港華燃氣有限公司
Towngas China Company Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1083)

2017 ANNUAL RESULTS ANNOUNCEMENT

Financial Highlights:

- Total gas sales volume of the Group grew strongly and rose robustly by 18% to 8,417 million cubic metres.
- Profit after taxation attributable to shareholders of the Company surged by 40% to HK$1,365 million.
- A final dividend of HK fifteen cents per share is proposed, representing an increase of 25% over last year.

RESULTS

The board of directors (the "Board") of Towngas China Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2017.

The audited consolidated results of the Group for the year ended 31 December 2017 together with the comparative figures of 2016 are as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

	NOTES	**2017** ***HK$'000***	2016 *HK$'000*
Turnover	*2*	**8,759,783**	7,181,150
Total operating expenses	*3*	**(7,470,483)**	(6,158,021)
		1,289,300	1,023,129
Other gains, net		**257,363**	64,903
Share of results of associates		**341,922**	339,927
Share of results of joint ventures		**291,394**	278,023
Finance costs	*4*	**(262,325)**	(250,579)
Profit before taxation	*5*	**1,917,654**	1,455,403
Taxation	*6*	**(405,373)**	(362,133)
Profit for the year		**1,512,281**	1,093,270
Profit for the year attributable to:			
Shareholders of the Company		**1,365,385**	973,997
Non-controlling interests		**146,896**	119,273
		1,512,281	1,093,270
Proposed final dividend of HK fifteen cents (2016: HK twelve cents) per ordinary share	*7*	**415,303**	325,392
		HK cents	*HK cents*
Earnings per share	*8*		
– Basic		**49.87**	36.26

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	HK$'000	*HK$'000*
Profit for the year	**1,512,281**	1,093,270
Other comprehensive income (expense)		
Item that will not be reclassified subsequently to profit or loss		
Exchange differences arising on translation to presentation currency	**1,113,010**	(973,438)
Items that may be reclassified subsequently to profit or loss		
Fair value change on available-for-sale investment	**(25,994)**	(7,331)
Cash flow hedge:		
Fair value change on cash flow hedge	**-**	2,361
Reclassification of fair value adjustments to profit or loss	**-**	1,239
	1,087,016	(977,169)
Total comprehensive income for the year	**2,599,297**	116,101
Total comprehensive income attributable to:		
Shareholders of the Company	**2,394,997**	84,118
Non-controlling interests	**204,300**	31,983
Total comprehensive income for the year	**2,599,297**	116,101

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2017

	NOTES	**2017** *HK$'000*	2016 *HK$'000*
Non-current assets			
Property, plant and equipment		**15,059,560**	12,691,896
Leasehold land		**613,218**	550,847
Intangible assets		**523,472**	505,499
Goodwill		**5,824,172**	5,349,340
Interests in associates		**3,935,115**	3,032,771
Interests in joint ventures		**2,407,197**	2,022,754
Loans to joint ventures		**24,024**	-
Loan to a non-controlling shareholder		**-**	16,190
Available-for-sale investments		**225,415**	234,785
Other financial assets		**-**	80,977
		28,612,173	24,485,059
Current assets			
Inventories		**636,619**	492,838
Leasehold land		**27,450**	26,602
Loan to an associate		**11,772**	-
Loans to joint ventures		**286,298**	136,326
Loan to a non-controlling shareholder		**17,417**	-
Trade and other receivables, deposits and prepayments	*9*	**1,393,144**	1,190,407
Amounts due from non-controlling shareholders		**63,847**	29,738
Other financial assets		**-**	87,511
Time deposits over three months		**120,790**	227,557
Bank balances and cash		**1,605,300**	1,351,072
		4,162,637	3,542,051
Current liabilities			
Trade and other payables and accrued charges	*10*	**5,173,019**	4,332,932
Amounts due to non-controlling shareholders		**115,546**	107,662
Taxation		**800,443**	676,995
Borrowings – amount due within one year		**3,707,803**	2,652,660
Loans from joint ventures		**49,172**	-
Other financial liabilities		**76,172**	-
		9,922,155	7,770,249
Net current liabilities		**(5,759,518)**	(4,228,198)
Total assets less current liabilities		**22,852,655**	20,256,861
Non-current liabilities			
Borrowings – amount due after one year		**5,071,862**	5,184,152
Deferred taxation		**454,100**	408,526
Other financial liabilities		**128,877**	-
		5,654,839	5,592,678
Net assets		**17,197,816**	14,664,183

