number of share options	Exercise price per share (HK$)	Date of grant	Aggregate percentage of interest[1]
Mr. Ma Guoan	Long position	40,000[2]	–	–	–	0.0006%
Mr. Ong Thiam Kin	Long position	220,000	–	–	–	0.0034%

Notes:

1. This represents the percentage of aggregate long position in ordinary shares of CR Cement to the total issued share capital of CR Cement as at 31st December, 2011.
2. Mr. Ma Guoan was deemed to be interest in 20,000 ordinary shares through the interest of his spouse.
3. Save as otherwise disclose under note 2, all interest disclosed above are being held by each Director in his capacity as beneficial owner.

(f) Interests in issued ordinary shares and underlying shares of CRH (Microelectronics) Limited ("CRM"), an associated corporation of the Company

Name of Directors	Long or short position	Number of shares	Number of share options	Exercise price per share (HK$)	Date of grant	Aggregate percentage of interest[1]
Mr. Luk Chi Cheong	Long position	1,000,000	–	–	–	0.0049%

Notes:

1. This represents the percentage of aggregate long position in ordinary shares and underlying shares of CRM to the total issued share capital of CRM as at 31st December, 2011.
2. All interests disclosed above are being held by a Director in his capacity as beneficial owner.

INCENTIVE SCHEMES

1. Share Option Scheme

The purpose of the Share Option Scheme adopted on 26th November, 2001 is to promote dedication by its participants and to encourage its participants to perform their best in achieving the goals of the Group. The participants are any Director (or any persons proposed to be appointed as such) and employee of each member of the Group; any discretionary object of a discretionary trust established by any employee or Director of each member of the Group; any executive or employee of any business consultant, business partner, professional and other advisers to each member of the Group (or any persons proposed to be appointed as such); any substantial shareholder of each member of the Group; any associates of Director or substantial shareholder of the Company; and any employee of the Company's substantial shareholder or any employee of such substantial shareholder's subsidiaries or associated companies, as absolutely determined by the Board.

The scheme mandate limit under the Share Option Scheme was refreshed and renewed by ordinary resolution passed by the shareholders at the annual general meeting held on 25th April, 2005 which enabled the grant of further share options to subscribe up to 265,591,407 shares representing 10% of the shares in issue as at the said date.

As at the date of this announcement, the total number of shares available for issue pursuant to the Share Option Scheme was 188,000, representing about 0.01% of the issued share capital of the Company. The maximum entitlement for any one participant is that the total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue.

The period within which the shares must be taken up under an option shall not be later than 10 years from the date the option is granted. There is no minimum period for which an option must be held before it can be exercised. HK$1.00 is payable on acceptance of the option within 28 days from its date of grant. The subscription price is the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, (ii) a price being the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheet on the five business days immediately preceding the date of grant and (iii) the nominal value of a share. As the Share Option Scheme has been terminated in 2008, no more option can be issued pursuant to the Share Option Scheme but in all other respects the provisions of the Share Option Scheme share remain in force.

(a) Directors' right to acquire shares

None of the Directors has any interests in the share options of the Company as at 31st December, 2011.

(b) Employees and other participants' right to acquire shares

A summary of the movements of the share options in relation to the employees of substantial shareholder and its subsidiaries and associated companies (other than employees of the Group and Directors of the Company) under the New Share Option Scheme during the year is as follows:

		Number of share options					
Date of grant	**Exercise price per share (HK$)**	**Outstanding as at 1st January, 2011**	**Granted during the year**	**Exercised during the year**	**Cancelled during the year**	**Lapsed during the year**	**Outstanding as at 31st December, 2011**
09/04/2002[1]	8.200	186,000	–	–	–	–	186,000
13/01/2004[2]	9.060	2,000	–	–	–	–	2,000
		188,000	–	–	–	–	188,000

Notes:

1. The share options are either vested immediately and exercisable from 9th April, 2002 to 8th April, 2012 or vested in 4 tranches and exercisable on 9th April, 2002, 1st January, 2003, 2004 and 2005 to 8th April, 2012.

2. The share options are vested in 3 tranches and exercisable on 13th January, 2005, 2006 and 2007 to 12th January, 2014.

2. Incentive Award Scheme

On 1st December, 2008, the Company adopted a share repurchased cash award scheme (the "Incentive Award Scheme") in which selected employees of the Group or investee companies (being any company in which the Company directly or indirectly owns 5% or more attributable equity interests and in calculating the percentage interest so attributed (the "Investee Company"), the percentage interest held in the Investee Company shall be multiplied by the percentage interest in each level of entity through which such interest is held by the Group), are entitled to participate in the Incentive Award Scheme pursuant to the scheme rules.

The purpose of the Incentive Award Scheme is to recognise and motivate the contribution of certain employees and to provide incentives and to enable the Group and the Investee Companies in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long-term business objectives of the Company. Unless early termination by the Board, the Incentive Award Scheme shall be valid and effective for a term of 10 years commencing on the adoption date. The maximum aggregate numbers of restricted shares which can be awarded under the Incentive Award Scheme and to a selected employee throughout its duration are limited to 5% and 0.5% respectively of the issued share capital of the Company from time to time.

Pursuant to the rules of the Incentive Award Scheme, the Company has appointed BOCI-Prudential Trustee Limited as trustee (the "Trustee"), pursuant to which existing shares will be purchased by the Trustee from the market out of cash contributed by the Group and be held in trust for the relevant selected employees until such shares are vested with the relevant selected employees in accordance with the provisions of the Incentive Award Scheme. A total of 70,000,000 shares were purchased at an aggregate cost of approximately HK$253,999,000 (including transaction costs) on 7th April, 2009, representing approximately 4.95% of the issued share capital of the Company as at date of acquisition and held by the Trustee. The Company does not intend to purchase any further share under the Incentive Award Scheme.

On 16th March, 2010, the Company amended the Incentive Award Scheme such that cash instead of restricted shares will be awarded under the Incentive Award Scheme. The Company will utilize the proceeds generated from disposal of the restricted shares held by the Trustee for the awards made under the scheme. The awards will be subject to the approval of the Company's Remuneration Committee and the cash under the award will only be given upon fulfillment of relevant vesting conditions imposed on the date of grant of the award.

On 20th April, 2011 and 7th September, 2011, upon the approvals of the Remuneration Committee, the Company granted 2 batches of 4,831,585 award shares and 2,909,911 award shares respectively, totalling 7,741,496 award shares which vested immediately. During the year, the Trustee disposed of these award shares which generated a net proceeds of HK$91,489,000, and distributed these to selected employees including 3 executive directors. Details of the movement during the year of the award shares held by the Trustee are as follows:

	Number of award shares
Purchased on 7th April, 2009	70,000,000
Granted and disposed of during 2010	(1,818,000)
Balance as at 1st January, 2011	68,182,000
Granted and disposed of during 2011	(7,741,496)
Balance as at 31st December, 2011	60,440,504

CONNECTED TRANSACTIONS

The Company has entered into certain connected transactions with connected persons, details of which are set out bellow:

A. Acquisition of Wang Gao Limited

On 22nd July, 2011, the Company entered into a share purchase agreement with, amongst others, Powerfaith, a wholly-owned subsidiary of CRH, the substantial and controlling shareholder of the Company, to acquire the entire issued share capital of Wang Gao Limited, an indirect wholly-owned subsidiary of CRH with 7 city gas projects, for a consideration of HK$1.71 billion. The consideration was satisfied by the issue of 161,174,785 shares of the Company at HK$10.6096 per share. The acquisition was a discloseable and connected transaction of the Company under the Listing Rules and completed on 2nd September, 2011 upon obtaining necessary shareholders' approval and the fulfillment of all necessary conditions. The closing price of the shares has increased on completion date and the consideration became HK$1.93 billion based on fair value for accounting purpose.

B. Ongoing Connected Transactions

During the year, members of the Group have entered into ongoing connected transactions with connected persons, details of which are subject to the reporting requirements under rule 14A.46 of the Listing Rules and are summarised herein below. The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed by the Group as below in accordance with Main Board Listing Rule 14A.38. The Independent Non-executive Directors have reviewed the ongoing connected transactions and confirmed that the ongoing connected transactions have been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties and on arm's length basis;

(iii) in accordance with the relevant agreement governing them;

(iv) on terms that are fair and reasonable and in the interest of the shareholders as a whole; and

(v) without exceeding the relevant cap disclosed in previous relevant announcements.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules for the year ended 31st December, 2011.

Details of the above-mentioned ongoing connected transactions are summarized as follows:

	RMB'000
Sale and Purchase Agreement Purchase of natural gas by a number of subsidiaries of the Company from Shanxi Natural Gas Limited* (山西天然氣股份有限公司), a limited liability company established in the PRC and is the substantial shareholder of these subsidiaries of the Company namely, Yangquan China Resources Gas Limited, Datong China Resources Gas Co., Ltd, Hongdong China Resources Hengfu Gas Co., Ltd., Huozhou China Resources Gas Co., Ltd.* and Yangqu China Resources Gas Co., Limited respectively.	444,032
Strategic Cooperation Agreement Placing of deposits with Zhuhai City Commercial Bank Co., Ltd., ("Zhuhai Commercial Bank"), a municipal bank headquartered in Zhuhai, in which China Resources Co., Limited ("CRC") has a controlling interest. CRH, the Company's controlling shareholder, is a subsidiary of CRC. The interest on the deposits are based on the same interest rate and on the same term and conditions as apply to a similar deposit made by any other customer of Zhuhai Commercial Bank, which rates are determined by the Peoples' Bank of China.	131,128

* *Name translated for reference purpose only*

SUBSTANTIAL SHAREHOLDERS

Save as disclosed below, the Directors and chief executive of the Company are not aware that there was any party (other than a Director or chief executive of the Company), who, as at 31st December, 2011 had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register maintained by the Company pursuant to Section 336 of the SFO:

Long position in the Company

Name of shareholder	Capacity	Nature of interest	Long or short position	Number of shares	Aggregate percentage of interest[1]
CRH (Gas) Limited ("CRH Gas")[2]	Beneficial owner	Beneficial interest	Long position	1,407,828,991	70.66%
CRH[2]	Controlled company's interest	Corporate interest	Long position	1,411,360,991	70.84%
CRC Bluesky Limited ("CRC Bluesky")[2]	Controlled company's interest	Corporate interest	Long position	1,411,360,991	70.84%
China Resources Co., Limited ("CRCL")[2]	Controlled company's interest	Corporate interest	Long position	1,411,360,991	70.84%
China Resources National Corp. ("CRNC")[2]	Controlled company's interest	Corporate interest	Long position	1,411,360,991	70.84%

Notes:

1. This represents the percentage of aggregate long position in shares to the total issued share capital of the Company as at 31st December, 2011.

2. CRH Gas and Commotra Company Limited directly interested in 1,407,828,991 shares and 3,532,000 shares in the Company respectively and both companies are wholly-owned subsidiaries of CRH. CRH is therefore deemed to be interested in 1,411,360,991 shares of the Company. CRH is a wholly-owned subsidiary of CRC Bluesky, which is in turn wholly-owned by CRCL. CRCL is a wholly-owned subsidiary of CRNC. So, CRH, CRC Bluesky, CRCL and CRNC are therefore deemed to have interest in 1,411,360,991 shares of the Company.

SPECIFIC PERFORMANCE OBLIGATIONS ON CONTROLLING SHAREHOLDER

On 15th February, 2011, the Company, as borrower, entered into a facility agreement with a bank in relation to a HK$800 million 5-year term loan facility. The loan facility is unsecured and interest bearing with any outstanding amount to be repaid in full on the date falling five years from the date of the facility agreement.

On 11th July, 2011, the Company, as borrower, entered into a facility agreement with a bank in relation to a HK$800 million 5-year term loan facility. The facility is unsecured and interest bearing with any outstanding amount to be repaid in full on the date falling five years from the date of the facility agreement.

Pursuant to the aforesaid facility agreements, the controlling shareholder of the Company, China Resources (Holdings) Company Limited is required, at all times, to hold an aggregate beneficial ownership (directly or indirectly) of not less than 50 per cent. in the issued share capital of the Company (the "Specific Performance Obligation"). It will be an event of default if the Specific Performance Obligation is breached; and in such case, the relevant banks shall declare the commitments to be cancelled and/or declare all outstanding amounts together with interests accrued thereon and all other sums payable by the Company to be immediately due and payable.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Other than as disclosed in this announcement, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws of Bermuda.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this announcement, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

OVERALL FINANCIAL RESULTS

In 2011, the Group acquired 7 city gas projects from its controlling shareholder in addition to its acquisition of other 18 new PRC city gas distribution projects. The results of these 7 city gas projects are accounted for in the Group's consolidated financial statements in accordance with Accounting Guideline 5 "Merger Accounting under Common Control Combination" adopted by the Group. Accordingly, the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the two years ended 31st December, 2010 and 2011 include the results of operations, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the two years ended 31st December, 2010 and 2011, or since their respective dates of incorporation or establishment where this is a shorter period except for the subsidiaries acquired from independent third parties and the jointly controlled entities acquired, which are included in the consolidated financial statements since their respective dates of acquisitions. To enable the management and discussion analysis be more meaningful in presenting the changes from 2010 to 2011, only the financial and operational numbers before restatement for 2010 are discussed in the analysis below.

The Group's results for 2011 were driven by both organic and acquisition growths. The Group's turnover for the year amounted to HK$13,507 million (2010: HK$8,327 million).

The city gas distribution business contributed an after tax but before non-controlling interest profit of HK$1,596 million (2010: HK$970 million) and profit attributable to shareholders of HK$1,200 million (2010: HK$734 million).

Cash Flow

The net cash inflow from operations during the year amounted to HK$2,110 million (2010: HK$1,502 million).

The Group spent HK$454 million in capital expenditure during the year (2010: HK$4.3 billion) to fund its acquisition expansion (excluding the HK$1.93 billion acquisition by share consideration) and HK$1.51 billion in upgrading of its continuing city gas distribution business (2010: HK$1.38 billion). The above required funding was financed by the operating cash flow, bank borrowings and cash on hand of the Group. As at year end, the Group's free cash on hand was HK$6.9 billion (2010: HK$6.5 billion). Among the cash balance 16% was denominated in Hong Kong dollar and the remaining in Renminbi and US dollar.

Liquidity and Financial Resources

It is the Group's policy to use the cash flow generated from operations and appropriate level of borrowings as the principal source of fund to finance major expansion and acquisition. As at the end of the year, the Group has total borrowings of HK$6.5 billion. 24% of the borrowings are considered as current liabilities and repayable within one year, the remaining are repayable in five years. Renminbi and HK dollar denominated borrowings accounted for 10% and 90% of the total borrowings respectively. Over 90% of the borrowings are interest bearing bank loans on floating rate terms.

The cash balance of the Group was HK$6.9 billion as at the year end. The gearing ratio of the Group at the end of the year, calculated as total borrowings over total assets, was 26% (2010: 29%). The EBITDA to interest cover ratio was at the healthy level of 35.3 times. The financial position and liquidity of the Group is very healthy and stable.

The Group has been granted a total of HK$6.7 billion term loan facilities with maturities from 2012 to 2016. The facilities are unsecured and with floating interest rates. As at the end of the year, 88% of the facilities has been drawn down. The facilities together with healthy operating cash flow will provide sufficient funding for foreseeable expansion and working capital requirement.

Other than the above mentioned committed facilities, the Group has no other committed borrowing facilities. For day-to-day liquidity management and maintaining flexibility in funding, the Group has managed to obtain sufficient uncommitted short-term facilities from banks.

Charge of Assets

As at 31st December, 2011, a bank deposit of HK$18 million was pledged as securities for trade payable to a supplier of natural gas and certain property, plant and equipment and trade receivables with carrying values of HK$213 million were pledged to secure bank borrowings.

Property, Plant and Equipment

During the year ended 31st December, 2011, the Group's city gas distribution business spent HK$124 million on machinery and equipment and HK$1,199 million on construction in progress.

Contingent Liabilities

As at 31st December, 2011, the Group did not have any material contingent liabilities.

Financial Management and Treasury Policy

The financial risk management of the Group is the responsibility of the Group's treasury function at the head office in Hong Kong. One of the major objectives of the Group's treasury policies is to manage its exposure to fluctuation in interest rates and foreign currency exchange rates. It is the Group's policy not to engage in speculative activities.

Most of the Group's assets and liabilities are denominated in Hong Kong dollar and Renminbi with some denominated in US dollar and Euro. The Group does not expect significant exposure to foreign exchange fluctuations in this regard.

OPERATING RESULTS

Key Revenue Drivers

The revenue of city gas distribution operation are derived from recurring gas sales and one-time gas connection fee which respectively accounts for 80% and 20% of the 2011 revenue (2010: 76% and 24% respectively).

The turnover of the city gas distribution operation for the year ended 31st December, 2011 amounted to HK$13,507 million, an increase of 62% over that of 2010. The significant increase was mainly due to the increase in gas sales volume by 29% from 5,577 million m^3 to 7,215 million m^3 and the increase in connection fee income by 40% from HK$1,959 million to HK$2,741 million. The increase in gas sales and connection fee income were in turn driven by the following factors:

(1) 50% increase in the daily installed capacity for commercial & industrial ("C&I") customers from 14.4 million m^3 to 21.6 million m^3.

(2) 20% increase in the number of connected households from 8.77 million to 10.50 million.

Sustainable Gross Margin

The city gas distribution operation registered an overall gross profit margin of 29.4% for 2011, about the same level compared with 29.7% for 2010. There were increases in gross margin of gas sales from 20.2% to 21.4% and gross margin of connection fee from 60.5% to 60.9%. Although both these gross margins increased, the overall gross margin remained at about the same level. This is due to the positive change in revenue mix of gas sales vs connection fee from 76%: 24% in 2010 to 80%: 20% in 2011.

The gross profit margin for connection fee income increased from 60.5% for 2010 to 60.9% for 2011 mainly because of connection fee income from cities with relative higher connection fees such as Zhengzhou, Wuxi and Chengdu. The higher overall gas sales margin was mainly contributed from increase in sales of CNG gas stations and sales to industrial customers such as those in industrial cities of Wuxi, Suzhou, Zhengzhou, Zhenjiang and Jingdezhen. However this was negated to a certain extent by the lower gas sales margins of sales to residential customers.

Stable costs and expenses

The increase in absolute amounts of selling and distribution and general and administration expenses in 2011 were the result of the 25 projects acquired in 2011. As a percentage of revenue, selling and distribution expenses were 8% for 2011 compared to 6.5% for 2010. The increase was mainly due to the newly acquired projects during the year which will need time to attain higher operating efficiency. Conversely the general and administration expenses reduced from 9.6% in 2010 to 9.1% in 2011 due to the relative fixed nature of these expenses enjoying the economy of scale of operation. The reduction of gross margin of 0.3%, the increase in other revenue of 0.8%, the increase of 0.9% on total selling and distribution and general and administration expenses as well as the increase in contribution from an associate of 0.7% mainly accounts for increase in Earning Before Interest and Tax (EBIT) of 0.2% from 16.3% in 2010 to 16.5% in 2011. Net income after tax of 8.9% was in line with the 8.8% in 2010, despite that there was an increase in taxation (due to increase in effective tax rate as a result of most city gas projects graduating from tax incentive period to non-tax incentive period and the standard tax rate of 25% starts to apply).

