港華燃氣有限公司
Towngas China Company Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1083)

2013 ANNUAL RESULTS ANNOUNCEMENT

Financial Highlights:

- Profit after taxation attributable to shareholders of the Company surged by 31.6% to HK$1,106 million.
- Turnover rose significantly to HK$6,716 million, increased by 29.6%.
- A final dividend of eight HK cents per share is proposed, representing an increase of 33.3% over last year.

RESULTS

The board of directors (the "Board") of Towngas China Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2013.

The audited consolidated results of the Group for the year ended 31 December 2013 together with the comparative figures of 2012 are as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

	NOTES	2013 HK$'000	2012 HK$'000
Turnover	2	**6,715,709**	5,183,466
Operating profit before returns on investments		**925,047**	743,656
Other gains, net		**246,050**	159,872
Share of results of associates		**336,188**	245,040
Share of results of joint ventures		**265,125**	235,125
Finance costs	3	**(163,558)**	(148,145)
Profit before taxation	4	**1,608,852**	1,235,548
Taxation	5	**(382,509)**	(299,393)
Profit for the year		**1,226,343**	936,155
Profit for the year attributable to:			
Shareholders of the Company		**1,106,286**	840,798
Non-controlling interests		**120,057**	95,357
		1,226,343	936,155
Proposed final dividend of eight HK cents (2012: six HK cents) per ordinary share	6	**209,044**	156,621
		HK cents	*HK cents*
Earnings per share	7		
– Basic		**42.46**	34.17
– Diluted		**42.34**	34.10

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2013

	NOTES	**2013** **HK$'000**	2012 HK$'000
Non-current assets			
Property, plant and equipment		**9,355,245**	7,652,265
Leasehold land		**352,258**	304,619
Intangible assets		**174,621**	177,089
Goodwill		**5,797,674**	4,284,965
Interests in associates		**2,809,167**	2,525,529
Interests in joint ventures		**1,787,730**	1,546,131
Loans to joint ventures		**11,743**	91,706
Available-for-sale investments		**170,248**	170,016
Deferred consideration receivable		**123,066**	156,724
		20,581,752	16,909,044
Current assets			
Inventories		**588,281**	394,596
Leasehold land		**11,663**	9,961
Loans to associates		**19,206**	33,582
Loans to joint ventures		**224,514**	139,757
Trade and other receivables, deposits and prepayments	*8*	**1,580,379**	1,056,809
Amounts due from non-controlling shareholders		**18,247**	6,358
Other financial asset		-	6,391
Time deposits over three months		**374,271**	219,302
Bank balances and cash		**2,230,363**	2,479,484
		5,046,924	4,346,240
Current liabilities			
Trade and other payables and accrued charges	*9*	**4,151,637**	2,998,265
Amounts due to non-controlling shareholders		**248,843**	193,504
Taxation		**563,384**	435,654
Borrowings – amount due within one year		**2,418,883**	1,946,359
		7,382,747	5,573,782
Net current liabilities		**(2,335,823)**	(1,227,542)
Total assets less current liabilities		**18,245,929**	15,681,502
Non-current liabilities			
Loans from the ultimate holding company		**993,750**	993,750
Borrowings – amount due after one year		**3,487,785**	3,145,493
Deferred taxation		**275,823**	236,306
Other financial liabilities		**10,308**	18,992
		4,767,666	4,394,541
Net assets		**13,478,263**	11,286,961
Capital and reserves			
Share capital		**261,286**	246,035
Reserves		**12,270,017**	10,235,681
Equity attributable to shareholders of the Company		**12,531,303**	10,481,716
Non-controlling interests		**946,960**	805,245
Total equity		**13,478,263**	11,286,961

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

In the current year, the Group has applied, for the first time, the following new and revised Hong Kong Accounting Standards ("HKASs"), HKFRSs, amendments and interpretation ("HK(IFRIC) - Int") (hereinafter collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 - 2011 Cycle
Amendments to HKFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income

2. SEGMENT INFORMATION

Operating segments

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and to assess its performance. The chief operating decision maker of the Group has been identified as the executive directors of the Company (the "Executive Directors").

The Group determines its operating segments based on the internal reports reviewed by the Executive Directors to facilitate strategic decision making.

