THE HONG KONG AND CHINA GAS COMPANY LIMITED

(Incorporated in Hong Kong under the Companies Ordinance)
(Stock Code: 3)

PRELIMINARY ANNOUNCEMENT OF 2013 ANNUAL RESULTS

CHAIRMAN'S STATEMENT

THE YEAR'S RESULTS

The performance of the Group's gas business in Hong Kong remained steady in 2013. In comparison, the Group's city-gas businesses in mainland China thrived, continuing to record good profit growth; concurrently emerging environmentally-friendly energy businesses are being developed at a fast pace. The Group's overall recurrent businesses recorded good results in 2013.

Profit after taxation attributable to shareholders of the Group for the year amounted to HK$6,854 million, a decrease of HK$858 million compared to 2012. Earnings per share for the year amounted to HK71.7 cents. Exclusive of the Group's share of a revaluation surplus from investment properties and a one-off net gain, the Group's profit after taxation for the year increased by HK$767 million to HK$6,680 million, an increase of 13 per cent compared to 2012 mainly attributable to a rise in profit from the Group's local businesses and mainland utility businesses.

During the year under review, the Group invested HK$5,294 million in production facilities, pipelines, plants and other fixed assets for the sustainable development of its various existing and new businesses in Hong Kong and mainland China.

GAS BUSINESS IN HONG KONG

The local economy continued to grow moderately in 2013. Tourism, restaurant and hotel sectors, all still benefiting from an increase in the number of inbound tourists, continued to prosper. As a result, commercial and industrial gas sales achieved good growth in 2013. However, as the average temperature in the first quarter of 2013 in Hong Kong was slightly higher than the same period in 2012, residential gas sales were affected. Overall, total volume of gas sales in Hong Kong for the year increased slightly by approximately 0.7 per cent to 28,556 million MJ whereas appliance sales increased by approximately 3.3 per cent, both compared to 2012.

As at the end of 2013, the number of customers was 1,798,731, an increase of 22,371 compared to 2012.

BUSINESS DEVELOPMENT IN MAINLAND CHINA

The Group's mainland businesses progressed well in 2013 in respect of the number of projects and profit.

The mainland economy continued to grow steadily during 2013 maintaining an annual growth rate similar to that of 2012. The Group's city-gas and natural gas businesses, benefiting from both on-going economic advancement of the country and a significant increase in production, import volume and consumption of natural gas on the mainland, recorded continuous growth during 2013. The Group's development of emerging environmentally-friendly energy projects and related research and development of new technologies, through its wholly-owned subsidiary ECO Environmental Investments Limited and the latter's subsidiaries (together known as "ECO"), are progressing well. A number of projects are now at various stages of investment, construction and gradual commissioning which is laying a new foundation for the long-term development of the Group's businesses.

The Chinese government is proactively advocating urbanisation which is favourable to the development of utility businesses. With regard to environmental protection, a natural gas utilisation policy, formulated to improve air quality, is encouraging faster exploration and utilisation of natural gas. Therefore it is expected that there will be increasing demand for clean energy in mainland China in the long run. This, coupled with increasing upstream natural gas supplies, is creating good prospects and investment value for the Group's mainland city-gas and emerging environmentally-friendly energy businesses. In addition, following the development of its telecommunications businesses in Hong Kong and the mainland over the last few years, several data centre and telecommunications conduit system project companies have since been established, which are now contributing to ever-more diversification of the Group's businesses.

Overall, inclusive of projects of the Group's subsidiary, Towngas China Company Limited ("Towngas China"; stock code: 1083.HK), the Group had 173 projects on the mainland, as at the end of 2013, 23 more than at the end of 2012, spread across 22 provinces, autonomous regions and municipalities. These projects encompass upstream, midstream and downstream natural gas sectors, water sectors, environmentally-friendly energy applications, energy resources' exploration and utilisation, as well as telecommunications.

Diversification and an increase in the number of projects are gradually transforming the Group from a locally-based company in Hong Kong centred on a single business into a sizable, nation-wide, multi-business corporation with a focus on environmentally-friendly energy ventures and utility sectors.

UTILITY BUSINESSES IN MAINLAND CHINA

The Group's city-gas businesses are progressing well with a total of 15 new projects added to its portfolio in 2013, including one located in economically vibrant Hangzhou city, the provincial capital of Zhejiang province and a world famous tourist city with great potential for growth in the number of customers and increase in gas consumption. As at the end of 2013, inclusive of Towngas China, the Group had a total of 119 city-gas projects in mainland cities spread across 20 provinces, autonomous regions and municipalities. The total volume of gas sales for these projects in 2013 was approximately 13,400 million cubic metres, an increase of 13 per cent over 2012. As at the end of 2013, the Group's mainland gas customers stood at approximately 17.29 million, an increase of 17 per cent over 2012. The Group continues to be a large-scale city-gas enterprise with outstanding performance on the mainland.

A rise in the gate price of natural gas for non-residential use, following the implementation of natural gas price reform on the mainland in July 2013, has impacted demand in the commercial and industrial gas market in the short term. However, in the medium to long term, natural gas is still projected to be the clean energy of choice on the mainland for reducing pollutant emissions to improve foggy atmospheric conditions. With gradual commissioning of the country's large-scale natural gas projects including transmission pipelines from Sichuan province to eastern and southern China and phase two of the West-to-East pipeline, and pipeline projects for importing natural gas from Central Asia and Burma coming on stream, as well as a rise in the quantity of imported and domestic liquefied natural gas ("LNG"), supply of natural gas on the mainland is increasing. Thus, with increasing sources of gas supply, expanding pipeline networks and the public's aspiration for greater environmental protection, the Group anticipates its mainland city-gas businesses will continue to thrive in the future.