Strong operating and free cash flow generation

The city gas distribution operation continued to generate healthy cash flow with an operating cash flow of HK$2,110 million and free cash flow of HK$1,039 million in 2011. The Group recorded a cash balance of HK$6,890 million at the end of 2011, an increase of HK$369 million over the amount at the end of 2010. The Group has continued to leverage on its strong balance sheet to raise low cost finance during 2011 and has a total bank loan of HK$6,500 million outstanding as at 31st December, 2011, with a gross debt to total asset ratio of 26%. The Group maintains a very healthy balance sheet with low gross debt ratio, high EBITDA to interest cover ratio of 35.3 times and net cash balance of HK$390 million at 31st December, 2011.

Reasonable rates of return

In view of the fact that the Group is still in expansion phase, the city gas distribution operation registered reasonable return on equity and return on assets of 14.9% and 7.2% respectively in 2011 (2010: 13.0% and 7.0% respectively). The Group acquired 25 new projects in 2011 including 14 green field projects. The rates of returns are expected to improve once all these newly acquired projects start to attain higher operating efficiency and generate more returns in 2012 and thereafter.

Major contributors

Previously, the earlier Chengdu, Wuxi and Suzhou projects used to account for more than 80% of the gas sales volume, connection fee and net profit contribution. As the Group has acquired more new projects in 2009, 2010 and 2011, their contribution percentages have decreased and taken up by others such as Chongqing, Zhengzhou, Xiamen, Wuhan, Kunming, Zhenjiang, Zibo, Datong and Jingdezhen. As there will be more acquisitions over the next few years, the percentage contribution from all projects are expected to gradually become more evenly distributed in the future. The broadening of the Group's earning base will insure the Group from relying heavily on any single city gas project.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	NOTES	**2011** *HK$'000*	2010 *HK$'000* (Restated)
Turnover	*8*	**13,506,632**	9,331,482
Cost of sales		**(9,534,172)**	(6,593,739)
Gross profit		**3,972,460**	2,737,743
Other income		**447,703**	226,032
Selling and distribution expenses		**(1,083,752)**	(640,283)
Administrative expenses		**(1,229,354)**	(890,448)
		2,107,057	1,433,044
Finance costs	*9*	**(76,809)**	(81,599)
Share of results of associates		**117,454**	15,524
Profit before taxation		**2,147,702**	1,366,969
Taxation	*10*	**(551,294)**	(328,785)
Profit for the year	*11*	**1,596,408**	1,038,184
Other comprehensive income for the year			
Exchange differences arising on translation		**554,754**	264,302
Fair value loss on available-for-sale investments		**–**	(2,160)
Share of other comprehensive income of associates		**50,707**	3,663
		605,461	265,805
Total comprehensive income for the year		**2,201,869**	1,303,989
Profit for the year attributable to:			
Owners of the Company		**1,200,473**	786,676
Non-controlling interests		**395,935**	251,508
		1,596,408	1,038,184
Total comprehensive income for the year attributable to:			
Owners of the Company		**1,743,901**	1,033,237
Non-controlling interests		**457,968**	270,752
		2,201,869	1,303,989
		HK$	*HK$* (Restated)
Earnings per share Basic	*14*	**0.66**	0.54
Diluted		**0.66**	0.54

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2011

	NOTES	**31.12.2011** **HK$'000**	31.12.2010 *HK$'000* (Restated)	1.1.2010 *HK$'000* (Restated)
Non-current assets				
Property, plant and equipment	*15*	**10,554,637**	9,100,672	4,652,574
Prepaid lease payments	*16*	**844,531**	850,292	302,489
Investment properties	*17*	**26,701**	11,647	11,358
Interests in associates	*18*	**1,642,728**	85,249	21,733
Available-for-sale investments	*19*	**28,493**	47,795	28,522
Goodwill	*20*	**589,579**	527,253	226,991
Operating rights	*21*	**728,953**	716,384	668,963
Deferred tax assets	*31*	**121,274**	132,188	58,575
Deposit for operating rights		**61,675**	–	–
Deposit for prepaid lease payments		**29,564**	9,776	44,273
Deposit for investments		**–**	–	1,321,423
		14,628,135	11,481,256	7,336,901
Current assets				
Inventories	*22*	**412,178**	268,709	200,148
Trade and other receivables	*23*	**2,713,646**	1,771,264	826,381
Amounts due from customers for contract work	*24*	**618,509**	398,319	264,723
Prepaid lease payments	*16*	**35,689**	33,723	13,983
Amounts due from fellow subsidiaries	*25*	**89,581**	103,558	282,677
Pledged bank deposits	*26*	**17,891**	14,875	19,262
Bank balances and cash	*26*	**6,889,999**	6,707,419	3,111,831
		10,777,493	9,297,867	4,719,005
Current liabilities				
Trade and other payables	*27*	**4,068,037**	3,666,749	2,220,869
Amounts due to customers for contract work	*24*	**3,153,842**	1,658,615	839,042
Amounts due to fellow subsidiaries	*25*	**213,536**	963,731	726,061
Government grants	*28*	**1,181**	6,645	1,022
Bank and other borrowings	*29*	**1,536,083**	534,199	1,356,689
Taxation payable		**196,146**	160,375	70,096
		9,168,825	6,990,314	5,213,779
Net current assets (liabilities)		**1,608,668**	2,307,553	(494,774)
		16,236,803	13,788,809	6,842,127

	NOTES	31.12.2011	31.12.2010	1.1.2010
		HK$'000	*HK$'000*	*HK$'000*
			(Restated)	(Restated)
Capital and reserves				
Share capital	*32*	**199,227**	183,109	141,442
Reserves		**7,903,226**	5,648,428	2,350,723
Equity attributable to owners of the Company		**8,102,453**	5,831,537	2,492,165
Non-controlling interests		**2,516,094**	2,152,375	966,918
		10,618,547	7,983,912	3,459,083
Non-current liabilities				
Government grants	*28*	**69,268**	57,895	13,349
Bank and other borrowings	*29*	**4,963,513**	5,156,274	1,391,800
Other long-term liabilities	*30*	**194,567**	124,287	115,092
Amount due to a fellow subsidiary	*25*	**–**	–	1,600,000
Deferred tax liabilities	*31*	**390,908**	466,441	262,803
		5,618,256	5,804,897	3,383,044
		16,236,803	13,788,809	6,842,127

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

	Attributable to owners of the Company													
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 *(Note a)*	Capital reserve HK$'000 *(Note b)*	Translation reserve HK$'000	Share option reserve HK$'000	Shares held for incentive award reserve HK$'000	Investment revaluation reserve HK$'000	Other reserve HK$'000 *(Note c)*	Merger reserve HK$'000 *(Note d)*	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2010, as previously restated	141,442	3,750,691	–	356,361	154,256	13,436	(253,999)	2,160	141,464	(2,821,102)	940,204	2,424,913	732,605	3,157,518
Effect of business combination of entities under common control *(Note 2)*	–	–	–	–	9,794	–	–	–	4,984	–	52,474	67,252	234,313	301,565
At 1 January 2010, as restated	141,442	3,750,691	–	356,361	164,050	13,436	(253,999)	2,160	146,448	(2,821,102)	992,678	2,492,165	966,918	3,459,083
Profit for the year	–	–	–	–	–	–	–	–	–	–	786,676	786,676	251,508	1,038,184
Exchange differences arising on translation	–	–	–	–	245,058	–	–	–	–	–	–	245,058	19,244	264,302
Fair value loss on available-for-sale investments	–	–	–	–	–	–	–	(2,160)	–	–	–	(2,160)	–	(2,160)
Share of other comprehensive income of associates	–	–	–	–	3,663	–	–	–	–	–	–	3,663	–	3,663
Other comprehensive income for the year	–	–	–	–	248,721	–	–	(2,160)	–	–	–	246,561	19,244	265,805
Total comprehensive income for the year	–	–	–	–	248,721	–	–	(2,160)	–	–	786,676	1,033,237	270,752	1,303,989
Placing of shares	23,000	2,449,500	–	–	–	–	–	–	–	–	–	2,472,500	–	2,472,500
Issue of shares upon combination of entities under common control *(Note 32(b))*	18,665	2,202,490	–	–	–	–	–	–	–	(2,221,155)	–	–	–	–
Share issue expenses	–	(14,275)	–	–	–	–	–	–	–	–	–	(14,275)	–	(14,275)
Shares issued upon exercise of share options	2	194	–	–	–	–	–	–	–	–	–	196	–	196
Acquisition of subsidiaries *(Note 35)*	–	–	–	–	–	–	–	–	–	–	–	–	616,636	616,636
Acquisition of additional interest in subsidiaries	–	–	–	(74,032)	–	–	–	–	–	–	–	(74,032)	(1,640)	(75,672)
Acquisition of jointly controlled entities *(Note 36)*	–	–	–	–	–	–	–	–	–	–	–	–	62,463	62,463
Discount on acquisition of jointly controlled entities *(Note 36)*	–	–	–	19,490	–	–	–	–	–	–	–	19,490	–	19,490
Disposal of shares held for incentive award scheme	–	–	–	–	–	–	6,600	–	–	–	14,690	21,290	–	21,290
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	254,525	254,525
Transfers between categories	–	–	–	–	–	–	–	–	91,740	–	(91,740)	–	–	–
Dividends paid	–	–	–	–	–	–	–	–	–	–	(91,990)	(91,990)	–	(91,990)
Dividends paid to a fellow subsidiary which is a former shareholder of subsidiaries	–	–	–	–	–	–	–	–	–	–	(27,044)	(27,044)	–	(27,044)
Dividends paid to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(17,279)	(17,279)
At 31 December 2010	183,109	8,388,600	–	301,819	412,771	13,436	(247,399)	–	238,188	(5,042,257)	1,583,270	5,831,537	2,152,375	7,983,912

	Attributable to owners of the Company													
	Share capital *HK$'000*	Share premium *HK$'000*	Contributed surplus *HK$'000* *(Note a)*	Capital reserve *HK$'000* *(Note b)*	Translation reserve *HK$'000*	Share option reserve *HK$'000*	Shares held for incentive award reserve *HK$'000*	Investment revaluation reserve *HK$'000*	Other reserve *HK$'000* *(Note c)*	Merger reserve *HK$'000* *(Note d)*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
Profit for the year	–	–	–	–	–	–	–	–	–	–	1,200,473	1,200,473	395,935	1,596,408
Exchange differences arising on translation	–	–	–	–	492,721	–	–	–	–	–	–	492,721	62,033	554,754
Share of other comprehensive income of associates	–	–	–	–	50,707	–	–	–	–	–	–	50,707	–	50,707
Other comprehensive income for the year	–	–	–	–	543,428	–	–	–	–	–	–	543,428	62,033	605,461
Total comprehensive income for the year	–	–	–	–	543,428	–	–	–	–	–	1,200,473	1,743,901	457,968	2,201,869
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–	26,267	26,267
Issue of shares upon combination of entities under common control *(Note 32(c))*	16,118	1,914,756	–	–	–	–	–	–	–	(1,930,874)	–	–	–	–
Acquisition of subsidiaries *(Note 35)*	–	–	–	–	–	–	–	–	–	–	–	–	69,613	69,613
Acquisition of additional interest in a subsidiary	–	–	–	(50,838)	–	–	–	–	–	–	–	(50,838)	(131,081)	(181,919)
Loss of jointly control over a jointly controlled entity *(Note 37)*	–	–	–	–	(32,165)	–	–	–	(1,669)	–	33,834	–	(54,652)	(54,652)
Arising from group reorganisation	–	–	–	–	–	–	–	–	–	660,613	–	660,613	–	660,613
Disposal of shares held for incentive award scheme	–	–	–	–	–	–	28,101	–	–	–	63,388	91,489	–	91,489
Transfers between categories	–	(7,388,600)	7,388,600	–	–	–	–	–	196,045	–	(196,045)	–	–	–
Dividends paid	–	–	–	–	–	–	–	–	–	–	(174,249)	(174,249)	–	(174,249)
Dividends paid to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(4,396)	(4,396)
At 31 December 2011	199,227	2,914,756	7,388,600	250,981	924,034	13,436	(219,298)	–	432,564	(6,312,518)	2,510,671	8,102,453	2,516,094	10,618,547

Notes:

(a) Pursuant to the approval of a special resolution at the special general meeting of the Company on 30 May 2011, the amount of HK$7,388,600,000 standing to the credit of share premium has been reduced and transferred to the contributed surplus. The contributed surplus is a distributable reserve and will be used for payment of dividends and for such other purposes as allowed by the Companies Act 1981 of Bermuda.

(b) Capital reserve arises from (a) discount on acquisition of jointly controlled entities from an intermediate holding company and fellow subsidiaries of the Group in prior years and (b) the difference between the amount by which the non-controlling interests are adjusted and the consideration paid for the acquisition of additional interest in subsidiaries.

(c) Other reserves comprise general reserve, statutory surplus reserve, enterprise expansion fund, statutory public welfare fund and discretionary surplus reserve of subsidiaries established in People's Republic of China (the "PRC").

General reserve is appropriated each year on the basis of 5% to 10% of the profit after taxation of certain subsidiaries as determined by their board of directors in accordance with the Articles of Association of the subsidiaries. This reserve should only be used for making up losses, capitalisation into capital and expansion of production and operation.

(d) Merger reserve represented the difference between (i) the cash consideration paid, deemed distribution to a fellow subsidiary and shares issued by the Company; and (ii) the amount of issued capital and premium of the combined entities under group reorganisations.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
OPERATING ACTIVITIES		
Profit before taxation	**2,147,702**	1,366,969
Adjustments for:		
Interest expense	**76,809**	81,599
Interest income	**(94,408)**	(55,376)
Government grants recognised	**(46,673)**	(39,529)
Share of results of associates	**(117,454)**	(15,524)
Dividend income from available-for-sale investments	**–**	(440)
(Gain) loss on disposal of property, plant and equipment	**(10,037)**	362
Gain on disposal of available-for-sale investments	**(665)**	(280)
Impairment loss recognised on trade receivables	**2,894**	9,961
Impairment loss recognised on inventories	**954**	–
Release from prepaid lease payments	**20,512**	17,691
Amortisation of operating rights	**33,193**	29,943
Depreciation of property, plant and equipment	**449,506**	399,560
Depreciation of investment properties	**1,355**	624
Operating cash flows before movements in working capital	**2,463,688**	1,795,560
(Increase) decrease in inventories	**(126,048)**	48,926
Increase in trade and other receivables	**(734,971)**	(295,826)
Increase in amounts due from customers for contract work	**(200,423)**	(100,585)
Increase (decrease) in trade and other payables	**164,551**	(169,311)
Increase in amounts due to customers for contract work	**1,055,714**	653,658
Cash generated from operations	**2,622,511**	1,932,422
PRC Enterprise Income Tax paid	**(512,600)**	(252,735)
NET CASH FROM OPERATING ACTIVITIES	**2,109,911**	1,679,687

	NOTES	2011 HK$'000	2010 HK$'000 (Restated)
INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		**133,058**	94,137
Repayment from (advance to) fellow subsidiaries		**97,569**	(41,928)
Interest received		**94,408**	55,376
Government grants received		**70,431**	77,979
Dividend received from associates		**60,834**	2,902
Proceeds from disposal of available-for-sale investments		**9,901**	453
Proceeds from disposal of prepaid lease payments		**2,354**	–
Payments for acquisition of property, plant and equipment		**(1,643,760)**	(1,965,701)
Net cash outflow from loss of joint control over a jointly controlled entity	*37*	**(530,484)**	–
Acquisition of subsidiaries	*35*	**(191,942)**	(54,425)
Advance to a joint venturer of a jointly controlled entity		**(178,657)**	–
Deemed acquisition of additional interests in a jointly controlled entity		**(175,864)**	–
Acquisition of jointly controlled entities	*36*	**(86,578)**	144,072
Prepaid lease payments made		**(64,715)**	(171,763)
Deposit paid for acquisition of operating right		**(61,675)**	–
Payments for operating rights		**(30,125)**	(26,747)
Deposit for acquisition of prepaid lease payments		**(29,564)**	(9,776)
Payments for acquisition of investment properties		**(15,570)**	(521)
Investment in associates		**(12,261)**	(2,812)
Payments for acquisition of available-for-sale investments		**(14,019)**	(2,428)
Decrease (increase) in pledged bank deposits		**(2,278)**	5,056
Dividends received from available-for-sale investments		**–**	440
NET CASH USED IN INVESTING ACTIVITIES		**(2,568,937)**	(1,895,686)

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
FINANCING ACTIVITIES		
New bank and other borrowings raised	**887,500**	3,746,468
Proceeds from disposal of shares held for incentive award scheme	**91,489**	21,290
Contribution from non-controlling interest of subsidiaries	**26,267**	254,525
Acquisition of additional interests in subsidiaries	**(181,919)**	(75,672)
Dividends paid	**(174,249)**	(91,990)
(Repayment to) advances from fellow subsidiaries	**(173,531)**	179,828
Repayments of bank and other borrowings	**(151,687)**	(1,037,958)
Interest paid on bank and other borrowings	**(74,160)**	(78,963)
Dividends paid to non-controlling interests of subsidiaries	**(4,396)**	(17,279)
Placing of shares	**–**	2,472,500
Share issued upon exercise of share options	**–**	196
Repayment to a fellow subsidiary	**–**	(1,600,000)
Dividends paid to a fellow subsidiary which is a former shareholder of subsidiaries	**–**	(27,044)
Share issue expenses	**–**	(14,275)
NET CASH FROM FINANCING ACTIVITIES	**245,314**	3,731,626
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(213,712)**	3,515,627
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**6,707,419**	3,111,831
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**396,292**	79,961
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash	**6,889,999**	6,707,419

1. GENERAL

The Company is a listed public company incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's intermediate parent company is China Resources (Holdings) Company Limited ("CRH"), a company incorporated in Hong Kong and its ultimate holding company is China Resources National Corp. ("CRNC"), a company established in the PRC. The addresses of registered office and principal place of business of the Company are disclosed in the Corporate Information in the annual report.

The functional currency of the Company is Renminbi. The Company uses Hong Kong dollars as its presentation currency because the Company is a public company with its shares listed on the Stock Exchange.

The Company is an investment holding company. The activities of its principal subsidiaries, associates and jointly controlled entities are set out in notes 45, 46 and 47, respectively.

2. BASIS OF PREPARATION

During the year, the Company acquired 100% equity interests in Wang Gao Limited ("Wang Gao") on 5 September 2011 for a consideration of HK$1,930,874,000 which was settled by allotment and issue of 161,174,785 shares of the Company. The consideration disclosed in the Company's circular dated 12 August 2011 was HK$1,710,000,000, represented by 161,174,785 shares in the Company at HK$10.6096 per share. The difference from the final consideration of HK$1,930,874,000 which is arrived at using the share price of HK$11.98 on completion date of the acquisition, was due to the fluctuation in share price of the Company during the period from date of circular and the date of completion of acquisition. In the previous financial year, the Company acquired 100% equity interests in Mega Fair Limited ("Mega Fair") on 25 October 2010, for a consideration of HK$2,221,155,000 (details are set out in the Company's circular dated 25 October 2010). The Group, Mega Fair and its subsidiaries ("Mega Fair Group") and Wang Gao and its subsidiaries ("Wang Gao Group") are engaged in sales of liquefied gas and connection of gas pipelines in the PRC.