The Group currently organises its operations into two operating divisions, which also represent the operating segments of the Group for financial reporting purposes, namely sales and distribution of piped gas and related products and gas connection. They represent two major lines of business engaged by the Group. The principal activities of the operating and reportable segments are as follows:

Sales and distribution of piped gas and related products	– Sales of piped gas (mainly natural gas) and gas related household appliances*
Gas connection	– Construction of gas pipeline networks under gas connection contracts

* Sales from gas related household appliances contribute to less than 5% of the Group's total revenue.

Segments results represent the profit before taxation earned by each segment, excluding interest income, finance costs, share of results of associates, share of results of joint ventures, other net gains and unallocated corporate expenses such as central administration costs and directors' salaries. These are reported to the Executive Directors for the purposes of resource allocation and assessment of segment performance.

Information regarding these segments is presented below.

	Sales and distribution of piped gas and related products *HK$'000*	**Gas connection** *HK$'000*	**Consolidated** *HK$'000*
For the year ended 31 December 2013			
TURNOVER			
External	**5,264,625**	**1,451,084**	**6,715,709**
Segment results	**426,956**	**638,269**	**1,065,225**
Other gains, net			**246,050**
Unallocated corporate expenses			**(140,178)**
Share of results of associates			**336,188**
Share of results of joint ventures			**265,125**
Finance costs			**(163,558)**
Profit before taxation			**1,608,852**
Taxation			**(382,509)**
Profit for the year			**1,226,343**

	Sales and distribution of piped gas and related products *HK$'000*	Gas connection *HK$'000*	Consolidated *HK$'000*
For the year ended 31 December 2012			
TURNOVER			
External	3,972,241	1,211,225	5,183,466
Segment results	307,682	551,760	859,442
Other gains, net			159,872
Unallocated corporate expenses			(115,786)
Share of results of associates			245,040
Share of results of joint ventures			235,125
Finance costs			(148,145)
Profit before taxation			1,235,548
Taxation			(299,393)
Profit for the year			936,155

The reportable segments have been prepared on the historical cost basis. The accounting policies of the reportable segments are the same as the Group's accounting policies.

All of the Group's revenue was generated in the People's Republic of China (the "PRC") (place of domicile of the group entities that derive revenue) and over 90% of the Group's non-current assets other than financial instruments were also located in the PRC (place of domicile of the group entities that hold such assets). No individual customer of the Group had contributed sales of over 10% of the total revenue of the Group for each of the years ended 31 December 2013 and 2012.

3. FINANCE COSTS

	2013	2012
	HK$'000	*HK$'000*
Interest on:		
– bank and other borrowings wholly repayable within five years	**161,269**	145,027
– bank and other borrowings not wholly repayable within five years	**1,095**	1,468
Bank charges	**3,587**	2,670
	165,951	149,165
Less: Amounts capitalised	**(2,393)**	(1,020)
	163,558	148,145

4. PROFIT BEFORE TAXATION

	2013	2012
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging and (crediting):		
Total staff costs	**670,677**	521,417
Amortisation of intangible assets	**7,454**	7,291
Release of leasehold land	**12,417**	9,847
Cost of inventories sold	**4,686,162**	3,561,889
Depreciation of property, plant and equipment	**323,097**	268,506
Operating lease rentals in respect of land and buildings	**25,360**	17,272
Loss (gain) on disposal of property, plant and equipment	**19,733**	(993)
Loss on disposal of leasehold land	**4,788**	128

5. TAXATION

	2013	2012
	HK$'000	*HK$'000*
The charge comprises:		
PRC Enterprise Income Tax ("EIT")		
– current year	**339,651**	260,215
Deferred taxation		
– taxation charge for the year	**42,858**	39,178
	382,509	299,393

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

The EIT rates applicable for the Group's PRC subsidiaries range from 15% to 25% (2012: 15% to 25%).

Pursuant to the relevant laws and regulations in the PRC, certain of the Company's PRC subsidiaries were entitled to exemption from EIT for the first two years commencing from their first profit-making year of operation and thereafter, these PRC subsidiaries would be entitled to a 50% relief from EIT for the following three years. The reduced tax rate for the relief period was 12.5%. EIT for the year eneded 31 December 2012 had been provided for after taking these tax incentives into account. These tax incentives had been expired by the year 2012.

Certain subsidiaries which are operating in the Western China have been granted tax concessions by the local tax bureau and are entitled to EIT at concessionary rate of 15%. Save as aforesaid, the applicable tax rate for the current year is 25%.

