港華燃氣有限公司
Towngas China Company Limited

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

2012 ANNUAL RESULTS ANNOUNCEMENT

Financial Highlights:

- Profit after taxation attributable to shareholders increased by 18.6% to HK$841 million.
- Turnover jumped to HK$5,183 million, increased by 20.0%.
- A final dividend of six HK cents per share is proposed, representing an increase of 20.0% 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 2012.

The audited consolidated results of the Group for the year ended 31 December 2012 together with the comparative figures of 2011 are as follows:

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

	NOTES	**2012** ***HK$'000***	2011 *HK$'000*
Turnover	*2*	**5,183,466**	4,321,344
Operating profit before returns on investments		**743,656**	586,390
Other gains, net		**159,872**	195,421
Share of results of associates		**245,040**	194,522
Share of results of jointly controlled entities		**235,125**	199,088
Finance costs	*3*	**(148,145)**	(141,885)
Profit before taxation	*4*	**1,235,548**	1,033,536
Taxation	*5*	**(299,393)**	(256,943)
Profit for the year		**936,155**	776,593
Profit for the year attributable to:			
Shareholders of the Company		**840,798**	708,754
Non-controlling interests		**95,357**	67,839
		936,155	776,593
Proposed final dividend of six HK cents (2011: five HK cents) per ordinary share	*6*	**156,621**	123,017
		HK cents	*HK cents*
Earnings per share	*7*		
– Basic		**34.17**	28.84
– Diluted		**34.10**	28.82

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2012

	NOTES	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment		**7,652,265**	6,127,967
Leasehold land		**304,619**	296,226
Intangible assets		**177,089**	182,910
Goodwill		**4,284,965**	3,848,101
Interests in associates		**2,525,529**	2,243,599
Interests in jointly controlled entities		**1,546,131**	1,481,514
Loans to jointly controlled entities		**91,706**	131,532
Available-for-sale investments		**170,016**	169,893
Deferred consideration receivable		**156,724**	203,682
		16,909,044	14,685,424
Current assets			
Inventories		**394,596**	387,702
Leasehold land		**9,961**	9,786
Loans to associates		**33,582**	30,826
Loans to jointly controlled entities		**139,757**	140,127
Trade and other receivables, deposits and prepayments	*8*	**1,056,809**	852,188
Amounts due from minority shareholders		**6,358**	6,267
Other financial asset		**6,391**	-
Time deposits over three months		**219,302**	148,583
Bank balances and cash		**2,479,484**	1,922,503
		4,346,240	3,497,982
Current liabilities			
Trade and other payables and accrued charges	*9*	**2,998,265**	2,262,579
Amounts due to minority shareholders		**193,504**	194,894
Taxation		**435,654**	320,622
Borrowings – amount due within one year		**1,946,359**	1,512,629
		5,573,782	4,290,724
Net current liabilities		**(1,227,542)**	(792,742)
Total assets less current liabilities		**15,681,502**	13,892,682
Non-current liabilities			
Loans from the ultimate holding company		**993,750**	471,790
Borrowings – amount due after one year		**3,145,493**	2,902,121
Deferred taxation		**236,306**	205,900
Other financial liabilities		**18,992**	13,616
		4,394,541	3,593,427
Net assets		**11,286,961**	10,299,255
Capital and reserves			
Share capital		**246,035**	246,035
Reserves		**10,235,681**	9,369,279
Equity attributable to shareholders of the Company		**10,481,716**	9,615,314
Non-controlling interests		**805,245**	683,941
Total equity		**11,286,961**	10,299,255

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

In the current year, the Group has applied the following new and revised HKFRS and Hong Kong Accounting Standards ("HKAS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKAS 12	Deferred tax: Recovery of underlying asset
Amendments to HKFRS 7	Financial instruments: Disclosures – Transfer of financial assets

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

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 jointly controlled entities, unallocated other net gains and 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.

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

For the year ended 31 December 2011	Sales and distribution of piped gas and related products *HK$'000*	Gas connection *HK$'000*	Consolidated *HK$'000*
TURNOVER			
External	3,287,779	1,033,565	4,321,344
Segment results	233,096	454,617	687,713
Unallocated other gains, net			195,421
Unallocated corporate expenses			(101,323)
Share of results of associates			194,522
Share of results of jointly controlled entities			199,088
Finance costs			(141,885)
Profit before taxation			1,033,536
Taxation			(256,943)
Profit for the year			776,593

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 2012 and 2011.