The Group's midstream natural gas projects are making good progress. These include natural gas pipeline projects in Anhui province, in Hebei province and in Hangzhou city, Zhejiang province; natural gas extension projects in Jilin and Henan provinces; the Guangdong LNG Receiving Terminal project; and Towngas China's midstream pipeline project located in Wafangdian, Dalian city, Liaoning province. These kinds of high-pressure, natural gas pipeline projects generate good returns and help the Group develop its downstream city-gas markets.

The Group has so far invested in, and operates, six water projects, including water supply joint venture projects in Wujiang district, Suzhou city, Jiangsu province and in Wuhu city, Anhui province; a wholly-owned water supply project in Zhengpugang Xin Qu, Maanshan city, Anhui province; an integrated water supply and wastewater joint venture project, together with an integrated wastewater treatment project for a special industry, both in Suzhou Industrial Park, Suzhou city, Jiangsu province; and a water supply project in the starting area of Jiangbei Concentration Zone, Wuhu city, Anhui province, acquired in December 2013. With increasing demand for clean water resources across the country, the Group's water projects are progressing well, with steady growth in volume of water sales.

Operation and management of businesses encompassing city-gas, city-water and midstream natural gas projects create positive synergy and mutual advantages. Furthermore, these businesses generate stable income and provide good environmental benefits, with room for expansion. The Group will therefore keep on looking for opportunities to invest in high-quality utility projects on the mainland.

EMERGING ENVIRONMENTALLY-FRIENDLY ENERGY BUSINESSES

ECO's two major businesses in Hong Kong – an aviation fuel facility servicing Hong Kong International Airport, and dedicated liquefied petroleum gas ("LPG") vehicular filling stations – are operating smoothly. Total turnover for the aviation fuel facility for 2013 was 5.56 million tonnes, providing a safe and reliable fuel supply to Hong Kong International Airport and continuing to contribute to ECO's steady profit growth. Profit margins for the LPG refilling station business for 2013 were significantly higher than those of 2012.

Haze and air pollution on the mainland are a growing concern. The Chinese government is therefore increasing its efforts to promote the utilisation of natural gas with the aim to improve air quality. Developing refilling station networks supplying LNG as a fuel for vehicles and vessels, and gradually replacing diesel as a fuel for heavy-duty trucks, are gaining momentum. In response to this trend, ECO has started to reinforce its LNG supply capacity with unconventional gas resources such as coalbed gas and coke oven gas. ECO's coalbed methane liquefaction facility, located in Jincheng city, Shanxi province, is operating smoothly and its liquefied products' selling prices have risen significantly, benefiting from a recent upward adjustment of the gate price of natural gas on the mainland, thus creating good prospects for this business. ECO is now seeking more natural gas and coalbed gas supply sources on the mainland in order to expand its liquefaction capacity and extend its distribution areas.

In addition, ECO has recently endeavoured to speed up its negotiations with several coking plants to conclude long-term supply agreements of coke oven gas to be used for producing LNG through methanation and then liquefaction. Preparatory work for ECO's first project of this kind, located in Xuzhou city, Jiangsu province, has commenced; commissioning is expected in the first half of 2015. A similar project located in Jiexiu city, Shanxi province, is also expected to be concluded in the near future; construction will then start immediately.

When ECO extended its business into the mainland in 2008, its first project was the construction of a compressed natural gas refilling station for heavy-duty trucks in Shaanxi province. After several years of development, a network of ECO natural gas refilling stations has gradually taken shape in provinces including Shaanxi, Shandong, Shanxi, Henan and Liaoning. ECO is also now planning to provide LNG refilling facilities for incoming and outgoing heavy-duty trucks and river transport vessels at the logistics port of Jining city, Shandong province – a port which links an upstream railway with the nearby downstream Beijing-Hangzhou canal. All in all, ECO currently has 25 refilling stations in operation, under planning or construction, and further expansion of this business into other provinces is actively in progress. As the number of refilling stations increases, the ECO brand name will gradually become more well-known in the market.

In view of a worldwide shortage and rising prices of petroleum, the country is developing alternative substitutes at a faster pace in order to reduce its reliance on importing crude oil. ECO is proactively studying the utilisation of innovative resource conversion technologies to produce high value-added, and environmentally-friendly, energy. It is making progress with converting low-value raw materials into high value-added energy and related research and development work has shown promising results recently, which could help strengthen ECO's competitive edge in this new energy sector in future. ECO has completed testing verification for upgrading plant fatty-acids (palm oil residue) to petrol or diesel and has applied for a patent for this technology. The company's first project in this field, with an annual capacity to upgrade 150,000 tonnes of plant fatty-acid and to be located in the Chemical Industrial Park of Zhangjiagang city, Jiangsu province, will be an important step forward in developing ECO's biomass energy business.

ECO's methanol production plant in Inner Mongolia finished trial production in late 2013 and has been running smoothly since commissioning. Methanol, a good chemical feedstock, can be further processed into the high value-added products of olefin and paraffin using cracking and polymerisation techniques. ECO's self-developed technology can upgrade methanol into high value-added products which can substitute for gasoline, and this has also led to the commencement of a new project in Inner Mongolia to upgrade methanol into 140,000 tonnes of high-quality gasoline substitute, an important milestone for ECO's methanol upgrading business. This project is expected to be commissioned before the end of 2014.

With regard to ECO's upstream resources business, the operation of the oilfield project in Thailand is relatively stable, now mainly focusing on stepping up exploration activities so as to optimise oil drilling plans. In contrast, coal mining businesses in Inner Mongolia have suffered as the decrease in demand for coal on the mainland has adversely impacted direct sales. However, the Group's investment in coal mine exploration is not substantial. In the long term, such businesses will help towards stabilising material costs in the Group's utilisation of coal for clean energy.

TOWNGAS CHINA COMPANY LIMITED (STOCK CODE: 1083.HK)

Towngas China, a subsidiary of the Group, continued to record good growth in profit after taxation attributable to its shareholders, amounting to HK$1,106 million in 2013, an increase of approximately 32 per cent over 2012. As at the end of December 2013, the Group had an approximately 62.31 per cent interest in Towngas China.

