

## Report of the Directors

The Board has pleasure in presenting the Directors' Report and the audited consolidated financial statements of the Group for the year ended 31 December 2018.

### Principal Activities

The Company is an investment holding company. Its subsidiaries are principally engaged in the sales and distribution of piped gas in the People's Republic of China (the "PRC") including the provision of piped gas, construction of gas pipelines, the operation of city gas pipeline network, the operation of gas fuel automobile refilling stations, and the sale of gas household appliances. Particulars of its principal subsidiaries are set out in Note 45 to the consolidated financial statements.

### Results and Final Dividend

The results of the Group for the year ended 31 December 2018 are set out in the consolidated income statement on page 75.

The Directors have recommended the payment of a final dividend out of the share premium account of HK fifteen cents per share (2017: HK fifteen cents per share) to shareholders whose names are on the register of members of the Company on Wednesday, 29 May 2019.

The proposed final dividend, if approved by the shareholders at the AGM, will be payable in cash, with an option granted to shareholders to receive new and fully paid shares of the Company in lieu of cash, or partly in cash and partly in new shares under the scrip dividend scheme (the "Scrip Dividend Scheme"). The new shares will, on issue, not be entitled to the proposed final dividend, but will rank *pari passu* in all other respects with the existing shares.

The circular containing details of the Scrip Dividend Scheme and the relevant election form are expected to be sent to shareholders on or about Wednesday, 5 June 2019. Subject to approval by shareholders at the AGM to be held on Tuesday, 21 May 2019 and compliance with the Companies Law of the Cayman Islands, the cheques for cash dividends and the share certificates to be issued under the Scrip Dividend Scheme will be distributed to shareholders on or about Thursday, 4 July 2019. The register of members of the Company will be closed from Monday, 27 May 2019 to Wednesday, 29 May 2019 (both days inclusive), for the purpose of determining shareholders who qualify for the final dividend and during which period no transfer of shares of the Company will be registered.

The Scrip Dividend Scheme is conditional upon the passing of the resolution relating to the payment of final dividend at the AGM and the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme.

The final dividend will be distributed, and the share certificates to be issued under the Scrip Dividend Scheme will be sent on or about 4 July 2019 to the shareholders whose names appear on the register of members of the Company on 29 May 2019.

## Business Review

The business review of the Group for the year ended 31 December 2018 including a fair review of the business, an indication of likely future development in the Group's business, and particulars of important events affecting the Group that have occurred since the end of the financial year of 2018 (if any), is set out in the sections headed "Chairman's Statement" on pages 6 to 9 and "Financial Review" and "Review of Operations" on pages 10 to 31 respectively of this Annual Report. A discussion on the Group's environmental policies and performance, an account of the Group's key relationships with its stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group can be found in "Review of Operations" on pages 14 to 31 and "Corporate Governance Report" on pages 53 to 68 as well as the standalone 2018 Sustainability Report.

Description of possible risks and uncertainties that the Group may be facing can be found in the "Financial Review" on pages 10 to 13, "Risk Factors" on pages 34 to 35 and Notes 4 to 6 to the consolidated financial statements on pages 123 to 136.

Also, the financial risk management objectives and policies of the Group can be found in Note 6 to the consolidated financial statements on pages 126 to 136. An analysis of the Group's performance during the year using financial key performance indicators is provided in the "Financial Highlights" on page 5 of this Annual Report.

## Reserves

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 79.

The Company's reserves available for distribution to shareholders as at 31 December 2018 amounted to HK\$3,010 million (2017: HK\$3,762 million), subject to the applicable statutory requirements under the laws of the Cayman Islands.

## Financial Summary

A summary of the results, assets and liabilities of the Group for each of the five years ended 31 December 2018 is set out on page 4.

## Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in Note 17 to the consolidated financial statements.