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

AT 31 DECEMBER 2017

	NOTES	**2017** **HK$'000**	2016 HK$'000
Capital and reserves			
Share capital		**276,869**	271,160
Reserves		**15,568,164**	13,228,191
Equity attributable to shareholders of the Company		**15,845,033**	13,499,351
Non-controlling interests		**1,352,783**	1,164,832
Total equity		**17,197,816**	14,664,183

1. APPLICATION OF NEW AND 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 HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle

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 contributed 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 gains, net and unallocated corporate expenses such as central administration costs and directors' salaries. These are reported to the Executive Directors for the purposes of resource allocation and assessment of segment performance.

Information regarding these segments is presented below:

	Sales and distribution of piped gas and related products *HK$'000*	**Gas connection** *HK$'000*	**Consolidated** *HK$'000*
For the year ended 31 December 2017			
TURNOVER			
External	**6,995,858**	**1,763,925**	**8,759,783**
Segment results	**632,642**	**806,844**	**1,439,486**
Other gains, net			**257,363**
Unallocated corporate expenses			**(150,186)**
Share of results of associates			**341,922**
Share of results of joint ventures			**291,394**
Finance costs			**(262,325)**
Profit before taxation			**1,917,654**
Taxation			**(405,373)**
Profit for the year			**1,512,281**

	Sales and distribution of piped gas and related products *HK$'000*	Gas connection *HK$'000*	Consolidated *HK$'000*
For the year ended 31 December 2016			
TURNOVER			
External	5,517,866	1,663,284	7,181,150
Segment results	450,388	721,638	1,172,026
Other gains, net			64,903
Unallocated corporate expenses			(148,897)
Share of results of associates			339,927
Share of results of joint ventures			278,023
Finance costs			(250,579)
Profit before taxation			1,455,403
Taxation			(362,133)
Profit for the year			1,093,270

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 2017 and 2016.

3. TOTAL OPERATING EXPENSES

	2017	2016
	HK$'000	*HK$'000*
Gas fuel, stores and materials used	**5,552,365**	4,311,500
Staff costs	**913,713**	856,622
Depreciation, amortization and release of leasehold land	**540,491**	499,429
Other expenses	**463,914**	490,470
	7,470,483	6,158,021

4. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on:		
– bank and other borrowings wholly repayable within five years	**275,861**	261,664
– bank and other borrowings not wholly repayable within five years	**514**	526
Bank charges	**5,289**	4,111
	281,664	266,301
Less: amounts capitalised	**(19,339)**	(15,722)
	262,325	250,579

5. PROFIT BEFORE TAXATION

	2017	2016
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets	**18,822**	19,524
Release of leasehold land	**19,957**	19,429
Cost of inventories sold	**6,146,570**	4,853,966
Depreciation of property, plant and equipment	**501,712**	460,476
Operating lease rentals in respect of land and buildings	**31,541**	28,602
Staff costs	**913,713**	856,622
Exchange loss	**-**	258,747
Loss on disposal of property, plant and equipment	**-**	15,160
Loss on disposal of leasehold land	**322**	-
Change in fair value of other financial liabilities	**364,376**	-
and after crediting:		
Dividend income from available-for-sale investments	**91,156**	62,577
Gain on disposal of leasehold land	**-**	45,123
Gain on disposal of property, plant and equipment	**5,376**	-
Exchange gain	**231,254**	-
Change in fair value of other financial assets	**-**	168,488
Gain on deemed partial disposal of interest in an associate	**209,390**	-

6. TAXATION

	2017	2016
	HK$'000	*HK$'000*
The charge comprises:		
PRC Enterprise Income Tax ("EIT")		
– current year	**373,461**	337,524
Deferred taxation		
– taxation charge for the year	**31,912**	24,609
	405,373	362,133

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% (2016: 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 were granted a concessionary tax rate of 15% by the local tax bureau.

7. DIVIDENDS

During the year, a final dividend in respect of the year ended 31 December 2016 of HK$325,392,000 (2016: HK$266,506,000 in respect of the year ended 31 December 2015) was recognised as distribution, being HK twelve cents per ordinary share (2016: HK ten cents per ordinary share).

