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港華燃氣有限公司
Towngas China Company Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1083)

2014 ANNUAL RESULTS ANNOUNCEMENT

Financial Highlights:

- Turnover rose significantly to HK\$7,882 million, increased by 17%.
- Profit after taxation attributable to shareholders of the Company excluding the unrealised exchange loss surged by 26% to HK\$1,195 million.
- Profit after taxation attributable to shareholders of the Company amounted to HK\$1,054 million.
- A final dividend of ten HK cents per share is proposed, representing an increase of 25% 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 2014.

The audited consolidated results of the Group for the year ended 31 December 2014 together with the comparative figures of 2013 are as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

	<i>NOTES</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Turnover	2	<u>7,881,833</u>	<u>6,715,709</u>
Operating profit before returns on investments		1,066,039	925,047
Other gains, net		14,291	246,050
Share of results of associates		347,205	336,188
Share of results of joint ventures		277,556	265,125
Finance costs	3	<u>(174,032)</u>	<u>(163,558)</u>
Profit before taxation	4	1,531,059	1,608,852
Taxation	5	<u>(350,085)</u>	<u>(382,509)</u>
Profit for the year		<u>1,180,974</u>	<u>1,226,343</u>
Profit for the year attributable to:			
Shareholders of the Company		1,054,189	1,106,286
Non-controlling interests		<u>126,785</u>	<u>120,057</u>
		<u>1,180,974</u>	<u>1,226,343</u>
Proposed final dividend of ten HK cents (2013: eight HK cents) per ordinary share	6	<u>263,266</u>	<u>209,044</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	7		
– Basic		<u>40.19</u>	<u>42.46</u>
– Diluted		<u>40.08</u>	<u>42.34</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2014

	NOTES	2014 HK\$'000	2013 HK\$'000
Non-current assets			
Property, plant and equipment		11,026,351	9,355,245
Leasehold land		449,682	352,258
Intangible assets		608,608	174,621
Goodwill		5,890,298	5,797,674
Interest in associates		2,836,497	2,809,167
Interest in joint ventures		1,936,057	1,787,730
Loans to joint ventures		56,012	11,743
Available-for-sale investments		170,763	170,248
Deferred consideration receivable		-	123,066
		<u>22,974,268</u>	<u>20,581,752</u>
Current assets			
Inventories		565,951	588,281
Leasehold land		23,827	11,663
Loan to an associate		18,745	19,206
Loans to joint ventures		166,245	224,514
Trade and other receivables, deposits and prepayments	8	1,788,086	1,580,379
Amounts due from non-controlling shareholders		16,551	18,247
Time deposits over three months		344,914	374,271
Bank balances and cash		1,451,652	2,230,363
		<u>4,375,971</u>	<u>5,046,924</u>
Current liabilities			
Trade and other payables and accrued charges	9	4,136,399	4,151,637
Amounts due to non-controlling shareholders		188,092	248,843
Taxation		582,078	563,384
Borrowings – amount due within one year		2,482,814	2,418,883
		<u>7,389,383</u>	<u>7,382,747</u>
Net current liabilities		<u>(3,013,412)</u>	<u>(2,335,823)</u>
Total assets less current liabilities		<u>19,960,856</u>	<u>18,245,929</u>
Non-current liabilities			
Loans from the ultimate holding company		993,750	993,750
Borrowings – amount due after one year		4,075,077	3,487,785
Deferred taxation		440,603	275,823
Other financial liabilities		6,948	10,308
		<u>5,516,378</u>	<u>4,767,666</u>
Net assets		<u>14,444,478</u>	<u>13,478,263</u>
Capital and reserves			
Share capital		263,266	261,286
Reserves		12,990,685	12,270,017
Equity attributable to shareholders of the Company		13,253,951	12,531,303
Non-controlling interests		1,190,527	946,960
Total equity		<u>14,444,478</u>	<u>13,478,263</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has applied for the first time in the current year the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”), 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 HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non- Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) - Int 21	Levies

The application of the above 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.

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 segments and to assess their 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 gains, net 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 2014			
TURNOVER			
External	<u>6,205,330</u>	<u>1,676,503</u>	<u>7,881,833</u>
Segment results	<u>471,189</u>	<u>746,162</u>	1,217,351
Other gains, net			14,291
Unallocated corporate expenses			(151,312)
Share of results of associates			347,205
Share of results of joint ventures			277,556
Finance costs			<u>(174,032)</u>
Profit before taxation			1,531,059
Taxation			<u>(350,085)</u>
Profit for the year			<u>1,180,974</u>
For the year ended 31 December 2013			
TURNOVER			
External	<u>5,264,625</u>	<u>1,451,084</u>	<u>6,715,709</u>
Segment results	<u>426,956</u>	<u>638,269</u>	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			<u>(163,558)</u>
Profit before taxation			1,608,852
Taxation			<u>(382,509)</u>
Profit for the year			<u>1,226,343</u>

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 the years ended 31 December 2014 and 2013.