Towngas China is also progressing well with project development. It acquired 14 new piped-gas projects in 2013 located in Zhengpugang Xin Qu Modern Industrial Zone, Maanshan city, in Fanchang county, Wuhu city and in Bozhou-Wuhu Modern Industrial Zone, Bozhou city all in Anhui province; in Cang county, in Mengcun Hui Autonomous County and in Yanshan county, all in Cangzhou city, and in Shijiazhuang Southern Industrial Zone all in Hebei province; in the Economic Development Zone, Boxing county, Binzhou city and in Shiheng town, Feicheng city both in Shandong province; in Mianzhu city, Sichuan province; in Dafeng city, Jiangsu province; in Fengxi district, Chaozhou city, Guangdong province; in Jianping county, Liaoning province; and Zhongwei piped city-gas project in Guangxi Zhuang Autonomous Region. To capture investment opportunities resulting from both the mainland's commitment to promote the utilisation of natural gas during the period of the Twelfth Five-Year Plan (2011-2015) and from related national policies which facilitate sustainable growth of city-gas businesses, Towngas China will continue to both increase its investment in city-gas industries and proactively develop new projects.

DEVELOPMENT OF TOWN GAS NETWORK AND FACILITIES IN HONG KONG

The network supply capability of the Company is expanding at a good pace in line with market growth. Several network development projects are in progress to meet long-term demand.

Laying of a 15 km pipeline to bring natural gas from Tai Po to Ma Tau Kok gas production plant, to partially replace naphtha as feedstock for the production of town gas, was substantially completed in 2013. Modification of associated stations and Ma Tau Kok plant's facilities is progressing to cope with the natural gas supply. Commissioning of the pipeline is expected in the third quarter of 2014. Construction of a 9 km pipeline in the western New Territories to strengthen supply capability and reliability is more than halfway complete. In tandem with the government's development of West Kowloon and South East Kowloon, network planning, design and construction in these locations are underway. The gas supply pipeline to the Kai Tak Cruise Terminal was commissioned in mid-2013. Construction of pipelines to supply a large housing development at Anderson Road in East Kowloon, which is now at the planning stage, has commenced. Construction of a new submarine pipeline from Ma Tau Kok to North Point is progressing well with commissioning expected in the coming year.

The Group will constantly allocate resources towards renovating Hong Kong's town gas network to ensure safety of the whole system and a reliable supply.

PROPERTY DEVELOPMENTS

Leasing of the commercial area of the Grand Waterfront property development project located at Ma Tau Kok is good. The Group also has an approximately 15.8 per cent interest in the International Finance Centre ("IFC") complex. Rental demand for the shopping mall and office towers of IFC continues to be robust. The occupancy rate of the project's hotel complex, comprising the Four Seasons Hotel and rental serviced apartments, remains high.

FINANCING PROGRAMMES

In order to tap funding in a timely and flexible manner, the Group established a medium term note programme in 2009 under HKCG (Finance) Limited, a wholly-owned subsidiary of the Group. In line with the Group's long-term business investments, the Group had issued, as at 31st December 2013, medium term notes of an aggregate amount equivalent to HK$10.2 billion with tenors ranging from 5 to 40 under this programme.

In January 2014, the Group also issued its first perpetual subordinated guaranteed capital securities (the "Perpetual Securities"), amounting to US$300 million, through Towngas (Finance) Limited, another wholly-owned subsidiary of the Group. These Perpetual Securities have a nominal interest rate of 4.75 per cent per annum for the first five years, a record low for securities of the same kind issued by corporations in Asia, and thereafter will have a floating interest rate. With no fixed maturity, the Perpetual Securities are redeemable, at the option of the Group, in January 2019 or thereafter every six months on the coupon payment date. The issuance of the Perpetual Securities, rated A3 and A- by international rating agencies Moody's Investors Service and Standard and Poor's Rating Services respectively, received an overwhelming response with six times subscription. The Perpetual Securities, guaranteed by the Company, were listed on The Stock Exchange of Hong Kong Limited on 29th January 2014 (stock code: 6018.HK). The issuance helps further strengthen the Group's balance sheet, improve its financing maturity profile, diversify its funding sources and maintain solid investment grade ratings. The proceeds will be used for refinancing and general corporate purposes.

COMPANY AWARDS

The Company reached "Forbes Global 2000 Leading Companies" in 2013, with an overall ranking of 878th, and a local ranking of 24th from 46 Hong Kong companies on the list, based on a mix of four metrics: sales, profits, total assets and market capitalisation. The Company was also once again listed by Yazhou Zhoukan in 2013 in its "Global Chinese Business 1000" with eighth ranking for Hong Kong.

By virtue of their outstanding performance in corporate sustainability, both the Company and Towngas China have been selected as constituent companies of the Hang Seng Corporate Sustainability Index Series for the last three consecutive years, indicating the Group's high standard of performance regarding environmental, social and corporate governance aspects as well as workplace practices. Towngas China also won "Hong Kong Corporate Governance Excellence Award 2013", in the Hang Seng Composite Index Constituent Companies category, presented jointly by The Chamber of Hong Kong Listed Companies and the Centre for Corporate Governance and Financial Policy of Hong Kong Baptist University.

With good business results and comprehensive strengths in its business operations, the Company once again reached the “Top 100 – Comprehensive Strength”, the main ranking of the “Top 100 Hong Kong Listed Companies” jointly organised by Finet Group Limited and Tencent, moving from 61st in 2012 to 43rd in 2013. The Company also received “The Outstanding Listed Company Award” from The Hong Kong Institute of Financial Analysts and Professional Commentators Limited in recognition of its performance in promoting investor relations and greater transparency over the past year.

The Company’s self-developed multi-functional robot won the “2013 Hong Kong Awards for Industries: Innovation and Creativity Grand Award”. This robot makes underground pipeline repair work safer, faster, more environmentally-friendly and cost-effective.

