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*(Incorporated in the Cayman Islands with limited liability)*

(Stock Code: 1083)

## **2015 ANNUAL RESULTS ANNOUNCEMENT**

### **Financial Highlights:**

- Total gas sales of the Group steadily grew to 6,562 million cubic metres.
- Profit after taxation attributable to shareholders of the Company excluding the unrealised exchange loss and the provision for the disposal of the coke plant of Changchun Gas Co., Ltd. increased 1% to HK\$1,202 million.
- A final dividend of HK ten cents per share is proposed.

### **RESULTS**

The board of directors (the "Board") of Towngas China Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2015.

The audited consolidated results of the Group for the year ended 31 December 2015 together with the comparative figures of 2014 are as follows:

**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

	<i>NOTES</i>	<b>2015</b> <b>HK\$'000</b>	2014 <i>HK\$'000</i>
Turnover	2	<b><u>7,718,293</u></b>	<u>7,881,833</u>
Operating profit before returns on investments		<b>1,017,645</b>	1,066,039
Other (losses) gains, net		<b>(161,887)</b>	14,291
Share of results of associates		<b>265,587</b>	347,205
Share of results of joint ventures		<b>327,202</b>	277,556
Finance costs	3	<b><u>(180,504)</u></b>	<u>(174,032)</u>
Profit before taxation	4	<b>1,268,043</b>	1,531,059
Taxation	5	<b><u>(343,511)</u></b>	<u>(350,085)</u>
Profit for the year		<b><u>924,532</u></b>	<u>1,180,974</u>
Profit for the year attributable to:			
Shareholders of the Company		<b>807,042</b>	1,054,189
Non-controlling interests		<b><u>117,490</u></b>	<u>126,785</u>
		<b><u>924,532</u></b>	<u>1,180,974</u>
Proposed final dividend of HK ten cents (2014: HK ten cents) per ordinary share	6	<b><u>266,506</u></b>	<u>263,266</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	7		
– Basic		<b><u>30.45</u></b>	<u>40.19</u>
– Diluted		<b><u>30.43</u></b>	<u>40.08</u>

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Profit for the year	<u><b>924,532</b></u>	<u>1,180,974</u>
Other comprehensive (expense) income		
<i>Item that will not be reclassified subsequently to profit or loss</i>		
Exchange differences arising on translation to presentation currency	<b>(617,004)</b>	(337,605)
<i>Item that may be reclassified subsequently to profit or loss</i>		
Fair value change on cash flow hedge	<b>3,348</b>	3,360
Fair value change on available-for-sale investment	<u><b>33,250</b></u>	<u>-</u>
	<u><b>(58,406)</b></u>	<u>(334,245)</u>
Total comprehensive income for the year	<u><b>344,126</b></u>	<u>846,729</u>
Total comprehensive income attributable to:		
Shareholders of the Company	<b>280,954</b>	766,265
Non-controlling interests	<u><b>63,172</b></u>	<u>80,464</u>
Total comprehensive income for the year	<u><b>344,126</b></u>	<u>846,729</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2015

