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ENN 新奥

新奥能源控股有限公司
ENN Energy Holdings Limited

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 2688)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

The Board of Directors (the “Directors”) of ENN Energy Holdings Limited (the “Company” and together with its subsidiaries, the “Group”) is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2012 together with the comparative audited figures for the corresponding period in 2011. The audited consolidated financial statements have been reviewed by the Company’s Audit Committee.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	NOTES	2012 RMB million	2011 RMB million
Revenue	3	18,027	15,068
Cost of sales		(13,183)	(11,166)
Gross profit		4,844	3,902
Other income		171	167
Other gains and losses	4	13	14
Distribution and selling expenses		(344)	(283)
Administrative expenses		(1,627)	(1,380)
Share of results of associates		71	51
Share of results of jointly controlled entities		345	316
Finance costs		(621)	(460)
Profit before tax		2,852	2,327
Income tax expense	5	(859)	(660)
Profit and total comprehensive income for the year		1,993	1,667
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		1,482	1,253
Non-controlling interests		511	414
		1,993	1,667

	NOTES	2012 RMB	2011 RMB
Earnings per share	7		
-Basic		1.39	1.19
-Diluted		1.38	1.18

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2012

	NOTES	2012 RMB million	2011 RMB million
Non-current Assets			
Property, plant and equipment		15,099	13,073
Prepaid lease payments		770	695
Investment properties		69	57
Goodwill		196	196
Intangible assets		1,238	1,051
Interests in associates		798	694
Interests in jointly controlled entities		2,271	1,733
Available-for-sale financial assets		14	14
Loan receivable		-	3
Other receivables		-	5
Amounts due from associates		40	39
Amounts due from jointly controlled entities		116	66
Amounts due from related companies		42	26
Deferred tax assets		222	176
Deposits paid for investments		217	41
Deposits paid for acquisition of property, and plant and equipment, land use rights and operation rights		97	68
Restricted bank deposits		17	7
		21,206	17,944
Current Assets			
Inventories		311	272
Trade and other receivables	*8*	2,062	1,837
Prepaid lease payments		20	17
Amounts due from customers for contract work		180	201
Amounts due from associates		83	31
Amounts due from jointly controlled entities		528	404
Amounts due from related companies		31	31
Restricted bank deposits		316	2,675
Cash and cash equivalents		6,156	3,349
		9,687	8,817
Assets classified as held for sale		-	127
		9,687	8,944
Current Liabilities			
Trade and other payables	*9*	4,894	4,172
Amounts due to customers for contract work		1,451	989
Amounts due to associates		20	119
Amounts due to jointly controlled entities		896	627
Amounts due to related companies		32	37
Taxation payables		292	234
Bank and other loans - due within one year		2,737	1,913
Short-term debentures		1,208	1,300
Financial guarantee liability		23	9
Deferred income		61	44
		11,614	9,444
Liabilities associated with assets held for sale		-	76
		11,614	9,520
Net Current Liabilities		(1,927)	(576)
Total Assets less Current Liabilities		19,279	17,368

Capital and Reserves		
Share capital	113	110
Reserves	8,540	6,936
Equity attributable to owners of the Company	8,653	7,046
Non-controlling interests	2,017	1,794
Total Equity	10,670	8,840
Non-current Liabilities		
Bank and other loans - due after one year	1,471	2,327
Corporate bond	497	496
Senior notes	4,629	4,636
Medium-term notes	700	-
Deferred tax liabilities	346	337
Deferred income	966	732
	8,609	8,528
	19,279	17,368

Notes:

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

In preparing the consolidated financial statements, the directors of the Company (the "Directors") have given careful consideration of the Company and its subsidiaries (collectively referred to as the "Group") in light of its net current liabilities of approximately RMB1,927 million as at 31 December 2012. Having considered the secured credit facilities of approximately RMB4,154 million which remain unutilised at the date of approval of the consolidated financial statements, and the net proceeds from issue of zero coupon convertible bonds due 2018 of US$500 million (approximately RMB3,120 million) subsequent to 31 December 2012, the Directors are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the consolidated financial statements for the year ended 31 December 2012 have been prepared on a going concern basis.

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets; and
Amendments to HKFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets.

Amendments to HKAS 12 Deferred Tax: Recovery of Underlying Assets

Under the amendments to HKAS 12 "Deferred Tax: Recovery of Underlying Assets", investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered through sale for the purposes of measuring deferred taxes, unless the presumption is rebutted in certain circumstances.

The Group measures its investment properties using the fair value model. As a result of the application of the amendments to HKAS 12, the Directors reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time through rental income and that the presumption set out in the amendments to HKAS 12 is rebutted.

Amendments to HKFRS 7 Disclosures - Transfers of Financial Assets

The Group has applied for the first time the amendments to HKFRS 7 "Disclosures - Transfers of Financial Assets" in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

The Group has arrangements with various banks and suppliers to transfer to the banks or the suppliers its contractual rights to receive cash flows from certain bills receivable. The arrangements are made through discounting those bills receivable to banks or endorsing those bills receivable to suppliers. In the opinion of Directors, the Group has not transferred the significant risks and rewards relating to these bills receivables, it continues to recognise the full carrying amount of the receivables and the corresponding liabilities included in secured borrowings or trade payables. The relevant disclosures have been made regarding the transfer of these bills receivables on application of the amendments to HKFRS 7. In accordance with the transitional provisions set out in the amendments to HKFRS 7, the Group has not provided comparative information for the disclosures required by the amendments.