The Company also won the “Hang Seng Pearl River Delta Environmental Awards – Silver Award” for 2011/12 presented in 2013 by the Federation of Hong Kong Industries and Hang Seng Bank, and the “Green Enterprise Awards 2013” presented by CAPITAL Entrepreneur, both for outstanding performance in environmental protection. The Company also received the “Supreme Public Utility Service Award” presented by CAPITAL CEO and CAPITAL Entrepreneur for commitment and excellent service to customers. Several overseas’ awards were gained for outstanding performance in both training and development, and information technology, namely “Excellence in Practice Citation (2012)” presented by the American Society for Training and Development, the “United Nations’ World Summit Award 2012”, and the “Best Deployment of Emerging Technology” in the IT Excellence Awards 2013.

HONG KONG EMPLOYEES AND PRODUCTIVITY

As at the end of 2013, the number of employees engaged in the town gas business in Hong Kong was 1,966 (2012 year end: 1,943), the number of customers was 1,798,731, and each employee served the equivalent of 915 customers, slightly up compared to 2012. Inclusive of employees engaged in local businesses such as telecommunications, LPG vehicular refilling stations and engineering contractual works, the total number of the Group’s employees engaged in businesses in Hong Kong was 2,327 as at the end of 2013 compared with 2,282 as at the end of 2012. Related manpower costs amounted to HK$883 million for 2013. In 2013, there was an approximately 4.7 per cent average increase in remuneration over 2012. The Group will continue to offer employees rewarding careers based on their capabilities and performance and arrange a variety of training programmes in order to constantly enhance the quality of the Group’s customer services.

On behalf of the Board of Directors, I would like to thank all our employees for their dedication and hard work in creating value for shareholders and customers.

BONUS ISSUE OF SHARES

The Directors propose to make a bonus issue of one new share for every ten existing shares held on the Register of Members on 12th June 2014. The necessary resolution will be proposed at the forthcoming Annual General Meeting on 4th June 2014, and if passed, share certificates will be posted on 20th June 2014.

FINAL DIVIDEND

The Directors are pleased to recommend a final dividend of HK23 cents per share payable to shareholders whose names are on the Register of Members as at 12th June 2014. Including the interim dividend of HK12 cents per share paid on 2nd October 2013, the total dividend payout for the whole year shall be HK35 cents per share.

Barring unforeseen circumstances, the forecast dividends per share for 2014 after bonus share issue shall not be less than the interim and final dividends for 2013.

BUSINESS OUTLOOK FOR 2014

The Company predicts steady growth in the number of customers in Hong Kong during 2014. Restaurant, hotel and retail sectors in Hong Kong are all benefiting from a prospering tourism industry. Nevertheless, the local economy is expected to continue to be affected by the uncertain global economic outlook. In Hong Kong, operating costs for all business sectors are increasing. However, an increase in the standard gas tariff with effect from 1st April 2013 is offsetting some of the Company's own rising operating costs. The Company will continue to enhance its operational efficiency so as to maintain stable development of its gas business in the territory.

In mainland China, the government is advocating increasing urbanisation and is endeavouring to optimise its energy mix and to promote energy conservation, emission reductions and utilisation of clean energy to improve air quality. Combined with the state's advocate of expanding domestic consumption of goods and services to boost economic growth, it is anticipated that there will be a continuing rise in demand for utility services and energy. Recent natural gas price reform better reflects the market situation on the mainland and favours a healthier development of the natural gas business sector in the long term. The Group's city-gas and natural gas businesses on the mainland are therefore expected to continue to achieve good growth. In respect of emerging environmentally-friendly energy businesses, following the Chinese government's move towards greater energy diversification, environmental protection and the creation of a more circular economy, there is a trend for the continuous development of new application technologies and use of low-sulfur, high-quality oil and natural gas as fuels for vehicles and vessels, to reduce atmospheric pollution. This trend is beginning to ignite a new light illuminating the way for the Group's long-term development of its emerging environmentally-friendly energy businesses and business growth strategy.

With the Group's solid foundation in Hong Kong and its diverse business sectors spread across extensive areas on the mainland, together with its successful corporate brand names and sales channels built there over the last 20 years, and the mainland's rising concern over air quality and an anticipated rising demand for clean energy, coupled with a sizeable customer base of over 19 million in Hong Kong and mainland China for its piped-gas business amid an expanding business coverage ensuring a promising return, the Group predicts good prospects and an even broader and better future for all its businesses in the years to come.

LEE Shau Kee
Chairman
Hong Kong, 19th March 2014

The Board of Directors has pleasure in presenting a summary of results of the Group for the year ended 31st December 2013 with comparative figures for the previous corresponding year as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31st December 2013

	Note	**2013 HK$ Million**	Restated 2012 HK$ Million
Revenue	2	**28,245.9**	24,922.5
Total operating expenses	3	**(21,546.3)**	(18,834.5)
		6,699.6	6,088.0
Other gains, net	4	**965.0**	1,006.6
Interest expense		**(925.7)**	(863.8)
Share of results of associates		**1,389.1**	2,455.4
Share of results of joint ventures		**1,282.8**	1,199.4
Profit before taxation		**9,410.8**	9,885.6
Taxation	5	**(1,655.2)**	(1,484.6)
Profit for the year		**7,755.6**	8,401.0
Attributable to:			
Shareholders of the Company		**6,853.8**	7,712.1
Non-controlling interests		**901.8**	688.9
		7,755.6	8,401.0
Dividends	6	**3,345.9**	3,041.7
Earnings per share – basic and diluted, HK cents	7	**71.7**	80.7*

* *Adjusted for the bonus issue in 2013 and the adoption of HKAS 19 (2011 amendment)*