The Group, Mega Fair Group and Wang Gao Group are ultimately controlled by CRNC before and after the group reorganisation, and that control is not transitory. The Group, Mega Fair Group and Wang Gao Group are regarded as continuing entities as at the dates of business combinations and hence the acquisitions have been accounted for as combinations of entities under common control by applying the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG 5") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Accordingly, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the two years ended 31 December 2010 and 2011 include the results of operations, changes in equity and cash flows of the companies now comprising the Group as if the current group structure upon the completion of the group reorganisation had been in existence throughout the two years ended 31 December 2010 and 2011, or since their respective dates of incorporation or establishment where this is a shorter period, except for the jointly controlled entities acquired by Mega Fair Group and Wang Gao Group during the two years ended 31 December 2010 and 2011 as disclosed in Note 36, which are included in the consolidated financial statements since their respective dates of acquisitions. The consolidated statements of financial position of the Group as at 1 January 2010, 31 December 2010 and 31 December 2011 have been prepared to present the assets and liabilities of the companies now comprising the Group as if current group structure had been in existence as at the respective dates, except for the jointly controlled entities acquired by Mega Fair Group and Wang Gao Group during the two years ended 31 December 2010 and 2011 as disclosed in Note 36, which are consolidated since their respective dates of acquisition.

Apart from the aforesaid business combination of entities under common control, the Group has retrospectively adjusted the provisional fair values of the assets and liabilities of jointly controlled entities acquired during the year ended 31 December 2010 to reflect the fair value adjustments made upon completion of the purchase accounting during the current year. Adjustments have been made retrospectively to property, plant and equipment, prepaid lease payments, goodwill and deferred tax liabilities as set out in Note 36.

2. BASIS OF PREPARATION – Continued

(a) The effects of those restatements described above on the consolidated statement of comprehensive income during the year ended 31 December 2010 are as follow:

	2010 *HK$'000* (Previously stated)	**Effect of the finalisation of accounting for acquisition of jointly controlled entities** *HK$'000* *(Note 36)*	**Effect of business combination of entities under common control** *HK$'000*	**Elimination** *HK$'000*	**2010** *HK$'000* (Restated)
Turnover	8,326,747	–	1,004,747	(12)	9,331,482
Cost of sales	(5,851,881)	(10,496)	(731,374)	12	(6,593,739)
Gross profit	2,474,866	(10,496)	273,373	–	2,737,743
Other income	209,909	–	16,123	–	226,032
Selling and distribution expenses	(544,574)	–	(95,709)	–	(640,283)
Administrative expenses	(800,613)	(4,094)	(85,741)	–	(890,448)
	1,339,588	(14,590)	108,046	–	1,433,044
Finance costs	(79,733)	–	(1,866)	–	(81,599)
Share of results of associates	15,524	–	–	–	15,524
Profit before taxation	1,275,379	(14,590)	106,180	–	1,366,969
Taxation	(304,980)	3,647	(27,452)	–	(328,785)
Profit for the year	970,399	(10,943)	78,728	–	1,038,184
Other comprehensive income for the year					
Exchange differences arising on translation	229,099	(380)	35,583	–	264,302
Fair value loss on available-for-sale investments	(2,160)	–	–	–	(2,160)
Share of other comprehensive income of associates	3,663	–	–	–	3,663
	230,602	(380)	35,583	–	265,805
Total comprehensive income for the year	1,201,001	(11,323)	114,311	–	1,303,989

2. BASIS OF PREPARATION – Continued

	2010 *HK$'000* (Previously stated)	Effect of the finalisation of accounting for acquisition of jointly controlled entities *HK$'000* *(Note 36)*	Effect of business combination of entities under common control *HK$'000*	Elimination *HK$'000*	2010 *HK$'000* (Restated)
Profit for the year attributable to:					
Owners of the Company	733,685	(10,943)	63,934	–	786,676
Non-controlling interests	236,714	–	14,794	–	251,508
	970,399	(10,943)	78,728	–	1,038,184
Total comprehensive income for the year attributable to:					
Owners of the Company	953,547	(11,323)	91,013	–	1,033,237
Non-controlling interests	247,454	–	23,298	–	270,752
	1,201,001	(11,323)	114,311	–	1,303,989

(b) The effect of the finalisation of accounting for jointly controlled entities described above on results by line items presented in the consolidated statement of comprehensive income during the year ended 31 December 2011 is as follows:

	2011 ***HK$'000***
Increase in cost of sales	4,326
Decrease in share of results of associates *(Note)*	8,597
Decrease in taxation	(1,081)
Decrease in profit for the year	11,842

Note: During the year ended 31 December 2011, the Group no longer had joint control over an investee but retained significant influence over it (see Note 37) and that the investee has been classified as an associate, since the Group lost joint control. The respective effect of the finalisation accounting for acquisition of that entity is recognised in the line item "share of results of associates".

2. BASIS OF PREPARATION – Continued

(c) The effect of those restatements described above on the consolidated statement of financial position as at 1 January 2010 is as follows:

	1.1.2010 HK$'000 (Previously stated)	Effect of business combination of entities under common control HK$'000	Elimination HK$'000	1.1.2010 HK$'000 (Restated)
Non-current assets				
Property, plant and equipment	4,079,964	572,610	–	4,652,574
Prepaid lease payments	265,301	37,188	–	302,489
Investment properties	11,358	–	–	11,358
Interests in associates	21,733	–	–	21,733
Available-for-sale investments	22,651	5,871	–	28,522
Goodwill	192,667	34,324	–	226,991
Operating rights	636,167	32,796	–	668,963
Deferred tax assets	51,579	6,996	–	58,575
Deposit for prepaid lease payments	44,273	–	–	44,273
Deposit for investments	1,321,423	–	–	1,321,423
	6,647,116	689,785	–	7,336,901
Current assets				
Inventories	160,489	39,659	–	200,148
Trade and other receivables	668,394	157,987	–	826,381
Amounts due from customers for contract work	253,897	10,826	–	264,723
Prepaid lease payments	13,165	818	–	13,983
Amounts due from fellow subsidiaries	282,557	988	(868)	282,677
Pledged bank deposits	19,262	–	–	19,262
Bank balances and cash	2,671,838	439,993	–	3,111,831
	4,069,602	650,271	(868)	4,719,005
Current liabilities				
Trade and other payables	2,003,545	217,324	–	2,220,869
Amounts due to customers for contract work	747,670	91,372	–	839,042
Amounts due to fellow subsidiaries	22,646	704,283	(868)	726,061
Government grants	1,022	–	–	1,022
Bank and other borrowings	1,339,653	17,036	–	1,356,689
Taxation payable	61,620	8,476	–	70,096
	4,176,156	1,038,491	(868)	5,213,779
Net current liabilities	(106,554)	(388,220)	–	(494,774)
	6,540,562	301,565	–	6,842,127

2. **BASIS OF PREPARATION – Continued**

	1.1.2010 *HK$'000* (Previously stated)	**Effect of business combination of entities under common control** *HK$'000*	**Elimination** *HK$'000*	**1.1.2010** *HK$'000* (Restated)
Capital and reserves				
Share capital	141,442	–	–	141,442
Reserves	2,283,471	67,252	–	2,350,723
Equity attributable to owners of the Company	2,424,913	67,252	–	2,492,165
Non-controlling interests	732,605	234,313	–	966,918
	3,157,518	301,565	–	3,459,083
Non-current liabilities				
Government grants	13,349	–	–	13,349
Bank and other borrowings	1,391,800	–	–	1,391,800
Other long-term liabilities	115,092	–	–	115,092
Amount due to a fellow subsidiary	1,600,000	–	–	1,600,000
Deferred tax liabilities	262,803	–	–	262,803
	3,383,044	–	–	3,383,044
	6,540,562	301,565	–	6,842,127

2. **BASIS OF PREPARATION – Continued**

(d) The effect of those restatements described above on the consolidated statement of financial position as at 31 December 2010 is as follows:

	31.12.2010 *HK$'000* (Previously stated)	**Effect of the finalisation of accounting for acquisition of jointly controlled entities** *HK$'000* *(Note 36)*	**Effect of business combination of entities under common control** *HK$'000*	**Elimination** *HK$'000*	**31.12.2010** *HK$'000* (Restated)
Non-current assets					
Property, plant and equipment	7,810,391	463,480	826,801	–	9,100,672
Prepaid lease payments	759,063	49,147	42,082	–	850,292
Investment properties	11,647	–	–	–	11,647
Interests in associates	85,249	–	–	–	85,249
Available-for-sale investments	41,721	–	6,074	–	47,795
Goodwill	890,511	(397,582)	34,324	–	527,253
Operating rights	674,121	–	42,263	–	716,384
Deferred tax assets	122,015	–	10,173	–	132,188
Deposit for prepaid lease payments	7,820	–	1,956	–	9,776
	10,402,538	115,045	963,673	–	11,481,256
Current assets					
Inventories	236,968	–	31,741	–	268,709
Trade and other receivables	1,545,626	–	225,638	–	1,771,264
Amounts due from customers for contract work	378,633	–	19,686	–	398,319
Prepaid lease payments	26,094	6,499	1,130	–	33,723
Amounts due from fellow subsidiaries	32,813	–	246,003	(175,258)	103,558
Pledged bank deposits	14,875	–	–	–	14,875
Bank balances and cash	6,521,335	–	186,084	–	6,707,419
	8,756,344	6,499	710,282	(175,258)	9,297,867
Current liabilities					
Trade and other payables	3,346,080	–	320,669	–	3,666,749
Amounts due to customers for contract work	1,531,631	–	126,984	–	1,658,615
Amounts due to fellow subsidiaries	399,301	–	739,688	(175,258)	963,731
Government grants	6,645	–	–	–	6,645
Bank and other borrowings	493,068	–	41,131	–	534,199
Taxation payable	154,272	–	6,103	–	160,375
	5,930,997	–	1,234,575	(175,258)	6,990,314
Net current assets	2,825,347	6,499	(524,293)	–	2,307,553
	13,227,885	121,544	439,380	–	13,788,809

2. BASIS OF PREPARATION – Continued

	31.12.2010	Effect of the finalisation of accounting for acquisition of jointly controlled entities	Effect of business combination of entities under common control	Elimination	31.12.2010
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Previously stated)	*(Note 36)*			(Restated)
Capital and reserves					
Share capital	183,109	–	–	–	183,109
Reserves	5,501,486	(11,323)	158,265	–	5,648,428
Equity attributable to owners of the Company	5,684,595	(11,323)	158,265	–	5,831,537
Non-controlling interests	1,894,764	–	257,611	–	2,152,375
	7,579,359	(11,323)	415,876	–	7,983,912
Non-current liabilities					
Government grants	57,895	–	–	–	57,895
Bank and other borrowings	5,132,770	–	23,504	–	5,156,274
Other long-term liabilities	124,287	–	–	–	124,287
Deferred tax liabilities	333,574	132,867	–	–	466,441
	5,648,526	132,867	23,504	–	5,804,897
	13,227,885	121,544	439,380	–	13,788,809

(e) The effect of those restatements described above on the Group's basic and diluted earnings per share for the year ended 31 December 2010 and 2011 is as follows:

	2011		2010	
	Impact on basic earnings per share	**Impact on diluted earnings per share**	Impact on basic earnings per share	Impact on diluted earnings per share
	HK$	***HK$***	*HK$*	*HK$*
Figures before adjustments	**0.60**	**0.60**	0.51	0.51
Adjustments arising from finalisation of accounting for acquisition of jointly controlled entities	**–**	**–**	–	–
Adjustments arising from business combination of entities under common control	**0.06**	**0.06**	0.03	0.03
Figures after adjustments	**0.66**	**0.66**	0.54	0.54

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

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related party disclosures
Amendments to HKAS 32	Classification of right issues
Amendments to HK(IFRIC) – INT 14	Prepayments of a minimum funding requirement
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instruments

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

Amendments to HKAS 1 "Presentation of financial statements" (as part of Improvements to HKFRSs issued in 2010)

The amendments to HKAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the consolidated statement of changes in equity or in the notes to the consolidated financial statements. In the current year, for each component of equity, the Group has chosen to present such an analysis in the consolidated statement of changes in equity. Such amendments have been applied retrospectively, and hence the disclosures in these consolidated financial statements have been modified to reflect the change.

HKAS 24 (as revised in 2009) "Related party disclosures"

HKAS 24 (as revised in 2009) has been revised on the following two aspects: (a) HKAS 24 (as revised in 2009) has changed the definition of a related party; and (b) HKAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

The Company and its subsidiaries are government-related entities. In its annual consolidated financial statements for the year ended 31 December 2010, the Group had applied early the partial exemption from the disclosure requirements for government-related entities. In the current year, the Group has applied for the first time the revised definition of a related party as set out in HKAS 24 (as revised in 2009), which did not result in the identification of new related parties that were not identified as related party under the previous standard.

HKAS 24 (as revised in 2009) requires retrospective application. The application of HKAS 24 (as revised in 2009) has had no impact on the Group's financial performance and positions for the current and prior years.

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

Amendments to HKAS 1	Presentation of items of other comprehensive income[4]
Amendments to HKAS 12	Deferred tax: Recovery of underlying assets[1]
HKAS 19 (as revised in 2011)	Employee benefits[2]
HKAS 27 (as revised in 2011)	Separate financial statements[2]
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures[2]
Amendments to HKFRS 32	Offsetting financial assets and financial liabilities[6]
Amendments to HKFRS 7	Disclosures – Transfer of financial assets[3]
	Disclosures – Offsetting financial assets and financial liabilities[2]
	Mandatory effective date of HKFRS 9 and transition disclosures[5]
HKFRS 9	Financial instruments[5]
HKFRS 10	Consolidated financial statements[2]
HKFRS 11	Joint arrangements[2]
HKFRS 12	Disclosure of interests in other entities[2]
HKFRS 13	Fair value measurement[2]
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine[2]

1 Effective for annual periods beginning on or after 1 January 2012.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 July 2011.
4 Effective for annual periods beginning on or after 1 July 2012.
5 Effective for annual periods beginning on or after 1 January 2015.
6 Effective for annual periods beginning on or after 1 January 2014.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") – Continued

New and revised standards on consolidation, joint arrangements, associates and disclosures

In June 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued, including HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (as revised in 2011) and HKAS 28 (as revised in 2011).

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and separate financial statements" that deal with consolidated financial statements and HK(SIC) – INT 12 "Consolidation – Special purpose entities". HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 "Interests in joint ventures" and HK(SIC) – INT 13 "Jointly controlled entities – non-monetary contributions by venturers". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations.

In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities are currently accounted for using the proportionate accounting according to the Group's accounting policy in accordance with HKAS 31.

HKFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in HKFRS 12 are more extensive than those in the current standards.

These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards will have significant impact on amounts reported in the consolidated financial statements. The application of HKFRS 11 will result in changes in the accounting of the Group's jointly controlled entities that are currently accounted for using proportionate consolidation. Under HKFRS 11, those jointly controlled entities will be classified as joint ventures or joint operations, depending on the rights and obligations of the parties to the joint arrangement. However, the directors have not yet performed a detailed analysis of the impact of the application of these standards and hence have not yet quantified the extent of the impact.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the Group's financial performance and positions.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values as explained in the accounting policies set out below.

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

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance (effective from 1 January 2010 onwards).

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognise as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial instruments: Recognition and measurement" ("HKAS 39") or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

Acquisitions of businesses that are not combinations of business under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee benefits" respectively;

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based payment" at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Acquisition of businesses that are not combinations of business under common control was accounted for using the purchase method. The cost of the acquisition was measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that met the relevant conditions for recognition were generally recognised at their fair values at the acquisition date.

Goodwill arising on acquisition was recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the recognised amounts of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the recognised amounts of the acquiree's identifiable assets, liabilities and contingent liabilities exceeded the cost of the business combination, the excess was recognised immediately in profit or loss.

The non-controlling interest in the acquiree was initially measured at the non-controlling interest's proportionate share of recognised amounts of the assets, liabilities and contingent liabilities of the acquiree.

Merger accounting for business combinations involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the ultimate controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period and up to the date of disposal, as appropriate.

The comparative amounts in the consolidated financial statements are restated as if the entities or businesses had been combined at the previous reporting period or when they first came under common control, whichever is shorter and up to the date of disposal, as appropriate.

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

Goodwill

Goodwill arising on an acquisition of a business or a jointly controlled entity (which is accounted for using proportionate consolidation) is carried at cost less accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

Investments in associates

An associate is an entity over which the investor has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Investments in jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The Group recognises its interests in jointly controlled entities using proportionate consolidation. The Group's share of each of the assets, liabilities, income and expenses of the jointly controlled entities are combined with the Group's similar line items, line by line, in the consolidated financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a business or a jointly controlled entity.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

For deemed acquisition of additional interests of jointly controlled entities, the excess of the share of net assets before the deemed acquisition over the share of net assets after the deemed acquisition is recognised as goodwill.

Upon disposal of a jointly controlled entity that results in the Group losing joint control over that jointly controlled entity, any retained investment is measured at fair value at that date. The difference between the previous carrying amount of the jointly controlled entity attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the jointly controlled entity. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that jointly controlled entity on the same basis as would be required if that jointly controlled entity had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that jointly controlled entity would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses joint control over that jointly controlled entity.

When a group entity transacts with its jointly controlled entity, profits and losses resulting from the transactions with the jointly controlled entity are recognised in the consolidated financial statements only to the extent of interests in the jointly controlled entity that are not related to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from a construction contract for gas connection is recognised when the outcome of a construction contract for gas connection can be estimated reliably and the stage of completion at the end of reporting period can be measured reliably. Revenue from and expenses on construction contracts for gas connection are recognised using the percentage of completion method, measured by reference to the costs incurred during the year relative to the estimated total costs of the contract. When the outcome of a construction contract for gas connection cannot be estimated reliably, revenue is recognised only to the extent of contract cost incurred that is probable to be recoverable.

Connection fee income is recognised upon the connection of pipelines of customers to the Group's existing gas pipelines.

Revenue from gas supply is recognised when gas is used by customers.

Revenue from sales of goods is recognised when goods are delivered and title has passed.

Service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

4. **SIGNIFICANT ACCOUNTING POLICIES – Continued**

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method.

Construction in progress includes property, plant and equipment in the course of construction for production or for own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasehold land and buildings under development for future owner-occupied purpose

When the leasehold land and buildings are in the course of development for production or for administrative purposes, the leasehold land component classified as an operating lease is classified as a prepaid lease payment and amortised over a straight-line basis over the lease term. During the construction period, the amortisation charge provided for the leasehold land is included as part of costs of buildings under construction. Buildings under construction are carried at cost, less any identified impairment losses and are classified as property, plant and equipment. Depreciation of buildings commences when they are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Construction contracts

When the outcome of a construction contract for gas connection can be estimated reliably and the stage of contract completion at the end of the reporting period can be measured reliably, contract costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period on the same basis as contract revenue is recognised.

When the outcome of a construction contract for gas connection cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred. When it is probable that total contracts costs will exceed contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statement of financial position under trade and other receivables.

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

Intangible assets

Intangible assets refer to the operating rights for city pipeline network.

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss in the period when the asset is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into one of the two categories, including loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from fellow subsidiaries, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

The effective interest method is a method of calculating the amortised cost of a financial asset and allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount of the asset on initial recognition. Interest income is recognised on an effective interest basis for debt instrument.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, or held-to-maturity investments. The Group designated listed and unlisted equity securities as available-for-sale financial assets.

Available-for-sale financial assets are measured at fair value at the end of the reporting period, except for available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, which are measured at cost less any identified impairment losses at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becomes probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For investments in equity securities that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit and loss. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit and loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Financial liabilities, including trade and other payables, amounts due to fellow subsidiaries, bank and other borrowings and other long-term liabilities, are measured at amortised cost, using the effective interest method subsequent to initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liability when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

As lessor

Rental income from operating leases is recognised in profit or loss a straight-line basis over the relevant lease term.