	NOTES	2015 HK\$'000	2014 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		12,054,598	11,026,351
Leasehold land		502,146	449,682
Intangible assets		560,257	608,608
Goodwill		5,732,259	5,890,298
Interest in associates		2,940,684	2,836,497
Interest in joint ventures		2,071,013	1,936,057
Loans to joint ventures		92,796	56,012
Available-for-sale investments		259,506	170,763
		<u>24,213,259</u>	<u>22,974,268</u>
<b>Current assets</b>			
Inventories		558,421	565,951
Leasehold land		25,763	23,827
Loan to an associate		17,912	18,745
Loans to joint ventures		155,845	166,245
Trade and other receivables, deposits and prepayments	8	1,506,681	1,788,086
Amounts due from non-controlling shareholders		16,317	16,551
Time deposits over three months		237,938	344,914
Bank balances and cash		2,138,388	1,451,652
		<u>4,657,265</u>	<u>4,375,971</u>
<b>Current liabilities</b>			
Trade and other payables and accrued charges	9	4,159,819	4,136,399
Amounts due to non-controlling shareholders		151,299	188,092
Taxation		650,428	582,078
Borrowings – amount due within one year		3,183,174	2,482,814
Other financial liabilities		3,600	-
		<u>8,148,320</u>	<u>7,389,383</u>
Net current liabilities		<u>(3,491,055)</u>	<u>(3,013,412)</u>
Total assets less current liabilities		<u>20,722,204</u>	<u>19,960,856</u>
<b>Non-current liabilities</b>			
Loans from the ultimate holding company		993,750	993,750
Borrowings – amount due after one year		4,591,433	4,075,077
Deferred taxation		437,165	440,603
Other financial liabilities		-	6,948
		<u>6,022,348</u>	<u>5,516,378</u>
Net assets		<u>14,699,856</u>	<u>14,444,478</u>
<b>Capital and reserves</b>			
Share capital		266,506	263,266
Reserves		13,211,578	12,990,685
Equity attributable to shareholders of the Company		<u>13,478,084</u>	<u>13,253,951</u>
Non-controlling interests		<u>1,221,772</u>	<u>1,190,527</u>
Total equity		<u>14,699,856</u>	<u>14,444,478</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
*FOR THE YEAR ENDED 31 DECEMBER 2015*

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

The Group has applied for the first time in the current year the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010 - 2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011 - 2013 Cycle
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions

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

**2. SEGMENT INFORMATION**

**Operating segments**

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segments and to assess their performance. The chief operating decision maker of the Group has been identified as the executive directors of the Company (the "Executive Directors").

The Group determines its operating segments based on the internal reports reviewed by the Executive Directors to facilitate strategic decision making.

The Group currently organises its operations into two operating divisions, which also represent the operating segments of the Group for financial reporting purposes, namely sales and distribution of piped gas and related products and gas connection. They represent two major lines of business engaged by the Group. The principal activities of the operating and reportable segments are as follows:

Sales and distribution of piped gas and related products	– Sales of piped gas (mainly natural gas) and gas related household appliances*
Gas connection	– Construction of gas pipeline networks under gas connection contracts

\* Sales from gas related household appliances contribute to less than 5% of the Group's total revenue.

Segments results represent the profit before taxation earned by each segment, excluding finance costs, share of results of associates, share of results of joint ventures, other (losses) gains, net and unallocated corporate expenses such as central administration costs and directors' salaries. These are reported to the Executive Directors for the purposes of resource allocation and assessment of segment performance.

Information regarding these segments is presented below.

	<b>Sales and distribution of piped gas and related products HK\$'000</b>	<b>Gas connection HK\$'000</b>	<b>Consolidated HK\$'000</b>
For the year ended 31 December 2015			
<b>TURNOVER</b>			
External	<u>6,010,691</u>	<u>1,707,602</u>	<u>7,718,293</u>
Segment results	<u>454,560</u>	<u>714,703</u>	<u>1,169,263</u>
Other losses, net			(161,887)
Unallocated corporate expenses			(151,618)
Share of results of associates			265,587
Share of results of joint ventures			327,202
Finance costs			<u>(180,504)</u>
Profit before taxation			1,268,043
Taxation			<u>(343,511)</u>
Profit for the year			<u>924,532</u>
	<b>Sales and distribution of piped gas and related products HK\$'000</b>	<b>Gas connection HK\$'000</b>	<b>Consolidated HK\$'000</b>
For the year ended 31 December 2014			
<b>TURNOVER</b>			
External	<u>6,205,330</u>	<u>1,676,503</u>	<u>7,881,833</u>
Segment results	<u>471,189</u>	<u>746,162</u>	1,217,351
Other gains, net			14,291
Unallocated corporate expenses			(151,312)
Share of results of associates			347,205
Share of results of joint ventures			277,556
Finance costs			<u>(174,032)</u>
Profit before taxation			1,531,059
Taxation			<u>(350,085)</u>
Profit for the year			<u>1,180,974</u>

The reportable segments have been prepared on the historical cost basis. The accounting policies of the reportable segments are the same as the Group's accounting policies.