3. FINANCE COSTS

	2012	2011
	HK$'000	*HK$'000*
Interest on:		
– bank and other borrowings wholly repayable within five years	**144,007**	68,747
– bank and other borrowings not wholly repayable within five years	**1,468**	1,319
– guaranteed senior notes	**-**	69,682
	145,475	139,748
Bank charges	**2,670**	2,137
	148,145	141,885

4. PROFIT BEFORE TAXATION

	2012	2011
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging and crediting:		
Staff costs	**521,417**	394,114
Amortisation of intangible assets	**7,291**	7,147
Amortisation of leasehold land	**9,847**	9,866
Cost of inventories sold	**3,561,889**	3,033,810
Depreciation of property, plant and equipment	**268,506**	229,741
Loss on disposal of leasehold land	**128**	-
(Gain) loss on disposal of property, plant and equipment	**(993)**	11,853
Operating lease rentals in respect of land and buildings	**17,272**	12,022

5. TAXATION

	2012	2011
	HK$'000	*HK$'000*
The charge comprises:		
PRC Enterprise Income Tax ("EIT")		
– current year	**260,215**	206,711
Deferred taxation		
– taxation charge for the year	**39,178**	50,232
	299,393	256,943

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% (2011: 15% to 25%).

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%.

Pursuant to the relevant laws and regulations in the PRC, certain of the Company's PRC subsidiaries are entitled to exemption from EIT for the first two years commencing from their first profit-making year of operation and thereafter, these PRC subsidiaries will be entitled to a 50% relief from EIT for the following three years. The reduced tax rate for the relief period was 12.5% (2011: 12.5%). EIT has been provided for after taking these tax incentives into account. These tax incentives expired by the year 2012.

6. DIVIDENDS

During the year, final dividend of HK$123,017,000 (2011: HK$73,810,000) was paid, being five HK cents per ordinary share in respect of the year ended 31 December 2011 (2011: three HK cents per ordinary share in respect of the year ended 31 December 2010).

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2012 of six HK cents (2011: five 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:

	2012	2011
	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	**840,798**	708,754

	Number of shares 2012 *'000*	2011 *'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,460,345**	2,457,917
Effect of dilutive potential ordinary shares:		
Share options	**5,378**	1,623
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,465,723**	2,459,540

8. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2012 *HK$'000*	2011 *HK$'000*
Trade receivables	**412,371**	314,965
Deferred consideration receivable	**39,321**	39,321
Prepayments	**387,959**	301,182
Other receivables and deposits	**217,158**	196,720
	1,056,809	852,188

Trade receivables

Included in trade and other receivables, deposits and prepayments are trade receivables of HK$412,371,000 (2011: HK$314,965,000). 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 at the end of the reporting period.

	2012 *HK$'000*	2011 *HK$'000*
0 to 90 days	**384,737**	301,311
91 to 180 days	**15,908**	4,675
181 to 360 days	**11,726**	8,979
	412,371	314,965

9. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	2012	2011
	HK$'000	*HK$'000*
Trade payables	**592,348**	507,091
Receipt in advance	**1,620,465**	1,291,474
Consideration payable for acquisitions of businesses /subsidiaries	**297,941**	88,137
Other payables and accruals	**481,597**	375,114
Amount due to the ultimate holding company (note)	**5,914**	763
	2,998,265	2,262,579

Note:

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.

	2012	2011
	HK$'000	*HK$'000*
0 to 90 days	**440,373**	374,361
91 to 180 days	**40,066**	39,171
181 to 360 days	**43,550**	39,599
Over 360 days	**68,359**	53,960
	592,348	507,091

FINANCIAL REVIEW

For the year ended 31 December 2012, the Group recorded a turnover of HK$5,183 million, a growth of 20.0% compared to 2011. Profit after taxation attributable to shareholders of the Company amounted to HK$841 million, an increase of 18.6% as compared to the previous year. Basic earnings per share amounted to 34.17 HK cents, representing an increase of 18.5% compared to 2011.