## Report of the Directors

### Share Capital

During the year, the Company declared a final dividend of HK fifteen cents per share for the year ended 31 December 2017 in cash (with scrip option) during the year. A total of 41,338,347 shares of the Company, fully paid, were issued and allotted in scrip form at HK\$7.436 per share. No consideration was received by the Company for the issue.

Details of movements in the share capital of the Company during the year are set out in Note 35 to the consolidated financial statements.

### Directors

The Directors during the year and up to the date of this Annual Report are as follows:

#### Executive Directors

Mr. Alfred Chan Wing-kin (*Chairman*)  
Mr. Peter Wong Wai-yee (*Chief Executive Officer*)  
Mr. John Ho Hon-ming (*Company Secretary*)  
Mr. Martin Kee Wai-ngai (*Chief Operating Officer*)

#### Independent Non-Executive Directors

Dr. Moses Cheng Mo-chi  
Mr. Brian David Li Man-bun  
Mr. James Kwan Yuk-choi

In accordance with article 112 of the Articles, Mr. Peter Wong Wai-yee, Mr. John Ho Hon-ming and Mr. Brian David Li Man-bun, having been longest in office since their respective last election, shall retire from office by rotation at the forthcoming AGM and, being eligible, will offer themselves for re-election. Details of these directors proposed for re-election are set out in the circular sent together with this Annual Report.

Each Independent Non-Executive Director has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules.

Each of the Independent Non-Executive Directors was appointed for a period commencing from his appointment date and is subject to retirement by rotation at the AGM.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

The biographical details of the Directors of the Company are set out on pages 36 to 39 of this Annual Report.

## Directors' Interests or Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2018, the interests or short positions of the Directors and the chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required pursuant to: (a) Divisions 7 to 9 of Part XV of the SFO, to be notified to the Company and the Stock Exchange; (b) Section 352 of Part XV of the SFO, to be entered in the register referred to therein; or (c) the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

### Long positions in shares

Name of Company	Name of Director	Capacity	Interest in shares			Aggregate interest	Approximate percentage of the number of issued shares of the Company or its associated corporation as at 31.12.2018
			Personal interest	Family interest	Corporate interest		
Towngas China Company Limited	Alfred Chan Wing-kin	Beneficial owner	3,782,569	–	–	3,782,569	0.13%
	Peter Wong Wai-yee	Beneficial owner	3,075,000	–	–	3,075,000	0.11%
	John Ho Hon-ming	Beneficial owner	1,061,168	–	–	1,061,168	0.04%
	James Kwan Yuk-choi	Beneficial owner	2,265,000	–	–	2,265,000	0.08%
HKCG	Alfred Chan Wing-kin	Interest held jointly with spouse	293,361	–	–	293,361	0.00%
	John Ho Hon-ming	Beneficial owner	45,939	–	–	45,939	0.00%
	James Kwan Yuk-choi	Beneficial owner and interest of spouse	103,561	117,335	–	220,896	0.00%

Save as stated above, as at 31 December 2018, there were no other interests or short positions of the Directors and the chief executive in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## Report of the Directors

### Arrangements to Purchase Shares or Debentures

At no time during the year was the Company, its holding company, fellow subsidiaries or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

### Equity-linked Agreements

No equity-linked agreements were entered into by the Group, or existed during the year.

### Directors' Material Interests in Transactions, Arrangements or Contracts

Other than the transactions disclosed under the heading "Connected Transactions" below, there were no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, or any of its subsidiaries, fellow subsidiaries or its holding company was a party and in which a Director or his connected entity had a material interest, whether directly or indirectly, were entered into in the year or subsisted at the end of the year or at any time during the year.

### Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

### Permitted Indemnity Provision

The Articles provides that every Director, auditor or other officer of the Company is entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a Director, auditor or other officer of the Company in defending any proceedings, in which judgment is given in his/her favour, or in which he/she is acquitted.

The Company has arranged appropriate directors' and officers' liabilities insurance coverage for Directors and officers of the Company.