HKFRSs issued but not yet effective

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[1]
Amendments to HKFRS 1	Government Loans[1]
Amendments to HKFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
Amendments to HKFRS 10, HKFRS11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities[2]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[1]
HKFRS 11	Joint Arrangements[1]
HKFRS 12	Disclosure of Interests in Other Entities[1]
HKFRS 13	Fair Value Measurement[1]
HKAS 19 (Revised in 2011)	Employee Benefits[1]
HKAS 27 (Revised in 2011)	Separate Financial Statements[1]
HKAS 28 (Revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[2]
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

[1] Effective for annual periods beginning on or after 1 January 2013.
[2] Effective for annual periods beginning on or after 1 January 2014.
[3] Effective for annual periods beginning on or after 1 January 2015.
[4] Effective for annual periods beginning on or after 1 July 2012.

The Directors anticipate that the application of the new and revised HKFRSs, other than set out below, will have no material impact on the consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted. The Directors anticipate that the adoption of IFRS 9 in the future may have impact on amounts reported in respect of the Group's available-for-sale financial assets which are currently stated at cost less impairment and will be measured at fair value upon adoption.

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

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

Key requirements of these five standards are described below.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated and Separate Financial Statements" that deal with consolidated financial statements. HK (SIC)-Int 12 "Consolidation - Special Purpose Entities" will be withdrawn upon the effective of HKFRS 10. Under HKFRS 10, there is only one basis for consolidation, that is, control. In addition, HKFRS 10 includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in HKFRS 10 to deal with complex scenarios.

HKFRS 11 replaces HKAS 31 "Interests in Joint Ventures". HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified. HK (SIC)-Int 13 "Jointly Controlled Entities - Non-Monetary Contributions by Venturers" will be withdrawn upon the effective date of HKFRS 11. Under HKFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In contrast, under HKAS 31, there are three types of joint arrangements: jointly controlled entities, jointly controlled assets and jointly controlled operations. In addition, joint ventures under HKFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under HKAS 31 can be accounted for using the equity method of accounting or proportionate accounting.

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

In July 2012, the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 were issued to clarify certain transitional guidance on the application of these five HKFRSs for the first time.

These five standards, together with the amendments relating to the provisional guidance, are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The Directors anticipate that these five standards will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013. The application of these five standards has no material impact on amounts reported in the consolidated financial statements, except that extensive disclosure under HKFRS 12 will be made.

HKFRS 13 Fair Value Measurement

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial Instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The Directors anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard may result in more extensive disclosures in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 "Presentation of Items of Other Comprehensive Income" introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in the future accounting periods.

3. SEGMENT INFORMATION

Information reported to the chief operating decision maker, the Company's Chief Executive Officer (the "CEO") for the purposes of resource allocation and performance assessment among segments focuses specifically on different type of goods and services. Specifically, the Group's operating and reportable segments under HKFRS 8 are gas connection, sales of piped gas, vehicle gas refuelling stations, wholesale of gas, distributions of bottled LPG, sales of gas appliances and sales of material. Segment profit reviewed by CEO represents the gross profit earned by each segment. The accounting policies of the reportable segments are the same as the Group’s accounting policies.

The following is an analysis of the Group's revenue and results by reportable segment which is also the operating segments for the periods under review:

2012

	Gas connection	**Sales of piped gas**	**Vehicle gas refuelling stations**	**Wholesale of gas**	**Distributions of bottled LPG**	**Sales of gas appliances**	**Sales of material**	**Consolidation**
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Segment revenue	4,302	13,207	2,309	2,987	248	324	1,267	24,644
Inter-segment sales	(669)	(2,691)	(2)	(1,956)	(121)	(221)	(957)	(6,617)
Revenue from external customers	3,633	10,516	2,307	1,031	127	103	310	18,027
Segment profit before depreciation and amortisation	2,401	2,303	522	61	8	21	23	5,339
Depreciation and amortisation	(133)	(313)	(36)	(6)	(5)	(2)	-	(495)
Segment profit	2,268	1,990	486	55	3	19	23	4,844

2011

	Gas connection	**Sales of piped gas**	**Vehicle gas refuelling stations**	**Wholesale of gas**	**Distributions of bottled LPG**	**Sales of gas appliances**	**Sales of material**	**Consolidation**
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Segment revenue	4,001	9.717	1,622	2,935	285	322	1,424	20,306
Inter-segment sales	(586)	(1,737)	(2)	(1,763)	(93)	(225)	(832)	(5,238)
Revenue from external customers	3,415	7,980	1,620	1,172	192	97	592	15,068
Segment profit before depreciation and amortisation	2,254	1,504	339	116	17	25	35	4,290
Depreciation and amortisation	(127)	(217)	(28)	(10)	(4)	(2)	-	(388)
Segment profit	2,127	1,287	311	106	13	23	35	3,902

4. OTHER GAINS AND LOSSES

	2012	2011
	RMB million	*RMB million*
Impairment loss reversed on trade and other receivables, net	8	23
Gain (loss) on disposal of:		
- Property, plant and equipment	7	(5)
- Interest in an associate (note a)	(5)	-
Gain on derecognition/disposal of subsidiaries	40	-
Increase in fair value of investment properties	11	8
Early redemption premium of guaranteed notes (note b)	-	(95)
Arrangement fee of a banking facility (note c)	(29)	(57)
Fair value adjustment on interest-free advances to related companies at initial recognition	-	(3)
(Loss) gain on foreign exchange, net (note d)	(19)	143
	13	14

Notes:

a. In August 2012, the Group disposed 5.57% of equity interest in an associate to an independent third party for a cash consideration of RMB10 million. The different between the proceeds and the carrying amount of the Group's investment disposed of RMB5 million has been recognised during the year ended 31 December 2012. It became a jointly controlled entity due to the revision of Article of Association of the entity.

b. The balance of RMB95 million in 2011 was related to the premium arising from the early redemption of guaranteed notes of the company with the principal amount of US$200 million.

c. The balance represented an arrangement fee payable to a financial institution for certain banking facilities granted to the Group which is not refundable regardless of the utilisation of such facilities by the Group.

d. Included in the balance for the year ended 31 December 2012 is an amount of approximately RMB8 million (2011: RMB138 million) which is the exchange gain arising from the translation of senior notes denominated in USD to RMB.