All of the Group's revenue was generated in the People's Republic of China (the "PRC") (place of domicile of the group entities that derive revenue) and over 90% of the Group's non-current assets other than financial instruments were also located in the PRC (place of domicile of the group entities that hold such assets). No individual customer of the Group had contributed sales of over 10% of the total revenue of the Group for the years ended 31 December 2015 and 2014.

### 3. FINANCE COSTS

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Interest on:		
– bank and other borrowings wholly repayable within five years	<b>188,305</b>	176,123
– bank and other borrowings not wholly repayable within five years	<b>559</b>	858
Bank charges	<b>3,672</b>	3,698
	<b>192,536</b>	180,679
Less: amounts capitalised	<b>(12,032)</b>	(6,647)
	<b>180,504</b>	174,032

### 4. PROFIT BEFORE TAXATION

	<b>2015</b>	2014
	<b>HK\$'000</b>	HK\$'000
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets	<b>20,479</b>	20,607
Release of leasehold land	<b>16,963</b>	13,107
Cost of inventories sold	<b>5,448,876</b>	5,603,735
Depreciation of property, plant and equipment	<b>428,446</b>	381,093
Operating lease rentals in respect of land and buildings	<b>30,343</b>	36,047
Staff costs	<b>856,973</b>	787,681
Exchange loss	<b>301,479</b>	140,678
Loss on disposal of leasehold land	-	2,549
and after crediting:		
Gain on disposal of leasehold land	<b>9,752</b>	-
Gain on disposal of property, plant and equipment	<b>664</b>	12,617

## 5. TAXATION

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
The charge comprises:		
PRC Enterprise Income Tax ("EIT")		
– current year	<b>319,968</b>	314,818
Deferred taxation		
– taxation charge for the year	<u><b>23,543</b></u>	<u>35,267</u>
	<u><b>343,511</b></u>	<u>350,085</u>

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

The EIT rates applicable for the Group's PRC subsidiaries range from 15% to 25% (2014: 15% to 25%).

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

## 6. DIVIDENDS

During the year, a final dividend in respect of year ended 31 December 2014 of HK\$264,291,000 (2014: HK\$209,246,000 in respect of the year ended 31 December 2013) was recognised as distribution, being HK ten cents per ordinary share (2014: HK eight cents per ordinary share).

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2015 of HK ten cents (2014: HK ten cents) per ordinary share has been proposed by the Board and is subject to approval by the shareholders in the forthcoming annual general meeting.

## 7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the shareholders of the Company is based on the following data:

	<b>2015</b> <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Earnings for the purpose of basic and diluted earnings per share, being profit for the year attributable to shareholders of the Company	<u><b>807,042</b></u>	<u>1,054,189</u>



	<b>Number of shares</b>	
	<b>2015</b>	2014
	<b>'000</b>	<b>'000</b>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>2,649,961</b>	2,623,056
Effect of dilutive potential ordinary shares:		
Share options	<u><b>1,971</b></u>	<u>6,933</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><b>2,651,932</b></u>	<u>2,629,989</u>

## 8. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<b>2015</b>	2014
	<b>HK\$'000</b>	<b>HK\$'000</b>
Trade receivables	<b>734,598</b>	743,444
Deferred consideration receivable	-	112,011
Prepayments	<b>502,695</b>	668,718
Other receivables and deposits	<u><b>269,388</b></u>	<u>263,913</u>
	<u><b>1,506,681</b></u>	<u>1,788,086</u>