3. FINANCE COSTS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Interest on:		
– bank and other borrowings wholly repayable within five years	176,123	161,269
– bank and other borrowings not wholly repayable within five years	858	1,095
Bank charges	<u>3,698</u>	<u>3,587</u>
	180,679	165,951
Less: amounts capitalised	<u>(6,647)</u>	<u>(2,393)</u>
	<u>174,032</u>	<u>163,558</u>

4. PROFIT BEFORE TAXATION

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets	20,607	7,454
Release of leasehold land	13,107	12,417
Cost of inventories sold	5,603,735	4,686,162
Depreciation of property, plant and equipment	381,093	323,097
Operating lease rentals in respect of land and buildings	36,047	25,360
Staff costs	787,681	670,677
Exchange loss	140,678	-
Loss on disposal of property, plant and equipment	-	19,733
Loss on disposal of leasehold land	2,549	4,788
and after crediting:		
Exchange gain	-	159,662
Gain on disposal of property, plant and equipment	<u>12,617</u>	<u>-</u>

5. TAXATION

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
The charge comprises:		
PRC Enterprise Income Tax ("EIT")		
– current year	314,818	339,651
Deferred taxation		
– taxation charge for the year	<u>35,267</u>	<u>42,858</u>
	<u>350,085</u>	<u>382,509</u>

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% (2013: 15% to 25%).

Following the Catalogue of Encouraged Industries in Western Region which was promulgated by the National Development and Reform Commission of the PRC in 2014, certain subsidiaries which are operating in the Western China have been granted a concessionary tax rate of 15% by the local tax bureau.

6. DIVIDENDS

During the year, final dividend in respect of year ended 31 December 2013 of HK\$209,246,000 (2013: HK\$156,771,000 in respect of the year ended 31 December 2012) was recognised as distribution, being eight HK cents per ordinary share (2013: six HK cents per ordinary share).

Subsequent to the end of the reporting period, final dividend in respect of the year ended 31 December 2014 of ten HK cents (2013: eight 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:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Earnings for the purpose of basic and diluted earnings per share, being profit for the year attributable to shareholders of the Company	<u>1,054,189</u>	<u>1,106,286</u>

	Number of shares	
	2014	2013
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,623,056	2,605,489
Effect of dilutive potential ordinary shares:		
Share options	<u>6,933</u>	<u>7,288</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>2,629,989</u>	<u>2,612,777</u>

8. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2014	2013
	HK\$'000	HK\$'000
Trade receivables	743,444	644,465
Deferred consideration receivable	112,011	39,321
Prepayments	668,718	566,302
Other receivables and deposits	<u>263,913</u>	<u>330,291</u>
	<u>1,788,086</u>	<u>1,580,379</u>

Trade receivables

Included in the balance of trade and other receivables, deposits and prepayments are trade receivables of HK\$743,444,000 (2013: HK\$644,465,000). 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:

	2014	2013
	HK\$'000	HK\$'000
0 to 90 days	671,721	579,840
91 to 180 days	21,240	27,747
181 to 360 days	<u>50,483</u>	<u>36,878</u>
	<u>743,444</u>	<u>644,465</u>

9. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade payables	1,028,183	870,155
Receipt in advance	2,354,328	2,185,799
Consideration payable for acquisitions of businesses	127,861	212,519
Consideration payable to a joint venture (note a)	23,490	73,034
Other payables and accruals	600,433	809,401
Amount due to ultimate holding company (note b)	<u>2,104</u>	<u>729</u>
	<u>4,136,399</u>	<u>4,151,637</u>

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:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
0 to 90 days	754,712	685,272
91 to 180 days	123,977	74,035
181 to 360 days	79,586	46,564
Over 360 days	<u>69,908</u>	<u>64,284</u>
	<u>1,028,183</u>	<u>870,155</u>

FINANCIAL REVIEW

For the year ended 31 December 2014, the Group recorded a turnover of HK\$7,882 million, a growth of 17% over the corresponding period of 2013. Profit after taxation attributable to shareholders of the Company excluding the unrealised exchange loss amounted to HK\$1,195 million, an increase of 26% as compared to the corresponding period last year. Profit after taxation attributable to shareholders of the Company amounted to HK\$1,054 million, a decrease of 5% as compared to the corresponding period last year. Basic earnings per share amounted to 40.19 HK cents, representing a decrease of 5% compared to the corresponding period of 2013.