6. DIVIDENDS

During the year, final dividend in respect of the year ended 31 December 2012 of HK$156,771,000 (2012: HK$123,017,000 in respect of the year ended 31 December 2011) was recognised as distribution, being six HK cents per ordinary share (2012: five HK cents per ordinary share).

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2013 of eight HK cents (2012: six HK cents) per ordinary share has been proposed by the Board and is subject to approval by the shareholders in the forthcoming annual general meeting.

7. EARNINGS PER SHARE

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

	2013	2012
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share, being profit for the year attributable to shareholders of the Company	**1,106,286**	840,798

	Number of shares 2013 *'000*	2012 *'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,605,489**	2,460,345
Effect of dilutive potential ordinary shares:		
Share options	**7,288**	5,378
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,612,777**	2,465,723

8. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2013 ***HK$'000***	2012 *HK$'000*
Trade receivables	**644,465**	412,371
Deferred consideration receivable	**39,321**	39,321
Prepayments	**566,302**	387,959
Other receivables and deposits	**330,291**	217,158
	1,580,379	1,056,809

Trade receivables

Included in the balance of trade and other receivables, deposits and prepayments are trade receivables of HK$644,465,000 (2012: HK$412,371,000). The Group has a policy of allowing a credit period ranging from 0 to 180 days to its customers. Longer credit period is also allowed on a case by case basis. The following is an aged analysis of trade receivables presented based on the invoice date, which approximated the revenue recognition date, at the end of the reporting period.

	2013 ***HK$'000***	2012 *HK$'000*
0 to 90 days	**579,840**	384,737
91 to 180 days	**27,747**	15,908
181 to 360 days	**36,878**	11,726
	644,465	412,371

9. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	2013 *HK$'000*	2012 *HK$'000*
Trade payables	**870,155**	592,348
Receipt in advance	**2,185,799**	1,620,465
Consideration payable for acquisitions of businesses	**212,519**	297,941
Consideration payable to a joint venture (note a)	**73,034**	-
Other payables and accruals	**809,401**	481,597
Amount due to the ultimate holding company (note b)	**729**	5,914
	4,151,637	2,998,265

Notes:

(a) The amount represents consideration payable to a joint venture for acquisition of Pingyin business.

(b) The amount is unsecured, interest-free and repayable on demand.

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

	2013 *HK$'000*	2012 *HK$'000*
0 to 90 days	**685,272**	440,373
91 to 180 days	**74,035**	40,066
181 to 360 days	**46,564**	43,550
Over 360 days	**64,284**	68,359
	870,155	592,348

FINANCIAL REVIEW

For the year ended 31 December 2013, the Group recorded a turnover of HK$6,716 million, a growth of 29.6% compared to 2012. Profit after taxation attributable to shareholders of the Company amounted to HK$1,106 million, an increase of 31.6% as compared to the previous year. Basic earnings per share amounted to 42.46 HK cents, representing an increase of 24.3% compared to 2012.

Turnover

Turnover from the sales of piped gas and related products increased 32.5% from HK$3,972 million to HK$5,265 million in 2013. This growth was primarily attributable to the increase in the volume of gas sold and higher average gas sale prices. In the gas connection business, income from connection fees for the year amounted to HK$1,451 million, a rise of 19.8% compared to 2012. This was attributable to an increase of approximately 310,000 new household connections by subsidiaries in 2013.

Gas Fuel, Stores and Materials Used

The cost of gas fuel, stores and materials used in 2013 amounted to HK$4,275 million, while that was HK$3,220 million in 2012. The increase in expenses was mainly attributable to the increase in the volume of gas sold.

Overhead Costs

Overhead costs in 2013 amounted to HK$1,516 million, up 24.3% as compared to HK$1,220 million in 2012. The increase was mainly due to the Group's business development together with escalations in wages and inflation. Staff costs, depreciation and amortisation expenses and other expenses rose by 28.6%, 20.1% and 21.7%, respectively. At the same time, an increase of HK$75 million in overheads was due to the inclusion of new subsidiaries engaged in piped city gas operations in 2013.

Staff Costs

Staff costs increased from HK$521 million in 2012 to HK$671 million in 2013. The increase in staff costs was due to the increase in the number of staff in line with our business development needs, the addition of new subsidiaries and higher average salaries on the mainland.