### Trade receivables

Included in the balance of trade and other receivables, deposits and prepayments are trade receivables of HK\$734,598,000 (2014: HK\$743,444,000). The Group has a policy of allowing a credit period ranging from 0 to 180 days to its customers. Longer credit period is also allowed on a case by case basis. The following is an aged analysis of trade receivables presented based on the invoice date, which approximated the revenue recognition date, at the end of the reporting period:

	<b>2015</b>	2014
	<b>HK\$'000</b>	<b>HK\$'000</b>
0 to 90 days	<b>544,639</b>	671,721
91 to 180 days	<b>99,045</b>	21,240
181 to 360 days	<u><b>90,914</b></u>	<u>50,483</u>
	<u><b>734,598</b></u>	<u>743,444</u>

## 9. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade payables	941,764	1,028,183
Receipt in advance	2,403,811	2,354,328
Consideration payable for acquisitions of businesses	106,366	127,861
Consideration payable to a joint venture (note a)	1,528	23,490
Other payables and accruals	705,113	600,433
Amount due to ultimate holding company (note b)	<u>1,237</u>	<u>2,104</u>
	<b><u>4,159,819</u></b>	<b><u>4,136,399</u></b>

Notes:

- (a) The amount represents consideration payable to a joint venture for acquisition of Pingyin business.  
(b) The amount is unsecured, interest-free and repayable on demand.

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0 to 90 days	673,382	754,712
91 to 180 days	100,631	123,977
181 to 360 days	88,848	79,586
Over 360 days	<u>78,903</u>	<u>69,908</u>
	<b><u>941,764</u></b>	<b><u>1,028,183</u></b>

## **FINANCIAL REVIEW**

Profit after taxation attributable to shareholders of the Company excluding the unrealised exchange loss and the provision for the disposal of the coke plant of Changchun Gas Co., Ltd. ("Changchun Gas") amounted to HK\$1,202 million, an increase of 1% as compared to the corresponding period last year. The Group recorded an unrealised exchange loss of HK\$301 million caused by fluctuation in Renminbi exchange rates in 2015. As Changchun Gas ceased to supply manufactured gas and changed to use natural gas as gas source, a provision of HK\$94 million for the disposal of the coke plant attributable to the Group was recorded. Profit after taxation attributable to shareholders of the Company amounted to HK\$807 million, a decrease of 23% as compared to the corresponding period last year. Basic earnings per share amounted to HK30.45 cents, representing a decrease of 24% compared to the corresponding period of 2014.

### **Turnover**

Turnover from the sales of piped gas and related products declined 3% from HK\$6,205 million in 2014 to HK\$6,011 million in 2015 due to devaluation of Renminbi and downward adjustments to the natural gas price as made by the Chinese Government in 2015. The total consolidated volume of gas sold during the year amounted to 1,719 million cubic metres, on a par with 2014. In the gas connection business, income from connection fees for the year amounted to HK\$1,708 million, a rise of 2% compared to 2014. This was attributable to approximately 389,000 consolidated new household connections in 2015.

### **Gas Fuel, Stores and Materials Used**

The cost of gas fuel, stores and materials used amounted to HK\$4,936 million, while that was HK\$5,128 million in 2014. The decrease in expenses was mainly attributable to the downward adjusted purchase price of natural gas and the devaluation of Renminbi in the current year.

### **Overhead Costs**

Overhead costs in 2015 amounted to HK\$1,765 million, up 5% as compared to HK\$1,688 million in 2014. The increase was mainly due to the Group's business development together with escalations in wages and inflation. Staff costs and depreciation and amortisation expenses rose by 9% and 12%, respectively. At the same time, an increase of HK\$3 million in overheads was due to the inclusion of new subsidiaries in 2015.

### *Staff Costs*

Staff costs increased from HK\$788 million in 2014 to HK\$857 million in 2015. The increase in staff costs was due to the increase in the number of staff in line with our business development needs, the addition of new subsidiaries and higher average salaries on the mainland.