Turnover

Turnover from the sales of piped gas and related products increased 18% from HK\$5,265 million to HK\$6,205 million in 2014. This growth was primarily attributable to the increase in the volume of gas sold and higher average gas sale prices. The total volume of gas sold by subsidiaries during the year amounted to 1,726 million cubic metres, an increase of 10% from 2013. In the gas connection business, income from connection fees for the year amounted to HK\$1,677 million, a rise of 16% compared to 2013. This was attributable to an increase of approximately 373,000 new household connections by subsidiaries in 2014.

Gas Fuel, Stores and Materials Used

The cost of gas fuel, stores and materials used in 2014 amounted to HK\$5,128 million, while that was HK\$4,275 million in 2013. The increase in expenses was mainly attributable to the increase in the volume of gas sold.

Overhead Costs

Overhead costs in 2014 amounted to HK\$1,688 million, up 11% as compared to HK\$1,516 million in 2013. The increase was mainly due to the Group's business development together with escalations in wages and inflation. Staff costs and depreciation and amortisation expenses rose by 17% and 21%, respectively. At the same time, an increase of HK\$64 million in overheads was due to the inclusion of new subsidiaries in 2014.

Staff Costs

Staff costs increased from HK\$671 million in 2013 to HK\$788 million in 2014. 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 2014 amounted to HK\$174 million, a slight increase as compared to 2013. This rise in finance costs reflected the increase in loans due to the acquisition of new projects in 2014.

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.

Financial Position

The Group has adopted a prudent approach in financial resources management, maintaining an appropriate level of cash and cash equivalents as well as adequate facilities to meet the requirements of day-to-day operations and business development, while also controlling borrowings at a healthy level.

As at 31 December 2014, the Group's total borrowings amounted to HK\$7,552 million, of which HK\$994 million represented loans from The Hong Kong and China Gas Company Limited ("HKCG") due between 2 to 5 years, HK\$2,483 million represented bank loans and other loans due within 1 year, HK\$4,048 million represented bank loans and other loans due between 1 to 5 years, and HK\$27 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\$677 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. The Group's borrowings are mainly denominated in Renminbi, Hong Kong dollars and United States dollars. As at 31 December 2014, the Group did not have any pledge on assets. As at the end of the period, 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 26.4%.

As at 31 December 2014, the Group's cash and cash equivalents together with time deposits amounted to HK\$1,797 million, mainly denominated in Renminbi, Hong Kong dollars and United States dollars.

As at 31 December 2014, the Group's unutilised available facilities amounted to HK\$1,000 million.

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 strong liquidity position with its cash and cash equivalents on hand and unutilised banking facilities and we have adequate financial resources to meet our contractual obligations and operating requirements. Benefiting from our high credit ratings, the Group enjoys favourable interest rates on bank loans.

Credit Ratings

In May 2014, Standard & Poor's upgraded the Greater China credit rating of the Company from "cnA" to "cnA+" and maintained its long-term corporate credit rating at "BBB", while the rating outlook rose from "stable" to "positive". In July 2014, Moody's Investor Service maintained an issuer rating of "Baa2" for the Company and upgraded the rating outlook from "stable" to "positive", reflecting the credit rating agencies' recognition of the Group's sound financial conditions and its improving credit standing.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2014.

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 2014 of ten HK cents per share (2013: eight HK cents per share). 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

Due to the persistent sluggishness of the global economy in the aftermath of the international financial crisis, China's GDP growth slowed in 2014 to show a strong downward trend. At the same time, as corporate operating costs increase, many industries with high energy requirements are relocating to inland cities and outdated production are being eliminated, China's manufacturing industry may be entering a difficult period in the next two to three years to come. However, with the joint efforts of all our staff, the Group's various businesses were able to record stable growth, and indicators in terms of total city gas sales volume, number of customers and sales of Bauhinia appliances rose steadily. Thus, despite situating in an environment with a slowdown in economic growth, our operating results were satisfactory.

Sales of Piped Gas

In 2014, the Group sold a total of 6.511 billion cubic metres of piped gas, representing an increase of 10% against the 5.945 billion cubic metres sold last year. Industrial gas sales grew by 348 million cubic metres to account for 59% 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 17%, while sales of residential gas as a percentage of total volume of gas sold amounted to 24%. Our industrial and commercial gas sales continued to record a stable increase thanks to China's stable economic growth. Our project development strategy to strengthen industrial gas consumption is thus proving to be effective. A gas sales profile underpinned by industrial and commercial gas consumption ensures the persistent growth of our gas sales into the future. Coupled with the nature of these sales, the Group is able to transfer the cost of any upstream price adjustments promptly to industrial and commercial users, further assuring the ongoing growth in profitability of the Group's gas sales.