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2017 of HK fifteen cents (2016: HK twelve cents) per ordinary share has been proposed by the Board and is subject to approval by the shareholders in the forthcoming annual general meeting.

8. EARNINGS PER SHARE

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

	2017	2016
	HK$'000	*HK$'000*
Earnings for the purposes of basic earnings per share, being profit for the year attributable to shareholders of the Company	**1,365,385**	973,997

	Number of shares	
	2017	2016
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,737,878**	2,686,298

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**710,349**	653,540
Prepayments	**461,746**	327,267
Other receivables and deposits	**221,049**	209,600
	1,393,144	1,190,407

Included in the balance of trade and other receivables, deposits and prepayments are trade receivables of HK$710,349,000 (2016: HK$653,540,000). 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:

	2017	2016
	HK$'000	*HK$'000*
0 to 90 days	**551,597**	493,819
91 to 180 days	**45,781**	45,624
181 to 360 days	**112,971**	114,097
	710,349	653,540

10. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**1,197,993**	1,045,416
Receipt in advance	**3,092,720**	2,581,508
Consideration payable for acquisitions of businesses	**100,591**	63,055
Other payables and accruals	**780,852**	642,058
Amount due to the ultimate holding company (note)	**863**	895
	5,173,019	4,332,932

Note: 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:

	2017	2016
	HK$'000	*HK$'000*
0 to 90 days	**775,346**	676,711
91 to 180 days	**139,989**	158,557
181 to 360 days	**137,281**	111,813
Over 360 days	**145,377**	98,335
	1,197,993	1,045,416

FINANCIAL REVIEW

In 2017, total gas sales volume of the Group rose robustly by 18% to 8,417 million cubic metres and total number of customers reached 11.77 million, with 860,000 new customers. Profit after taxation attributable to shareholders of the Company amounted to HK$1,365 million, a surge of 40% as compared to last year. Basic earnings per share amounted to HK49.87 cents, representing a surge of 38% compared to 2016. Foshan Gas Group Co., Ltd. ("Foshan Gas"), an associated company of the Group, was listed on the Shenzhen Stock Exchange in November 2017. Such listing has contributed a gain of HK$209 million to the Group.

Turnover

Turnover from the sales of piped gas and related products increased 27% from HK$5,518 million in 2016 to HK$6,996 million in 2017. This growth was primarily attributable to the increase in the volume of gas sold and higher average gas sale prices. The total consolidated volume of gas sold during the year amounted to 2,365 million cubic metres, representing an increase of 25% compared to last year. In the gas connection business, income from connection fees for the year amounted to HK$1,764 million, up 6% as compared to 2016, with approximately 400,000 consolidated new household connections were made in 2017.

Total operating expenses

Total operating expenses in 2017 amounted to HK$7,470 million, an increase of 21% as compared to HK$6,158 million in 2016. The increase was mainly due to the Group’s business development together with inflation. The cost of gas fuel, stores and materials used amounted to HK$5,552 million, while that was HK$4,312 million in 2016. The increase in expenses was mainly attributable to the increase in the volume of gas sold during the year. Staff costs and depreciation and amortisation expenses rose by 7% and 8%, respectively. At the same time, an increase of HK$20 million in overheads was due to the inclusion of new subsidiaries in 2017.

Finance Costs

Finance costs in 2017 amounted to HK$262 million, a rise of 5% as compared to 2016. 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 Gas Group Corporation Ltd. ("Chengdu Gas") and Nanjing Public Utilities Development Co., Ltd. ("Nanjing Public"), which contributed dividends to the Group during the year. Chengdu Gas was stated at cost while Nanjing Public 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 2017, the Group's bank loans and other loans amounted to HK$8,780 million, of which HK$3,708 million represented bank loans and other loans due within 1 year, HK$5,051 million represented bank loans and other loans due between 1 to 5 years, and HK$21 million represented bank loans and other loans due over 5 years. Other than the HK$4,003 million in bank loans and other loans 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 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. The Group recorded an exchange gain of HK$231 million caused by the fluctuations of Renminbi exchange rate in 2017. The Group’s borrowings denominated in Renminbi amounted to HK$5,554 million and the remaining HK$3,226 million borrowings were denominated mainly in Hong Kong dollars and United States dollars as at the end of the year. Apart from the borrowings as mentioned above, the Group also has Renminbi short-term loans amounted to HK$49 million from joint ventures on a fixed interest rate basis. The Group entered into cross currency swap contracts and foreign currency forward transactions during the current year to hedge foreign currency risk for non-Renminbi denominated bank loans. The loss resulting from change in fair value of other financial liabilities in 2017 was HK$364 million. As at 31 December 2017, the Group did not have any pledge on assets. As at the end of the year, the Group had a gearing ratio (net debt to equity attributable to shareholders of the Company plus net debt) of 31%.