5. INCOME TAX EXPENSE

	2012	2011
	RMB million	*RMB million*
PRC Enterprise Income Tax:		
Current tax	869	687
Under provision in prior years	13	-
Withholding tax	10	3
	892	690
Deferred tax		
Current year	(33)	(30)
	859	660

The charge represents PRC Enterprise Income Tax for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate applicable for PRC group entities is 25% except for certain group entities which are entitled to various concessionary tax rates as disclosed below.

Pursuant to the relevant laws and regulations in the PRC in respect of preferential tax benefit for entities engaged in energy infrastructure business, certain PRC subsidiaries enjoying preferential tax rate of 15% in 2007 is gradually transit to the new tax rate of 25% within 5 years after the enforcement of the current EIT Law from 1 January 2008 and the tax rate applicable for 2012 is 25% (2011: 24%).

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Group are entitled to an exemption from PRC Enterprise Income Tax for the first two years commencing from their first profit-making year of operation and thereafter and a 50% relief from PRC Enterprise Income Tax for the following three years. Under the EIT Law, the PRC Enterprise Income Tax rates applicable to these subsidiaries is 25% (2011: 24% to 25%) and the reduced tax rates for the relief period range from 12.5% to 15% (2011: 12% to 12.5%). The charge of PRC Enterprise Income Tax for the year has been provided for after taking these tax incentives into account. The tax benefit expired in 2012.

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profit for both years.

Income tax charge for the year can be reconciled to the profit before tax per the consolidated statement of comprehensive income as follows:

	2012	2011
	RMB million	*RMB million*
Profit before tax	2,852	2,327
Tax at the PRC Enterprise Income Tax rate of 25% (2011: 25%)	713	582
Tax effects of share of results of associates	(17)	(13)
Tax effects of share of results of jointly controlled entities	(87)	(79)
Tax effects of income not taxable for tax purpose	(13)	(6)
Tax effects of expenses not deductible for tax purpose	127	101
Tax effects of tax losses not recognised	141	129
Utilisation of tax losses previously not recognised	(37)	(24)

Tax effects of deductible temporary differences not recognised	19	18
Tax concession and exemption granted to PRC subsidiaries	(25)	(29)
Effect of different tax rates of subsidiaries	(14)	(41)
Under provision in respect of prior years	13	-
Withholding tax on undistributed profit of PRC entities	39	22
Income tax charge for the year	859	660

6. DIVIDENDS

	2012	**2011**
	RMB million	*RMB million*
Final dividend paid in respect of previous financial year	315	248
Special dividend paid in respect of 2010	-	49
	315	297

Notes:

a. 2010 final dividend of HK$28.35 cents (equivalent to approximately RMB24.12 cents) per share or approximately RMB248 million in aggregate was paid during the year ended 31 December 2011.

b. 2010 special dividend of HK$5.66 cents (equivalent to approximately RMB4.82 cents) per share or approximately RMB49 million in aggregate was paid during the year ended 31 December 2011.

c. 2011 final dividend of HK$36.23 cents (equivalent to approximately RMB29.37 cents) per share or approximately RMB315 million in aggregate was paid during the year ended 31 December 2012.

d. The proposed final dividend in respect of 2012 of HK$42.20 cents (equivalent to approximately RMB34.22 cents) per share on 1,082,859,397 shares has been proposed by the Directors 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 owners of the Company is based on the following data:

	2012	2011
	RMB million	*RMB million*
<u>Earnings</u>		
Earnings for the purposes of basic and diluted earnings per share	1,482	1,253

	2012	2011
	Number of shares	*Number of shares*
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,067,694,000	1,050,428,849
Effect of dilutive potential ordinary shares arising from issue of share options by the Company	6,746,139	11,370,212
Weighted average number of ordinary shares for the purpose of diluted earnings per share	1,074,440,139	1,061,799,061

8. TRADE AND OTHER RECEIVABLES

Included in the trade and other receivables are trade receivables amounting to RMB541 million (2011: RMB463 million). The Group allows an average credit period of 60 to 90 days to its trade customers, except for certain customers with credit period more than 90 days. The following is an aged analysis of trade receivables, net of impairment, presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	2012	2011
	RMB million	*RMB million*
Within three months	463	358
4 to 6 months	39	58
7 to 9 months	26	29
10 to 12 months	6	10
More than one year	7	8
	541	463

9. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of RMB1,818 million (2011: RMB1,437 million). The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2012	**2011**
	RMB million	*RMB million*
Within three months	1,554	1,060
4 to 6 months	77	191
7 to 9 months	53	34
10 to 12 months	15	13
More than one year	119	139
	1,818	1,437