Finance Costs

Finance costs in 2013 amounted to HK$164 million, a slight increase as compared to 2012. This rise in finance costs reflected the increase in loans due to the acquisition of new projects in 2013, which offsets the decrease in interest expenses following the receipt of funds amounting to approximately HK$930 million from the placement of new ordinary shares in January 2013.

Available-for-sale Investments

Available-for-sale investments mainly consisted of the Group's investment in Chengdu City Gas Co., Ltd. ("Chengdu Gas"), which pays increasing dividends to the Group every year. Chengdu Gas was stated at cost and no impairment provision was required during the year.

Share Placement

In January 2013, the Company successfully placed 150 million new ordinary shares at a price of HK$6.31 per share in the market with net proceeds from the placing (after deduction of commission and other expenses of the placing) amounting to approximately HK$930 million. This share placement was over-subscribed by enthusiastic investors with more than 20 times. Net proceeds from the placement were used as general working capital and for investments in new projects.

Financial Resources and Position

As at 31 December 2013, the Group's total borrowings amounted to HK$6,900 million, of which HK$994 million represented loans extended by The Hong Kong and China Gas Company Limited ("HKCG") due between 1 to 5 years, HK$3,456 million represented bank loans and other loans due between 1 to 5 years, HK$2,419 million represented bank loans and other loans due within 1 year, and HK$31 million represented bank loans and other loans with an outstanding term of over 5 years. The Group entered into an interest rate swap contract to swap the 5 year variable-rate bank borrowing of HK$350 million to the fixed-rate borrowing in 2011. Other than the HK$740 million in bank loans and other loans bearing interest at fixed rates, the Group's loans were mainly arranged on a floating interest rate basis. The maturity profiles and interest rates of the loans were arranged to provide sound financial resources and stable interest costs for the Group. As at 31 December 2013, the Group did not have any pledge on assets. As at the end of the year, the Group had a gearing ratio (net debt excluding the HKCG loans ("Net Debt") to equity attributable to shareholders of the Company plus Net Debt) of 20.9%.

As at 31 December 2013, the Group held unutilised facilities amounting to HK$1,981 million.

As at 31 December 2013, the Group's cash and cash equivalents together with time deposits amounted to HK$2,605 million, mainly denominated in Renminbi, Hong Kong dollars and United States dollars.

The operating and capital expenditure of the Group is funded by cash flow from operations, internal liquidity and financing agreements with banks and our shareholders. The Group maintains a consistently strong liquidity position with cash and cash equivalents on hand and unutilised banking facilities, with adequate financial resources to meet all contractual obligations and operational requirements. Benefiting from our high credit ratings, the Group enjoys favourable interest rates on bank loans.

Credit Ratings

In 2013, Moody's Investor Service, a rating agency, maintained a credit rating of "Baa2" for the Company with a stable outlook. Standard & Poor's, another rating agency, also continued to assign the Company a credit rating of "BBB" with a stable outlook. These reflect the Company's solid and stable financial position and operational prospects. At the same time, Moody's Investor Service indicated that the Company's share placement completed on 16 January 2013 would be credit positive.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2013.

Currency Profile

The Group's activities are predominantly operated and conducted in Hong Kong and mainland China. Its cash, cash equivalents and borrowings are mainly denominated in Renminbi, Hong Kong dollars and United States dollars. As such, no material foreign exchange risk exposure is expected.

Final Dividend

In view of the continuous growth in the Group's results, the Board recommended the payment of a final dividend for the year ended 31 December 2013 of eight HK cents per share (2012: six HK cents per share), representing an increase of 33.3% over the previous year. The Board also proposed to offer a scrip dividend option to allow shareholders to elect to receive the final dividend wholly or partly in the form of new fully paid shares instead of in cash.

BUSINESS REVIEW

China's economic development was generally stable in 2013, sustaining growth at a reasonable level. Bidding to ensure sustainable and healthy economic development, the new government adopted a range of policy measures to "pursue stable growth, control inflation and avoid risks". The Group was determined to continue systematic development, seeing steady progress and ongoing improvements in safety, customer services and market development. We boosted our business process information system whilst also launching customer service improvement programmes on a continuing basis to enhance customer satisfaction.