CONSOLIDATED BALANCE SHEET
As at 31st December 2013

	Note	**At 31st December 2013 HK$ Million**	Restated At 31st December 2012 HK$ Million
Assets			
Non-current assets			
Property, plant and equipment		**45,450.9**	40,550.0
Investment property		**646.0**	540.0
Leasehold land		**1,551.4**	1,364.1
Intangible assets		**5,253.3**	3,845.4
Associates		**17,015.1**	16,307.1
Joint ventures		**8,939.0**	9,103.6
Available-for-sale financial assets		**2,937.3**	3,078.6
Derivative financial instruments		**421.4**	381.0
Retirement benefit assets		**66.3**	-
Other non-current assets		**2,425.8**	2,329.6
		84,706.5	77,499.4
Current assets			
Inventories		**2,383.1**	1,831.8
Trade and other receivables	8	**6,567.6**	5,722.2
Loan and other receivables from associates		**116.5**	73.0
Loan and other receivables from joint ventures		**1,664.7**	861.3
Loan and other receivables from non-controlling shareholders		**157.2**	154.7
Financial assets at fair value through profit or loss		**661.3**	347.1
Time deposits over three months		**1,289.3**	261.3
Time deposits up to three months, cash and bank balances		**8,849.0**	12,186.4
		21,688.7	21,437.8
Current liabilities			
Trade and other payables	9	**(11,272.3)**	(9,329.4)
Amounts due to joint ventures		**(596.6)**	(392.4)
Loan and other payables to non-controlling shareholders		**(274.2)**	(211.5)
Provision for taxation		**(896.4)**	(828.8)
Borrowings		**(6,222.3)**	(6,490.8)
		(19,261.8)	(17,252.9)
Net current assets		**2,426.9**	4,184.9
Total assets less current liabilities		**87,133.4**	81,684.3

CONSOLIDATED BALANCE SHEET *(Continued)*
As at 31st December 2013

	At 31st December 2013 HK$ Million	Restated At 31st December 2012 HK$ Million
Non-current liabilities		
Customers' deposits	**(1,233.4)**	(1,205.1)
Deferred taxation	**(4,711.3)**	(4,446.2)
Borrowings	**(24,401.1)**	(25,230.2)
Loan payables to non-controlling shareholders	**(22.1)**	(39.3)
Asset retirement obligations	**(29.2)**	(78.0)
Derivative financial instruments	**(365.8)**	(305.1)
Retirement benefit liabilities	**-**	(30.2)
	(30,762.9)	(31,334.1)
Net assets	**56,370.5**	50,350.2
Capital and reserves		
Share capital	**2,389.9**	2,172.6
Share premium	**2,861.0**	3,078.3
Reserves	**42,418.0**	37,952.1
Proposed dividend	**2,198.7**	1,998.8
Shareholders' funds	**49,867.6**	45,201.8
Non-controlling interests	**6,502.9**	5,148.4
Total equity	**56,370.5**	50,350.2

Notes:

1. Changes in accounting policies

The principal accounting policies applied in the preparation of the consolidated accounts have been consistently applied to both years presented, unless otherwise stated.

The Group has applied the following new or revised standards, interpretations and amendments to Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1st January 2013. There is however no significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies.

- HKAS 1 (amendment) — "Presentation of Financial Statements – Presentation of Items on Other Comprehensive Income"
- HKFRS 7 (amendment) — "Financial Instruments : Disclosures – Offsetting Financial Assets and Financial Liabilities"
- HKFRS 10 — "Consolidated Financial Statements"
- HKFRS 11 — "Joint Arrangements"
- HKFRS 12 — "Disclosure of Interests in Other Entities"
- HKFRS 13 — "Fair Value Measurement"
- HKAS 19 (amendment 2011) — "Employee Benefits"
- HKAS 27 (revised 2011) — "Separate Financial Statements"
- HKAS 28 (revised 2011) — "Investments in Associates and Joint Ventures"
- HK(IFRIC) – Int 20 — "Stripping Costs in the Production Phase of a Surface Mine"

Except for the above, the HKICPA has issued a number of new or revised standards, interpretations and amendments to standards which are not effective for accounting period beginning 1st January 2013 and have not been early adopted by the Group.

2. Segment information

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

	2013 **HK$ Million**	2012 HK$ Million
Gas sales before fuel cost adjustment	**19,445.6**	16,754.4
Fuel cost adjustment	**1,961.9**	1,708.5
Gas sales after fuel cost adjustment	**21,407.5**	18,462.9
Equipment sales	**1,365.4**	1,305.1
Maintenance and services	**350.6**	336.2
Water sales	**622.2**	490.1
Coal and oil sales	**746.9**	1,241.3
Rental income	**42.3**	37.9
Other sales	**3,711.0**	3,049.0
	28,245.9	24,922.5

2. **Segment information** *(Continued)*

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

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

Segment assets exclude available-for-sale financial assets, financial assets at fair value through profit or loss, time deposit, cash and bank balances other than those included under segment assets for operation purposes, derivative financial instruments, retirement benefit assets, other non-current assets other than those included under segment assets and loan and other receivables from non-controlling shareholders.

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

	Gas, water and related businesses		**New Energy**	**Property**	**Other segments**	**Total**
	Hong Kong	**Mainland China**				
2013	**HK$ Million**	**HK$ Million**	**HK$ Million**	**HK$ Million**	**HK$ Million**	**HK$ Million**
Revenue	**9,620.1**	**15,738.5**	**2,423.1**	**42.3**	**421.9**	**28,245.9**
Adjusted EBITDA	**4,207.7**	**3,716.9**	**856.3**	**22.4**	**75.3**	**8,878.6**
Depreciation and amortisation	**(639.3)**	**(751.6)**	**(210.0)**	**-**	**(36.8)**	**(1,637.7)**
Unallocated expenses						**(541.3)**
						6,699.6
Other gains, net						**965.0**
Interest expense						**(925.7)**
Share of results of associates	**-**	**806.3**	**(1.5)**	**580.3**	**4.0**	**1,389.1**
Share of results of joint ventures	**-**	**1,276.0**	**1.4**	**5.4**	**-**	**1,282.8**
Profit before taxation						**9,410.8**
Taxation						**(1,655.2)**
Profit for the year						**7,755.6**

Share of results of associates includes HK$126.6 million (2012: HK$1,394.5 million), being the Group's share of change in valuation of investment properties at the International Finance Centre (the "IFC") complex for the year.