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	For the year ended 31 December		Increase/
	2012	**2011**	**(Decrease)**
Revenue *(RMB million)*	18,027	15,068	**19.6%**
Gross profit *(RMB million)*	4,844	3,902	**24.1%**
Profit and total comprehensive income attributable to owners of the Company *(RMB million)*	1,482	1,253	**18.3%**
Earnings per share – Basic *(RMB)*	1.39	1.19	**16.8%**
Connectable urban population	55,521,000	53,142,000	**4.5%**
Connectable residential households	18,507,000	17,714,000	**4.5%**
New natural gas connections made during the year:			
– residential households	1,122,407	1,029,727	**9.0%**
– commercial/industrial ("C/I") customers (sites)	7,300	5,178	**2,122**
– installed designed daily capacity for C/I customers *(m^3)*	7,826,433	6,823,476	**14.7%**
Accumulated number of connected natural gas customers:			
– residential households (Note1 & 2)	7,720,152	6,658,272	**15.9%**
– C/I customers (sites) (Note1 & 2)	30,597	23,501	**7,096**
– installed designed daily capacity for C/I customers *(m^3)* (Note1 & 2)	33,382,200	25,273,724	**32.1%**
Accumulated number of connected piped gas (including natural gas) customers:			
– residential households	7,785,098	6,815,165	**14.2%**
– C/I customers (sites)	30,741	23,969	**6,772**
– installed designed daily capacity for C/I customers *(m^3)*	33,422,696	25,767,276	**29.7%**
Natural gas penetration rate	41.7%	37.6%	**4.1%**
Piped gas (including natural gas) penetration rate	42.1%	38.5%	**3.6%**
Unit of piped gas sold to residential households *(m^3)*	930,290,000	824,276,000	**12.9%**
Unit of piped gas sold to C/I customers *(m^3)*	4,345,314,000	3,591,898,000	**21.0%**
Unit of gas sold to vehicles *(m^3)*	935,926,000	696,442,000	**34.4%**
Wholesale of gas*(m^3)*	248,536,000	260,928,000	**(4.7)%**
Unit of bottled liquefied petroleum gas ("LPG") sold *(ton)*	17,785	36,402	**(51.1)%**
Unit of steam sold *(ton)*	151,699	112,031	**35.4%**
Number of vehicle refuelling stations	330	238	**92**
Number of natural gas processing stations	126	115	**11**
Total length of existing intermediate and main pipelines (*km*)	21,312	18,854	**13.0%**

Notes:
1. At 31 December 2012, including a total of 1,258,285 natural gas residential customers and 3,000 natural gas C/I customers (with a total designed daily capacity of 2,369,684 m^3) from acquisition/conversion.
2. At 31 December 2011, including a total of 1,217,044 natural gas residential customers and 2,633 natural gas C/I customers (with a total designed daily capacity of 1,873,178 m^3) from acquisition/conversion.

CHAIRMAN'S STATEMENT

RESULTS OF THE YEAR

The year of 2012 was crucial to the implementation of China's 12th Five-Year Plan. Thanks to the concerted effort of its employees, the Group continued to maintain a substantial growth during the year in face of complicated macroeconomic condition and market environment. The turnover and profit attributable to shareholders for the year reached RMB18,027 million and RMB1,482 million respectively, representing increases of 19.6% and 18.3% over last year, while the earnings per share increased by 16.8% to RMB1.39.

In 2012, the Group secured 7 city-gas projects in the first half of the year and another 9 projects in the second half of the year, including 6 city gas projects namely Xinji, Lingshou, Wuji , Xingtang Development Zone, Luquan Green Island Development Zone of Hebei Province, Liling of Hunan Province and 3 industrial park projects in Jieshou Industrial Zone, Jiangmen Hecheng Town Zone and Panjin Chemical Enterprises Zone. As a result, the number of projects secured by the Group in China increased to 117, and the total connectable urban population coverage increased by 1.01 million to 55.52 million. On the other hand, the Group continued to develop vehicle natural gas refuelling station business actively. During the year, 25 vehicle compressed natural gas ("CNG") refuelling stations and 67 vehicle liquefied natural gas ("LNG") refuelling stations were built and put into operation. As of the end of 2012, the total number of vehicle gas refuelling stations operated by the Group reached 330 and the volume of gas sold in the vehicle segment over the total volume of gas sold increased further to 14.5%. The growth in vehicle gas sales volume not only reflected the potential for greater development in vehicle gas refuelling station business, but also further secured the Group's future revenue from gas sales.

During the year, the Group completed piped natural gas connections for 1,122,407 residential households and 7,300 commercial/industrial ("C/I") customers (with total installed designed daily capacity of 7,826,433 cubic meters). As of the end of 2012 the accumulated number of connected residential households and C/I customers of natural gas were 7,720,152 and 30,597 (with total installed designed daily capacity of 33,382,200 cubic meters) respectively, while in terms of all piped gas users, the accumulated number of connected residential households and C/I customers reached 7,785,098 and 30,741 (connected to gas appliances with total installed designed daily capacity of 33,422,696 cubic meters) respectively. The sales volume of natural gas for the year grew by 24.2% to 6,225 million cubic meters as compared with last year. Accordingly, the Group has not only reached but even exceeded its operational and financial performance goals set in early 2012. The Group's ability to maintain satisfactory growth fully demonstrated the robust business development of the Group, our strong execution ability in increasing gas penetration of our existing projects, as well as the immense demand for and growth potential of natural gas in China.

FINANCIAL POSITION

As at 31 December 2012, the Group's cash on hand was equivalent to RMB6,156 million (2011: RMB5,869 million), and the total debts amounted to RMB11,242 million (2011: RMB10,672 million). The net gearing ratio, i.e. the ratio of net debt to equity (including non-controlling interests), was 47.7% (2011: 54.3%). As the Group deepened the gas penetration of existing projects and expanded the vehicle gas refuelling station business, revenue from gas sales has become the major source of income for the Group, generating long-term and stable cash flow and allowing the Group to enjoy stable financial resources to pursue sustainable development.