Sales of Piped Gas

In 2013, the Group sold a total of 5.95 billion cubic metres of piped gas, representing an increase of 11.8% against the 5.32 billion cubic metres sold last year. Industrial gas sales grew by 390 million cubic metres to account for 58.8% of the total volume of gas sold by the Group. Commercial gas sales as a percentage of the total volume of gas sold by the Group were steady at 16.7%, while sales of residential gas as a percentage of total volume of gas sold decreased slightly to 24.5%. Benefiting from China's stable economic growth and the Group's development strategy to strengthen industrial gas consumption, we have been able to continue the stable growth of our industrial and commercial gas sales. A gas sales profile underpinned by industrial and commercial gas consumption ensures ongoing growth for the Group's profit from gas sales because this strategy allows the Group to reflect any upstream price adjustments on to industrial and commercial customers promptly.

Project Acquisitions

We continued to expand the geographic footprint of our business presence in 2013 with the acquisition of 14 new projects in Shandong, Anhui, Sichuan, Guangdong, Jiangsu, Liaoning, Hebei and Guangxi. These included city gas projects in Shiheng Town in Feicheng City and the Economic Development Zone in Boxing County in Binzhou City, Shandong Province; the Zhengpugang Xin Qu Modern Industrial Zone in Maanshan City, Fanchang County in Wuhu City and Bozhou-Wuhu Modern Industrial Zone in Bozhou City, Anhui Province; Mianzhu City, Sichuan Province; Fengxi District in Chaozhou City, Guangdong Province; Dafeng City in Jiangsu Province; Jianping County in Liaoning Province; the Zhongwei piped gas project in the Guangxi Zhuang Autonomous Region, as well as Cang County, Mengcun Hui Autonomous County and Yanshan County in Cangzhou City and the Shijiazhuang Southern Industrial Zone in Hebei Province. Total gas consumption of the 14 projects mentioned above is expected to reach approximately 1.6 billion cubic metres in five years.

In addition, the Group also developed 6 new projects in early 2014, consisting of city gas projects located at Jiajiang County in Leshan City, Sichuan Province; Songyang County in Lishui City, Zhejiang Province; Siping City in Jilin Province; Xingyi City, Guizhou Province and Guyang County in Baotou City, Inner Mongolia Autonomous Region, as well as a gas vehicular filling station project at Qiqihar City, Heilongjiang Province. These projects will provide solid foundations for the development of the Group's business in 2014. The Xingyi and Guyang piped gas projects mark the Group's debut in Guizhou Province and Inner Mongolia Autonomous Region, respectively. This strategic move will facilitate the development of city gas projects in these two provincial-level area as the next step. Total gas consumption of these six new projects is expected to reach approximately 0.5 billion cubic metres in five years.

Details of the Group's 14 new projects are as follows:

	Project	Shareholding of the Group	Major Industries in the Operating Regions
1.	Shiheng Town, Feicheng City, Shandong Province	100%	Metallurgical smelting, food processing, equipment fabrication
2.	Economic Development Zone, Boxing County, Binzhou City, Shandong Province	65%	Steel coating
3.	Zhengpugang Xin Qu Modern Industrial Zone, Maanshan City, Anhui Province	100%	High-end equipment fabrication, automobile parts and accessories, iron and steel
4.	Mianzhu City, Sichuan Province	80%	Phosphorous chemicals, glass chemicals and building materials
5.	Fengxi District, Chaozhou City, Guangdong Province	60%	Ceramic necessities and ceramic arts
6.	Fanchang County, Wuhu City, Anhui Province	50%	New materials in construction, light textiles, metallurgical machinery and medication
7.	Bozhou-Wuhu Modern Industrial Zone, Bozhou City, Anhui Province	49%	Manufacturing of modern machinery and equipment, electronic information
8.	Dafeng City, Jiangsu Province	51%	Petrochemical industry, new materials, pharmaceutical chemistry, production of heavy machinery and equipment and papermaking
9.	Cang County, Cangzhou City, Hebei Province	90%	Chemical industry, equipment manufacturing, communications and electronic products manufacturing
10.	Mengcun Hui Autonomous County, Cangzhou City, Hebei Province	90%	Pipe fittings manufacturing
11.	Yanshan County, Cangzhou City, Hebei Province	90%	Piping manufacturing
12.	Jianping County, Liaoning Province	80%	Ceramics
13.	Zhongwei piped gas project, Guangxi Zhuang Autonomous Region	100%	Aluminium, sugar production, glass products
14.	Shijiazhuang Southern Industrial Zone, Hebei Province	45%	Building ceramics, pharmaceutical chemicals, cement building materials

Details of the Group's 6 new projects in 2014 are as follows.