As at 31 December 2017, the Group's cash and cash equivalents together with time deposits amounted to HK$1,726 million, of which 98% are Renminbi-denominated and the rest are denominated in Hong Kong dollars and United States dollars.

As at 31 December 2017, the Group's unutilised available facilities amounted to HK$3,546 million.

The operating and capital expenditure of the Group is funded by cash flows from operations, internal liquidity and financing agreements with banks. 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

Moody’s Investors Service maintained the issuer rating of Towngas China at "Baa1" with a "stable" outlook rating. Standard & Poor’s also maintained the long-term corporate credit rating of Towngas China at "BBB+" and its long-term Greater China credit rating at "cnA+" and its rating outlook as "stable". These ratings, and the ongoing enhancement in our credit standing in particular, reflect the credit rating agencies’ recognition of the Group’s sound financial position.

Contingent Liabilities

The Group had no material contingent liabilities as at 31 December 2017.

Final Dividend

The Board recommended the payment of a final dividend for the year ended 31 December 2017 of HK fifteen cents per share (2016: HK twelve 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

Towngas China celebrated its 10th anniversary in 2017. Over the past decade, our business portfolio has grown from just 25 city gas projects following the acquisition in 2007 when Panva Gas was acquired to 108 projects in city gas as well as vehicle gas refilling stations and midstream projects among others. In 2017, the Group sold 8,417 million cubic metres of gas to over 11.77 million customers covered by a gas pipeline network stretching out over 40,000 kilometres. Currently, 22,276 employees work for the Group. Riding on the growth of urban population, the expansion of our gas pipeline network as well as our continuous push of clean energy, the business prospect of the Group looks promising.

On 22 November 2017, Foshan Gas Group Co., Ltd., an associated company of the Group, was listed on the Shenzhen Stock Exchange. Funds raised by the listing has been earmarked for the third phase of the natural gas high-pressure pipeline network project in Foshan City, second phase of the natural gas utilisation project in Sanshui District of Foshan City and second phase of the piped natural gas project in Gaoyao City. Going public successfully marked a milestone for Foshan Gas since its establishment over two decades ago. Furthermore, this achievement will strengthen the company’s foundations while injecting new impetus to the business.

Under the theme of constructing a beautiful China, the 19th CPC National Congress has pledged to pursue environmentally responsible development and to accelerate an economy based on conservation, emission reduction, recycling and conversion of renewable energy from waste. Focusing on innovation and environmental-friendliness, and committed to our mission to improve the environment and provide our customers with reliable, efficient, safe and clean energy, we endeavor to steer our business in the direction in line with the nation’s development philosophy. Responding to China’s policy to "reduce carbon emission and smog", our wholly-owned integrated energy project investment platform, Towngas China Energy Investment (Shenzhen) Limited was inaugurated in January 2017. Its goal is to drive the ambitious plan to build natural gas distributed energy stations so as to tap into the enormous potential of the gas consumption market.

Sales of Piped Gas

In 2017, total gas sales volume of the Group rose robustly by 18% to 8,417 million cubic metres and total number of customers reached 11.77 million, with 860,000 new customers. Industrial gas sales grew by 24% to 4,841 million cubic metres, accounting for 58% of the total volume of gas sold by the Group, while commercial gas sales reached 1,460 million cubic metres with an increase of 14%, accounting for 17% of the total volume of gas sold by the Group. Residential gas sales increased by 10% to 2,116 million cubic metres and accounted for 25% of the total volume of gas sold by the Group.

The Group has made the best use of its extensive network to further develop our existing market, come up with new launch of ancillary gas products in order to explore more business opportunities. We have also ridden on our abundant gas supplies to capitalise on the rise of the clean energy market to actively take part in natural gas development projects, which has created an ongoing growth driver for future gas sales.