Turnover

Turnover from the sales of piped gas and related products increased 20.8% from HK$3,288 million to HK$3,972 million in 2012. 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$1,211 million, a rise of 17.2% when compared to 2011. This was attributable to an increase of approximately 260,000 new household connections by subsidiaries in 2012.

Gas Fuel, Stores and Materials Used

The cost of gas fuel, stores and materials used in 2012 amounted to HK$3,220 million, compared to HK$2,755 million in 2011. The increase in expenses was mainly attributable to the increase in the volume of gas sold.

Overhead Costs

Overhead costs in 2012 amounted to HK$1,220 million, up 24.5% as compared to HK$980 million in 2011. The increase was mainly due to the Group's business development together with escalations in wages and inflation. Increases in staff costs, depreciation and amortisation expenses and other expenses rose by 32.3%, 15.8% and 21.7%, respectively. At the same time, an increase of HK$51 million in overheads was due to the inclusion of new subsidiaries engaged in piped city gas operations in 2012.

Staff Costs

Staff costs increased from HK$394 million in 2011 to HK$521 million in 2012. The increase in staff costs was due to the increase in the number of staff in view of business development needs, new subsidiaries and the rise in average salaries on the mainland.

Finance Costs

Finance costs in 2012 amounted to HK$148 million, a slight increase as compared to 2011. This was mainly attributable to the decrease in interest expenses due to the repayment of guaranteed senior notes with an effective interest rate of 8.69% in September 2011 by bank loans with lower interest rates. However, these decreases were offset by the increase in loans due to the acquisition of new projects in 2012, giving rise to the increase in finance costs.

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.

Placing of Shares

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 HK$930 million. This share placement was over-subscribed by investors with more than 20 times. Net proceeds from the placement will be used as general working capital and for future investments.

Financial Resources and Position

As at 31 December 2012, the Group's total borrowings amounted to HK$6,086 million, of which HK$994 million represented loans from The Hong Kong and China Gas Company Limited ("HKCG") due between 1 to 5 years, HK$3,108 million represented bank loans and other loans due between 1 to 5 years, HK$1,946 million represented bank loans and other loans due within 1 year, and HK$38 million represented bank loans and other loans due 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$735 million in bank loans and other borrowings which bore interests at fixed rates, the Group's loans were mainly arranged on a floating interest rate basis. The maturities and interest rates of the loans were arranged to provide sound financial resources and stable interest costs for the Group. As at 31 December 2012, the Group did not have any pledge on assets. As at the end of the year, the Group had a current ratio of 0.8 times and a gearing ratio (net debt excluding the HKCG loans ("Net Debt") to equity attributable to shareholders of the Company plus Net Debt) of 18.6%.

As at 31 December 2012, the Group held unutilised facilities amounting to HK$1,252 million.

As at 31 December 2012, the Group's cash and cash equivalents amounted to HK$2,479 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 its shareholders. The Group maintains a consistently strong liquidity position with cash and cash equivalents on hand and unutilised banking facilities, and has adequate financial resources to meet all contractual obligations and operating requirements. Benefiting from its high credit ratings, the Group enjoys favourable interest rates on bank loans.

Credit Ratings

In 2012, Moody's, 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 which reflects the Company's solid financial position and promising operational prospects. In 2013, Moody's indicated that the completion of the Company's share placement on 16 January 2013 is credit positive.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2012.

Currency Profile

The Group's activities are predominantly operated and conducted in Hong Kong and mainland China. Cash, cash equivalents or borrowings are thus 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 2012 of six HK cents per share (2011: five HK cents per share), representing an increase of 20.0% over the previous year.

BUSINESS REVIEW

In 2012, the Group capitalised on opportunities presented by the vigorous development of the natural gas industry in China to embrace ever brighter business prospects in the energy sector. In addition, we also excelled in our environmental protection, community welfare and corporate governance achievements.

Sales of Piped Gas

In 2012, the Group sold a total of 5.32 billion cubic metres of piped gas, representing an increase of 13.9% against 4.67 billion cubic metres sold last year. Industrial gas sales grew by 310 million cubic metres to account for approximately 58.4% in the total volume of gas sold by the Group. Commercial gas sales increased slightly to approximately 16.8% of the total volume of gas sold by the Group. Residential gas sales in turn accounted for approximately 24.8% of total gas volume sold. The continuing growth of our industrial and commercial gas sales demonstrated the success of the Group's project development strategy to strengthen industrial gas consumption, while also benefiting from China's stable economic growth. A gas sales profile underpinned by industrial and commercial gas consumption will help to ensure ongoing growth of the Group's future gas sales. It also allows the Group to promptly shift upstream price adjustments to industrial and commercial customers, while provides further assurance for the ongoing profit growth of the Group's gas sales.