2. Segment information *(Continued)*

2012	Gas, water and related businesses Hong Kong HK$ Million	Gas, water and related businesses Mainland China HK$ Million	New Energy HK$ Million	Property HK$ Million	Other segments HK$ Million	Restated Total HK$ Million
Revenue	9,117.2	12,790.4	2,679.5	37.9	297.5	24,922.5
Adjusted EBITDA	4,045.7	2,949.1	975.8	20.6	61.6	8,052.8
Depreciation and amortisation	(617.1)	(629.6)	(180.6)	(0.1)	(27.9)	(1,455.3)
Unallocated expenses						(509.5)
						6,088.0
Other gains, net						1,006.6
Interest expense						(863.8)
Share of results of associates	-	630.4	(0.6)	1,822.8	2.8	2,455.4
Share of results of joint ventures	-	1,194.6	(0.9)	5.5	0.2	1,199.4
Profit before taxation						9,885.6
Taxation						(1,484.6)
Profit for the year						8,401.0

The segment assets at 31st December 2013 and 2012 are as follows:

2013	**Gas, water and related businesses Hong Kong HK$ Million**	**Gas, water and related businesses Mainland China HK$ Million**	**New Energy HK$ Million**	**Property HK$ Million**	**Other segments HK$ Million**	**Total HK$ Million**
Segment assets	**16,058.1**	**51,507.3**	**19,489.8**	**10,562.7**	**1,505.3**	**99,123.2**
Unallocated assets:						
Available-for-sale financial assets						**2,937.3**
Financial assets at fair value through profit or loss						**661.3**
Time deposits, cash and bank balances excluded from segment assets						**2,777.2**
Others						**896.2**
Total assets	**16,058.1**	**51,507.3**	**19,489.8**	**10,562.7**	**1,505.3**	**106,395.2**

2. Segment information *(Continued)*

2012	Gas, water and related businesses: Hong Kong HK$ Million	Gas, water and related businesses: Mainland China HK$ Million	New Energy HK$ Million	Property HK$ Million	Other segments HK$ Million	Restated Total HK$ Million
Segment assets	16,747.5	43,913.9	18,850.9	10,967.3	1,140.1	91,619.7
Unallocated assets:						
Available-for-sale financial assets						3,078.6
Financial assets at fair value through profit or loss						347.1
Time deposits, cash and bank balances excluded from segment assets						3,085.9
Others						805.9
Total assets	16,747.5	43,913.9	18,850.9	10,967.3	1,140.1	98,937.2

The Company is domiciled in Hong Kong. The Group's revenue from external customers in Hong Kong for the year ended 31st December 2013 is HK$10,926.0 million (2012: HK$10,296.2 million), and the revenue from external customers in other geographical locations is HK$17,319.9 million (2012: HK$14,626.3 million).

At 31st December 2013, the total of non-current assets other than financial instruments and retirement benefit assets located in Hong Kong and other geographical locations are HK$21,662.7 million and HK$57,193.0 million (2012: HK$21,172.7 million and HK$50,537.5 million) respectively.

3. Total operating expenses

	2013 HK$ Million	Restated 2012 HK$ Million
Stores and materials used	**14,721.8**	12,643.5
Manpower costs	**2,281.7**	2,013.2
Depreciation and amortisation	**1,649.3**	1,465.1
Other operating items	**2,893.5**	2,712.7
	21,546.3	18,834.5

4. Other gains, net

	2013 HK$ Million	2012 HK$ Million
Net investment gains	**937.6**	557.9
Fair value gain on investment property	**106.0**	22.0
Net gain on acquisition of subsidiaries	**-**	598.1
(Loss)/gain on disposal of a subsidiary (Note 10)	**(34.7)**	66.3
Provision for investment in a joint venture	**-**	(20.0)
Project research and development costs	**(39.8)**	(120.1)
Provision for other receivables	**-**	(100.3)
Ineffective portion on cash flow hedges	**0.9**	0.8
Others	**(5.0)**	1.9
	965.0	1,006.6

5. Taxation

The amount of taxation charged to the income statement represents:

	2013 HK$ Million	2012 HK$ Million
Current taxation - provision for Hong Kong Profits Tax at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits for the year	**636.2**	642.5
Current taxation - provision for other countries income tax at the prevailing rates on the estimated assessable profits for the year	**640.4**	536.0
Current taxation - over provision in prior years	**(2.1)**	(8.4)
Deferred taxation - origination and reversal of temporary differences	**249.1**	193.0
Withholding tax	**131.6**	121.5
	1,655.2	1,484.6

6. Dividends

	2013 HK$ Million	2012 HK$ Million
Interim, paid of HK12 cents per ordinary share (2012: HK12 cents per ordinary share)	**1,147.2**	1,042.9
Final, proposed of HK23 cents per ordinary share (2012: HK23 cents per ordinary share)	**2,198.7**	1,998.8
	3,345.9	3,041.7

7. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK$6,853.8 million (restated 2012: HK$7,712.1 million) and the weighted average of 9,559,670,503 shares (2012: 9,559,670,503 shares *) in issue during the year.

As the impact of diluted potential ordinary shares of a subsidiary is insignificant during the years 2013 and 2012, the diluted earnings per share for the years ended 31st December 2013 and 2012 are approximately the same as the basic earnings per share.