Development of New Projects

During the year, the Group acquired two gas projects, a piped city gas project in Huji Town, Zhongxiang City, Hubei Province and a midstream natural gas pipeline network project in Guyang County, Baotou City in the Inner Mongolia Autonomous Region. Huji Town's principal industrial activity is the production of phosphate compound fertiliser. This wholly-owned project marks the Group's maiden expansion into Hubei Province. At the same time, we started our active diversification into the midstream pipeline transmission business, building on the back of our focused efforts in the past to acquire downstream city gas projects, which have resulted in rapidly expanding market share. The midstream natural gas pipeline network project in Guyang County will supply natural gas to our city gas project in the county, ensuring sufficient gas supply and facilitating our efforts to move increasingly towards unified gas supply management.

We also acquired a new piped city gas project in Liujiang District, Liuzhou City in the Guangxi Zhuang Autonomous Region in early 2018. The project further consolidates our business development and creates regional synergies with the Guilin and Zhongwei piped city gas projects in Guangxi.

Actively committed to the use of clean energy in line with the "13th Five-Year Plan for Energy Development", we have unswervingly pursued the development of integrated energy service operations according to the policy guideline of "reducing carbon emission and smog". We also continued to expand our distributed energy business. In 2017, we established a new distributed energy project in the Shenyang Economic and Technological Development Zone in Liaoning Province, which consists of midstream natural gas pipeline transmission together with the sales of steam operations. The consumption is expected to reach 960 million cubic metres of natural gas equivalent in 5 years. In 2018, the Group also developed two additional distributed energy projects in Jiawang District, Xuzhou City in Jiangsu Province and Jimo Chuangzhi New District, Qingdao City in Shandong Province, with the consumption expected to reach 150 million cubic metres and 8 million cubic metres of natural gas equivalent in 5 years respectively.

Employee and Remuneration Policies

As at 31 December 2017, the Group had 22,276 employees, 99% of whom 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 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.

Awards

In 2017, Mr. Chan Wing Kin, Alfred, Chairman and Executive Director of the Company, was awarded "The CEO of the Year 2017", presented by China Newsweek, an authoritative magazine on current affairs and politics in mainland China. The award was bestowed in recognition of his bold, reform-seeking and innovative management style, which has continuously taken the Group to a higher level. As the first Chinese Managing Director of The Hong Kong and China Gas Company Limited ("HKCG"), the parent company of the Group, Mr. Chan has been at the helm for two decades - the longest-serving Managing Director in HKCG’s over 150 years of history. Under his leadership, the Group has remained committed to its mission to improve the environment and provide its customers with reliable, efficient, safe and clean energy. During the year, Mr. Chan was once again named "The 100 Best-Performing CEOs in the World" by Harvard Business Review. He has received the honour for three consecutive years, a first-ever for public utility providers.

Over the past decade, our remarkable development in the city gas business and track record in environmental protection, community and customer services, brand building, corporate governance and treasury management have earned the company a number of social and industry recognitions. Major accolades received by the Group in 2017 included: the "Best Liquidity Management" under Treasury Management Awards 2017 from Standard Chartered Bank; the "5-star Outstanding Corporate Citizen in China 2017", the "Award for Outstanding CSR Brand in China 2017" and the "Corporate Citizen Award for Outstanding Community Project in China 2017" for the Group’s "Gentle Breeze Movement" awarded jointly by the Corporate Citizenship Committee of China Association of Social Workers, CCTV and Tencent Charity Foundation. We also received the "2017 Top 10 Hybrid Cloud User in China" from Open Source Cloud Alliance for Industry and "2017 Hybrid Cloud Outstanding Business Cases".

Foshan Gas, an associated company of the Group that went public in 2017 was conferred the "Government Quality Award" from the People's Government of Guangdong Province, becoming the sole winner from the service sector and the first gas company given such recognition in the province.

Corporate Social Responsibility

As a public utility organisation attaching great importance to corporate social responsibilities, we are committed to providing our customers with reliable, efficient, safe and clean energy while actively engaging in various community activities to help improve the living conditions of residents in the less-developed areas. Adhering to our principle in corporate social responsibility "Actively participating in community services, Benefiting the society, Dedicating effort to protect the environment and Giving back to the community", the Group focused on a range of activities during the year. These included tree planting events to protect the environment, community projects for the young and old, and education aids to support teenagers' schooling and development.