CORPORATE MANAGEMENT

During the year, we continued to foster the construction of information infrastructures and realized the online system for sales operation management, the construction of LNG refuelling stations and implemented the pilot plan of "smart card" throughout the country. Also, we promoted and implemented different modules in various corporations, including the system for allocation platform, enterprise resource planning, customer care and service, personal digital assistant, maintenance of equipment and customer relationship management. Thus the efficiency and effectiveness of information processing was greatly improved. Meanwhile, the operational efficiency of the system was significantly enhanced through our continual efforts in system optimisation, enhancing the operational efficiency, launching activities of leading enterprises and deepening the application of data analysis. Furthermore, the business risks could be mitigated through strengthening the management of information security and fully investigating and addressing every hidden defect of the system.

In 2012, with the continuous use of innovative management tools like balanced scorecard, the Group formulated a market and strategic performance optimisation solution and implemented it in different planning segments such as the annual strategic conference, annual business goal and financial budget planning, so as to ensure that the Group's strategies were effectively delivered to subsidiaries for implementation and to optimise resource allocation according to the market and strategies.

The Group has always regarded safe operation as the lifeline of corporate development and continued to maintain a good record of safe operation in 2012. During the year, the Group continued to establish the health, safety and environmental management system as well as the "3-No" Campaign (no accidents, no personal injuries and no harmful acts to the environment). Meanwhile, the quality of safe management was fully improved through establishing safe management system; promoting and implementing star rating of corporate safety; the accreditation of staff responsible for safe operation; taking actions against the "3-Breaches" (i.e. breach of supervision regulations, breach of operation regulations and breach of labor discipline) and supervising various hidden dangers very seriously. Moreover, for the purpose of supporting the rapid development of the Group's gas supply facilities and customer base, improving the professional qualifications and expertise of employees and providing better customer services, the Group insisted on carrying out the accreditation of the technical qualifications of relevant employees. As of the end of 2012, the number of recognized employees was added to a total of over 7,000, ensuring the safe operation of the Group.

After three years' endeavor, the establishment of our service system was strengthened significantly. As of the end of 2012, we set up a comprehensive service quality monitoring and evaluation system under which an evaluation model on overall service quality has been effectively applied in the service performance management of all subsidiaries, enabling accurate and timely feedback on the service quality from each of them. The successful implementation of the service improvement through-train project resulted in 30 improvements achieved in the year, including the establishment and commencement of operation of 7 call centers, 4 corporate management centers and 1 recovery centre available for all customers. At the same time, the Group will improve the call centre operation and management system according to the International Customer Operations Performance Centre (COPC) standards, such that the professional management level and service capability of the Group can be enhanced. In February 2013, we passed the accreditation of COPC and thus became the first domestic call centre in the energy industry accredited by the COPC as well as the second domestic call centre which received the international accreditation from COPC simultaneously. In addition, since the launch of our "three-year service campaign" for our customers, there was a steady improvement in the quality of our services, as revealed by the Group's scores of 86.2, 87.7 and 89.2 points in the ENN Energy customer satisfaction evaluation done by a third party company.

INTERNATIONAL AWARDS

During the year, the Company has received a number of honours. In the first half of the year, we were honoured to be voted as the Best CEOs (Rank No. 1), the Best CFOs (Rank No. 1) and the Best Investor Relations (Rank No. 2) under the category of power sector in Asia in The 2012 All-Asia Executive Team organized by the Institutional Investor. Also, we received four honourable titles, namely, "China's Best Service Management", "China's Best Sales Office", "China's Outstanding Customer Service Representative" and "China's Best Customer Service Manager" in the Best Customer Service in China Award. In addition, "Transformation in China: Pioneer Enterprise in Promoting Low-Carbon Economy" was awarded to the Company and "Transformation in China: Personal Outstanding Contribution" was awarded to our Chief Executive Officer by the China Enterprises Co-Association and the Organising Committee of the Development of Non-Public Enterprises Forum. Apart from these, we were again voted as one of the "China's Most Promising Companies 2012" by The Asset and "2012 Asia's Fab 50" by Forbes Asia.

Our management team will continue to devote all our efforts to maintain this hard-earned achievement and continue to reach for higher accomplishments and honours.

HUMAN RESOURCES

As of the end of 2012, the Group had 23,771 employees (2011: 21,575 employees). In addition to accommodating the increasing number of energy-saving and emission reduction projects and vehicle gas refuelling station projects, the Group also increased its manpower to meet the demand arising from its other core businesses.

The Group has always adhered to its principle of "people-oriented" and considered talents as the vital source of our competitiveness and an indispensable factor for our future success and sustainable development. We believe that staff could provide satisfactory services to customers only if they are offered the opportunity of healthy development.

In 2012, the Group continued to facilitate the training system for young management and program of masters of engineering. As of the end of 2012, the Group nurtured a group of 44 outstanding young employees to be the future leaders. Fifteen of them have been promoted as leaders after a series of stringent trainings such as knowledge-based and special theoretical modules, on-the-job training and regular comprehensive evaluation. During the year, 57 excellent employees were also shortlisted by the Group to pursue further study and receive training in famous colleges in China or overseas under the program of masters of engineering.