* *Adjusted for the bonus issue in 2013*

8. Trade and other receivables

	2013 HK$ Million	2012 HK$ Million
Trade receivables (Note)	**3,517.3**	3,065.1
Payments in advance	**1,763.6**	1,496.9
Other receivables	**1,286.7**	1,160.2
	6,567.6	5,722.2

Note:

The Group has established credit policies for different types of customers. The credit periods offered for trade receivables, which are subject to periodic review by management, range from 30 to 60 days except for gas receivables of the Company which are due by 8 working days after billing date. As at 31st December 2013, the aging analysis of the trade receivables, net of impairment provision, is as follows:

	2013 HK$ Million	2012 HK$ Million
0 – 30 days	**3,067.8**	2,616.4
31 – 60 days	**80.7**	106.7
61 – 90 days	**37.9**	75.7
Over 90 days	**330.9**	266.3
	3,517.3	3,065.1

9. Trade and other payables

	2013 **HK$ Million**	2012 HK$ Million
Trade payables (Note a)	**2,622.5**	2,345.2
Other payables and accruals (Note b)	**8,649.8**	6,984.2
	11,272.3	9,329.4

Notes:

(a) As at 31st December 2013, the aging analysis of the trade payables is as follows:

	2013 **HK$ Million**	2012 HK$ Million
0 – 30 days	**1,384.2**	1,144.4
31 – 60 days	**197.4**	222.4
61 – 90 days	**252.9**	81.3
Over 90 days	**788.0**	897.1
	2,622.5	2,345.2

(b) The balance includes an amount of approximately HK$45.7 million (2012: HK$45.7 million) payable to Henderson Land Development Company Limited in relation to its entitlement to 27 per cent of the net sales proceeds generated from the sales of residential units of Grand Waterfront.

10. Disposal of a subsidiary under Towngas China

In May 2013, Towngas China disposed its 51 per cent equity interest in Jinan Jihua Gas Co., Ltd. ("Jinan") to an associate of the Group for cash consideration of HK$76.6 million. Since the Group lost control on Jinan, relevant assets and liabilities are derecognised from the Group's consolidated financial statements.

Net assets disposed of are as follows:

	HK$ Million
Property, plant and equipment	**183.5**
Inventories	**6.1**
Trade and other receivables	**28.2**
Cash and bank balances	**74.8**
Trade and other payables	**(44.1)**
Taxation	**(24.2)**
Deferred Taxation	**(6.0)**
Net assets	**218.3**
Non-controlling interests	**(107.0)**
	111.3
Cash consideration	**76.6**
Loss on disposal (Note 4)	**(34.7)**

	HK$ Million
Analysis of net cash inflow of cash and cash equivalents arising on disposal:	
Cash consideration	**76.6**
Cash and cash equivalents disposed	**(74.8)**
	1.8

11. Business combinations under Towngas China

In 2013, Towngas China acquired the following businesses:

	Percentage of registered capital acquired	Purchase consideration HK$ Million
Business combinations in:		
Feicheng Hong Kong and China Gas Company Limited	**-***	**59.4**
Shenyang business	**-***	**162.1**
Pingyin business	**-***	**128.5**
Boxing Hong Kong & China Gas Co., Ltd.	**51%**	**114.6**
Sichuan Quanxin Gas Co., Ltd.	**80%**	**168.9**
Anxian County Lanyan Gas Co., Ltd.	**80%**	**10.4**
Mianzhu Xinxin Natural Gas Co., Ltd.	**80%**	**5.2**
Chaozhou Fengxi Hong Kong and China Gas Co., Ltd.	**60%**	**193.7**
Yanshan Hong Kong & China Gas Co., Ltd.	**90%**	**68.0**
Mengcun Hong Kong & China Gas Co., Ltd.	**90%**	**34.0**
Cangxian Hong Kong & China Gas Co., Ltd.	**90%**	**68.0**
Dafeng Hong Kong and China Gas Company Limited	**51%**	**367.1**
Jianping Hong Kong and China Gas Company Limited	**80%**	**91.1**
Guangxi Zhongwei Pipeline Gas Development Group Co., Ltd.	**100%**	**170.4**

* During the year, Towngas China acquired the identifiable assets and liabilities associated with the business of sales and distribution of piped gas from the former owners.

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

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

	Acquirees' provisional fair value at acquisition date HK$ Million
Property, plant and equipment	**317.3**
Leasehold land	**17.3**
Inventories	**16.0**
Trade and other receivables	**183.6**
Cash and bank balances	**50.6**
Trade and other payables	**(219.4)**
Taxation	**(2.9)**
Borrowing	**(25.7)**
Deferred taxation	**(7.1)**
Net assets	**329.7**
Non-controlling interests	**(47.9)**
Net identifiable assets acquired	**281.8**
Provisional goodwill	**1,359.6**
Purchase consideration	**1,641.4**

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

11. Business combinations under Towngas China *(Continued)*

Net cash outflow arising on acquisitions:

	HK$ Million
Purchase consideration	**1,641.4**
Less: equity instrument issued	**(43.5)**
Cash consideration for acquisition of businesses, settled in cash	**1,597.9**
Cash and cash equivalents in businesses acquired	**(50.6)**
Cash outflow on acquisition of businesses	**1,547.3**

As at 31st December 2013, purchase consideration of HK$142.5 million, HK$73.0 million and HK$131.5 million remained unpaid and included in trade and other payables, amounts due to joint ventures and loan and other payables to non-controlling shareholders respectively.

DIVIDEND AND BONUS SHARE ISSUE

The Board now recommends a final dividend of HK23 cents per share payable to shareholders of the Company whose names are on the register of members of the Company on 12th June 2014. The Board also recommends the issue of bonus shares on the basis of one bonus share for every ten existing shares held by shareholders registered as such on the register of members on 12th June 2014. The necessary resolutions will be proposed at the forthcoming Annual General Meeting on 4th June 2014, and if passed, dividend warrants and share certificates will be posted on 20th June 2014.

CLOSING OF REGISTER OF MEMBERS

In order to determine entitlement of shareholders to the right to attend and vote at the forthcoming Annual General Meeting (or any adjournment thereof), the register of members of the Company will be closed from Friday, 30th May 2014 to Wednesday, 4th June 2014, both days inclusive, during which period no share transfer will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 29th May 2014.