	Project	Shareholding of the Group	Major Industries in the Operating Regions
1.	Jiajiang County, Leshan City, Sichuan Province	70%	Ceramics
2.	Gas vehicular filling station project, Qiqihar City, Heilongjiang Province	55%	Gas vehicular filling station
3.	Songyang County, Lishui City, Zhejiang Province	51.35% (*)	Manufacturing of stainless steel pipes and copper metallurgy
4.	Siping City, Jilin Province	80%	Manufacturing of machinery, special-purpose vehicles
5.	Xingyi City, Guizhou Province	70%	Building materials, pharmaceuticals and wine-making
6.	Guyang County, Baotou City, Inner Mongolia Autonomous Region	85%	Magnesium metal processing

(*) The Group directly holds a 65% equity interest in its holding company which holds a 79% equity interest in the project. As a result, the effective shareholding in the project by the Group is 51.35%.

Staff Training and Development

As at the end of 2013, the Group had 20,324 employees. As usual, the Group had been encouraging continuous learning during the year, making every effort to provide a platform to facilitate ongoing development together with genuine care and assistance for our employees.

Awards

– **Winner of "Hong Kong Corporate Governance Excellence Awards 2013"**

At the prize-giving ceremony of the "Hong Kong Corporate Governance Excellence Awards 2013" jointly presented by The Chamber of Hong Kong Listed Companies and The Centre for Corporate Governance and Financial Policy, Hong Kong Baptist University held on 12 December 2013, Towngas China was honoured with the Award for Corporate Governance Excellence in 2013.

First introduced in 2007, the Hong Kong Corporate Governance Excellence Awards not only provide recognition, they also commend listed companies for their outstanding achievements and performance, among other factors, in protecting shareholders' rights, integrity, board independence and leadership as well as corporate social responsibility. Towngas China won the award under the Hang Seng Composite Index Constituent Companies category for our excellence in various aspects of corporate governance.

– **"2013 The Best CEO of Chinese Listed Companies" by Forbes**

Mr. Wong Wai Yee, Peter, our Executive Director and Chief Executive Officer, was once again named in the list of "2013 The Best CEO of Chinese Listed Companies" by Forbes, duplicating his feat of 2012. Mr. Wong's inclusion in this prestigious list not only provides strong recognition of the Group's long-standing leadership in the industry, but also recognises Mr. Wong's outstanding management calibre and contributions.

– **Other Awards**

In addition, the Group won various honours in 2013 including the "Outstanding Marketing in China Award 2012-2013", the "Best Customer Services in China Award 2012-2013", as well as the titles of "Enterprise with the Best Corporate Social Responsibilities 2013" and "Five Stars Outstanding Corporate Citizen in China 2013".

Corporate Social Responsibility

In March 2013, we founded our own charity label, the "Gentle Breeze Movement". Activities by the Group and Group companies now all fall under the Movement's umbrella. The name of "Gentle Breeze Movement" was chosen in the hope that in fulfilling our corporate social responsibilities, the activities conducted both by the Group and our Group companies will warm and benefit the wider public, and the warm culture of the Group can be extended like a "gentle breeze". During the year, our "Gentle Breeze Movement" received the "Outstanding Project of Corporate Citizen in China 2013" award jointly presented by the Committee of Corporate Citizenship under the China Association of Social Workers, the CCTV Financial Channel and the Tencent Charity Foundation.

The Group launched an initiative entitled "Seven Options for Smog Reduction - Towngas China's Green Journey" in association with our Group companies as well as HKCG. Under this initiative, employees were encouraged to lead an all-rounded green-life. Besides, our tree planting activities during the year planted close to 30,000 trees over a green area of nearly 50,000 square metres.

2014 Outlook

Given ever stronger calls for environmental protection in China and the increasing emphasis on enhancing air quality, together with the sequential commencement of operation of new natural gas sources in the mainland, we are projecting sound growth for the Group's gas sales in 2014.

In view of the natural gas pricing reforms and the restructuring of the natural gas industry, which have already commenced, we will be closely monitoring related developments while maintaining effective communications with the relevant government authorities and industry. As China is still undergoing the phase of rapid construction, the demand for investment in natural gas and city gas remains robust. It is expected that China's reforms in the natural gas sector will promote natural gas consumption and drive infrastructure investments in upstream gas supply.