## Competing Business

During the year and up to the date of this report, the following Directors are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules, as set out below:

Mr. Alfred Chan Wing-kin, the Chairman of the Company, is the Managing Director of HKCG; and Mr. Peter Wong Wai-ye, an Executive Director and the Chief Executive Officer of the Company, is an Executive Director of HKCG.

HKCG and its subsidiaries (excluding the Group) (the “HKCG Group”) are principally engaged in the production, distribution and marketing of gas, water supply and emerging environmental-friendly energy businesses in Hong Kong and the PRC. Although some of the businesses carried out by the HKCG Group are similar to the businesses carried out by the Group, they are of different scales and/or in different locations. Therefore, the Directors are of the view that the businesses of the HKCG Group do not compete directly with the businesses of the Group.

Save as disclosed above, none of the Directors had any interest in any business (apart from the Group’s business) which competes or is likely to compete, either directly or indirectly with the Group’s business.

## Report of the Directors

### Substantial Shareholders

As at 31 December 2018, so far as the Directors are aware, the interests or short positions of every person, other than Directors or chief executive of the Company, in the issued shares of the Company (the "Shares") as recorded in the register of substantial shareholders required to be kept under section 336 of the SFO were as follows:

### Long positions in Shares

Name of shareholder	Capacity	Aggregate interest in Shares	Approximate percentage of the number of Shares as at 31.12.2018
Lee Shau-kee	Interest of controlled corporations	1,895,264,270 <i>(Note 1)</i>	67.45%
Rimmer (Cayman) Limited ("Rimmer")	Trustee	1,895,264,270 <i>(Note 2)</i>	67.45%
Riddick (Cayman) Limited ("Riddick")	Trustee	1,895,264,270 <i>(Note 2)</i>	67.45%
Hopkins (Cayman) Limited ("Hopkins")	Interest of controlled corporations	1,895,264,270 <i>(Note 2)</i>	67.45%
Henderson Development Limited ("HD")	Interest of controlled corporations	1,895,264,270 <i>(Note 2)</i>	67.45%
Henderson Land Development Company Limited ("HLD")	Interest of controlled corporations	1,895,264,270 <i>(Note 2)</i>	67.45%
Faxson Investment Limited ("Faxson")	Interest of controlled corporations	1,895,264,270 <i>(Note 2)</i>	67.45%
HKCG	Interest of controlled corporations	1,895,264,270 <i>(Note 3)</i>	67.45%
Towngas International Company Limited ("TICL")	Interest of controlled corporation	1,732,005,573 <i>(Note 3)</i>	61.64%
Hong Kong & China Gas (China) Limited ("HK&CG (China)")	Beneficial owner	1,732,005,573 <i>(Note 3)</i>	61.64%
Towngas Investment Company Limited ("TICL-HK")	Interest of controlled corporations	163,258,697 <i>(Note 3)</i>	5.81%
Planwise Properties Limited ("Planwise")	Beneficial owner	160,527,180 <i>(Note 3)</i>	5.71%
Commonwealth Bank of Australia ("Commonwealth Bank")	Interest of controlled corporations	193,747,684 <i>(Note 4)</i>	6.89%

## Substantial Shareholders (Continued)

### Long positions in Shares (Continued)

Notes:

1. The entire issued share capital of Rimmer, Riddick and Hopkins were owned by Dr. the Hon. Lee Shau-kee. Dr. the Hon. Lee Shau-kee was therefore taken to be interested in the same 1,895,264,270 Shares as set out in Notes 2 and 3 below by virtue of Part XV of the SFO.
2. Rimmer and Riddick as trustees of respective discretionary trusts, held units in a unit trust ("Unit Trust"). Hopkins as trustee of the Unit Trust owned all the issued ordinary shares of HD. HD was entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of HLD. HLD through its subsidiaries (including Faxson) was entitled to exercise or control the exercise of more than one-third of the voting power at general meetings of HKCG. Each of Rimmer, Riddick, Hopkins, HD, HLD and Faxson was therefore taken to be interested in the same 1,895,264,270 Shares which HKCG is deemed interested in as described in Note 3 below by virtue of Part XV of the SFO.
3. As HK&CG (China) was a wholly-owned subsidiary of TICL, which in turn was a wholly-owned subsidiary of HKCG, each of TICL and HKCG was therefore taken to be interested in the 1,732,005,573 Shares held by HK&CG (China) by virtue of Part XV of the SFO. In addition, as Planwise and Superfun Enterprises Limited ("Superfun") were wholly-owned subsidiaries of TICL-HK, which in turn was a wholly-owned subsidiary of HKCG, each of TICL-HK and HKCG was therefore taken to be interested in 163,258,697 Shares, which included (i) the 160,527,180 Shares held by Planwise; and (ii) the 2,731,517 Shares held by Superfun by virtue of Part XV of the SFO.
4. Commonwealth Bank was taken to be interested in these 193,747,684 Shares which were held by indirect wholly-owned subsidiaries of Commonwealth Bank.

Save for the shareholders as disclosed herein, the Directors are not aware of any persons who, as at 31 December 2018, were entitled to exercise or control the exercise of 5% or more of the voting power of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

## Short Positions in Shares and Underlying Shares

As at 31 December 2018, the Company had not been notified of any short positions being held by any substantial shareholder in the Shares or underlying Shares.

## Other Persons

As at 31 December 2018, the Company had not been notified of any interests or short positions being held by any person (other than the Directors and chief executive and the substantial shareholders as disclosed above) in the Shares or underlying Shares that was required to be disclosed under Divisions 2 and 3 of Part XV of the SFO and the Listing Rules.



## Report of the Directors

### Connected Transactions

Set out below is the information in relation to the connected transactions (all being continuing connected transactions) that existed during the year ended 31 December 2018 which are required to be disclosed in this Annual Report in accordance with Chapter 14A of the Listing Rules.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the auditor's findings and conclusions in respect of the continuing connected transactions disclosed by the Group below and Note 40 to the consolidated financial statements, as appropriate, in accordance with Rule 14A.56 of the Main Board Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

### Gas Purchase and Pipeline Materials Purchase Transactions

On 3 December 2015, the Company and HKCG entered into two master agreements respectively, namely:

- (1) an agreement (the "2015 Gas Purchase Master Agreement") relating to the purchase of various types of fuel gas (including but not limited to liquefied coalbed methane, compressed natural gas and liquefied natural gas) by members of the Group from members of the HKCG Group (the "Gas Purchase Transactions"); and
- (2) an agreement (the "2015 Pipeline Materials Purchase Master Agreement", and together with the 2015 Gas Purchase Master Agreement collectively referred to as the "2015 CCT Master Agreements") relating to the purchase of various pipeline construction materials, gas meters and measuring tools by members of the Group from members of the HKCG Group (the "Pipeline Materials Purchase Transactions"),

each for a term commencing from 1 January 2016 to 31 December 2018 (both days inclusive). Particulars of the Gas Purchase Transactions, the Pipeline Materials Purchase Transactions and the 2015 CCT Master Agreements were disclosed in the announcement of the Company dated 3 December 2015. Further, as announced by the Company on 31 August 2017 and 24 August 2018, the Company had revised and further revised the annual cap amounts in respect of the Gas Purchase Transactions for the financial years ending 31 December 2017 and 2018 respectively.