As lessee

Operating lease payments are recognised as an expense on a straight-line basis over the relevant lease term. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the costs of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

Retirement benefit costs

Payments to defined contribution retirement benefit plans/state-managed retirement benefit schemes/the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and joint controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the date.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rates of exchange prevailing at the end of reporting period, and their income and expenses are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of the reporting period. Exchange differences arising are recognised in the translation reserve.

Equity-settled share-based payment transactions

Share options and equity incentive scheme granted to employees after 7 November 2002 and vested on or after 1 January 2005

For share option schemes, the fair value of services received, determined by reference to the fair value of share options granted at the grant date, is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve). At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will continue to be held in share option reserve.

At the end of each reporting period, the Group revises its estimates of the number of share options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in the profit or loss, such that the cumulative expenses reflects the revised estimate, with a corresponding adjustment to the share option reserve.

For incentive award schemes, the cost of acquisition of the Company's shares held for the incentive award scheme is recorded as treasury shares (shares held for incentive award scheme). The shares held for the incentive award scheme will be disposed of for cash which will be distributed to the employees.

When the shares held for incentive award scheme are disposed of and the resulting proceeds from disposal are distributed to the employees, the proceeds distributed to employees are recognised as expenses (staff costs), and the difference between the consideration received and the cost of the shares will be credited to retained profits.

Share options and equity incentive scheme granted to employees on or before 7 November 2002, or granted after 7 November 2002 and vested before 1 January 2005

The financial impact of share options granted is not recorded in the consolidated financial statements until such time as the options are exercised, and no charge is recognised in the profit or loss in respect of the value of options granted. Upon the exercise of the share options, the resulting shares issued are recorded as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded as share premium. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

Impairment losses of tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

4. SIGNIFICANT ACCOUNTING POLICIES – Continued

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Government grants related to depreciable assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss over the useful lives of the related assets. Other government grants are recognised as revenue over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

The Group makes estimates and assumptions concerning the future in preparing accounting estimates. The resulting accounting estimates may not be equal to the actual results. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods. The key estimates and assumptions that may 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.

Estimation of useful lives of property, plant and equipment

Management estimates the useful lives of property, plant and equipment based on the expected lifespan of those property, plant and equipment. The useful lives of property, plant and equipment could change significantly as a result of technical innovation. When the actual useful lives of property, plant and equipment due to the change of commercial and technological environment are different from their estimated useful lives, such difference will impact the depreciation charges and the amounts of assets written down for future periods.

The carrying amount of property, plant and equipment at 31 December 2011 is HK$10,554,637,000 (31 December 2010: HK$9,100,672,000 and 1 January 2010: HK$4,652,574,000).

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2011, the carrying amount of goodwill is HK$589,579,000 (31 December 2010: HK$527,253,000 and 1 January 2010: HK$226,991,000). Details of the recoverable amount calculation are disclosed in Note 20.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY – Continued

Allowance for doubtful debts

The Group makes allowance for doubtful debts based on an assessment of the recoverability of debtors. Allowances are made on trade debtors whenever there is any objective evidence that the balances may not be collectible. The Group makes judgement in assessing the collectability based on observable data including creditworthiness and payment history of the customers (for details please refer to Note 23). When objective evidence for allowance exists, the amount of allowance is the difference between the carrying amounts of the debts and the present value of estimated future cash flows, discounted at the original effective interest rate. Where the expectation on the recoverability of the debts is different from the original estimate, such difference will impact the carrying amounts of debtors and doubtful debt expenses in the periods in which such estimate has been changed.

The carrying amount of trade debtors, net of allowance, at 31 December 2011 is HK$980,655,000 (31 December 2010: HK$584,036,000 and 1 January 2010: HK$209,269,000).

Allowance for inventories

The Group makes allowance for inventories based on an assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories. In cases where the net realisable value of inventories assessed are less than expected, a material recognition of allowance for inventories may arise, which would be recognised in profit or loss in the period in which such recognition takes place.

At 31 December 2011, the carrying amount of inventories is HK$412,178,000 (31 December 2010: HK$268,709,000 and 1 January 2010: HK$200,148,000).

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to maintain a balance between continuity of cash flows from operating activities and the flexibility through the use of bank and other borrowings. The Group also monitors the current and expected liquidity requirements and its compliance with lending covenants regularly to ensure that sufficient working capital and adequate committed lines of funding are maintained to meet its liquidity requirements.

The capital structure of the Group consists of debts, which include bank and other borrowings, bank balances and equity attributable to owners of the Company, comprising issued capital, retained profits and other reserves.

The management of the Group reviews the capital structure on a regular basis. As part of this review, management considers the cost of capital and the associated risk, and take appropriate actions to adjust the Group's capital structure through the payment of dividends, new share issues as well as the issue of new debts or the redemption of existing debts.

7. FINANCIAL INSTRUMENTS

Categories of financial instruments

	31.12.2011 ***HK\$'000***	31.12.2010 *HK\$'000* (Restated)	1.1.2010 *HK\$'000* (Restated)
Financial assets			
Loans and receivables (including cash and cash equivalents)	**8,677,118**	7,830,992	3,836,927
Available-for-sale investments	**28,493**	47,795	28,522
Financial liabilities			
At amortised cost	**9,511,496**	8,727,050	6,127,939

7. FINANCIAL INSTRUMENTS – Continued

Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, trade and other receivables, amounts due from/to fellow subsidiaries, pledged bank deposits, bank balances and cash, trade and other payables, bank and other borrowings and other long-term liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign currency risk

The carrying amounts of the Group's monetary assets and monetary liabilities denominated in foreign currencies, i.e. currency other than the functional currency of the respective group entities, which are mainly amounts due from/to fellow subsidiaries, pledged bank deposits, bank balances and cash, trade and other payables and bank and other borrowings, at the end of the reporting period are as follows:

	2011	2010
	HK$'000	*HK$'000*
Assets		
United States dollars	**411,216**	175,531
Hong Kong dollars	**1,129,042**	1,788,948
	1,540,258	1,964,479
Liabilities		
Hong Kong dollars	**5,880,000**	4,992,500
Euro	**15,745**	17,385
	5,895,745	5,009,885

The Group manages its foreign currency risk by closely monitoring the movements of foreign currency exchange rates. The Group currently has not entered into any foreign currency forward contracts to hedge against foreign currency risk. Management will consider hedging foreign currency exposure should the need arise.

Foreign currency sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in Renminbi ("RMB"), the functional currency of the group entities, against relevant foreign currencies. 5% is the sensitivity rate which represents management's assessment of the possible change in foreign currency rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for 5% change in foreign currency rates. A positive (negative) number indicates an increase (decrease) in pre-tax profit for the year when RMB strengthens 5% against the relevant foreign currencies. For a 5% weakening of RMB against the relevant currency, there would be an equal but opposite impact on the pre-tax profit for the year.

	2011	2010
	HK$'000	*HK$'000*
United States dollars		
Pre-tax profit for the year	**(20,561)**	(8,777)
Hong Kong dollars		
Pre-tax profit for the year	**237,548**	160,178
Euro		
Pre-tax profit for the year	**787**	869

7. FINANCIAL INSTRUMENTS – Continued

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to floating-rate bank and other borrowings (see Note 29 for details of these borrowings). The management continuously monitors interest rate fluctuation and will consider further hedging interest rate risk should the need arise.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate bank and other borrowings (see Note 29 for details of these borrowings). The management continuously monitors interest rate exposure.

The Group's bank balances have exposure to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances (see Note 26 for details of these deposits). The management considers the Group's exposure of the short-term bank deposits to interest rate risk is not significant as interest bearing bank balances are within short maturity period.

Interest rate sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates for interest bearing bank balances and bank and other borrowings. The analysis is prepared assuming those balances outstanding at the end of each reporting period were outstanding for the whole year. A 50 basis point increase or decrease which represents the management's assessment of the reasonably possible change in interest rates is used.

If the interest rate on bank balances and pledged bank deposits carried at variable rates had been 10 basis points higher/lower and all other variables were held constant, the pre-tax profit for the year ended 31 December 2011 would increase by approximately HK$6,908,000 (2010: HK$6,722,000). If the interest rate on floating-rate bank and other borrowings had been 50 basis points higher/lower and all other variables were held constant, the pre-tax profit for the year ended 31 December 2011 would decrease by approximately HK$30,777,000 (2010: HK$26,594,000). This is mainly attributable to the Group's exposure to interest rates on its bank balances with variable rates and floating-rate bank and other borrowings.

The Group's exposure to cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") arising from the Group's borrowings denominated in Hong Kong dollars and People's Bank of China Base Rate arising from the Group's borrowings denominated in RMB and Euro.

Credit risk

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position and the amount of contingent liabilities in relation to financial guarantee issued by the Group as disclosed in Note 41. In order to minimise the credit risk, the Group has policies in place for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

Before accepting any new customer, the Group carries out searches on the creditability of the new customer and assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year.

In addition, the Group reviews the recoverability of each individual trade debt on a regular basis to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Group considers that the credit risk is significantly reduced.

The credit risk on bank deposits is limited because the counterparties are financial institutions with high credit standing.

7. FINANCIAL INSTRUMENTS – Continued

At 31 December 2011, the Group has concentration of credit risk in relation to the receivables from fellow subsidiaries and a joint venturer of a jointly controlled entity of the Group amounting to HK$89,581,000 (31 December 2010: HK$103,558,000 and 1 January 2010: HK$282,677,000) and HK$178,657,000 (31 December 2010: nil and 1 January 2010: nil), respectively. In order to minimise the credit risk, the management has reviewed the recoverable amount of each receivable from its fellow subsidiaries and joint venturer at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management also monitors the utilisation of bank borrowings and ensures compliance with loan covenants, if any.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate	On demand	Less than 1 year	Over 1 year but not more than 5 years	Over 5 years	Total undiscounted cash flows	Carrying amounts
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2011							
Trade and other payables		**1,011,102**	**1,592,695**	**–**	**–**	**2,603,797**	**2,603,797**
Amounts due to fellow subsidiaries		**213,536**	**–**	**–**	**–**	**213,536**	**213,536**
Bank and other borrowings	**3.69%**	**300,000**	**1,265,359**	**4,908,239**	**268,906**	**6,742,504**	**6,499,596**
Other long-term liabilities	**3.93%**	**–**	**20,578**	**131,009**	**131,283**	**282,870**	**194,567**
		1,524,638	**2,878,632**	**5,039,248**	**400,189**	**9,842,707**	**9,511,496**
At 31 December 2010 (restated)							
Trade and other payables	–	920,063	1,028,496	–	–	1,948,559	1,948,559
Amounts due to fellow subsidiaries	–	963,731	–	–	–	963,731	963,731
Bank and other borrowings	2.03%	300,000	247,416	5,282,672	84,961	5,915,049	5,690,473
Other long-term liabilities	3.93%	–	9,598	52,338	115,621	177,557	124,287
Financial guarantee contracts *(Note)*	–	–	67,690	–	–	67,690	–
		2,183,794	1,353,200	5,335,010	200,582	9,072,586	8,727,050

Note: The amounts for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount as stated in Note 41 if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities classified as available-for-sale investments (see Note 19). The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on shares listed on the Shanghai Stock Exchange. In addition, the management of the Group monitors the price risk and will consider hedging the risk exposure should the need arise.

7. **FINANCIAL INSTRUMENTS – Continued**

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If the prices of the listed equity instruments had been 5% (2010: 5%) higher/lower, the investment valuation reserve will increase by HK$78,000 (2010: HK$1,324,000) or the pre-tax profit for the year will decrease by HK$78,000 (2010: HK$1,324,000).

The Group's sensitivity to available-for-sale investments has not changed significantly from the prior year.

Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

8. **TURNOVER AND SEGMENT INFORMATION**

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

The Group's operating segments under HKFRS 8 are as follows:

Sale and distribution of gas fuel and related products – sale of liquefied petroleum gas and natural gas for residential, commercial and industrial use

Gas connection – connection fee income and construction contracts for gas connection to the Group's pipelines

Segments results represent the profit before taxation earned by each segment, excluding sundry income, interest income, finance costs, central administration costs, release from prepaid lease payments and directors' salaries. This is the measure reported to the executive directors for the purpose of resource allocation and assessment of segment performance.

The information of segment revenue, segment results, segment assets and segment liabilities are as follows:

For the year ended 31 December 2011

Segment revenue and results

	Sale and distribution of gas fuel and related products *HK$'000*	Gas connection *HK$'000*	Total *HK$'000*
Turnover			
External sales	**10,765,659**	**2,740,973**	**13,506,632**
Result			
Segment results	**998,229**	**1,147,875**	**2,146,104**
Share of results of associates			**117,454**
Finance costs			**(76,809)**
Unallocated income			**363,891**
Unallocated expenses			**(402,938)**
Profit before taxation			**2,147,702**

8. TURNOVER AND SEGMENT INFORMATION – Continued

Segment assets and liabilities

	Sale and distribution of gas fuel and related products *HK$'000*	Gas connection *HK$'000*	Consolidated *HK$'000*
ASSETS			
Segment assets	**10,278,073**	**3,078,534**	**13,356,607**
Interests in associates			**1,642,728**
Deferred tax assets			**121,274**
Unallocated corporate assets *(Note a)*			**10,285,019**
			25,405,628
LIABILITIES			
Segment liabilities	**1,500,018**	**4,403,953**	**5,903,971**
Taxation payable			**196,146**
Deferred tax liabilities			**390,908**
Unallocated corporate liabilities *(Note b)*			**8,296,056**
			14,787,081

Other information

	Sale and distribution of gas fuel and related products *HK$'000*	Gas connection *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Additions to non-current assets	**1,548,283**	**–**	**141,172**	**1,689,455**
Depreciation and amortisation	**416,295**	**–**	**67,759**	**484,054**
Release of prepaid lease payments	**–**	**–**	**20,512**	**20,512**
Impairment loss on trade receivables	**2,894**	**–**	**–**	**2,894**
Gain on disposal of property, plant and equipment	**(10,037)**	**–**	**–**	**(10,037)**

8. TURNOVER AND SEGMENT INFORMATION – Continued

For the year ended 31 December 2010

Segment revenue and results (restated)

	Sale and distribution of gas fuel and related products *HK$'000*	Gas connection *HK$'000*	Total *HK$'000*
Turnover			
External sales	7,174,853	2,156,629	9,331,482
Result			
Segment results	726,564	861,836	1,588,400
Share of results of associates			15,524
Finance costs			(81,599)
Unallocated income			192,211
Unallocated expenses			(347,567)
Profit before taxation			1,366,969

Segment assets and liabilities (restated)

	Sale and distribution of gas fuel and related products *HK$'000*	Gas connection *HK$'000*	Consolidated *HK$'000*
ASSETS			
Segment assets	8,362,684	2,705,436	11,068,120
Deferred tax assets			132,188
Interests in associates			85,249
Unallocated corporate assets *(Note a)*			9,493,566
			20,779,123
LIABILITIES			
Segment liabilities	1,096,354	3,110,798	4,207,152
Taxation payable			160,375
Deferred tax liabilities			466,441
Unallocated corporate liabilities *(Note b)*			7,961,243
			12,795,211

8. **TURNOVER AND SEGMENT INFORMATION – Continued**

Other information (restated)

	Sale and distribution of gas fuel and related products *HK$'000*	Gas connection *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Additions to non-current assets	1,885,286	–	107,683	1,992,969
Depreciation and amortisation	374,112	–	56,015	430,127
Release of prepaid lease payments	–	–	17,691	17,691
Impairment loss on trade receivables	9,961	–	–	9,961
Loss on disposal of property, plant and equipment	362	–	–	362

At 1 January 2010

Segment assets and liabilities (restated)

	Sale and distribution of gas fuel and related products *HK$'000*	Gas connection *HK$'000*	Consolidated *HK$'000*
ASSETS			
Segment assets	4,877,868	1,117,809	5,995,677
Interest in associates			21,733
Deferred tax assets			58,575
Unallocated corporate assets *(Note a)*			5,979,921
			12,055,906
LIABILITIES			
Segment liabilities	636,158	1,962,294	2,598,452
Taxation payable			70,096
Deferred tax liabilities			262,803
Unallocated corporate liabilities *(Note b)*			5,665,472
			8,596,823

Geographical information

The Group's turnover and non-current assets (excluded financial instruments and deferred tax assets) are arisen in and located in the PRC during both years.

Information about major customers

No single external customer contributed revenue from transactions amounting to 10% or more of the revenue of the Group during both years.

Notes:

(a) Unallocated corporate assets represent goodwill arising on acquisition of subsidiaries and jointly controlled entities which are engaged in sale and distribution of gas fuel and related products and gas connection, investment properties, prepaid lease payments, deposit for acquisition of prepaid lease payments, deposit for investments, available-for-sale investments, other receivables, amounts due from fellow subsidiaries, pledged bank deposits and bank balances and cash.

8. TURNOVER AND SEGMENT INFORMATION – Continued

(b) Unallocated corporate liabilities represent other payables, accrued expenses, amounts due to fellow subsidiaries, bank and other borrowings and other long-term liabilities (excluding payable for acquisition of operating rights). The amounts due to fellow subsidiaries and bank and other borrowings are classified as unallocated corporate liabilities because they are managed centrally by the treasury function of the Group.

9. FINANCE COSTS

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Interests on:		
Bank and other borrowings wholly repayable within five years (including a bank loan with repayment on demand clause)	**72,595**	52,678
Bank and other borrowings not wholly repayable within five years	**1,565**	1,844
Amount due to a fellow subsidiary	**–**	24,441
Other long-term liabilities	**2,649**	2,636
	76,809	81,599

10. TAXATION

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
The tax charge (credit) comprises:		
Current taxation		
PRC Enterprise Income Tax	**556,400**	327,088
Underprovision in prior years	**–**	3,687
	556,400	330,775
Deferred taxation *(Note 31)*		
Credit for the year	**(5,106)**	(1,990)
	551,294	328,785

Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) on the estimated assessable profits for the year. The Company and its subsidiaries operating in Hong Kong do not have assessable profits, accordingly, no provision for Hong Kong Profits Tax has been made in the consolidated financial statements.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Certain subsidiaries operating in the PRC are exempted from income tax applicable in the PRC for two years starting from the first profit making year after utilisation of the tax losses brought forward and were granted a 50% relief for the following three years. These tax exemptions and reliefs will expire in the year 2014.

Certain jointly controlled entities which are operating in the Western China have been granted tax concessions by the local tax bureau and are entitled to PRC Enterprise Income Tax at concessionary rate of 15%.

According to a joint circular of the Ministry of Finance and State Administration of Taxation, Cai Shui 2010 No. 1, only the profits earned by foreign-investment enterprise prior to 1 January 2008, when distributed to foreign investors, can be grandfathered and exempted from withholding tax. Whereas, dividend distributed out of the profits generated thereafter, shall be subject to the Enterprise Income Tax at 5% or 10% and withheld by the PRC entities, pursuant to Articles 3 and 27 of the New Law and Article 91 of its Detailed Implementation Rules.

10. TAXATION – Continued

The tax charge for the year can be reconciled to the profit before taxation as follows:

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Profit before taxation	**2,147,702**	1,366,969
Tax at the applicable income tax rate of 25% (2010: 25%) *(Note)*	**536,926**	341,743
Tax effect of expenses not deductible for tax purposes	**17,478**	26,454
Tax effect of income not taxable for tax purposes	**(19,788)**	(6,067)
Tax effect of share of results of associates	**29,364**	3,881
Tax effect of tax losses not recognised	**15,151**	19,463
Utilisation of tax losses previously not recognised	**(191)**	(7,052)
Tax effect of deductible temporary differences not recognised	**–**	257
Effect of tax exemptions and reliefs granted to subsidiaries operating in the PRC	**(21,944)**	(50,633)
Income tax at concessionary rates	**(17,077)**	(33,076)
Effect of different tax rates of subsidiaries	**(1,133)**	(6,667)
Withholding tax for undistributed profits of investments in the PRC	**18,000**	30,000
Underprovision in prior year	**–**	3,687
Others	**(5,492)**	6,795
Tax charge for the year	**551,294**	328,785

Note: The applicable income tax rate represents PRC Enterprise Income Tax rate of 25% for the two years ended 31 December 2011 and 2010, of which the Group's operations are substantially based.