To better implement its principles of creating and sharing values jointly and focus on the long-term development, commencing 2012, the Group successfully introduced an incentive mechanism under which Economic Value Added (EVA) became a major value measurement to evaluate the performance target and was directly linked to the year-end bonus. This mechanism was implemented in 11 subsidiaries on a trial basis. Due to positive outcomes, the scope of pilot test will be further expanded and the mechanism will be promoted to more subsidiaries in 2013.

PROSPECTS

Energy, an essence for the human beings' survival and development, is of vital importance to the national economy, the people's livelihood and the national defense. To change the way of producing and using energy, adjust and enhance energy structure and to build a safe, stable, economical and clean energy-driven production system is strategically important to ensure that the economy and society can develop in a sustainable manner.

The year of 2012 was critical to the 12th Five-year Plan, during which the economy gradually recovered and energy consumption continued to rise. According to the 2012 Domestic Economy and Social Development Statistics Report of the People's Republic of China, the total energy consumption in 2012 amounted to 3.62 billion tons of standard coal, up 3.9% over last year. The national energy consumption per unit of gross domestic product in ten-thousand dollars decreased by 3.6%.

Under current energy consumption structure, carbon dioxide and sulphur dioxide emissions are amongst the highest in the world, severely impacted on China's environment. We are facing the urgency for energy saving and emission reduction. China has a coal-based energy structure and adopts extensive development and utilization models, which exert immense pressure on the resources and the environment. In addition to an area of 1.2 million square kilometers being affected by acid rain, enormous water resources are consumed or polluted while the land is occupied and defiled due to the huge volume of shale. All these send China to the top rank of the world in terms of major pollutants and greenhouse gas emission. Apparently, our ecological environment can hardly afford such coal-based development anymore. In face of the increasing international pressure as a result of climate change, China has a pressing need for green transformation and development. Second, China continues to adopt the extensive development model and there is a pressing need for enhancement on the efficiency of energy consumption. While the development of China's service industry is far lagging behind, the low end and energy-intensive industry is disproportionately overdeveloped skewing towards energy-intensive industries, namely, steel, non-ferrous metals, construction materials and chemicals which represent approximately half of the total energy consumption and have high consumption level per unit of output. Energy consumption per capita in China has reached the world average, while the GDP per capita however was just half of the global level. In terms of energy consumption per unit of GDP, not only has China outdistanced the developed countries, but also beat other developing countries like Brazil and Mexico. The fact that the efficiency remains low is attributable to China's current development stage and the role she plays in international division of labour. It highlights China's problems such as adopting an extensive development model and unreasonable industry structure. In light of such issues, China is crying out for the implementation of dual control measures on both energy consumption and total consumption which forms a reversal mechanism and in turn strives to gain substantive progress in changing energy usage and adjusting energy structure.

The coal-based energy structure has resulted in escalating tension between energy needs and the pressure on the environment, and energy consumption pattern should be optimised urgently to promote the development and use of natural gas and other kinds of clean energy. Not only will this save energy and reduce emission, it is also the right strategy for China to achieve sustainable economic development. In the 12th Five-Year Plan for Energy Development promulgated by the PRC government on 1 January 2013, it expressly suggests that diversified development shall be an ongoing program. Initiatives should be made to increase the proportion of clean-and-low-carbon fossil fuel and non-fossil fuel while efforts should also be put in promoting clearner and more efficient use of coal, substituting conventional energy, speeding up the process of modifying energy production and consumption structure. Meanwhile, the PRC government will uphold the ideal of low-carbon development by advocating environmental protection while striving to strike a balance between resources development and environmental protection. By doing so, we may create a win-win situation which allows us to achieve the objectives of environmental protection and development simultaneously, and develop an ecologically friendly energy structure.

Currently, natural gas accounts for 4.6% of China's primary energy consumption, quite a distance between the international average (23.8%). It is believed that the expanding urbanisation rate and the growing urban population size will add fuel to the demand for natural gas. By fostering the development of natural gas and raising the proportion of natural gas in China's primary energy consumption structure, China may effectively reduce the emission of carbon dioxide and fine particulate matter (PM2.5) and succeed in saving energy, reducing emissions and improving environment. The measures above represent a realistic approach for China to optimize and adjust energy structure while at the same time strengthens the citizens' consciousness on the urgency of energy saving and emission reduction.

Over the recent years, with the Chinese energy policies gradually taking place, considerable progress has been made in the areas of natural gas production and infrastructure construction. In 2012, the production volume of natural gas in China reached 107.7 billion cubic meters, an increase of 6.5% year-on-year. It is expected that the domestic natural gas supplies will reach 176.0 billion cubic meters by 2015, among which conventional natural gas accounts to approximately 138.5 billion cubic meters; coal gas ranges from 15.0 to 18.0 billion cubic meters; and gas developed from coal bed accounts to approximately 16.0 billion cubic meters. Particularly, China has an abundant reserve of shale gas. According to the plan of the Chinese government, by 2015, the proven reserves, recoverable reserves and production volume of shale gas will amount to 600 billion cubic meters, 200 billion cubic meters and 6.5 billion cubic meters respectively. By that time, China will have completed the nationwide review and evaluation in respect of the potential shale gas resources and will have acquired the core technology for exploring and developing shale gas. In the meantime, pursuant to the signed contracts, China's imported natural gas per annum will reach approximately 93.5 billion cubic meters by 2015. With respect to infrastructure, the national natural gas pipeline network has fallen into place. The West-East Pipeline II, which has an annual transmission capacity of 30 billion cubic meters, has come into full operation and started supplying gas during the year while the import LNG terminals at Ningbo, Zhejiang, with a capacity of 3.0 million tons has also gone online. This has basically formed a natural gas supply network that extends from west to east, north to south and the coasted areas to mainland. According to the plan of the Chinese government, during the 12th Five-Year period, the newly built natural gas pipelines (including branch lines) will reach 44,000 km and the transmission capacity of the newly built pipelines will reach approximately 150 billion cubic meters per year. The capacity of gas storage facilities will reach more than 20 billion cubic meters and account for 9% of the total natural gas consumption in 2015. The storage capacity for peak shaving and emergency needs will reach 1.5 billion cubic meters. At the end of the 12th Five-Year period, the network of pipelines consisting of West-to-East