Project Acquisitions

We continued to expand the geographic extent of our business presence in 2012 with the acquisitions of eight new projects in Liaoning, Shandong, Jiangxi, Fujian and Hebei Provinces. These included a piped city gas and a midstream gas pipeline project in Wafangdian City, Dalian, Liaoning Province and piped gas projects in Xinqiu District in Fuxin City, Liaoning Province; Binhai Science and Technology Industrial Park in Zhaoyuan City, Shandong Province; Pingyin County in Jinan City, Shandong Province; Yifeng County in Yichun City, Jiangxi Province; as well as debut projects in Fujian Province and Hebei Province. These included piped gas projects in Changting County, Longyan City, Fujian Province and Lingang Industrial Park, Shanhaiguan District in Qinhuangdao City, Hebei Province. The operating area of Changting County comprises three large-scale industrial parks, including Changting Rare Earth Industrial Park, a provincial-level industrial park and a key national production base for the rare earth industry, while the Lingang Industrial Park is a provincial-level industrial cluster for gas consumption-related industries. These two projects hold enormous potential for industrial gas consumption, providing solid foundations for the next phase of our development in Fujian and Hebei Provinces. Total gas consumption of the eight projects mentioned is expected to reach approximately 600 million cubic metres in five years.

There are four new projects for the Group in early 2013, consisting of city gas projects located at Shiheng Town in Feicheng City and Economic Development Zone in Boxing County in Binzhou City, Shandong Province; the Zhengpugang Xin Qu Modern Industrial Zone in Maanshan City, Anhui Province; and Mianzhu City in Sichuan Province. These projects will provide solid foundation for the development of the Group's business in 2013. Total gas consumption of these four new projects is expected to reach approximately 350 million cubic metres in five years.

Details of the Group's 12 new projects are as follows:

	Project	Shareholding of the Group	Major Industries in the Operating Regions
1.	Piped city gas project in Wafangdian City, Dalian, Liaoning Province	60%	Bearings, forging, machinery equipment
2.	Midstream gas pipeline project in Wafangdian City, Dalian, Liaoning Province	30%	Midstream piped natural gas project
3.	Binhai Science and Technology Industrial Park, Zhaoyuan City, Shandong Province	100%	Food, electronics, automobile accessories
4.	Yifeng County, Yichun City, Jiangxi Province	100%	Ceramics, building materials
5.	Xinqiu District, Fuxin City, Liaoning Province	100%	Construction materials, energy development, foodstuff processing
6.	Changting County, Longyan City, Fujian Province	90%	Rare earth industry
7.	Pingyin County, Jinan City, Shandong Province	82.5% (*)	Carbon industry
8.	Lingang Industrial Park, Shanhaiguan District, Qinhuangdao City, Hebei Province	51%	Auxiliary industries for vessels, railway accessories, wind power equipment, nuclear power equipment, precision processing of food
9.	Shiheng Town, Feicheng City, Shandong Province	100%	Metallurgical smelting, food processing, equipment fabrication
10.	Economic Development Zone, Boxing County, Binzhou City, Shandong Province	65%	Steel Coating
11.	Zhengpugang Xin Qu Modern Industrial Zone, Maanshan City, Anhui Province	100%	High-end equipment fabrication, automobile parts and accessories, iron and steel
12.	Mianzhu City, Sichuan Province	80%	Phosphorous chemicals, glass chemicals, building materials

(*) Towngas Investments Limited, a subsidiary in which the Group holds a 100% equity interest, will ultimately own a 65% equity interest in this project. Taian Taishan Hong Kong and China Gas Company Limited, a joint venture in which the Group holds a 50% equity interest, will also own a 35% equity interest in this project. As a result, the effective shareholding in this project by the Group will be 82.5%.