11. PROFIT FOR THE YEAR

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Profit for the year has been arrived at after charging (crediting):		
Staff costs		
Directors' emoluments *(Note 12)*	**31,225**	12,418
Other staff		
– Salaries and other benefits	**1,001,021**	692,967
– Retirement benefits schemes contributions	**141,824**	87,161
Total staff costs	**1,174,070**	792,546
Auditor's remuneration	**4,100**	3,518
Depreciation of property, plant and equipment	**449,506**	399,560
Depreciation of investment properties	**1,355**	624
Amortisation of operating rights (included in administrative expenses)	**33,193**	29,943
Release of prepaid lease payments	**20,512**	17,691
Impairment loss on trade receivables	**2,894**	9,961
Impairment loss on inventories	**954**	–
Operating lease rentals in respect of rented premises	**45,408**	31,218
(Gain) loss on disposal of property, plant and equipment	**(10,037)**	362
Dividend income from available-for-sale investments	**–**	(440)
Gain on disposal of available-for-sale investments	**(665)**	(280)
Government grants	**(46,673)**	(39,529)
Interest on bank deposits	**(94,408)**	(55,376)
Rental income from investment properties (net of negligible outgoings)	**(4,388)**	(1,955)

12. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

Directors

The emoluments paid or payable to the directors are as follows:

Name of Director	*Notes*	2011 Fees *HK$'000*	2011 Salaries and other benefits *HK$'000*	2011 Performance related incentive payments *HK$'000*	2011 Retirement benefit schemes contributions *HK$'000*	2011 Total *HK$'000*	2010 Total *HK$'000*
Ma Guoan		**70**	**1,745**	**7,495**	**72**	**9,382**	5,056
Wang Chuandong		**70**	**1,495**	**16,584**	**72**	**18,221**	4,077
Ong Thiam Kin, Ken		**70**	**1,560**	**1,229**	**173**	**3,032**	2,653
Wei Bin	*b*	**70**	**–**	**–**	**–**	**70**	70
Du Wenmin	*a*	**70**	**–**	**–**	**–**	**70**	70
Li Fuzuo		**–**	**–**	**–**	**–**	**–**	42
Wong Tak Sing	*a*	**150**	**–**	**–**	**–**	**150**	150
Luk Chi Cheong	*a*	**150**	**–**	**–**	**–**	**150**	150
Yu Jian	*b*	**150**	**–**	**–**	**–**	**150**	119
Yang Chonghe, Howard		**–**	**–**	**–**	**–**	**–**	31
		800	**4,800**	**25,308**	**317**	**31,225**	12,418

Notes:

(a) Being independent non-executive directors and members of the Audit Committee.

(b) Being independent non-executive director.

Performance related incentive payments were determined with reference to the Group's operating results, individual performances and comparable market statistics. Included therein were amounts granted to directors of HK$23,880,000 (2010: HK$5,324,000) under the Incentive Award Scheme as defined in Note 33.

Employees

The five highest paid individuals of the Group included two (2010: three) executive directors, details of whose emoluments are set out above. The emoluments of the remaining three (2010: two) highest paid employees of the Group are as follows:

	2011 *HK$'000*	2010 *HK$'000*
Salaries and other benefits	**1,653**	1,250
Performance related incentive payments	**16,508**	4,020
Retirement benefit schemes contributions	**167**	92
	18,328	5,362

12. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES – Continued

The emoluments of the above employees are within the following bands:

	2011 Number of employees	2010 Number of employees
HK$2,500,001 to HK$3,000,000	**–**	2
HK$5,000,001 to HK$5,500,000	**1**	–
HK$6,000,001 to HK$6,500,000	**1**	–
HK$6,500,001 to HK$7,000,000	**1**	–

13. DIVIDENDS

	2011	2010
	HK$'000	*HK$'000*
Dividends recognised as distribution during the year:		
Interim dividend paid of 2 HK cents per share for 2011 (2010: paid of 2 HK cents per share for 2010)	**33,199**	31,491
Final dividend paid of 8 HK cents per share for 2010 (2010: paid of 4.5 HK cents per share for 2009)	**141,050**	60,499
	174,249	91,990

The directors recommend the payment of a final dividend of 10 HK cents per share for the year ended 31 December 2011 (2010: 8 HK cents per share).

14. EARNINGS PER SHARE

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

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Earnings:		
Earnings for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**1,200,473**	786,676

	2011	2010
Number of shares:		
Weighted average number of shares in issue less shares held for incentive award scheme for the purposes of basic earnings per share	**1,828,293,284**	1,445,155,924
Effect of dilutive potential shares		
Share options	**52,320**	50,718
Weighted average number of shares in issue less shares held for incentive award scheme for the purposes of diluted earnings per share	**1,828,345,604**	1,445,206,642

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties *HK$'000*	Plant, machinery and equipment *HK$'000*	Gas pipelines *HK$'000*	Furniture and fixtures *HK$'000*	Leasehold improvements *HK$'000*	Motor vehicles *HK$'000*	Construction in progress *HK$'000*	Total *HK$'000*
THE GROUP								
COST								
At 1 January 2010 (restated)	476,814	419,320	3,292,407	58,852	6,379	153,195	679,769	5,086,736
Exchange adjustments	42,770	38,904	70,451	5,091	343	11,280	48,304	217,143
Additions	90,424	165,501	249,400	36,275	65	70,822	1,353,214	1,965,701
Acquisition of subsidiaries	143,294	222,321	588,778	14,467	–	32,587	226,495	1,227,942
Acquisition of jointly controlled entities	307,430	113,813	943,036	9,559	2,908	37,591	156,205	1,570,542
Disposals	(10,197)	(14,429)	(85,150)	(1,791)	–	(11,902)	–	(123,469)
Transfers between categories	217,472	55,775	509,989	2,829	–	4,749	(790,814)	–
At 31 December 2010	1,268,007	1,001,205	5,568,911	125,282	9,695	298,322	1,673,173	9,944,595
Exchange adjustments	79,866	99,699	378,637	8,195	892	18,804	157,890	743,983
Additions	106,457	123,866	88,982	28,922	4,045	92,635	1,198,853	1,643,760
Acquisition of subsidiaries	8,326	29,551	174,627	966	–	3,017	105,760	322,247
Acquisition of a jointly controlled entity	2,236	1,136	118,597	295	357	937	24,919	148,477
Deemed acquisition of additional interests in a jointly controlled entity	2,311	812	171,675	157	–	554	2,835	178,344
Loss of joint control over a jointly controlled entity	(263,342)	(109,451)	(619,042)	(13,775)	–	(41,095)	(177,367)	(1,224,072)
Disposals	(60,264)	(60,502)	(26,483)	(9,978)	–	(9,004)	–	(166,231)
Transfers between categories	198,539	3,075	676,171	12,652	18,468	2,480	(911,385)	–
At 31 December 2011	**1,342,136**	**1,089,391**	**6,532,075**	**152,716**	**33,457**	**366,650**	**2,074,678**	**11,591,103**
DEPRECIATION AND IMPAIRMENT								
AT 1 January 2010 (restated)	27,920	56,725	277,052	16,669	3,134	25,831	26,831	434,162
Exchange adjustments	5,847	7,434	19,898	2,369	128	3,495	–	39,171
Provided for the year	51,124	94,988	198,057	21,749	10	33,632	–	399,560
Eliminated on disposals	(5,536)	(7,321)	(5,858)	(1,502)	–	(8,753)	–	(28,970)
At 31 December 2010	79,355	151,826	489,149	39,285	3,272	54,205	26,831	843,923
Exchange adjustments	8,260	15,842	38,988	3,359	223	5,910	–	72,582
Loss of joint control over a jointly controlled entity	(50,618)	(37,632)	(173,603)	(8,923)	–	(15,559)	–	(286,335)
Provided for the year	50,292	113,196	219,614	22,782	87	43,535	–	449,506
Eliminated on disposals	(5,544)	(21,555)	(2,466)	(8,230)	–	(5,415)	–	(43,210)
At 31 December 2011	**81,745**	**221,677**	**571,682**	**48,273**	**3,582**	**82,676**	**26,831**	**1,036,466**
CARRYING VALUES								
At 31 December 2011	**1,260,391**	**867,714**	**5,960,393**	**104,443**	**29,875**	**283,974**	**2,047,847**	**10,554,637**
At 31 December 2010	1,188,652	849,379	5,079,762	85,997	6,423	244,117	1,646,342	9,100,672
At 1 January 2010	448,894	362,595	3,015,355	42,183	3,245	127,364	652,938	4,652,574

15. **PROPERTY, PLANT AND EQUIPMENT – Continued**

The above items of property, plant and equipment, other than construction in progress, are depreciated over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, as follows:

Leasehold properties	25 to 40 years or over the relevant lease terms, if shorter
Plant, machinery and equipment	5 to 20 years
Gas pipelines	20 to 30 years
Furniture and fixtures	3 to 12 years
Leasehold improvements	3 to 5 years or over the relevant lease terms, if shorter
Motor vehicles	$3\frac{1}{3}$ to 10 years

The Group's leasehold properties comprise buildings situated on land:

	31.12.2011	31.12.2010	1.1.2010
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Outside Hong Kong on medium-term lease	**1,260,391**	1,188,652	448,894

At 31 December 2011, property, plant and equipment with an aggregate carrying value of HK$203,976,000 (31 December 2010: HK$1,470,000 and 1 January 2010: HK$95,978,000) are pledged to secure the bank borrowings granted to the Group (Note 29).

16. **PREPAID LEASE PAYMENTS**

The Group's prepaid lease payments comprise of leasehold land situated:

	31.12.2011	31.12.2010	1.1.2010
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Outside Hong Kong on medium-term lease	**880,220**	884,015	316,472
Analysed for reporting purposes as			
Non-current assets	**844,531**	850,292	302,489
Current assets	**35,689**	33,723	13,983
	880,220	884,015	316,472

17. **INVESTMENT PROPERTIES**

	HK$'000
COST	
At 1 January 2010	12,618
Exchange adjustments	468
Additions	521
At 31 December 2010	13,607
Exchange adjustments	1,031
Additions	15,570
At 31 December 2011	30,208
DEPRECIATION	
At 1 January 2010	1,260
Exchange adjustments	76
Provided for the year	624

17. INVESTMENT PROPERTIES – Continued

	HK$'000
At 31 December 2010	1,960
Exchange adjustments	192
Provided for the year	1,355
At 31 December 2011	**3,507**
CARRYING VALUES	
At 31 December 2011	**26,701**
At 31 December 2010	11,647
At 1 January 2010	11,358

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using cost model and are classified and accounted for as investment properties. Depreciation is provided to write off the cost of investment properties using straight-line method over the remaining terms of the leases.

At 31 December 2011 and 2010, all of the Group's investment properties are situated in the PRC with medium terms of leases.

18. INTERESTS IN ASSOCIATES

	31.12.2011	31.12.2010	1.1.2010
	HK$'000	*HK$'000*	*HK$'000*
Unlisted shares, at cost	**1,507,257**	57,105	13,356
Goodwill	**3,482**	3,482	–
Share of post-acquisition profits and other comprehensive income, net of dividend received	**131,989**	24,662	8,377
	1,642,728	85,249	21,733

Details of the Group's associates at the end of the reporting period are set out in Note 46.

The summarised financial information in respect of the Group's associates is set out below:

	31.12.2011	31.12.2010	1.1.2010
	HK$'000	*HK$'000*	*HK$'000*
Total assets	**7,843,944**	966,319	337,652
Total liabilities	**(3,882,534)**	(654,571)	(190,758)
Net assets	**3,961,410**	311,748	146,894
The Group's share of net assets of associates	**1,639,246**	81,767	21,733
Income	**6,090,484**	309,977	
Expenses	**5,693,685**	275,674	
Profit for the year	**396,799**	34,303	
Other comprehensive income	**131,843**	9,524	
The Group's share of profit and other comprehensive income of associates	**168,161**	19,187	

19. AVAILABLE-FOR-SALE INVESTMENTS

	31.12.2011	31.12.2010	1.1.2010
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Listed shares in the PRC, at fair value	**1,560**	26,484	11,745
Unlisted equity investments in the PRC, at cost	**26,933**	21,311	16,777
	28,493	47,795	28,522

The fair value measurements of the listed shares (Level 1 fair value measurements) are derived from quoted prices in an active market.

The unlisted equity investments are measured at cost less impairment losses at the end of the reporting period because the range of reasonable fair value estimates is so significant that the management is of the opinion that their fair values cannot be measured reliably.

20. GOODWILL

	HK$'000
CARRYING VALUE	
At 1 January 2010 (restated)	226,991
Exchange adjustments	1,251
Acquisition of subsidiaries	39,125
Acquisition of jointly controlled entities	259,886
At 31 December 2010	527,253
Exchange adjustments	11,793
Acquisition of subsidiaries	294,515
Deemed acquisition of additional interests in a jointly controlled entity	9,892
Loss of control over a jointly controlled entity	(253,874)
At 31 December 2011	589,579

Goodwill acquired in a business combination is allocated to cash generating units ("CGUs") that are expected to benefit from that business combination. The management considers each subsidiary and jointly controlled entity represents a separate CGU for the purpose of goodwill impairment testing. As the subsidiaries and jointly controlled entities are engaged in both "sale and distribution of gas fuel and related products" and "gas connection" segments, the goodwill is not further allocated to each segment. At the end of the reporting period, the carrying amount of goodwill mainly represents goodwill arising from the acquisition of subsidiaries and jointly controlled entities as follows:

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Jointly controlled entities		
重慶燃氣（集團）有限公司 ("Chongqing Gas") *(note)*	**–**	253,794
Subsidiaries		
武漢華潤燃氣有限公司	**131,348**	131,348
安陽華潤燃氣有限公司	**34,324**	34,324
鄭州華潤燃氣股份有限公司 ("Zhengzhou Gas")	**30,202**	30,202
大同華潤燃氣有限公司	**23,089**	23,089
臨海華潤燃氣有限責任公司	**11,624**	11,624
富茂石油工程有限公司 ("Flemming")	**256,249**	–
楚雄華潤燃氣有限公司 ("Chuxiong Gas")	**38,266**	–
Others	**64,477**	42,872
	589,579	527,253

Note: During the year ended 31 December 2011, the Group no longer had joint control but retained significant influence over Chongqing Gas (see Note 37).

20. GOODWILL – Continued

The recoverable amounts of the CGUs are determined based on value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flows forecasts derived from the most recent financial budgets approved by senior management for the next 4 years, which is the general development period for sales of liquefied gas and gas connection business and extrapolates cash flows for the period beyond the budget period based on the estimated growth rate of 5% for the first 8 years and 0% for the remaining 7 years (2010: 5% for the first 8 years and 0% for the remaining 7 years). The rate used to discount the forecast cash flows for the CGUs is 10% (2010: 7.8%). In the opinion of the directors, no material impairment loss of goodwill on gas operation is identified at the end of the reporting period. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU to exceed the aggregate carrying amount of the CGU.

The determination of goodwill arising from the acquisition of subsidiaries amounting to HK$294,515,000 is based on a provisional basis, awaiting the completion of the identification of separable assets and valuation of the assets and liabilities.

During the year ended 31 December 2011, the identification and determination of fair values of the net identifiable assets of jointly controlled entities acquired in 2010 has been completed and the fair value of the property, plant and equipment and prepaid lease payments of Chongqing Gas and 南京江寧華潤燃氣有限公司 ("Nanjing Jiangning CR Gas") were greater than the original estimate made at the date of acquisition. The comparative figures of 2010 have been restated as if the initial accounting had been completed from the respective dates of acquisitions.

The fair value of property, plant and equipment and prepaid lease payments was increased by HK$474,539,000 and HK$55,571,000, respectively, and deferred tax liability was increased by HK$132,528,000 at the respective dates of acquisitions. There was a corresponding reduction in goodwill of HK$397,582,000. The profit for the year ended 31 December 2010 attributable to owners of the Company was also decreased by HK$10,943,000 as a result of additional depreciation and amortisation expenses (net of deferred taxation of HK$3,647,000).

21. OPERATING RIGHTS

	HK$'000
COST	
At 1 January 2010 (restated)	770,430
Exchange adjustments	11,888
Additions	26,747
Acquisition of a subsidiary	17,325
Acquisition of a jointly controlled entity	22,387
At 31 December 2010	848,777
Exchange adjustments	21,104
Additions	30,125
Deemed acquisition of additional interest in a jointly controlled entity	132
At 31 December 2011	**900,138**
AMORTISATION	
At 1 January 2010 (restated)	101,467
Exchange adjustments	983
Provided for the year	29,943

21. OPERATING RIGHTS – Continued

	HK$'000
At 31 December 2010	132,393
Exchange adjustments	5,599
Provided for the year	33,193
At 31 December 2011	**171,185**
CARRYING VALUES	
At 31 December 2011	**728,953**
At 31 December 2010	716,384
At 1 January 2010	668,963

The operating rights for city pipeline network are amortised over the estimated useful life ranging from 10 to 50 years on a straight-line basis.

The management considers each subsidiary and jointly controlled entity represents a separate CGU for the purpose of operating right impairment testing as disclosed in Note 20.

22. INVENTORIES

	31.12.2011	31.12.2010	1.1.2010
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Construction materials	**295,225**	249,102	163,619
Finished goods	**116,953**	19,607	36,529
	412,178	268,709	200,148

23. TRADE AND OTHER RECEIVABLES

	31.12.2011	31.12.2010	1.1.2010
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Trade receivables	**993,278**	593,115	209,269
Less: Allowance for doubtful debts	**(12,623)**	(9,079)	–
	980,655	584,036	209,269
Deposits and prepayments	**1,339,937**	1,000,643	324,231
Other receivables	**393,054**	186,585	292,881
	2,713,646	1,771,264	826,381

Included in other receivables as at 31 December 2011 is an amount due from a joint venturer of a jointly controlled entity of the Group amounting to HK$178,657,000 (31 December 2010: nil and 1 January 2010: nil), which is unsecured, interest bearing at a fixed interest rate of 4.29% per annum and repayable within one year.

23. TRADE AND OTHER RECEIVABLES – Continued

The Group generally allows credit periods ranging from 30 to 90 days to its trade customers, which may be extended to 180 days for selected customers depending on their trade volume and settlement terms. The aged analysis of trade receivables, net of allowance for doubtful debts, is presented based on the invoice date at the end of the reporting period as follows:

	31.12.2011	31.12.2010	1.1.2010
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
0 – 90 days	**843,869**	468,543	166,823
91 – 180 days	**67,926**	63,198	15,979
Over 180 days	**68,860**	52,295	26,467
	980,655	584,036	209,269

Included in trade receivables as at 31 December 2011 are receivables of HK$136,786,000 (31 December 2010: HK$115,493,000 and 1 January 2010: HK$42,446,000) which are past due at the reporting date but are regarded as not impaired as there has not been a significant change in the credit standing of the debtors. The Group does not hold any collateral over these receivables.