### **Finance Costs**

Finance costs in 2015 amounted to HK\$181 million, an increase of 4% as compared to 2014. This rise in finance costs reflected the increase in loans mainly due to the acquisition of new projects and business development.

## **Available-for-sale Investments**

Available-for-sale investments mainly consisted of the Group's investment in Chengdu City Gas Co., Ltd. ("Chengdu Gas") and Nanjing Zhongbei (Group) Co. Ltd. ("Nanjing Zhongbei"), which contributed dividends to the Group. Chengdu Gas was stated at cost while Nanjing Zhongbei was stated at fair value and no impairment provision was required during the year.

## **Financial Position**

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

As at 31 December 2015, the Group's total borrowings amounted to HK\$8,768 million, of which HK\$994 million represented loans from The Hong Kong and China Gas Company Limited ("HKCG") due between 2 to 5 years, HK\$3,183 million represented bank loans and other loans due within 1 year, HK\$4,558 million represented bank loans and other loans due between 1 to 5 years, and HK\$33 million represented bank loans and other loans due over 5 years. The Group entered into an interest rate swap contract to swap the 5 year variable-rate bank borrowing of HK\$350 million to the fixed-rate borrowing in 2011. Other than the HK\$1,730 million in bank loans and other borrowings which bore interests at fixed rates, the Group's loans were mainly arranged on a floating interest rate basis. The maturities and interest rates of the loans were arranged to provide sound financial resources and stable interest costs for the Group. The Group's borrowings consists of HK\$1,931 million borrowings dominated in Renminbi and the remaining HK\$6,837 million borrowings dominated mainly in Hong Kong dollars and United States dollars. The businesses of the Group are mainly occurred in mainland China and most transactions, assets and liabilities were stated in Renminbi. As a result, the Group bore currency risk from fluctuations of Renminbi exchange rate for non-Renminbi denominated deposits and borrowings. As at 31 December 2015, the Group did not have any pledge on assets. As at the end of the period, the Group had a gearing ratio (net debt excluding the HKCG loans ("Net Debt") to equity attributable to shareholders of the Company plus Net Debt) of 28.6%.

As at 31 December 2015, the Group's cash and cash equivalents together with time deposits amounted to HK\$2,376 million, of which 95% are Renminbi-denominated and the rest are denominated in Hong Kong dollars and United States dollars.

As at 31 December 2015, the Group's unutilised available facilities amounted to HK\$2,850 million.

The operating and capital expenditure of the Group is funded by cash flows from operations, internal liquidity and financing agreements with banks and its shareholders. The Group maintains a strong liquidity position with its cash and cash equivalents on hand and unutilised banking facilities and we have adequate financial resources to meet our contractual obligations and operating requirements. Benefiting from our high credit ratings, the Group enjoys favourable interest rates on bank loans.

## **Credit Ratings**

In June 2015, Standard & Poor's upgraded the long-term corporate credit rating of Towngas China from "BBB" to "BBB+", while maintaining its long-term Greater China credit rating at "cnA+" and its rating outlook as "stable". In July 2015, Moody's Investors Service upgraded the issuer rating of Towngas China from "Baa2" to "Baa1" with a "stable" outlook rating. These ratings, and the ongoing enhancement in our credit standing in particular, reflect the credit rating agencies' recognition of Towngas China's sound financial position.

## **Contingent Liabilities**

The Group had no material contingent liabilities as at 31 December 2015.

## **Final Dividend**

The Board recommended the payment of a final dividend for the year ended 31 December 2015 of HK ten cents per share (2014: HK ten cents per share). The Board also proposed to offer a scrip dividend option to allow shareholders to elect to receive the final dividend wholly or partly in the form of new fully paid shares instead of in cash.

## **BUSINESS REVIEW**

China's GDP growth recorded a 25-year low of merely 6.9% in 2015. As the growth of the manufacturing sector in China continued to decelerate, coupled with the tumbling oil prices and other macroeconomic factors, as well as the lagging adjustment of piped natural gas prices, sales in the natural gas industry in China was deteriorated.