Pipelines, Sichuan-East Pipeline, Shaanxi-Beijing Pipelines and amid the coastal areas will be initially formed and connecting the nationwide trunk pipeline network of four major strategic import channels, major production areas, consumption areas and gas storage facilities, thus forming a gas supply landscape of multi-gas supply, multi-way peak shaving and seamless supply. By then, the natural gas penetration population will reach approximately 250 million or 18% of the total population. The construction of these facilities will ensure the use of natural gas in future.

To increase the efficiency of integrated energy utilisation, facilitate the development of emerging strategic industries, and promote energy production and usage patterns, the Chinese government plans to put extra efforts in promoting the construction of distributed energy demonstration project of natural gas during the period of the 12th Five-Year Plan. Also, the Chinese government intends to construct a regional distributed energy system and distributed energy system for buildings within the heavy loaded areas such as industrial park, tourist spots, ecological park and large-scale commercial facilities, while constructing integrated energy utilisation projects in the geologically favorable areas with renewable energy like solar energy, wind power and geothermal heat pumps. By 2015, around 1,000 natural gas distributed energy projects and about 10 natural gas distributed energy demonstration projects with different individual features will be constructed. During that period, we will also develop the main equipment of natural gas distributed energy which initially creates a system for the distributed energy equipment industry with our own patent. To realise the long-term rapid development, the Group continues to innovate its business model and becomes a leading player in this sector. During the year, our multi-generation projects cooperated with Changsha Huanghua Airport have operated steadily and obtained the business license for power generation. Moreover, we commenced the construction of the projects of Zhuzhou Shennong Cultural Park and the Sino-German Ecopark, and executed the contracts of projects including Yancheng Tinghu Hospital, Shijiazhuang Zhengding Airport, Zhaoqing New Zone, Langfang Cloud Computing Data Centre and Zhuzhou Vocational Education Town.

According to the plan of the Chinese government, industrialization, urbanisation and green development will be the main theme during the period of the 12th Five-Year Plan and even in the coming decade for the national economic development. Meanwhile, in view of challenging situations such as constraints of resources, serious environmental pollution and the deterioration of ecosystem, we were dedicated to develop the green, recycling and low-carbon environment so as to build up a better country. In the course of transformation, natural gas is one of the low-carbon, economical, efficient and clean energies through a decade of development, China has built up a relatively comprehensive infrastructure and accumulated extensive experience in natural gas distribution. With its relatively matured development, the natural gas industry has promising prospect in terms of the scope and scale of application. Riding on this great opportunity, the Group will make significant contribution to environmental protection and energy sectors both within and beyond the country, while realizing the best interests of the shareholders, customers, staff, society and the corporate in the long run. Leveraging on the continuous support from our business partners, customers and shareholders as well as the excellent services provided by all staff, we are able to achieve various business targets. On behalf of the board, I would like to express my deepest thanks and gratitude to each of them.

FINANCIAL RESOURCES REVIEW

Liquidity and financial resources

As at 31 December 2012, the Group's total debts amounted to RMB11,242 million (2011: RMB10,672 million) and the bank balances and cash for the purpose of computing net gearing ratio amounted to RMB6,156 million (2011: RMB5,869 million, which include cash and cash equivalents of RMB3,349 million and a bank deposit of RMB2,520 million in the restricted bank deposits as an escrow for the pre-conditional offer as at 31 December 2011). The Group's net gearing ratio, i.e. ratio of net debt to equity (including non-controlling interests), was 47.7% (2011: 54.3%).

Ten-year 6% Fixed Rate Bonds

On 13 May 2011, the Company issued 10-year bonds in the aggregate principal amount of US$750 million (equivalent to RMB4,863 million) with issue price of 99.274% and redemption price of 100%. The coupon of the bonds is 6.0%, and interests are paid semi-annually. The terms of the bonds require Mr. Wang Yusuo, the Chairman of the Company, to retain not less than 25.0% of the issued share capital of the Company throughout the term of the bonds.

As all the operations of the Group are in China, if RMB appreciates in the future, the Group will benefit from earning RMB and repaying foreign currency debts, and the costs for foreign currency debt will be lowered indirectly.

Currently, the Group's operating and capital expenditures are funded by operating cash flow, internal liquidity, bank loans and issued bonds. The Group has sufficient sources of funds and unutilised banking facilities to meet the future capital expenditure and working capital requirements.

Borrowings structure

As at 31 December 2012, the Group's total debts amounted to RMB11,242 million (2011: RMB10,672 million), including bank loans and notes of US$760 million (equivalent to RMB 4,692 million) and bank loans of HK$159 million (equivalent to RMB 129 million). Apart from the US$750 million senior notes, RMB1,200 million short-term debentures, RMB700 million medium-term notes and RMB500 million corporate bond which bear interest at fixed coupons and interest rates and other US dollar loans and HK dollar mortgage loans bear interest at floating rates, the remaining bank and other loans are denominated in Renminbi and bear interest at the interest rates announced by the People's Bank of China. The project companies used the Renminbi loans as their capital expenditure, working capital and operational expenditure. Except for the bank and other loans amount equivalent to RMB1,307 million that are secured by assets with carrying amount equivalent to RMB81 million, all of the other loans are unsecured. Short-term loans amounted equivalent to RMB2,737 million while the remaining were long-term loans falling due after one year or above.