Development of New Projects

We continued to expand the geographic footprint of our business presence in 2014 with the acquisition of a total of nine new gas projects in Sichuan Province, Zhejiang Province, Jilin Province, Guizhou Province, Inner Mongolia Autonomous Region, Jiangsu Province, Yunnan Province, Shandong Province and Heilongjiang Province. These included city gas projects in Jiajiang County in Leshan City, Sichuan Province; Songyang County in Lishui City, Zhejiang Province; Siping City in Jilin Province; Xingyi City in Guizhou Province; Guyang County in Baotou City, Inner Mongolia Autonomous Region; Tongshan District in Xuzhou City, Jiangsu Province; Luliang County in Qujing City, Yunnan Province and Yangxin County in Binzhou City, Shandong Province; as well as a vehicle gas refilling station project at Qiqihar City in Heilongjiang Province. Total gas consumption with regard to the nine projects mentioned above is expected to reach 800 million cubic metres in five years.

Except the nine new gas projects, Zhuojia Public Engineering (Maanshan) Co., Ltd. was also established in Maanshan City, Anhui Province during the year. This gas pipe assembly project manufactures precast and processes indoor gas pipe fittings in compliance with gas design and installation practices for on-site installation by gas companies of the Group.

In addition, the Group also developed a new project in early 2015, Xuancheng-Huangshan natural gas sub-stream and downstream city-gas project in Anhui Province. It provided solid foundations for the development of the Group's business in 2015. Total gas consumption of the project is expected to reach 280 million cubic metres in five years.

Details of the Group's 10 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.	Songyang County, Lishui City, Zhejiang Province	51.35% (*)	Manufacturing of stainless steel pipes and copper metallurgy
3.	Siping City, Jilin Province	80%	Manufacturing of machinery, special-purpose vehicles
4.	Xingyi City, Guizhou Province	70%	Construction materials, pharmaceuticals and wine-making
5.	Guyang County, Baotou City, Inner Mongolia Autonomous Region	85%	Magnesium metal processing
6.	Tongshan District, Xuzhou City, Jiangsu Province	100%	Equipment and automobile manufacturing
7.	Luliang County, Qujing City, Yunnan Province	100%	Chemical industry
8.	Yangxin County, Binzhou City, Shandong Province	51%	Oil and gas chemical industry, stainless steel products, deep-processed industrial aluminum extrusion products
9.	Vehicle gas refilling station project, Qiqihar City, Heilongjiang Province	55%	Vehicle gas refilling stations
10.	Zhuojia Public Engineering (Maanshan) Co., Ltd.	37.5% (#)	Gas pipe assembly

Detail of the Group's new project in 2015 is as follows.

Project	Shareholding of the Group	Major Industries in the Operating Regions
Xuancheng-Huangshan natural gas sub-stream and downstream city-gas project, Anhui Province	49%	Chemical industry, automobile parts and accessories and electronic components

(*) 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%.

(#) The Group holds a direct 25% equity interest in this company. In addition, Maanshan Hong Kong and China Gas Company Limited, a joint venture in which the Group holds a 50% equity interest, also holds a 25% equity interest in the project. As a result, the effective Group shareholding in the project is 37.5%.

Employee and Remuneration Policies

As at 31 December 2014, the Group had 21,112 employees, 99% of whom worked in mainland China. Employee remuneration is based on individual performance, job nature and the relevant responsibilities involved. The Group also provides on-the-job training as well as generous benefits packages for employees, which include medical welfare, provident funds, bonuses and other incentives. We also encourage employees to seek a sound balance between work and leisure, while also endeavouring to improve the working environment for employees on a continuing basis so that they can realise their full potential for the benefit of the Group.

Company of the Year Award

In 2014, the Group won the "Company of the Year Award" in the "Gas Industry Awards 2014" jointly organised by the Institution of Gas Engineers & Managers (IGEM) of the United Kingdom and the Energy and Utilities Alliance (EUA). The "Gas Industry Awards 2014" aims to recognise enterprises and individuals with both passion and perseverance and have made outstanding contribution to the advancement of the gas industry. The Group won the "Company of the Year Award" on the back of our outstanding performance in terms of safety and reliability of our gas supply. We are the first gas operator in mainland China to have received this honour. Prior to this, HKCG, our parent company, was also awarded the "Company of the Year Award" in 1999 and 2006, respectively.