## Connected Transactions *(Continued)*

### Gas Purchase and Pipeline Materials Purchase Transactions *(Continued)*

As the 2015 Gas Purchase Master Agreement and the 2015 Pipeline Materials Purchase Master Agreement were to expire on 31 December 2018, on 5 December 2018, the Company and HKCG entered into two new master agreements respectively, namely:

- (1) an agreement relating to the Gas Purchase Transactions (the “2018 Gas Purchase Master Agreement”); and
- (2) an agreement relating to the Pipeline Materials Purchase Transactions (the “2018 Pipeline Materials Purchase Master Agreement”, and together with the 2018 Gas Purchase Master Agreement collectively referred to as the “2018 CCT Master Agreements”),

each for a term commencing from 1 January 2019 to 31 December 2021 (both days inclusive). Particulars of the 2018 CCT Master Agreements were disclosed in the announcement of the Company dated 5 December 2018.

As HKCG is a controlling shareholder of the Company, members of the HKCG Group are connected persons of the Company under the Listing Rules. The transactions contemplated under the 2015 CCT Master Agreements and the 2018 CCT Master Agreements constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules which were subject to the reporting, announcement and annual review requirements but were exempted from the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Gas Purchase Transactions and Pipeline Materials Purchase Transactions were subject to annual cap amounts of RMB150,000,000 (approximately HK\$177,725,000) and RMB160,000,000 (approximately HK\$189,573,000) respectively for the year ended 31 December 2018. The actual respective amounts of the Gas Purchase Transactions and Pipeline Materials Purchase Transactions for the year ended 31 December 2018 were RMB138,642,000 (approximately HK\$164,268,000) and RMB141,128,000 (approximately HK\$167,213,000) respectively, which had not exceeded the annual cap amounts as stated above.

The Board, including the Independent Non-Executive Directors, had reviewed and confirmed that the Gas Purchase Transactions and Pipeline Materials Purchase Transactions for the year ended 31 December 2018 were entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms; and
- (iii) according to the agreements governing them on terms that are fair and reasonable and are in the interest of the shareholders of the Company as a whole.

The Board also considers that the transactions had been conducted in accordance with the pricing policies under the relevant master agreements and the Company’s internal control procedures are adequate and effective.

## Report of the Directors

### Connected Transactions *(Continued)*

#### Project Management and System Software, Cloud Computing System and Safety Inspection Supporting Services Transactions

On 5 December 2016, the Company entered into master agreements with two subsidiaries of HKCG respectively, namely:

- (1) an agreement (the “2016 Master Project Management Agreement”) for the provision of project management services relating to the monitoring and managing of gas facilities and construction and installation projects of the Group by 瀋陽三全工程監理諮詢有限公司 (“Shenyang Sanquan”), a non wholly-owned subsidiary of HKCG, to members of the Group (the “Project Management Transactions”); and
- (2) an agreement (the “2016 Master System Software, Cloud Computing System and Safety Inspection Supporting Services Agreement”, and together with the 2016 Master Project Management Agreement collectively referred to as the “2016 CCT Master Agreements”) relating to the provision by 珠海卓銳高科信息技術有限公司 (“Zhuhai S-Tech”), a wholly-owned subsidiary of HKCG, to members of the Group of (i) the user authorisation, installation, management and maintenance and the provision of technical supporting services in respect of the system software developed by Zhuhai S-Tech, including but not limited to Towngas Customer Information System, Geographic Information System, Supervisory Control and Data Acquisition, Mobility Meter Reading Application, Mobility Regular Safety Inspection Application and Mobility Maintenance Service Application and (ii) the user authorisation, installation, management and maintenance and the provision of technical supporting services relating to a cloud computing hardware system which will manage, operate and monitor the network infrastructure of information systems (the “System Software, Cloud Computing System and Safety Inspection Supporting Services Transactions”),

each for a term commencing from 1 January 2017 to 31 December 2019 (both days inclusive). Particulars of the Project Management Transactions and the System Software, Cloud Computing System and Safety Inspection Supporting Services Transactions and the 2016 CCT Master Agreements were disclosed in the announcement of the Company dated 5 December 2016.