Aging of trade receivables which are past due but not impaired

	31.12.2011	31.12.2010	1.1.2010
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
91 – 180 days	**67,926**	63,198	15,979
Over 180 days	**68,860**	52,295	26,467
	136,786	115,493	42,446

In determining the recoverability of a receivable, the Group considers whether there has been adverse change in the credit standing of the debtor from the date credit was initially granted. The concentration of credit risk is limited as the Group's customer base comprises of a large number of customers. Accordingly, the directors of the Company believe that there is no further credit provision required in excess of the allowance for doubtful debts already provided for in the consolidated financial statements.

Included in the allowance for doubtful debts are individually impaired receivables due from certain debtors with an aggregate amount of HK$12,623,000 (31 December 2010: HK$9,079,000 and 1 January 2010: nil) which have either been placed under liquidation or are in financial difficulties. The Group does not hold any collateral over these receivables.

Movements in the allowance for doubtful debts

	2011	2010
	HK$'000	*HK$'000*
At 1 January	**9,079**	–
Exchange adjustments	**650**	–
Impairment loss recognised	**2,894**	9,961
Amounts written off as uncollectible	**–**	(882)
At 31 December	**12,623**	9,079

24. AMOUNTS DUE FROM/TO CUSTOMERS FOR CONTRACT WORK

	31.12.2011	31.12.2010	1.1.2010
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Contract costs incurred plus profits recognised	**822,618**	529,766	352,082
Less: Progress billings	**(3,357,951)**	(1,790,062)	(926,401)
	(2,535,333)	(1,260,296)	(574,319)
Analysis for reporting purposes as:			
Amounts due from customers for contract work	**618,509**	398,319	264,723
Amounts due to customers for contract work	**(3,153,842)**	(1,658,615)	(839,042)
	(2,535,333)	(1,260,296)	(574,319)

25. AMOUNTS DUE FROM/TO FELLOW SUBSIDIARIES

Except for an amount due to a fellow subsidiary of HK$1,600,000,000 at 1 January 2010 (31 December 2011: nil and 31 December 2010: nil) which was unsecured, interest bearing at HIBOR plus 1.2% per annum and repayable after one year, all other amounts are unsecured, interest free and repayable on demand.

26. BANK BALANCES/PLEDGED BANK DEPOSITS

The bank balances carry interest at market rates ranging from nil to 3.5% (2010: nil to 2.5%) per annum.

At 31 December 2011, bank deposits of HK$17,891,000 (31 December 2010: HK$14,875,000 and 1 January 2010: HK$19,262,000) are pledged as security for trade payable to a supplier of natural gas. The pledged bank deposits carry interest at market rates ranging from 0.4% to 2.25% (2010: 0.4% to 2.25%) per annum.

At 31 December 2011, bank balances and cash of HK$5,349,742,000 (31 December 2010: HK$5,233,935,000 and 1 January 2010: HK$2,941,846,000) were denominated in RMB which is not a freely convertible currency in the international market. The exchange rate of RMB is regulated by the government and the remittance of these funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

27. TRADE AND OTHER PAYABLES

	31.12.2011	31.12.2010	1.1.2010
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Trade payables	**1,439,772**	1,029,916	569,982
Receipts in advance	**1,179,662**	1,447,163	1,108,881
Deposits received	**583,803**	501,282	187,578
Consideration payable for acquisition of subsidiaries *(see Note 35)*	**186,343**	–	–
Accruals and others	**678,457**	688,388	354,428
	4,068,037	3,666,749	2,220,869

27. TRADE AND OTHER PAYABLES – Continued

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

	31.12.2011	31.12.2010	1.1.2010
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
0 – 90 days	**1,191,832**	619,771	416,111
91 – 180 days	**37,042**	111,835	39,667
Over 180 days	**210,898**	298,310	114,204
	1,439,772	1,029,916	569,982

The average credit period on purchases of goods ranges from 7 to 180 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

28. GOVERNMENT GRANTS

At 31 December 2011, government grants of HK$70,449,000 (31 December 2010: HK$64,540,000 and 1 January 2010: HK$14,371,000) mainly represent subsidies granted by PRC governmental authorities for the purpose of financing the acquisition of property, plant and equipment and construction of gas pipelines.

29. BANK AND OTHER BORROWINGS

	31.12.2011	31.12.2010	1.1.2010
	HK$'000	*HK$'000*	*HK$'000*
		(Restated)	(Restated)
Bank loans	**6,414,278**	5,507,633	2,708,070
Other loans	**85,318**	182,840	40,419
	6,499,596	5,690,473	2,748,489
Secured	**118,416**	–	57,923
Unsecured	**6,381,180**	5,690,473	2,690,566
	6,499,596	5,690,473	2,748,489
The Group's bank and other borrowings are repayable as follows:			
On demand or within one year	**1,536,083**	234,199	
More than one year, but not exceeding two years	**48,255**	46,370	
More than two years, but not exceeding five years	**4,710,310**	5,045,725	
More than five years	**204,948**	64,179	
	6,499,596	5,390,473	
Carrying amount of bank loans that are repayable more than one year but not exceeding two years from the end of reporting period but contain a repayment on demand clause (shown under current liabilities)	**–**	300,000	
	6,499,596	5,690,473	
Less: Amount due within one year shown under current liabilities	**(1,536,083)**	(534,199)	
Amount due after one year shown as non-current liabilities	**4,963,513**	5,156,274	

29. BANK AND OTHER BORROWINGS – Continued

Details of the terms of the Group's bank and other borrowings are set out below:

	Effective interest rate per annum	2011 *HK$'000*	2010 *HK$'000* (Restated)
Fixed rate borrowings:			
Unsecured RMB bank loans	0.65% – 6.1%	**225,903**	206,196
Unsecured RMB other loans	2.25% – 6.56%	**69,573**	165,456
Secured RMB bank loans	4.95% – 9.18%	**48,723**	–
Total fixed rate borrowings		**344,199**	371,652
Floating rate borrowings:			
Unsecured RMB bank loans at the People's Bank of China Base Rate	5.06% – 6.89%	**189,959**	308,936
Unsecured HKD bank loans at margin plus HIBOR	1.35% – 1.85%	**5,880,000**	4,992,500
Unsecured Euro other loans at 0.3% over the People's Bank of China Base Rate	1.8%	**15,745**	17,385
Secured RMB bank loans at the People's Bank of China Base Rate	4.95% – 7.11%	**69,693**	–
Total floating rate borrowings		**6,155,397**	5,318,821
Total borrowings		**6,499,596**	5,690,473

30. OTHER LONG-TERM LIABILITIES

Included in other long-term liabilities at 31 December 2011 is an amount of HK$60,246,000 (31 December 2010: HK$57,691,000 and 1 January 2010: HK$61,621,000), representing non-current portion of payables for acquisition of operating rights for city pipeline network.

The payables for acquisition of operating rights for city pipeline network are repayable as follows:

	31.12.2011 *HK$'000*	31.12.2010 *HK$'000*	1.1.2010 *HK$'000*
Within one year	**13,257**	8,747	4,555
More than one year, but not exceeding two years	**8,388**	4,913	4,555
More than two years, but not exceeding five years	**40,414**	37,876	33,163
More than five years	**11,444**	14,902	23,903
	73,503	66,438	66,176
Less: Amount due within one year included in trade and other payables shown under current liabilities	**(13,257)**	(8,747)	(4,555)
Amount due after one year shown as non-current liabilities	**60,246**	57,691	61,621

The present values were based on cash flows discounted using effective interest rate of 5.9% (2010: 5.9%) per annum for a term of 30 years.

Included in other long-term liabilities at 31 December 2011 is an amount of HK$62,532,000 (31 December 2010: nil and 1 January 2010: nil), representing deferred consideration for the acquisition of a subsidiary and being repayable in 2014 (see Note 35).

31. DEFERRED TAXATION

The followings are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation *HK$'000*	Operating rights *HK$'000*	Withholding tax on undistributed profits *HK$'000*	Other temporary differences *HK$'000*	Total *HK$'000*
At 1 January 2010 (restated)	(116,514)	(137,076)	–	49,362	(204,228)
Exchange adjustments	(6,543)	(121)	–	2,021	(4,643)
Credit (charge) for the year	23,638	6,192	(30,000)	2,160	1,990
Acquisition of a subsidiary	–	–	–	2,257	2,257
Acquisition of jointly controlled entities	(128,539)	–	–	(1,090)	(129,629)
At 31 December 2010	(227,958)	(131,005)	(30,000)	54,710	(334,253)
Exchange adjustments	(16,094)	(7,375)	–	2,392	(21,077)
Credit (charge) for the year	5,646	11,558	(18,000)	5,902	5,106
Deemed acquisition of additional interests in a jointly controlled entity	–	–	–	1,585	1,585
Acquisition of a jointly controlled entity	–	–	–	10	10
Loss of control of a jointly controlled entity	82,198	–	–	(3,203)	78,995
At 31 December 2011	(156,208)	(126,822)	(48,000)	61,396	(269,634)

Note: Other temporary differences are mainly arisen from receipts in advance from customers on gas connection projects which are taxable on a cash basis.

Analysed for reporting purpose as:

	31.12.2011 ***HK$'000***	31.12.2010 *HK$'000* (Restated)	1.1.2010 *HK$'000* (Restated)
Deferred tax assets	**121,274**	132,188	58,575
Deferred tax liabilities	**(390,908)**	(466,441)	(262,803)
	(269,634)	(334,253)	(204,228)

At 31 December 2011, the Group had unused tax losses of HK$192,773,000 (31 December 2010: HK$132,933,000) available to offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The tax losses at 31 December 2011 and 2010 will expire within 5 years from the year of origination.

At 31 December 2011, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was HK$971,044,000 (2010: HK$612,806,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

32. SHARE CAPITAL OF THE COMPANY

	Number of shares		Nominal value	
	31.12.2011	31.12.2010	**31.12.2011**	31.12.2010
			HK$'000	*HK$'000*
Shares of HK$0.10 each				
Authorised:				
At 1 January and 31 December	**10,000,000,000**	10,000,000,000	**1,000,000**	1,000,000
Issued and fully paid:				
At 1 January	**1,831,094,933**	1,414,416,710	**183,109**	141,442
Shares issued upon exercise of share options	**–**	24,000	**–**	2
Placing of shares *(Note a)*	**–**	230,000,000	**–**	23,000
Issue of shares upon combination of entities under common control *(Note b and c)*	**161,174,785**	186,654,223	**16,118**	18,665
At 31 December	**1,992,269,718**	1,831,094,933	**199,227**	183,109

The new shares issued during the year ended 31 December 2011 and 2010 rank pari passu in all respects with the existing shares in issue.

Notes:

(a) On 14 September 2010, Splendid Time Investments Inc. ("Splendid Time"), the Company's immediate holding company, and the Company entered into a placing and subscription agreement with the placing agent pursuant to which the placing agent placed 230,000,000 existing shares at a price of HK$10.75 per share owned by Splendid Time to certain independent placees. Pursuant to the placing and subscription agreement, Splendid Time subscribed for 230,000,000 new shares equivalent to the number of the placing shares. The proceeds from the placing of shares, net of professional fees and out-of-pocket expenses, will be used principally for acquisition of more downstream city gas distribution businesses in the PRC.

(b) Pursuant to the sale and purchase agreement entered into on 13 September 2010, the Group acquired 100% equity interest in Mega Fair from Powerfaith Enterprise Limited ("Powerfaith") for a consideration of HK$2,221,155,000. The consideration was satisfied in full by the allotment and issue of 186,654,223 consideration shares in the Company. The consideration shares were issued on 25 October 2010, at which time the share price was HK$11.9 per share.

(c) Pursuant to the sale and purchase agreement entered into on 22 July 2011, the Group acquired 100% equity interest in Wang Gao Limited from Powerfaith Enterprise Limited ("Powerfaith") for a consideration of HK$1,930,874,000. The consideration was satisfied in full by the allotment and issue of 161,174,785 consideration shares in the Company. The consideration shares were issued on 5 September 2011, at which time the share price was HK$11.98 per share.

33. SHARE-BASED PAYMENT TRANSACTIONS

(i) The Company's equity-settled share option schemes

On 26 November 2001, the Company terminated the share option scheme adopted on 15 October 1994 and adopted a new share option scheme (the "Scheme"). On 21 February 2002, upon approval of the Company's shareholders, the Company amended the Scheme to widen the scope of participants that are eligible to participate in the Scheme. On 5 March 2008, the Company terminated the Scheme.

The purpose of the Scheme was to promote dedication by its participants and to encourage its participants to perform their best in achieving the goals of the Group. The participants are any directors (or any persons proposed to be appointed as such) and employees of each member of the Group; any discretionary object of a discretionary trust established by any employees or directors of each member of the Group; any executives or employees of any business consultants, business partners, professionals and other advisers

33. SHARE-BASED PAYMENT TRANSACTIONS – Continued

to each member of the Group (or any persons proposed to be appointed as such); any substantial shareholders of the member of the Group; any associates of the director or substantial shareholders of the Company; and any employees of the Company's substantial shareholders or any employees of such substantial shareholders' subsidiaries or associated companies, as absolutely determined by the Board.

The period within which the shares must be taken up under an option of the Scheme shall not be later than 10 years from the date the option is granted. There is no minimum period for which an option must be held before it can be exercised. An amount of HK$1 is payable on acceptance of the option within 28 days from its date of grant. The subscription price is the highest of (i) the closing price of the share as stated in the Stock Exchange's daily quotations sheet on the date of grant, (ii) a price being the average of the closing prices of the share as stated in the Stock Exchange's daily quotations sheet on the five business days immediately preceding the date of grant and (iii) the nominal value of a share. The Scheme is valid for 10 years from 26 November 2001. No further options may be granted pursuant to the Scheme after 25 November 2011.

Share options generally either become fully vested and exercisable within a period of 10 years immediately after the date of grant or become vested over a period of time up to a maximum of three years after the acceptance of a grant.

Options granted to a grantee become lapsed if the grantee ceased to be an eligible participant before the options become vested.

Details of the movements of share options granted under the Scheme are as follows:

Date of grant	**Exercise price**	**Number of share options outstanding at 1.1.2011 and 31.12.2011**
	HK$	
9.4.2002	8.20	186,000
13.1.2004	9.06	2,000
		188,000
Exercisable at the end of the year		188,000
Weighted average exercise price *(HK$)*		8.21

Date of grant	**Exercise price**	**Number of share options** Outstanding at 1.1.2010	Exercised during the year	Outstanding at 31.12.2010
	HK$			
9.4.2002	8.20	210,000	(24,000)	186,000
13.1.2004	9.06	2,000	–	2,000
		212,000	(24,000)	188,000
Exercisable at the end of the year				188,000
Weighted average exercise price *(HK$)*		8.21	8.20	8.21

33. SHARE-BASED PAYMENT TRANSACTIONS – Continued

In respect of the share options exercised during the year ended 31 December 2010, the weighted average share price at the date of exercise was HK$11.18. The options outstanding at the end of the year have a weighted average remaining contractual life of 0.3 years (2010: 1.3 years).

During the two years ended 31 December 2011 and 2010, the Group has not recognised any expense relating to equity-settled share-based payment transactions in respect of the share options granted by the Company.

(ii) On 1 December 2008, the Company adopted the share repurchased cash award scheme ("Incentive Award Scheme") as an incentive to retain and encourage the employees for the continual operation and development of the Group.

Pursuant to the Incentive Award Scheme, existing shares of the Company will be purchased by the trustee from the market out of cash contributed by the Group and be held in trust for the selected employees until such shares are vested with the selected employees. No restricted shares will be granted if the aggregate number of restricted shares awarded throughout the duration of the scheme to be in excess of the 5% of the issued share capital of the Company at the adoption date of the scheme. The maximum number of restricted shares which may be awarded to a selected employee under the Incentive Award Scheme shall not exceed 0.5% of the issued share capital of the Company from time to time.

On 16 March 2010, the Company amended the Incentive Award Scheme such that cash instead of restricted shares will be awarded. The Company will utilise the proceeds generated from disposal of the restricted shares held by the trustee for the awards made under the Incentive Award Scheme.

During the year ended 31 December 2011, 7,741,496 shares (2010: 1,818,000 shares) were disposed of by the trustee to the market at an average price of approximately HK$11.82 (2010: HK$11.71) per share. The proceeds from disposal of those shares amounted to HK$91,489,000 (2010: HK$21,290,000). The whole amount of the proceeds was distributed to certain employees (including executive directors) of the Group, with an equivalent expense recognised in the consolidated statement of comprehensive income as employee benefits during the year. The difference of HK$63,388,000 (2010: HK$14,690,000) between the cost of the shares and the proceeds was credited to retained profits.

No restricted shares were granted to eligible employees pursuant to the Incentive Award Scheme.

34. RETIREMENT BENEFIT SCHEMES

Hong Kong

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Scheme prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1 December 2000 are required to join the MPF Scheme.

The ORSO Scheme is funded by monthly contributions from both employees and the Group based on a specified percentage of the employee's basic salary, depending on the length of service with the Group. Where there are employees who leave the ORSO Scheme prior to vesting, the contributions payable by the Group are reduced by the amount of forfeited contributions. No forfeited contributions were utilised in this manner in respect of the year (2010: nil).

For members of the MPF Scheme, the Group contributes 5% of relevant payroll costs to the scheme, which contribution is matched by the employees.

At 31 December 2011 and 2010, the amount of forfeited contributions available to reduce contributions payable in the future years is insignificant.

34. **RETIREMENT BENEFIT SCHEMES – Continued**

PRC

The employees of the Group in the PRC are members of state-managed retirement benefit schemes operated by the local government in the PRC. The Group is required to contribute a specified percentage of the payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

35. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2011

(a) On 31 March 2011, the Group acquired 100% equity interest in Flemming, which is an investment holding with subsidiaries engaged in the construction, infrastructure design and operating of city gas pipelines, gas facilities repair and maintenance, technical support, gas selling and distribution, construction of natural gas station production of liquefied natural gas, the provision of related requirements, apparatus and other ancillary services, from independent third parties for a cash consideration of approximately RMB352,950,000 (equivalent to HK$420,394,000), subject to finalisation of completion accounts. Details of the acquisition are set out in the Company's announcement on 16 March 2011. The transaction has been accounted for using the acquisition method.

	Amounts recognised at the date of acquisition (provisional basis) *HK$'000*
Net identifiable assets of the subsidiaries acquired:	
Non-current assets	**278,291**
Current assets	**102,009**
Current liabilities	**(160,731)**
Non-current liabilities	**(11,873)**
	207,696
Consideration transferred, satisfied by cash	**210,197**
Deferred consideration:	
– included in other payables in current liabilities	**147,665**
– included in other long-term liabilities (payable in 2014)	**62,532**
Plus: Non-controlling interests	**43,551**
Less: Net assets acquired	**(207,696)**
Goodwill arising on acquisition (provisional basis)	**256,249**
Analysis of net outflow of cash and cash equivalents in respect of acquisition of subsidiaries:	
Cash consideration paid	**(210,197)**
Bank balances and cash acquired	**56,352**
	(153,845)

The non-controlling interests recognised at the date of acquisition was measured by reference to the proportionate share of the recognised value of the net identifiable assets of the respective subsidiaries of the acquiree at the date of acquisition and amounted to HK$43,551,000.

35. ACQUISITION OF SUBSIDIARIES – Continued

The fair values of the assets and liabilities acquired, and goodwill have been determined on a provisional basis, awaiting the completion of the identification of separable intangible assets and valuation of the identifiable assets and liabilities.

The acquiree contributed HK$433,379,000 and HK$43,953,000 to the Group's turnover and profit for the period between the date of acquisition and 31 December 2011.