As China grows to become a well-off society and its middle class continues to grow, consumers expect higher service standards. The Towngas China Group holds a distinctive edge in terms of both gas supply safety and customer services. The Group will continue to invest more and enhance its training to catch the trend.

China is still keeping a relatively high pace of growth under the "12th Five-Year Plan". The Towngas China Group will persistently pursue growing opportunities underpinned by quality and efficiency, as well as continue to strengthen safety and risk management, while emphasising customer services and corporate social responsibility. Leveraging on the backing of its parent company, HKCG, and its experiences accumulated in successfully establishing public utilities business in mainland China over the years, the Group is an exemplary leader in the city gas industry in China. The Group, enjoying good fame and word of mouth which aid its development in new projects and new markets, holds enormous potential for building an even more thriving future.

OTHER INFORMATION

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2013.

Corporate Governance

Save as disclosed below, the Company had complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year. In respect of code provision A.6.7 of the CG Code, one of the independent non-executive directors was unable to attend the annual general meeting of the Company held on 3 June 2013 due to other engagement overseas.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the directors. All directors confirmed, following specific enquiries by the Company that they had complied with the required standards set out in the Model Code throughout the year ended 31 December 2013.

Audit Committee

The Company has an audit committee (the "Audit Committee") which was established in accordance with the requirements of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls.

A meeting of the Audit Committee was held on 27 February 2014 to review the Group's audited consolidated financial statements for the year ended 31 December 2013 in conjunction with the Group's internal auditors and Deloitte Touche Tohmatsu, the Group's external auditor.

Annual General Meeting

The Annual General Meeting (the "AGM") will be held on Monday, 26 May 2014. For details of the AGM, please refer to the Notice of AGM which is expected to be published on or about Monday, 14 April 2014.

Final Dividend

The Board recommended the payment of a final dividend out of the share premium account under reserves of the Company of eight HK cents per share (2012: six HK cents per share) to shareholders whose names are on the register of members on 4 June 2014, which is subject to approval by shareholders at the AGM and compliance with the Companies Law of the Cayman Islands.

The proposed final dividend will be payable in cash, with an option granted to shareholders to receive new and fully paid shares in lieu of cash in whole or in part under the scrip dividend scheme (the "Scrip Dividend Scheme"). The new shares will, on issue, rank pari passu in all respects with the existing shares in issue on the date of the allotment and issue of the new shares except that they shall not be entitled to the proposed final dividend. The circular containing details of the Scrip Dividend Scheme and the relevant election form is expected to be sent to shareholders on or about 9 June 2014.

The Scrip Dividend Scheme is conditional upon the passing of the resolution relating to the payment of the final dividend at the forthcoming annual general meeting of the Company and the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the new shares to be issued under the Scrip Dividend Scheme.

It is expected that the cheques for cash dividends and the share certificates to be issued under the Scrip Dividend Scheme will be sent by ordinary mail to shareholders at their own risk on or about 11 July 2014.

Closure of Register of Members

The register of members of the Company will be closed for the following periods:-

(1) from 22 May 2014 to 26 May 2014, both days inclusive, during which period no transfer of shares will be registered for the purpose of ascertaining the shareholders entitled to attend and vote at the AGM; and

(2) from 30 May 2014 to 4 June 2014, both days inclusive, during which period no transfer of shares will be registered for the purpose of ascertaining the shareholders entitled to the final dividend to be approved at the AGM.

All completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 21 May 2014 and 29 May 2014 respectively.

Appreciation

On behalf of the Board, I would like to take this opportunity to express my heartfelt gratitude to all the loyal and dedicated employees of the Group. I would also like to express my appreciation to the continuous support of our shareholders and investors.

By Order of the Board
Ho Hon Ming, John
Executive Director and Company Secretary

Hong Kong, 17 March 2014

At the date of this announcement, the Board comprises:

Executive Directors:
Chan Wing Kin, Alfred *(Chairman)*
Wong Wai Yee, Peter *(Chief Executive Officer)*
Ho Hon Ming, John *(Company Secretary)*

Independent Non-executive Directors:
Cheng Mo Chi, Moses
Li Man Bun, Brian David
Chow Vee Tsung, Oscar

Non-executive Director:
Kwan Yuk Choi, James