Staff Training and Development

As at the end of 2012, the Group had 18,724 employees. Adhering to our strong belief in the importance of staff training and development on an ongoing basis, we create and provide platforms for learning and development for our employees. In 2012, we continued to promote this culture of learning vigorously, delineating the training and development of high-calibre staff as a key task in our human resources management. We also continue our focus on the executive development programme ("EDP") at Tsinghua University, our regional EDP, interactive mentorship programme, online learning and the Group's learning platform via blog, equipping the Group with high-calibre staff to meet succession requirements at every level.

Awards

In line with the escalating concern for sustainable development, businesses in the international community have started to focus on companies with outstanding sustainability performances. In this connection, the Group's admission as a constituent stock to the "Hang Seng Corporate Sustainability Index Series" in Hong Kong highlighted industry's recognition of our strenuous efforts to fulfill our corporate social responsibilities and our outstanding performance in sustainable development. Riding on the back of our unique strengths and efficient business development model, we made our way into the "Top 10 Stock Price Gainers" in the "Top 100 Hong Kong Listed Companies" presented by the Finet and Tencent during the year under review. Mr. Wong Wai Yee, Peter, the Executive Director and Chief Executive Officer, was also named in the "2012 Forbes China Best CEOs List." The inclusion of Mr. Wong on this prestigious list not only affirms the Group's longstanding leadership in the industry but also highly recognises Mr. Wong's outstanding management calibre and contributions.

Corporate Social Responsibility

As a supplier of clean energy, we seek to contribute towards a quality lifestyle in our communities. We attach great importance to the economic, social and environmental demands of our stakeholders, including both our customers and the general public. We strive to strike a balance for these demands. Our best endeavours to corporate social responsibilities include the implementation of measures conducive to health, safety and environmental protection as well as the adoption of the most advanced management models as a means to contribute to the well-being of stakeholders in the social and environmental aspects.

In 2012, through organising various fund raising projects, the Group demonstrated its care of the underprivileged groups. Also, the Group placed special focus on environmental protection and launched activities such as grand tree plantation and Earth Hour, aiming to actively promote and realise the concept of energy conservation and a reduction of carbon emissions.

In recognition of the Group's oustanding performance, in 2012, the Group was honoured with the titles of "Enterprise with Outstanding Community Services in China 2012" and "China Best Corporate Citizenship 2012". Additionally, the Group's charity book project was nominated for the "Outstanding Case for Corporate Social Responsibility (CSR) Award" by China Philanthropy Times and the "China CSR Ranking – Outstanding Practice Award" by China Business News.

2013 Outlook

With China's ongoing growth into an affluent society, the Group's competitive edges both in gas supply safety and excellent customer services will become more prominent. Looking forward, we will be leveraging opportunities arising from the "12th Five-Year Plan" to expedite our development and increase efficiencies, while doing our best to enhance management standards and customer satisfaction levels, to sustain our leading position in the market.

Under the "12th Five-Year Plan", the economy of China will develop rapidly and focus will be put on environmental protection as well as pollution reduction. We will be seeking growth underpinned by quality and efficiency. Apart from setting aggressive business targets, project companies of the Group will also ensure that challenging targets are achieved in conjunction with relevant benchmarks in gas safety, customer services and human resources, as we maintain our role as a model in China's city gas industry.

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 2012.

Corporate Governance

Save as disclosed below, the Company had complied with the code provisions as set out in the Code on Corporate Governance Practices (prior to 1 April 2012) and the Corporate Governance Code (the "CG Code") (since 1 April 2012) contained in Appendix 14 to 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 4 June 2012 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 2012.

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 2013 to review the Group's audited consolidated financial statements for the year ended 31 December 2012 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, 3 June 2013. For details of the AGM, please refer to the Notice of AGM which is expected to be published on or about Monday, 15 April 2013.

Final Dividend

The Board recommended the payment of a final dividend out of the share premium account under reserves of the Company of six HK cents per share (2011: five HK cents per share) to shareholders whose names are on the register of members on 11 June 2013, which is subject to approval by shareholders at the AGM and compliance with the Companies Law of the Cayman Islands.

If the aforesaid final dividend being approved, the final dividend will be payable on or about 17 June 2013.

Closure of Register of Members

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

(1) from 29 May 2013 to 3 June 2013, 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 7 June 2013 to 11 June 2013, 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 28 May 2013 and 6 June 2013 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, 15 March 2013

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