(b) On 8 November 2011, the Group acquired 60% equity interest in Chuxiong Gas, which is engaged in sales of liquefied gas and connection of gas pipelines, from an independent third parties for a cash consideration of approximately RMB63,000,000 (equivalent to HK$77,356,000), subject to finalisation of completion accounts. The transaction has been accounted for using the acquisition method.

	Amounts recognised at the date of acquisition (provisional basis) *HK$'000*
Net identifiable assets of the subsidiaries acquired:	
Non-current assets	**70,744**
Current assets	**23,911**
Current liabilities	**(34)**
Non-current liabilities	**(29,469)**
	65,152
Consideration transferred, satisfied by cash	**38,678**
Deferred consideration (included in other payables in current liabilities)	**38,678**
Plus: Non-controlling interests	**26,062**
Less: Net assets acquired	**(65,152)**
Goodwill arising on acquisition (provisional basis)	**38,266**
Analysis of net outflow of cash and cash equivalents in respect of acquisition of a subsidiary:	
Cash consideration paid	**(38,678)**
Bank balances and cash acquired	**581**
	(38,097)

The non-controlling interests recognised at the date of acquisition was measured by reference to the proportionate share of the recognised value of the net identifiable assets of the acquiree at the date of acquisition and amounted to HK$26,062,000.

The fair values of the assets and liabilities acquired, and goodwill have been determined on a provisional basis, awaiting the completion of the identification of separable intangible assets and valuation of the identifiable assets and liabilities.

The acquiree contributed nil turnover and a loss of HK$195,000 to the Group for the period between the date of acquisition and 31 December 2011.

35. ACQUISITION OF SUBSIDIARIES – Continued

For the year ended 31 December 2010

(c) On 27 August 2010, the Group acquired 43.18% equity interest in Zhengzhou Gas, which is engaged in sales of natural gas, pressure control equipment and gas appliances and construction of gas pipelines, and 100% equity interest in 南陽鄭燃燃氣有限公司("Nanyang Gas") from Zhengzhou Gas Group Co., Ltd., a government-related entity, for total consideration of RMB452,875,000 (equivalent to approximately HK$524,482,000). Upon the completion of acquisition of 43.18% equity interest in Zhengzhou Gas, China Resources Gas (China) Investment Limited ("CR Gas Investment"), a wholly-owned subsidiary of the Group, and the parties acting in concert with it are required to make a mandatory conditional cash offer for all the domestic shares and H shares in Zhengzhou Gas (the "Offer") in compliance with the Hong Kong Code on Takeovers and Mergers.

In September 2010, the Group received acceptances in respect of 3.94% equity interest in H shares and 9.75% equity interest in domestic shares of Zhengzhou Gas and the offer and acceptances of the Offer by the shareholders became unconditional and irrevocable. The transfer of 3.94% equity interest in H shares to CR Gas Investment has been completed by 31 December 2010 for a cash consideration of RMB64,879,000 (equivalent to approximately HK$75,138,000) while the transfer of 9.75% equity interest in domestic shares would be made to a fellow subsidiary of the Company, which was outstanding and pending for approvals from the relevant PRC authorities.

Necessary actions have been taken by the Group and the fellow subsidiary to effect the transfer of the legal title of the 9.75% equity interest in domestic shares of Zhengzhou Gas. In the opinion of the directors of the Company, the fellow subsidiary had the beneficial interests in and rights over the voting power of the 9.75% equity interest in domestic shares of Zhengzhou Gas at 31 December 2010 as the Offer and acceptances were already unconditional and binding on all relevant parties. In addition, pursuant to an agreement entered into between a wholly-owned subsidiary of the Group and the fellow subsidiary, the Group was able to exercise the voting power related to the 9.75% equity interest in domestic shares of Zhengzhou Gas. Hence, Zhengzhou Gas was controlled by the Group and was treated as a subsidiary of the Group for the purposes of the preparation of the Group's consolidated financial statements for the year ended 31 December 2010.

During the year ended 31 December 2011, the Group acquired the 9.75% equity interest in domestic shares of Zhengzhou Gas. Thereafter, the Group holds a total of 56.87% equity interest in Zhengzhou Gas.

The transactions have been accounted for using the acquisition method. The information for acquisition of Nanyang Gas is disclosed together with Zhengzhou Gas as it is individually immaterial to the Group.

	Amounts recognised at the date of acquisition *HK$'000*
Net identifiable assets of the subsidiaries acquired:	
Property, plant and equipment	1,227,942
Prepaid lease payments	226,242
Interests in associates	28,395
Operating rights	17,325
Deferred tax assets	30,562
Inventories	45,124
Trade and other receivables	263,665
Amounts due from customers for contract work	22,768
Tax recoverable	81
Bank balances and cash	545,195
Trade and other payables	(1,037,961)
Dividend payable	(71,402)
Taxation payable	(29,134)
Bank and other borrowings	(63,366)
Deferred tax liabilities	(28,305)
	1,177,131

35. ACQUISITION OF SUBSIDIARIES – Continued

	Amounts recognised at the date of acquisition *HK$'000*
Consideration transferred, satisfied by cash	599,620
Plus: Non-controlling interests (52.88% in Zhengzhou Gas and 49% in a subsidiary held by Zhengzhou Gas)	616,636
Less: Net assets acquired	(1,177,131)
Goodwill arising on acquisition	39,125
Analysis of net inflow of cash and cash equivalents in respect of acquisition of subsidiaries:	
Cash consideration paid	(599,620)
Bank balances and cash acquired	545,195
	(54,425)

The non-controlling interests recognised at the acquisition date was measured by reference to the proportion share of the recognised value of the net identifiable assets of the acquiree and the respective subsidiary of the acquiree at the date of acquisition and amounted to HK$616,636,000.

Management of the Group believes this acquisition will enable the Group to expand its geographic coverage and products, which will place both the Group and Zhengzhou Gas in a better position to exploit new opportunities and growth potential in the gas industry in the PRC.

The acquirees contributed HK$611,628,000 and HK$97,349,000 to the Group's turnover and profit for the period between the date of acquisition and 31 December 2010.

Had the acquisition of Zhengzhou Gas and Nanyang Gas been completed on 1 January 2010, total revenue of the Group for the year would have been HK$9,633,998,000, and profit for the year would have been HK$1,101,992,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2010, nor is it intended to be a projection of future results. In determining the pro-forma profit of the Group had Zhengzhou Gas and Nanyang Gas been acquired at the beginning of the current year, the directors have calculated depreciation of plant and equipment acquired on the basis of the fair values arising in the initial accounting for the business combination rather than the carrying amounts recognised in the pre-acquisition financial statements.

Goodwill arose in the acquisition of subsidiaries because the costs of the combinations included control premium. In addition, the consideration paid for the combinations effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the acquirees. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

36. ACQUISITION OF JOINTLY CONTROLLED ENTITIES

For the year ended 31 December 2011

(a) On 6 July 2011, Zhongshan China Resources Gas (Hong Kong) Limited, a wholly-owned subsidiary of the Group, acquired 40% equity interest in the registered capital of 中山華潤燃氣有限公司, a jointly controlled entity which is engaged in sales of liquefied gas and connection of gas pipelines, from China Resources Gas (Holdings) Limited ("CR Gas Holdings"), a fellow subsidiary of the Company, for a consideration of RMB83,572,000 (equivalent to approximately HK$100,493,000). The remaining equity interests are not held by any entities under common control of CRNC. The transaction has been accounted for using the acquisition method.

	Amounts recognised at the date of acquisition attributable to the Group *HK$'000*
Net identifiable assets of jointly controlled entity acquired attributable to the Group's interest:	
Property, plant and equipment	**148,477**
Prepaid lease payment	**2,584**
Deferred tax assets	**10**
Inventories	**6,533**
Trade and other receivables	**16,791**
Bank balances and cash	**13,915**
Trade and other payables	**(36,206)**
Government grants	**(61)**
Taxation payable	**(1,047)**
Bank and other borrowings	**(50,503)**
	100,493
Consideration transferred	**100,493**
Less: Net assets acquired	**(100,493)**
Goodwill arising on acquisition	**–**
Analysis of net outflow of cash and cash equivalents in respect of acquisition of a jointly controlled entity:	
Cash consideration paid	**(100,493)**
Bank balances and cash acquired	**13,915**
	(86,578)

The acquiree contributed HK$141,529,000 and HK$11,350,000 to the Group's turnover and profit for the period between the date of acquisition and 31 December 2011.

36. ACQUISITION OF JOINTLY CONTROLLED ENTITIES – Continued

For the year ended 31 December 2010

(b) During the year ended 31 December 2010, the Group obtained 25% equity interest in the registered capital of Chongqing Gas by capital injection amounting to USD170,300,000 (equivalent to approximately HK$1,321,423,000). Chongqing Gas is engaged in sales of liquefied gas and connection of gas pipelines. The Group was able to exercise joint control over Chongqing Gas as all of the strategic financial and operating decisions require unanimous consent of the Group and the other joint venture. Accordingly, Chongqing Gas was regarded as a jointly controlled entity of the Group. At the date of acquisition, goodwill of HK$491,618,000 has been determined provisionally based on the carrying amounts of the net identifiable assets of Chongqing Gas. During the year ended 31 December 2011, the identification and determination of fair values of the net identifiable assets acquired have been completed. The following adjustments have been made to retrospectively adjust the provisional amounts recognised at the date of acquisition.

	Amounts recognised at the date of acquisition attributable to the Group (provisional basis) *HK$'000*	Fair value adjustments *HK$'000* (Restated)	Fair values upon completion of acquisition accounting *HK$'000* (Restated)
Net identifiable assets of jointly controlled entity acquired attributable to the Group's interest:			
Property, plant and equipment	540,425	272,779	813,204
Prepaid lease payments	38,721	55,571	94,292
Available-for-sale investments	19,212	–	19,212
Deferred tax assets	4,061	–	4,061
Inventories	35,756	–	35,756
Trade and other receivables	150,259	–	150,259
Amounts due from customers for contract work	2,557	–	2,557
Bank balances and cash	633,740	–	633,740
Trade and other payables	(275,895)	–	(275,895)
Amounts due to customers for contract work	(143,642)	–	(143,642)
Taxation payable	(19,106)	–	(19,106)
Bank and other borrowings	(89,185)	–	(89,185)
Government grants	(11,220)	–	(11,220)
Deferred tax liabilities	(2,331)	(82,088)	(84,419)
	883,352	246,262	1,129,614

	HK$'000
Consideration transferred, satisfied by deposits paid in 2009	1,321,423
Plus: Non-controlling interests in subsidiaries held by Chongqing Gas	53,547
Less: Net assets acquired	(1,129,614)
Goodwill arising on acquisition	245,356
Analysis of net inflow of cash and cash equivalents in respect of acquisition of a jointly controlled entity:	
Bank balances and cash acquired	633,740

36. ACQUISITION OF JOINTLY CONTROLLED ENTITIES – Continued

The acquiree contributed HK$1,038,702,000 to the Group's turnover and HK$56,944,000 to the Group's profit for the period between the date of acquisition and 31 December 2010.

During the year ended 31 December 2011, Chongqing Gas has become an associate of the Group. Details are set out in Note 37.

(c) During the year ended 31 December 2010, the Group acquired 50% equity interest in the registered capital of 宜賓華潤燃氣有限公司("Yibin CR Gas"), a jointly controlled entity which is engaged in sales of liquefied gas and connection of gas pipelines, from an independent third party for a cash consideration of RMB100,000,000 (equivalent to HK$113,780,000). The transaction has been accounted for using the acquisition method.

	Amounts recognised at the date of acquisition attributable to the Group *HK$'000*
Net identifiable assets of jointly controlled entity acquired attributable to the Group's interest:	
Property, plant and equipment	124,722
Interest in an associate	1,677
Available-for-sale investments	33
Inventories	11,702
Trade and other receivables	77,596
Bank balances and cash	16,510
Trade and other payables	(52,714)
Bank and other borrowings	(56,868)
Deferred tax liabilities	(2,821)
	119,837
Consideration transferred, satisfied by cash	113,780
Plus: Non-controlling interests in subsidiaries held by Yibin CR Gas	6,057
Less: Net assets acquired	(119,837)
Goodwill arising on acquisition	–
Analysis of net outflow of cash and cash equivalents in respect of acquisition of a jointly controlled entity:	
Cash consideration paid	(113,780)
Bank balances and cash acquired	16,510
	(97,270)

The acquiree contributed HK$156,211,000 to the Group's turnover and HK$12,135,000 to the Group's profit for the period between the date of acquisition and 31 December 2010.

36. ACQUISITION OF JOINTLY CONTROLLED ENTITIES – Continued

(d) During the year ended 31 December 2010, the Group acquired 49% equity interest in the registered capital of Nanjing Jiangning CR Gas, a jointly controlled entity which is engaged in sales of liquefied gas and connection of gas pipelines, from an independent third party for a cash consideration of HK$686,543,000. The transaction has been accounted for using the acquisition method. At the date of the acquisition, goodwill of HK$151,401,000 was determined provisionally based on the net identifiable assets of Nanjing Jiangning CR Gas. During the year ended 31 December 2011, the identification and determination of fair values of the net identifiable assets acquired have been completed. The following adjustments have been made to retrospectively adjust the provisional amounts recognised at the date of acquisition.

	Amounts recognised at the date of acquisition attributable to the Group (provisional basis) *HK$'000*	Fair value adjustments *HK$'000* (Restated)	Fair values upon completion of acquisition accounting *HK$'000* (Restated)
Net identifiable assets of jointly controlled entity acquired attributable to the Group's interest:			
Property, plant and equipment	253,321	201,760	455,081
Taxation recoverable	37,140	–	37,140
Trade and other receivables	110,899	–	110,899
Bank balances and cash	154,187	–	154,187
Trade and other payables	(20,324)	–	(20,324)
Deferred tax liabilities	–	(50,440)	(50,440)
	535,223	151,320	686,543

	HK$'000
Consideration transferred	686,543
Less: Net assets acquired	(686,543)
Goodwill arising on acquisition	–

Analysis of net outflow of cash and cash equivalents in respect of acquisition of a jointly controlled entity:	
Cash consideration paid	(686,543)
Bank balances and cash acquired	154,187
	(532,356)

The acquiree contributed HK$55,735,000 to the Group's turnover and HK$527,000 to the Group's profit for the period between the date of acquisition and 31 December 2010.

36. ACQUISITION OF JOINTLY CONTROLLED ENTITIES – Continued

(e) During the year ended 31 December 2010, the Group acquired 50% equity interest in the registered capital of 內江華潤燃氣有限公司 ("Neijiang CR Gas"), a jointly controlled entity which is engaged in sales of liquefied gas and connection of gas pipelines, from an independent third party for a cash consideration of RMB75,892,440 (equivalent to HK$86,716,000). The transaction has been accounted for using the acquisition method.

	Amounts recognised at the date of acquisition attributable to the Group
	HK$'000
Net identifiable assets of jointly controlled entity acquired attributable to the Group's interest:	
Property, plant and equipment	39,328
Prepaid lease payments	12,774
Interest in an associate	5,325
Inventories	2,976
Trade and other receivables	9,134
Bank balances and cash	47,487
Trade and other payables	(12,774)
Bank and other borrowings	(22,738)
	81,512
Consideration transferred, satisfied by cash	86,716
Less: Net assets acquired	(81,512)
Goodwill arising on acquisition	5,204
Analysis of net outflow of cash and cash equivalents in respect of acquisition of a jointly controlled entity:	
Cash consideration paid	(86,716)
Bank balances and cash acquired	47,487
	(39,229)

The acquiree contributed HK$28,891,000 to the Group's turnover and HK$1,520,000 to the Group's profit for the period between the date of acquisition and 31 December 2010.

36. ACQUISITION OF JOINTLY CONTROLLED ENTITIES – Continued

(f) During the year ended 31 December 2010, Kunshan China Resources Gas (Hong Kong) Limited, a wholly-owned subsidiary of the Group, acquired 49.9% equity interest in the registered capital of 昆山華潤城市燃氣有限公司, a jointly controlled entity which is engaged in sales of liquefied gas and connection of gas pipelines, from CR Gas Holdings for a consideration of HK$81,420,000. The remaining equity interests are not held by any entities under common control of CRNC. The transaction has been accounted for using the acquisition method.

	Amounts recognised at the date of acquisition attributable to the Group
	HK$'000
Net identifiable assets of jointly controlled entity acquired attributable to the Group's interest:	
Property, plant and equipment	75,672
Prepaid lease payments	3,006
Deferred tax assets	685
Inventories	153
Trade and other receivables	6,439
Amounts due from customers for contract work	6,145
Bank balances and cash	53,912
Trade and other payables	(16,733)
Amounts due to customers for contract work	(27,809)
Taxation payable	(441)
Amount due to a fellow subsidiary	(119)
	100,910
Consideration transferred *(Note 40(a))*	81,420
Less: Net assets acquired	(100,910)
Discount arising on acquisition	(19,490)
Analysis of net inflow of cash and cash equivalents in respect of acquisition of a jointly controlled entity:	
Bank balances and cash acquired	53,912

The discount on acquisition arose from a bargain purchase from a fellow subsidiary, accordingly, the discount was accounted for as a deemed capital contribution and recognised in equity.

The acquiree contributed HK$81,405,000 to the Group's turnover and HK$10,146,000 to the Group's profit for the period between the date of acquisition and 31 December 2010.

36. ACQUISITION OF JOINTLY CONTROLLED ENTITIES – Continued

(g) During the year ended 31 December 2010, Suining China Resources Gas (Hong Kong) Limited, a wholly-owned subsidiary of the Group, acquired 49.9% equity interest in the registered capital of 四川華潤萬通燃氣股份有限公司("Suining CR Gas"), a jointly controlled entity which is engaged in sales of liquefied gas and connection of gas pipelines, from CR Gas Holdings for a consideration of HK$197,399,000. The remaining equity interests are not held by any entities under common control of CRNC. The transaction has been accounted for using the acquisition method.

	Amounts recognised at the date of acquisition attributable to the Group *HK$'000*
Net identifiable assets of jointly controlled entity acquired attributable to the Group's interest:	
Property, plant and equipment	62,535
Prepaid lease payments	9,294
Operating rights	22,387
Interest in an associate	4,301
Deferred tax assets	3,305
Inventories	10,966
Trade and other receivables	16,618
Amounts due from a fellow subsidiary	89
Bank balances and cash	125,275
Trade and other payables	(39,313)
Amounts due to customers for contract work	(22,030)
Taxation payable	(1,179)
Bank and other borrowings	(1,316)
	190,932
Consideration transferred *(Note 40(a))*	197,399
Plus: Non-controlling interests in subsidiaries held by Suining CR Gas	2,859
Less: Net assets acquired	(190,932)
Goodwill arising on acquisition	9,326
Analysis of net inflow of cash and cash equivalents in respect of acquisition of a jointly controlled entity:	
Bank balances and cash acquired	125,275

The acquiree contributed HK$154,777,000 to the Group's turnover and HK$20,583,000 to the Group's profit for the period between the date of acquisition and 31 December 2010.