In order to determine shareholders who qualify for the proposed issue of bonus shares and final dividend, the register of members of the Company will be closed from Tuesday, 10th June 2014 to Thursday, 12th June 2014, both days inclusive, during which period no share transfer will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, for registration no later than 4:30 p.m. on Monday, 9th June 2014.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Wednesday, 4th June 2014. For details of the Annual General Meeting, please refer to the Notice of Annual General Meeting which is expected to be published on or about Thursday, 24th April 2014.

FINANCIAL RESOURCES REVIEW

Liquidity and capital resources

As at 31st December 2013, the Group had a net current deposits position of HK$3,916 million (31st December 2012: HK$5,957 million) and long-term borrowings of HK$24,401 million (31st December 2012: HK$25,230 million). In addition, banking facilities available for use amounted to HK$11,200 million (31st December 2012: HK$7,100 million).

The operating and capital expenditures of the Group are funded by cash flow from operations, internal liquidity, banking facilities, debt and equity financing. The Group has adequate and stable sources of funds and unutilised banking facilities to meet its future capital expenditures and working capital requirements.

Financing structure

In May 2009, the Group established a US$1 billion Medium Term Note Programme (the "Programme") which gives the Group the flexibility to issue notes at favorable terms and timing under the Programme. In May 2012, the Programme was updated with the size increased to US$2 billion. Up to 31st December 2013, the Group issued notes in the total amount of HK$10,210 million (31st December 2012: HK$10,210 million) with maturity terms of 5 years, 10 years, 12 years, 15 years, 30 years and 40 years in Renminbi, Australian dollar, Japanese yen and Hong Kong dollar under the Programme (the "MTNs"). The carrying value of the issued MTNs as at 31st December 2013 was HK$9,789 million (31st December 2012: HK$10,046 million).

As at 31st December 2013, the outstanding principal amount of the 10-year US dollar Guaranteed Notes (the "Guaranteed Notes") issued in August 2008 at a fixed coupon rate of 6.25 per cent per annum was US$995 million (31st December 2012: US$995 million) and the carrying value was HK$7,663 million (31st December 2012: HK$7,651 million).

As at 31st December 2013, the Group's borrowings amounted to HK$30,623 million (31st December 2012: HK$31,721 million). While the Notes mentioned on above together with the bank and other loans of HK$1,360 million (31st December 2012: HK$1,331 million) had fixed interest rate and were unsecured, the remaining bank and other loans were unsecured and had a floating interest rate, of which HK$5,614 million (31st December 2012: HK$6,469 million) were long-term bank loans and HK$6,197 million (31st December 2012: HK$6,219 million) had maturities within one year on revolving credit or term loan facilities. As at 31st December 2013, the maturity profile of the Group's borrowings was 20 per cent within 1 year, 8 per cent within 1 to 2 years, 44 per cent within 2 to 5 years and 28 per cent over 5 years (31st December 2012: 20 per cent within 1 year, 4 per cent within 1 to 2 years, 24 per cent within 2 to 5 years and 52 per cent over 5 years).

The US dollar Guaranteed Notes, the RMB Note, AUD Note and JPY Note issued, and a bank loan of RMB500 million raised in Hong Kong are hedged to Hong Kong dollars by currency swaps and the Group's borrowings are primarily denominated in Hong Kong dollars and Renminbi; thus, the Group has no significant exposure to foreign exchange risk. The gearing ratio [net borrowing / (shareholders' funds + net borrowing)] for the Group as at 31st December 2013 remained healthy at 29 per cent (31st December 2012: 30 per cent).

In January 2013, Towngas China Company Limited, a subsidiary of the Group, 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.

In January 2014, the Group issued its first Perpetual Subordinated Guaranteed Capital Securities (the "Perpetual Securities") amounting to US$300 million with nominal interest rate of 4.75 per cent per annum for the first five years and thereafter at floating interest rate. With no fixed maturity, the Perpetual Securities are redeemable at the Group's option on or after 28 January 2019 and are accounted for as equity in the financial statements. The Perpetual Securities was guaranteed by the Company. The issuance helps strengthen the Group's balance sheet, improve its financing maturity profile and diversify its funding sources.

Contingent liabilities

As at 31st December 2013 and 2012, the Group did not provide any guarantee in respect of bank borrowing facilities made available to any associates, joint ventures or third parties.

Currency profile

The Group's operations and activities are predominantly based in Hong Kong and mainland China. As such, its cash, cash equivalents or borrowings are mainly denominated in Hong Kong dollars, Renminbi or United States dollars, whereas borrowings for the Group's subsidiaries, associates and joint ventures in mainland China are predominantly denominated in the local currency, Renminbi, in order to provide natural hedging for the investment there.

Group's investments in securities

Under the guidance of the Group's Treasury Committee, investments have been made in equity and debt securities. As at 31st December 2013, the investments in securities amounted to HK$3,599 million (31st December 2012: HK$3,426 million). The performance of the Group's investments in securities was satisfactory.

CORPORATE GOVERNANCE

During the year ended 31st December 2013, the Company complied with all the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The audit committee has reviewed the Group's consolidated accounts for the year ended 31st December 2013, including the accounting principles and practices adopted by the Group, in conjunction with PricewaterhouseCoopers, the Group's external auditor and internal auditor.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S 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.

By Order of the Board
JOHN H.M. HO
Chief Financial Officer and Company Secretary

Hong Kong, 19th March 2014

As at the date of this announcement, the Board comprises:

Non-executive Directors:	Dr. the Hon. Lee Shau Kee (Chairman), Mr. Colin Lam Ko Yin, Mr. Lee Ka Kit and Mr. Lee Ka Shing
Independent Non-executive Directors:	Mr. Leung Hay Man, Dr. the Hon. David Li Kwok Po and Professor Poon Chung Kwong
Executive Directors:	Mr. Alfred Chan Wing Kin and Mr. Peter Wong Wai Yee

Towngas
The Hong Kong and China Gas Company Limited