As all the operations of the Group are in PRC, revenues and expenses were mainly denominated in Renminbi. However, certain loans and senior notes issued by the Group and certain bank balances kept by the Group are denominated in foreign currencies. The Group will monitor the market trends of interest rates and exchange rates closely and adopt appropriate measures when necessary.

Subsequent to the current financial year, the Group issued US$500 million zero coupon convertible bonds which have commenced trading on Singapore Exchange Securities Trading Limited on 27 February 2013. After deducting commissions and other issue costs, the net proceeds from the bonds issued will be approximately US$489 million, which is intended to be used by the Group for refinancing of its existing indebtedness and for general corporate purposes. This issue will improve the Company's debt structure, reduce its interest expenses and therefore enhance its cash flow and profitability.

Commitments

(a) Capital Commitments

	2012	2011
	RMB million	*RMB million*
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	110	124
Capital commitment in respect of		
-investments in joint ventures	287	-
-investments in associates	40	57

(b) Other Commitments

As at 31 December 2012, the Group has commitment amounting to approximately RMB30 million (2011: RMB32 million) in respect of acquisition of land use rights in the PRC.

Financial Guarantee Liability

As at 31 December 2012, the Group had outstanding guarantees issued to banks to secure loan facilities granted to jointly controlled entity and an associate to the extent of approximately RMB476 million (31 December 2011: RMB95 million) for loans with maturity from one to four-years, of which the amounts have been utilised at the end of the reporting period. The carrying amount of financial guarantee contracts as at 31 December 2012 is approximately RMB23 million (31 December 2011: RMB9 million).

PURCHASE SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Company established an Audit Committee on 28 March 2001. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control (including financial control, operational control, compliance control, risk management function and the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, as well as their training programmes and budget) and financial reporting matters. During the year and up to 25 March 2013, members of the Audit Committee are Mr. Wang Guangtian, Ms. Yien Yu Yu, Catherine and Mr. Kong Chung Kau, who are all independent non-executive Directors. Mr. Zhang Gang and Mr. Lim Haw Kuang, independent non-executive Directors, were appointed as additional audit committee members of the Company on 26 March 2013. Three Audit Committee meetings were held during the financial year, and the Audit Committee has reviewed the audited annual accounts for 2011 and the unaudited interim accounts for 2012. The Audit Committee has also reviewed the annual results and the audited annual accounts for 2012 at the audit committee meeting held on 25 March 2013.

THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"). Specific enquiries have been made with all Directors who have confirmed that they complied with the required standard set out in the Model Code and the code of conduct regarding Directors' securities transactions.

THE CODE ON CORPORATE GOVERNANCE PRACTICES

To the knowledge of the Board, the Company has complied with the Code Provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and the Corporate Governance Code (newly effective from 1 April 2012) (the "Code") as contained in Appendix 14 to the Listing Rules throughout the year except the deviation from Code Provision A.6.7 and E.1.2. Mr. Wang Yusuo (Chairman of the Board) was unable to attend the annual general meeting held on 26 June 2012 due to business trip. Alternatively, Mr. Cheng Chak Ngok, the Ex-executive Director and Ex-company Secretary of the Company, attended and acted as the chairman of the said annual general meeting. In addition, Ms. Zhao Baoju and Mr. Jin Yongsheng (Non-executive Directors) and Mr. Wang Guangtian (Independent Non-executive Director) were unable to attend the annual general meeting and extraordinary general meeting of the Company held on 26 June 2012 and 6 July 2012 respectively due to business trips.

DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Directors now recommend a final dividend of HK$42.20 cents (2011: HK$36.23 cents) (equivalent to approximately RMB34.22 cents (2011: RMB29.37 cents)) per share payable to shareholders of the Company whose names are on the register of members on Tuesday, 28 May 2013. The final dividend is subject to approval by the shareholders in the forthcoming annual general meeting and will be paid to shareholders of the Company on or before 21 October 2013. For the purpose of determining shareholders who are entitled to attend and vote at the forthcoming annual general meeting, the register of members will be closed from Thursday, 16 May 2013 to Tuesday, 21 May 2013, both days inclusive, during which period no share transfer will be effected. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30p.m. on Wednesday, 15 May 2013.

For the purpose of determining the qualification for the proposed final dividend, the register of members will be closed from Monday, 27 May 2013 to Tuesday, 28 May 2013, both days inclusive, during which period no share transfer will be effected. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30p.m. on Friday, 24 May 2013.

By order of the Board
WANG YUSUO
Chairman

Hong Kong, 26 March 2013

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

Executive Directors:
Mr. Wang Yusuo (Chairman)
Mr. Cheung Yip Sang (Chief Executive Officer)
Mr. Zhao Jinfeng
Mr. Yu Jianchao
Mr. Han Jishen
Mr. Zhao Shengli
Mr. Wang Dongzhi (Chief Financial Officer)

Non-executive Directors:
Ms. Zhao Baoju
Mr. Jin Yongsheng

Independent Non-executive Directors:
Mr. Wang Guangtian
Ms. Yien Yu Yu, Catherine
Mr. Kong Chung Kau
Mr. Zhang Gang
Mr. Lim Haw Kuang