Despite the sluggish economic environment, our businesses succeeded in achieving steady growth due to the concerted efforts of the Group as a whole. In view of the Group's forward-looking development strategies based on the prevailing circumstances, we not only continued to proactively expand our customer base, but also ventured into new business areas, thereby injecting additional growth momentum to the Group's businesses. At the same time, we continued to leverage our inherent advantages, leading to positive results in our different businesses. Among these, both the number of our customers and the sales of our Bauhinia gas appliances grew steadily, while the total volume of city-gas sales remained stable. Our ability to achieve such results against the difficult backdrop of slowing economic growth was satisfactory indeed.

As always, we continued to pursue continuous innovation as well as Total Quality Management ("TQM") in our daily operations. To enhance operational efficiencies, and ultimately drive business growth, every effort was also made to unleash the power of creativity and advancement while enhancing workflow. To this end, led by our Human Resources Department, we promoted the importance of TQM among our regional offices and project companies across the country. As a result, staff implemented improvement initiatives throughout the Group leading to further enhancements in workflow in a number of aspects, ranging from engineering, safety to services. Furthermore, the easy-to-understand formula ( $G = i \times i$ , Growth = innovation x implementation), which was specially designed to highlight the Group's management direction, came to fruition last year in a number of wide-ranging categories. This substantially improved overall work efficiencies and brought in an increasingly effective range of services to our customers.

In 2015, in addition to investing in our manpower resources, the Group remained committed to enhancing our corporate social responsibilities, as we worked towards building a sustainable community and green environment while also pursuing our ongoing business growth.

### **Sales of Piped Gas**

In 2015, the Group sold a total of 6,562 million cubic metres of piped gas, representing an overall increase of 1%, with a total number of 10.04 million customers. Industrial gas sales is 3,679 million cubic metres, accounting for 56% of the total volume of gas sold by the Group, while commercial gas sales is 1,111 million cubic metres, accounting for 17% of the total volume of gas sold by the Group, and residential gas sales accounted for 27% of the total volume of gas sold by the Group. As the growth of the manufacturing sector in China continued to slacken, some large enterprise customers cut their production volume, affecting the overall industrial gas consumption. The Group seized business opportunities swiftly on the back of its abundant gas supply in vigorously expanding into the commercial gas market, so as to ensure the continued future growth of the gas sales of the Group.

## Development of New Projects

We continued to expand the geographic footprint of our business presence with the acquisition of a total of six new gas projects in Shandong Province, Hebei Province, Anhui Province and Heilongjiang Province, including city gas projects in Wulian County in Rizhao City, Shandong Province, Anxin County in Baoding City, Hebei Province, Jiangbei New District of Wuhu City, Anhui Province; Xuancheng-Huangshan natural gas sub-stream and downstream city-gas project, Anhui Province; Taigang Gas mid-stream long-haul pipeline project in Taian City, Shandong Province, and Xingqixiang vehicle gas refilling station project located in Qiqihar City, Heilongjiang Province, the second vehicle gas refilling station project of the Group in Qiqihar City.

Details of the new projects are as follows:

	<b>Project</b>	<b>Shareholding of the Group</b>	<b>Major Industries in the Operating Regions</b>
1.	Wulian County, Rizhao City, Shandong Province,	70%	Automobile parts and accessories, machinery manufacturing, stone supply
2.	Anxin County, Baoding City, Hebei Province	70%	Manufacturing, electronic information
3.	Jiangbei New District, Wuhu City, Anhui Province	100%	Non-ferrous metal smelting, down, shoes
4.	Xuancheng-Huangshan natural gas sub-stream and downstream city-gas project in Anhui Province	49%	Chemical industry, automobile parts and accessories, electronic components
5.	Taigang Gas mid-stream long-haul pipeline project, Taian City, Shandong Province	49%	Midstream natural gas pipeline
6.	Xingqixiang vehicle gas refilling station project, Qiqihar City, Heilongjiang Province	100%	Vehicle gas refilling station