Other Awards

The Group also received a number of other awards in 2014. These include the "2013-2014 China Outstanding Marketing Award" jointly organised by Economic Observer, Hong Kong Management Association and China Economic Watch, the honor of "Outstanding Enterprise of the Year" under the "Social Responsibility Prize for People's Enterprises" programme from People's Daily Online, the award of "The Most Influential Company in Chinese City-gas Industry of the Year" from Ta Kung Pao and Takungpao.com, "Most Innovative Treasury Practice - Highly Commended" as part of the "Taozhu Gong Awards" from EuroFinance of the Economist Group, as well as "The 9th China's Best Customer Service Award" jointly presented by China Information Association and China Association of Trade in Services. These awards proved that the Group had the great distinction in areas including marketing, corporate social responsibility, city gas industry, financial management and customer services, which laid a solid foundation for the Group's future development.

Corporate Social Responsibility

Fulfilling our corporate social responsibilities, the Group is committed both to environmental protection and to the help and support of the underprivileged. Our aim is to promote the charitable traditions, begun by our parent company, HKCG, in mainland China.

Our annual welfare initiative, "Towngas Rice Dumplings for the Community", was held in May 2014. Towngas China volunteers, local students, community volunteers and senior citizens from throughout the country gathered together to make "Charity Rice Dumplings" to celebrate the Dragon Boat Festival with less-privileged groups – orphans, senior citizens and people in need, through the sharing of these "Charity Rice Dumplings".

Since 2009, the Group has donated to the "Firefly Programme" run by the Shanghai Soong Ching Ling Foundation — BEA Charity Fund, to fund the building of "Firefly Paradises" at schools in Sichuan and Shandong Provinces. A "Firefly Paradise" donated by the Group was completed in Hangzhou City, Zhejiang Province in June 2014.

Outlook

Given the ever-stronger calls for environmental protection in the country, China is implementing more aggressive policies to boost its use of natural gas. Under the government's 13th Five Year Development Plan, as China's urban population continues to grow apace, more natural gas will be imported into China while a number of key natural gas projects in the country will also commence operations. Looking forward, the Group is expecting to see satisfactory growth in natural gas sales in next few years. However, the prolonged effects of the global economic crisis, the fluctuation of global oil price amidst the critical time of natural gas price reforms in China, as well as the significant decrease in prices of oil and relevant products will affect the competitive advantages of natural gas.

2015 is a watershed year in view of China's transition from its 12th Five Year Development Plan to its 13th Five Year Development Plan. It is also a critical year marking China's expedited marketization process. Keeping a close eye on these developments, we will be monitoring the progress of natural gas price reforms whilst also maintaining close ties with the relevant government authorities and our industry peers. We are also paying strict attention to any business opportunities that may arise from the country's natural gas marketization reforms. Aiming to provide customers with better choices, these reforms, along with China's ongoing transition into an overall affluent society, will result in ever growing demand by China's expanding middle class for quality services in the city gas industry. Gas supply safety and focused customer services will thus play an increasingly important role.

The Group has been holding a distinctive edge in terms of both gas supply safety and customer services in the gas industry in China. In 2015, we will continue to invest resources into gas supply safety and customer services, remain committed to our corporate social responsibilities and strengthen staff training in customer services and professional marketing.

Leveraging the support of our parent company, HKCG, and its experiences accumulated in successfully establishing public utility businesses in mainland China over the past decades, the Group is an industry leader, enjoying an excellent reputation as well as positive word of mouth recommendations in the city gas industry throughout the country. With the number of opportunities in the China city gas market arising from the 13th Five Year Development Plan and policies related to environmental protection and emission reduction, the Group will continue to develop new projects and explore new markets of gas utilities in 2015, to capture the 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 2014.

Corporate Governance

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.

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 2014.

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 2015 to review the Group's audited consolidated financial statements for the year ended 31 December 2014 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 Friday, 29 May 2015. For details of the AGM, please refer to the Notice of AGM which is expected to be published on or about Monday, 20 April 2015.

Final Dividend

The Board recommended the payment of a final dividend out of the share premium account under reserves of the Company of ten HK cents per share (2013: eight HK cents per share) to shareholders whose names are on the register of members on 8 June 2015, 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 11 June 2015.

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 10 July 2015.

Closure of Register of Members

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

- (1) from 27 May 2015 to 29 May 2015, 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 4 June 2015 to 8 June 2015, 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 26 May 2015 and 3 June 2015 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 2015

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