As each of Shenyang Sanquan and Zhuhai S-Tech is a subsidiary of HKCG, which in turn is a controlling shareholder of the Company, each of Shenyang Sanquan and Zhuhai S-Tech is a connected person of the Company under the Listing Rules. The transactions contemplated under the 2016 CCT Master Agreements constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules which were subject to the reporting, announcement and annual review requirements but were exempted from the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Project Management Transactions and the System Software, Cloud Computing System and Safety Inspection Supporting Services Transactions were subject to annual cap amounts of RMB7,262,000 (approximately HK\$8,604,000) and RMB38,000,000 (approximately HK\$45,024,000) respectively for the year ended 31 December 2018. The actual respective amounts of the Project Management Transactions and System Software, Cloud Computing System and Safety Inspection Supporting Services Transactions for the year ended 31 December 2018 were RMB6,131,000 (approximately HK\$7,264,000) and RMB2,004,000 (approximately HK\$2,374,000) respectively, which had not exceeded the annual cap amounts as stated above.

## **Connected Transactions** *(Continued)*

### **Project Management and System Software, Cloud Computing System and Safety Inspection Supporting Services Transactions** *(Continued)*

The Board, including the Independent Non-Executive Directors, had reviewed and confirmed that the Project Management Transactions and the System Software, Cloud Computing System and Safety Inspection Supporting Services Transactions for the year ended 31 December 2018 were entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms; and
- (iii) according to the agreements governing them on terms that are fair and reasonable and are in the interest of the shareholders of the Company as a whole.

The Board also considers that the transactions had been conducted in accordance with the pricing policies under the relevant master agreements and the Company's internal control procedures are adequate and effective.

## **Related Party Transactions**

Details of the related party transactions undertaken in the normal course of business are set out in Note 40 to the consolidated financial statements. In relation to those related party transactions that also constituted connected transactions under the Listing Rules, they are in compliance with applicable requirements under the Listing Rules and are reported in this Annual Report in accordance with the Listing Rules.

## **Borrowings**

Particulars of borrowings of the Group as at 31 December 2018 are set out in Note 32 to the consolidated financial statements.

## **Donations**

During the year, the Group made charitable and other donations amounting to approximately HK\$870,000.

## **Public Float**

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this Annual Report and during the year, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

## **Major Customers and Suppliers**

The percentage of the operating cost attributable to the Group's five largest suppliers was less than 30% during the year. The percentage of the turnover attributable to the Group's five largest customers was less than 30% during the year.

## Report of the Directors

### Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands which would oblige the Company to offer new Shares on pro-rata basis to existing shareholders.

### Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

### Emolument Policy

As at 31 December 2018, the Group had 22,241 employees. Approximately 99% of the Group's employees are located in the PRC. Employee remuneration is based on individual performance, job nature and the relevant responsibilities involved. The Group provides on-the-job training as well as optimal benefits packages for employees, which include medical welfare, retirement plans, year-end bonuses and other incentives. The Group encourages employees to adopt a work-life balance, whilst improving the work environment for employees on a continuing basis so that they can realise their full potential and contribute to the Group.

The emoluments of the Directors are recommended by the Remuneration Committee of the Company for the Board's approval, having regard to the Group's operating results, individual performance and comparable market statistics. No Director or executive, nor any of his/her associates, is involved in deciding his/her own remuneration.

### Corporate Governance

The Company had complied with the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules during the year ended 31 December 2018.

Details of the corporate governance of the Group are set out in the "Corporate Governance Report" on pages 53 to 68 of this Annual Report.

### Auditor

The consolidated financial statements of the Company for the year ended 31 December 2018 have been audited by Messrs. Deloitte Touche Tohmatsu ("Deloitte"). A resolution will be submitted to the forthcoming AGM of the Company to re-appoint Deloitte as the auditor of the Company.

This report is signed for and on behalf of the Board.

**John Ho Hon-ming**  
*Executive Director and Company Secretary*

Hong Kong, 19 March 2019