## **Employee and Remuneration Policies**

As at 31 December 2015, the Group employed a total of 21,548 staff amongst which 99% of them worked in mainland China. Employee remuneration is based on individual performance, job nature and the relevant responsibilities involved. The Group provides on-the-job training as well as a range of staff benefits including medical welfare, provident funds, bonuses and other incentives. We encourage a healthy balance between work and leisure, as well as endeavour to continuously improve the work environment so that employees can realise their full potential for the benefit of the Group.

## **Awards Honored**

Being stringent towards product quality and unwaveringly committed to outstanding services, the Group was honored a great number of awards in diverse fields, ranging from operation safety, treasury management, customer services and sustainable development. The Group scooped a number of awards in 2015, including the "2014-2015 China Marketing Award" jointly awarded by The Economic Observer and Hong Kong Management Association, "The Most Influential Company, Corporate Social Responsibility in China 2015" at the "CSR Brands in China 2015" organised by the Corporate Citizenship Committee of China Federation of Social Work, CCTV's Business News Channel and the Tencent Charity Foundation, the "Highly Commended: 2015 Award for Treasury Excellence at the 4th 'Taozhu Gong Awards' " from EuroFinance of The Economist Group, the "2015 Outstanding Social Responsible Enterprise Award" at the 11th "China CSR International Forum" co-hosted by China News Service and China Newsweek and the title of "Top 10 Units in China for After-sales Service" by China General Chamber of Commerce and China Foundation of Consumer Protection. In 2016, the Group was awarded the "China Best IT Project Award 2015" at the "China Top CIO Award 2015" organised by the IT Manger World, the New Finance World, the CIO.com.cn and the China Computerworld. The Group is well regarded in areas including marketing, corporate social responsibility, city gas industry, financial management, customer services and information management.



## **Corporate Social Responsibility**

While pursuing our business development, we also keep our corporate social responsibilities in mind. As such, we have integrated the principles of sustainable development into our daily operations and make every effort to balance environmental, social and economic factors in our corporate development strategies and in our day-to-day operations. Our goal is to make a contribution to the communities where we operate, and we are also committed to promoting the sustainable development of both the community and the environment.

The Group has organised the "Towngas Rice Dumplings for the Community" and the "Gentle Breeze Movement" for charitable causes every year since their inception in 2013. The Group distributes rice dumplings to the elderly and people in need to celebrate the Dragon Boat Festival. The Group also donates uniforms, sporting equipment, computers and other materials to schools located in remote mountainous areas, and helps these schools refurbish their school buildings and build "Towngas China Charity Libraries" so as to promote a caring spirit within our neighbourhoods.

In 2015, the Group continued to support the "Firefly Programme" run by the Shanghai Soong Ching Ling Foundation – BEA Charity Fund. The Fund helps rural schools with limited resources build multi-media classrooms and equip them with computers, internet connection facilities, books as well as desks and chairs.

The Group highly concerns with regard to the education of the left-behind children in rural China and has worked closely with the China Guangcai Program Foundation and Beijing Global Village Environmental Education Center to spend six months in Yangqiao Village and Daping Village in Wuxi County, Chongqing City to provide tuition and care for the children remained in their rural hometowns.

## **Long-term Development Strategy**

The Group's mission is to provide customers with a safe and reliable supply of gas, together with the caring, competent and efficient services they expect, while also working to preserve and improve our environment.

Moving forward, we will continue to focus on gas-related investment, exploration and operation management, with our principal business involving the sales and distribution of piped gas. We continue to uphold our principle of prudent financial management, while at the same time grasping every business opportunity to boost reasonable returns for our shareholders.