Goodwill arose in the acquisition of jointly controlled entities because the costs of the combinations included a control premium. In addition, the consideration paid for the combinations effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the acquirees. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

37. LOSS OF JOINT CONTROL OVER A JOINTLY CONTROLLED ENTITY

For the purpose of the preparation for future initial public offering in the PRC, the shareholders of Chongqing Gas passed a resolution to amend its memorandum of association in February 2011 in which, among others, the terms requiring unanimous consent of the Group and the other joint venturer on all of strategic financial and operating decisions of Chongqing Gas has been removed. Accordingly, the Group no longer has joint control but retains significant influence over Chongqing Gas. The net assets of Chongqing Gas attributable to the Group's interest of 25% at the date of loss of joint control were as follows:

	HK$'000
An analysis of assets and liabilities of Chongqing Gas that were previously proportionately consolidated in the Group's financial statements are as follows:	
Property, plant and equipment	937,737
Prepaid lease payments	98,453
Available-for-sale investments	21,288
Deferred tax assets	5,583
Goodwill	253,874
Inventories	19,929
Trade and other receivables	149,620
Bank balances and cash	530,484
Trade and other payables	(324,710)
Taxation payable	(9,199)
Bank and other borrowings	(94,847)
Government grants	(21,113)
Deferred tax liabilities	(84,578)
	1,482,521
Result on loss of joint control over a jointly controlled entity:	
Fair value of retained interest in an associate (included in interests in associates)	1,427,869
Net assets previously proportionately consolidated	(1,482,521)
Non-controlling interests in subsidiaries held by Chongqing Gas	54,652
	–
Net cash outflow arising from loss of joint control:	
Bank balances and cash previously proportionately consolidated	(530,484)

38. OPERATING LEASES

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31.12.2011	31.12.2010
	HK$'000	*HK$'000*
		(Restated)
Within one year	**10,137**	22,475
In the second to fifth year inclusive	**13,750**	35,314
After five years	**17,208**	6,457
	41,095	64,246

38. OPERATING LEASES – Continued

Operating lease payments represent rentals payable by the Group for office and factory premises. Leases are negotiated and rentals are fixed for term ranging from one to ten years (2010: one to ten years).

The Group as lessor

At the end of the reporting period, the Group had contracted with lessees for the following future minimum lease payments under non-cancellable operating leases which fall due as follows:

	31.12.2011	31.12.2010
	HK$'000	*HK$'000*
Within one year	**5,163**	3,987
In the second to fifth year inclusive	**6,276**	2,767
After five years	**1,886**	446
	13,325	7,200

The investment properties rented during the year have committed tenants for term ranging from one to twelve years (2010: one to twelve years). No contingent rent was arranged for the above operating lease arrangements.

39. CAPITAL COMMITMENTS

	31.12.2011	31.12.2010
	HK$'000	*HK$'000*
		(Restated)
Capital expenditure in respect of acquisition of property, plant and equipment/prepaid lease payments contracted but not provided for	**166,256**	202,561
Capital expenditure in respect of investments contracted but not provided for *(Note)*	**5,602,436**	–
Capital expenditure in respect of acquisition of operating right	**24,670**	–
	5,793,362	202,561
Capital expenditure in respect of acquisition of property, plant and equipment/prepaid lease payments authorised but not contracted for	**303,863**	18,518

Note: The Group entered into several agreements with independent third parties to establish certain sino-foreign joint venture enterprises in the PRC with the aggregate capital commitment of HK$5,583,563,000. The remaining balance of HK$18,873,000 represents additional capital contributions to certain subsidiaries of the Group.

Included in the above, the Group's share of the capital commitments of the jointly controlled entities are as follows:

	31.12.2011	31.12.2010
	HK$'000	*HK$'000*
Capital expenditure in respect of acquisition of property, plant and equipment/prepaid lease payments contracted but not provided for	**67,385**	98,925
Capital expenditure in respect of acquisition of property, plant and equipment/prepaid lease payments authorised but not contracted for	**70,173**	–

40. MAJOR NON-CASH TRANSACTIONS

(a) During the year ended 31 December 2010, the Mega Fair Group acquired two jointly controlled entities from a fellow subsidiary for total consideration of HK$278,819,000. As a result of these transactions, the amount due to a fellow subsidiary was increased by HK$278,819,000.

(b) During the year ended 31 December 2010, the Group acquired 100% equity interest in Mega Fair from Powerfaith for a consideration of HK$2,221,155,000 which was settled by allotment and issue of 186,654,223 shares.

(c) During the year ended 31 December 2011, the Group acquired 100% equity interest in Wang Gao from Powerfaith for a consideration of HK$1,930,874,000 which was settled by allotment and issue of 161,174,785 shares.

41. CONTINGENT LIABILITIES

As at 31 December 2010, the Group's jointly controlled entity had given guarantees amounting to HK$188,029,000 (2011: nil). The Group effectively shared 36% equity interests in that jointly controlled entity using proportionate consolidation, accordingly, the Group effectively shared 36% of contingent liabilities of HK$67,690,000 (2011: nil). The fair value of the guarantees as at 31 December 2010 was not significant as it was remote for the default payment by state controlled entity and therefore no amount had been recognised in the consolidated statement of financial position as liabilities.

42. PLEDGE OF ASSETS

At 31 December 2011, the Group pledged the following assets as securities for bank borrowings and trade payables to suppliers of natural gas as follows:

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Property, plant and equipment	**203,976**	1,470
Trade receivables	**9,346**	412
Pledged bank deposits	**17,891**	14,875
	231,213	16,757

43. RELATED PARTY TRANSACTIONS

Transactions with related parties

In addition to the related party transactions set out in the respective notes to the consolidated financial statements, the Group entered into the following transactions with related parties during the year:

	2011	2010
	HK$'000	*HK$'000*
		(Restated)
Purchase from fellow subsidiaries	**9,656**	–
Sales to fellow subsidiaries	**365**	2,039
Interest expenses paid to a fellow subsidiary	**–**	24,441
Rental expenses paid to fellow subsidiaries	**568**	392
Reimbursement of administration expenses from a fellow subsidiary	**33,222**	33,033

43. RELATED PARTY TRANSACTIONS – Continued

Transactions/balances with other state-controlled entities

The Group itself is part of a larger group of companies under CRNC which is controlled by the government of the PRC and the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government.

Apart from the transactions with the parent company and its subsidiaries which have been disclosed in other notes to the consolidated financial statements, the Group also conducts businesses with entities directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government in the ordinary course of business, including majority of its bank deposits and the corresponding interest income, certain bank and other borrowings and the corresponding finance costs, large portion of purchases and part of sales of gas.

Compensation of key management personnel of the Group

	2011	2010
	HK$'000	*HK$'000*
Short-term benefits	**55,203**	12,125
Post-employment benefits	**577**	317
	55,780	12,442

44. EVENTS AFTER THE REPORTING PERIOD

On 9 January 2012, a special resolution has been passed at the extraordinary general meeting of the Company to approve the proposed privatisation and withdrawal of the listing of H shares of Zhengzhou Gas. The withdrawal of the listing of H shares was effective from 14 February 2012.

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name of company	**Place of incorporation/ establishment**	**Issued and fully paid share/ registered capital**	**Attributable equity interest of the Group 2011 %**	**2010 %**	**Principal activities**
China Resources Gas Limited	British Virgin Islands	Ordinary US$4	**100**	100	Investment holding
南京華潤燃氣有限公司[1]	PRC	RMB50,000,000	**80.4**	80.4	Sales of liquefied gas
蘇州華潤燃氣有限公司[1]	PRC	USD15,000,000	**70**	70	Sales of liquefied gas and connection of gas pipelines
富陽華潤燃氣有限公司[1, 2]	PRC	USD16,000,000	**50**	50	Sales of liquefied gas and connection of gas pipelines
臨海華潤燃氣有限公司[3]	PRC	USD4,000,000	**100**	100	Sales of liquefied gas and connection of gas pipelines
淮北華潤燃氣有限公司[1, 4]	PRC	USD11,000,000	**54**	54	Sales of liquefied gas and connection of gas pipelines

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES – Continued

Name of company	Place of incorporation/ establishment	Issued and fully paid share/ registered capital	Attributable equity interest of the Group 2011 %	2010 %	Principal activities
大同華潤燃氣有限公司[1]	PRC	RMB44,000,000	**75**	75	Sales of liquefied gas and connection of gas pipelines
陽泉華潤燃氣有限公司[1]	PRC	RMB50,000,000	**75**	75	Sales of liquefied gas and connection of gas pipelines
襄樊華潤燃氣有限公司[1]	PRC	RMB70,000,000	**71.43**	71.43	Sales of liquefied gas and connection of gas pipelines
宜城華潤燃氣有限公司[3]	PRC	RMB10,000,000	**100**	100	Sales of liquefied gas and connection of gas pipelines
潛江華潤燃氣有限公司[3]	PRC	RMB10,000,000	**100**	100	Sales of liquefied gas and connection of gas pipelines
武漢華潤燃氣有限公司[1]	PRC	RMB51,300,000	**51**	51	Sales of liquefied gas and connection of gas pipelines
啟東華潤燃氣有限公司[1]	PRC	US$7,788,900	**100**	100	Sales of liquefied gas and connection of gas pipelines
什邡華潤燃氣有限公司[1]	PRC	RMB29,890,600	**51**	51	Sales of liquefied gas and connection of gas pipelines
滕州華潤燃氣有限公司[1]	PRC	RMB80,000,000	**70**	70	Sales of liquefied gas and connection of gas pipelines
谷城華潤燃氣有限公司[1]	PRC	RMB5,000,000	**100**	100	Sales of liquefied gas and connection of gas pipelines
寧波杭州灣華潤燃氣有限公司[1]	PRC	RMB50,000,000	**100**	100	Sales of liquefied gas and connection of gas pipelines
鄭州華潤燃氣股份有限公司[5]	PRC	RMB125,150,000	**56.87**	47.12	Sales of natural gas pressure control equipment and gas appliances and construction of gas pipelines

45. PARTICULARS OF PRINCIPAL SUBSIDIARIES – Continued

[1] These companies were established in the PRC in the form of sino-foreign equity joint venture enterprise.
[2] The Group is also to exercise control over all of the strategic financial and operating decisions of the subsidiary as the Group is able to nominate over 50% of the board of directors. Accordingly, the company is regarded as a subsidiary of the Group.
[3] These companies were established in the PRC in the form of wholly foreign-owned enterprise.
[4] These Group holds 54% equity interest in the subsidiary and shares profit at 57.11% according to the shareholders' agreement.
[5] The company was established in the PRC as a joint stock limited company and its H shares were listed on the Stock Exchange until 14 February 2012 (Note 44).

Except for China Resources Gas Limited which is directly held by the Company, all other above principal subsidiaries are indirectly held by the Company and are operating principally in their place of incorporation/establishment.

None of the subsidiaries had any debt securities outstanding at 31 December 2011 or at any time during the year.

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 and liabilities 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.

46. PARTICULARS OF PRINCIPAL ASSOCIATES

Name of company	Place of establishment	Registered capital	Equity interest held by the jointly controlled entities/subsidiary		Attributable interest equity of the Group		Principal activities
			2011	2010	**2011**	2010	
			%	%	**%**	%	
四川聯發天然氣有限責任公司	PRC	RMB10,000,000	**49**	49	**17.64**	17.64	Sales of liquefied gas
成都榮和天然氣有限責任公司	PRC	RMB3,000,000	**49**	49	**17.64**	17.64	Sales of liquefied gas
成都世紀源通燃氣有限責任公司	PRC	RMB10,000,000	**45**	45	**16.2**	16.2	Sales of natural gas and connection of gas pipelines
鎮江東源壓縮天然氣有限公司	PRC	RMB16,500,000	**25**	25	**11.25**	11.25	Sale of liquefied gas
平頂山燃氣有限責任公司	PRC	RMB95,590,000	**27**	27	**15.16**	15.16	Sale of natural gas, LPG and gas appliances and construction gas pipelines
重慶燃氣集團股份有限公司 (formerly known as 重慶燃氣(集團)有限責任公司)	PRC	RMB1,216,116,082	**25 (see *Note 37*)**	–	**25**	–	Sale of liquefied gas and connection of gas pipelines

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

47. PARTICULARS OF PRINCIPAL JOINTLY CONTROLLED ENTITIES

Name of company	Place of establishment	Registered capital	Attributable equity interest of the Group 2011 %	2010 %	Principal activities
成都城市燃氣有限責任公司	PRC	RMB800,000,000	**36**	36	Sales of liquefied gas and connection of gas pipelines
無錫華潤燃氣有限公司	PRC	USD29,980,000	**50**	50	Sales of liquefied gas and connection of gas pipelines
瀘州華潤興瀘燃氣有限公司	PRC	RMB117,939,500	**40**	40	Sales of liquefied gas and connection of gas pipelines
鎮江華潤燃氣有限公司	PRC	RMB150,000,000	**51**	51	Sale of liquefied gas and connection of gas pipelines
淄博華潤燃氣有限公司	PRC	RMB186,000,000	**46**	46	Sale of liquefied gas and connection of gas pipelines
廈門華潤燃氣有限公司	PRC	RMB1,000,000,000	**49**	49	Sale of liquefied gas and connection of gas pipelines
濟寧華潤燃氣有限公司	PRC	RMB286,582,858	**51**	51	Sale of liquefied gas and connection of gas pipelines
重慶燃氣集團股份有限公司 (formerly known as 重慶燃氣(集團)有限責任公司)	PRC	RMB1,216,116,082	**–** *(see Note 37)*	25	Sale of liquefied gas and connection of gas pipelines
宜賓華潤燃氣有限公司	PRC	RMB200,000,000	**50**	50	Sale of liquefied gas and connection of gas pipelines
南京江寧華潤燃氣有限公司	PRC	RMB951,000,000	**70**	49	Sale of liquefied gas and connection of gas pipelines

47. PARTICULARS OF PRINCIPAL JOINTLY CONTROLLED ENTITIES – Continued

Name of company	Place of establishment	Registered capital	Attributable equity interest of the Group 2011 %	2010 %	Principal activities
內江華潤燃氣有限公司	PRC	RMB126,487,400	**50**	50	Sale of liquefied gas and connection of gas pipelines
昆山華潤城市燃氣有限公司	PRC	RMB148,000,000	**49.9**	49.9	Sale of liquefied gas and connection of gas pipelines
四川華潤萬通燃氣股份有限公司	PRC	RMB122,423,372	**50**	50	Sale of liquefied gas and connection of gas pipelines
中山公用燃氣有限公司	PRC	RMB123,333,300	**40**	–	Sale of liquefied gas and connection of gas pipelines

The Group is able to exercise joint control over these companies as all of the strategic financial and operating decisions require unanimous consent of the Group and the joint venturers. Accordingly, these companies are regarded as jointly controlled entities of the Group.

The above table lists the jointly controlled entities of the Group which, in the opinion of the directors of the Company, principally affected the results of the year or form a substantial portion of the net assets of the Group. To give details of other jointly controlled entities would, in the opinion of the directors of the Company, result in particulars of excessive length.

The summarised financial information in respect of the interests in jointly controlled entities attributable to the Group is set out below:

	2011 *HK$'000*	2010 *HK$'000* (Restated)
Current assets	**3,187,449**	3,309,437
Non-current assets	**4,019,848**	4,924,931
Current liabilities	**3,072,968**	3,824,893
Non-current liabilities	**186,288**	564,576
Income recognised in profit or loss	**4,947,589**	4,696,329
Expenses recognised in profit or loss	**4,282,173**	4,142,580
Other comprehensive income	**275,471**	57,000

FINANCIAL SUMMARY

RESULTS

	Year ended 31 December				
	2007	2008	2009	2010	**2011**
	HK$'000	*HK$'000*	*HK$'000* (Restated)	*HK$'000* (Restated)	***HK$'000***
TURNOVER	6,251,087	3,505,535	4,824,772	9,331,482	**13,506,632**
PROFIT FOR THE YEAR	480,655	354,024	609,406	1,038,184	**1,596,408**
ATTRIBUTABLE TO:					
OWNERS OF THE COMPANY	402,079	383,659	496,998	786,676	**1,200,473**
NON-CONTROLLING INTERESTS	78,576	(29,635)	112,408	251,508	**395,935**
	480,655	354,024	609,406	1,038,184	**1,596,408**

ASSETS AND LIABILITIES

	31 December				
	2007	2008	2009	2010	**2011**
	HK$'000	*HK$'000*	*HK$'000* (Restated)	*HK$'000* (Restated)	***HK$'000***
TOTAL ASSETS	10,556,557	4,827,613	12,055,906	20,779,123	**25,405,628**
TOTAL LIABILITIES	(6,196,899)	(2,078,354)	(8,596,823)	(12,795,211)	**(14,787,081)**
TOTAL EQUITY	4,359,658	2,749,259	3,459,083	7,983,912	**10,618,547**
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	3,613,734	2,373,329	2,492,165	5,831,537	**8,102,453**
SHARE OPTION RESERVE OF A LISTED SUBSIDIARY	10,840	–	–	–	**–**
NON-CONTROLLING INTERESTS	735,084	375,930	966,918	2,152,375	**2,516,094**
TOTAL EQUITY	4,359,658	2,749,259	3,459,083	7,983,912	**10,618,547**

THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the mandatory provisions of the Code on Corporate Governance Practices (the "Code") set out in Appendix 14 to the Listing Rules. In line with the mandatory provisions of the Code, the Company has adopted a Corporate Governance Handbook (the "Handbook") on 23 December, 2005 and subsequently updated in 2008, 2009 and 2010 respectively. The contents of the Handbook include, among others, directors' duties, model code for directors' transaction in securities, model code for securities transaction by relevant employees, the functions and terms of reference of the Audit, Remuneration, Nomination and Investment Committees, disclosure of information and communication with shareholders. All the mandatory provisions under the Code have been adopted and reflected in the Handbook. The Company has throughout the year complied with the mandatory provisions of the Code except for the provision E1.2 of the Code which provides that the Chairman of the Board should attend the annual general meeting (the "AGM") of the Company which was held on 30th May, 2011. The chairman of the Board did not attend the AGM as he had conflicting business schedule. The chairman or members of the Audit, Remuneration and Nomination Committees and the Chief Financial Officer attended the AGM. The Company considers that their present is sufficient for (i) answering questions from and (ii) effective communication with shareholders present at the AGM.

REVIEW AND AUDIT OF ACCOUNTS

The consolidated financial statements of the Group for the year ended 31 December 2011 have been reviewed by the Audit Committee of the Company, which comprises two Independent Non-executive Directors and one Non-executive Director, and have been audited by the Company's auditor, Deloitte Touche Tohmatsu. The Independent Auditor's Report will be included in the Annual Report to the shareholders.

PUBLICATION OF ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

The Annual Report of the Company will be dispatched to shareholders and published on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.crgas.com.hk) in due course.

OUTLOOK

The continued economic growth and the rapid industrialisation and urbanisation of China has spiked the demand for energy in the PRC. The PRC government has been very supportive of the development of the natural gas industry and has promulgated various policies and guidelines to encourage and rationalize the usage of natural gas. Construction of upstream gas pipelines and LNG receiving terminals are actively in progress. The PRC government places significant emphasis on the rapid development of natural gas industry under the 12th Five Year Plan to reduce carbon emission and diversify its energy sources. All these will greatly boost the availability of natural gas in China and will continue to offer significant opportunity for future growth in the downstream gas industry in China. The Company will ride on these favourable industry fundamentals and its experienced management team with strong execution record to scale new heights via organic and acquisition growths.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our most sincere appreciation to our business partners, customers and shareholders for their unfailing support as well as all the Group's employees for their hard work and dedication in carrying out their duties and in achieving the Group's business goal.

On behalf of the Board
CHINA RESOURCES GAS GROUP LIMITED
MA Guoan
Chairman

Hong Kong, 13 March 2012

As at the date of this announcement, the directors of the Company are Mr. Ma Guoan, Mr. Wang Chuandong and Mr. Ong Thiam Kin, being Executive Directors; Mr. Du Wenmin and Mr. Wei Bin, being Non-executive Directors; and Mr. Wong Tak Shing, Mr. Luk Chi Cheong and Ms Yu Jian, being Independent Non-executive Directors.