In 2017, the "Gentle Breeze Movement" was expanded to cover Yangjiang City in Guangdong Province and Yangxin County in Shandong Province. Under the Movement, "Towngas China Charity Libraries" were set up to serve about 800 teachers and students, in addition to donation of teaching equipment and materials. Since the inception of the "Gentle Breeze Movement" five years ago, the donated supplies have benefited 27 schools in several provinces such as Jiangxi, Anhui, Shandong, Guizhou, Liaoning, Sichuan and Guangdong.

The sixth "Firefly Centre", a multi-media classroom at Dashi Primary School in Dashi Town of Taihu County, Anqing City in Anhui Province, was established by the Group in 2017. With the new centre coming into operation, various education supplies as well as bookshelves and books were donated to enhance the students' learning environment. As a platinum partner of the "Shanghai Soong Ching Ling Foundation - BEA Charity Fund", the Group has made donations to the Fund every year since 2009 to support the education and growth of teenaged youth in poverty-stricken areas. In cooperation with the BEA Charity Fund, the Group has also established six "Firefly Centres" in Wenchuan County (Sichuan Province), Linqu County (Shandong Province), Hangzhou City (Zhejiang Province), Longkou City (Shandong Province), Taishan Taian City (Shandong Province) and Anqing City (Anhui Province).

Focusing on innovation and environmental-friendliness, the Group continues to fuel economic and social development with the provision of low-carbon energy. We encourage our employees and the public to preserve, protect and improve the environment with green and innovative practices. For example, we launched a range of low-carbon activities under our "Towngas China Environmentalism" initiative in 2017, calling on our project companies' staff, their families, customers and the public to participate in activities such as the "Towngas China Plantation Day" and "Earth Hour". In addition, we hosted green walkathons and plant exchanges together with a host of other low-carbon activities during the year.

Our annual signature event "Rice Dumplings for the Community" was once again held during the Dragon Boat Festival. Numerous project companies of the Group participated in the event and distributed rice dumplings and other gifts to social welfare agencies and the underprivileged across the country.

Long-term Development Strategy

In line with the philosophy of our parent company HKCG to be a pioneer in green business, the Group’s new vision is "To be Asia’s leading clean energy supplier and quality service provider, with a focus on innovation and environmental-friendliness." To accomplish this, our modified mission is "Whilst improving the environment, we are also providing our customers with reliable, efficient, safe and clean energy."

Moving forward, we will continue to focus on gas-related investments, exploration, sales and operation management. We will continue to uphold the principle of prudent financial management while exploring business opportunities arising from the nationwide implementation of the country’s "coal-to-gas" policy and the increasing demand for "distributed energy", with a view to boosting reasonable returns for our shareholders.

Under China’s "13th Five-Year Plan", city gas is the focus of the country’s clean energy policy, poised to play an important role in the government’s response to climate change. Looking forward, we will continue to leverage our strengths, including our top-notch safety management and customer services, to seize every opportunity to expand market share and to strengthen our leading position in the industry.

As a responsible public utility organisation, we will continue to fulfil our corporate social responsibilities and carry out environmental protection and community care projects. We see these efforts as both benefitting the public and promoting the sustainable development of the Group and the community.

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 2017.

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 2017.

Board Audit and Risk Committee

The Company has a board audit and risk committee (the "Board Audit and Risk 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, risk management and internal controls systems.

A meeting of the Board Audit and Risk Committee was held on 28 February 2018 to review the Group's audited consolidated financial statements for the year ended 31 December 2017 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, 1 June 2018. For details of the AGM, please refer to the Notice of AGM which is expected to be published on or about Thursday, 19 April 2018.

Final Dividend

The Board recommended the payment of a final dividend out of the share premium account under reserves of the Company of HK fifteen cents per share (2016: HK twelve cents per share) to shareholders whose names are on the register of members on 11 June 2018, 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 19 June 2018.

The Scrip Dividend Scheme is conditional upon the passing of the resolution relating to the payment of the final dividend at the forthcoming AGM 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 2018.

Closure of Register of Members

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

(1) from 29 May 2018 to 1 June 2018, 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 7 June 2018 to 11 June 2018, 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 28 May 2018 and 6 June 2018 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, 19 March 2018

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 *(Chief Operating Officer)*

Independent Non-executive Directors:
Cheng Mo Chi, Moses
Li Man Bun, Brian David
Kwan Yuk Choi, James