According to China's Thirteenth Five-Year Plan, the country's clean energy policies will continue to foster city-gas development in China. It will also play an important role in the government's response to climate change. Looking to the future, in view of the Group's inherent business advantages – our reputable gas brand and professional and reliable customer services, the Group will be able to seize market opportunities and further expand our business initiatives to sustain our well-established industry leading position.

Meanwhile, the Group will continue to lead our project companies in our expansion into new business arenas and the setting of new milestones. We will continue to fulfil our corporate social responsibilities, uphold our charity spirit and protect our environment, to spur ongoing growth and sustainable business development.

## **OTHER INFORMATION**

### **Purchase, Sale or Redemption of Listed Securities**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2015.

### **Corporate Governance**

The Company had complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year.

### **Model Code for Securities Transactions by Directors**

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the directors. All directors confirmed, following specific enquiries by the Company that they had complied with the required standards set out in the Model Code throughout the year ended 31 December 2015.

### **Audit Committee**

The Company has an audit committee (the "Audit Committee") which was established in accordance with the requirements of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls.

A meeting of the Audit Committee was held on 25 February 2016 to review the Group's audited consolidated financial statements for the year ended 31 December 2015 in conjunction with the Group's internal auditors and Deloitte Touche Tohmatsu, the Group's external auditor.

### **Annual General Meeting**

The Annual General Meeting (the "AGM") will be held on Friday, 3 June 2016. For details of the AGM, please refer to the Notice of AGM which is expected to be published on or about Monday, 18 April 2016.

### **Final Dividend**

The Board recommended the payment of a final dividend out of the share premium account under reserves of the Company of HK ten cents per share (2014: HK ten cents per share) to shareholders whose names are on the register of members on 14 June 2016, which is subject to approval by shareholders at the AGM and compliance with the Companies Law of the Cayman Islands.

The proposed final dividend will be payable in cash, with an option granted to shareholders to receive new and fully paid shares in lieu of cash in whole or in part under the scrip dividend scheme (the "Scrip Dividend Scheme"). The new shares will, on issue, rank pari passu in all respects with the existing shares in issue on the date of the allotment and issue of the new shares except that they shall not be entitled to the proposed final dividend. The circular containing details of the Scrip Dividend Scheme and the relevant election form is expected to be sent to shareholders on or about 17 June 2016.

The Scrip Dividend Scheme is conditional upon the passing of the resolution relating to the payment of the final dividend at the forthcoming annual general meeting of the Company and the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, the new shares to be issued under the Scrip Dividend Scheme.

It is expected that the cheques for cash dividends and the share certificates to be issued under the Scrip Dividend Scheme will be sent by ordinary mail to shareholders at their own risk on or about 18 July 2016.

### **Closure of Register of Members**

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

- (1) from 1 June 2016 to 3 June 2016, both days inclusive, during which period no transfer of shares will be registered for the purpose of ascertaining the shareholders entitled to attend and vote at the AGM; and
- (2) from 10 June 2016 to 14 June 2016, both days inclusive, during which period no transfer of shares will be registered for the purpose of ascertaining the shareholders entitled to the final dividend to be approved at the AGM.

All completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 31 May 2016 and 8 June 2016 respectively.

### **Appreciation**

On behalf of the Board, I would like to take this opportunity to express my heartfelt gratitude to all the loyal and dedicated employees of the Group. I would also like to express my appreciation to the continuous support of our shareholders and investors.

By Order of the Board  
**Ho Hon Ming, John**  
*Executive Director and Company Secretary*

Hong Kong, 17 March 2016

At the date of this announcement, the Board comprises:

*Executive Directors:*

Chan Wing Kin, Alfred (*Chairman*)  
Wong Wai Yee, Peter (*Chief Executive Officer*)  
Ho Hon Ming, John (*Company Secretary*)  
Kee Wai Ngai, Martin

*Independent Non-executive Directors:*

Cheng Mo Chi, Moses  
Li Man Bun, Brian David  
Kwan Yuk Choi, James