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(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1083)

2016 ANNUAL RESULTS ANNOUNCEMENT

Financial Highlights:

- Total gas sales volume of the Group grew steadily by 9% to 7,120 million cubic metres.
- Profit after taxation attributable to shareholders of the Company surged by 21% to HK\$974 million.
- A final dividend of HK twelve cents per share is proposed, representing an increase of 20% 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 2016.

The audited consolidated results of the Group for the year ended 31 December 2016 together with the comparative figures of 2015 are as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

	<i>NOTES</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Turnover	2	7,181,150	7,718,293
Total operating expenses		(6,158,021)	(6,700,648)
		1,023,129	1,017,645
Other gains (losses), net		64,903	(161,887)
Share of results of associates		339,927	265,587
Share of results of joint ventures		278,023	327,202
Finance costs	3	(250,579)	(180,504)
Profit before taxation	4	1,455,403	1,268,043
Taxation	5	(362,133)	(343,511)
Profit for the year		1,093,270	924,532
Profit for the year attributable to:			
Shareholders of the Company		973,997	807,042
Non-controlling interests		119,273	117,490
		1,093,270	924,532
Proposed final dividend of HK twelve cents (2015: HK ten cents) per ordinary share	6	325,392	266,506
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	7		
– Basic		36.26	30.45
– Diluted		N/A	30.43

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 HK\$'000	2015 HK\$'000
Profit for the year	<u>1,093,270</u>	<u>924,532</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	(973,438)	(617,004)
<i>Items that may be reclassified subsequently to profit or loss</i>		
Fair value change on available-for-sale investment	(7,331)	33,250
Cash flow hedge:		
Fair value change on cash flow hedge	2,361	3,348
Reclassification of fair value adjustments to profit or loss	<u>1,239</u>	<u>-</u>
	<u>(977,169)</u>	<u>(580,406)</u>
Total comprehensive income for the year	<u>116,101</u>	<u>344,126</u>
Total comprehensive income attributable to:		
Shareholders of the Company	84,118	280,954
Non-controlling interests	<u>31,983</u>	<u>63,172</u>
Total comprehensive income for the year	<u>116,101</u>	<u>344,126</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2016

	NOTES	2016 HK\$'000	2015 HK\$'000
Non-current assets			
Property, plant and equipment		12,691,896	12,054,598
Leasehold land		550,847	502,146
Intangible assets		505,499	560,257
Goodwill		5,349,340	5,732,259
Interests in associates		3,032,771	2,940,684
Interests in joint ventures		2,022,754	2,071,013
Loans to joint ventures		-	92,796
Loan to a non-controlling shareholder		16,190	-
Available-for-sale investments		234,785	259,506
Other financial assets		80,977	-
		<u>24,485,059</u>	<u>24,213,259</u>
Current assets			
Inventories		492,838	558,421
Leasehold land		26,602	25,763
Loan to an associate		-	17,912
Loans to joint ventures		136,326	155,845
Trade and other receivables, deposits and prepayments	8	1,190,407	1,506,681
Amounts due from non-controlling shareholders		29,738	16,317
Other financial assets		87,511	-
Time deposits over three months		227,557	237,938
Bank balances and cash		1,351,072	2,138,388
		<u>3,542,051</u>	<u>4,657,265</u>
Current liabilities			
Trade and other payables and accrued charges	9	4,332,932	4,159,819
Amounts due to non-controlling shareholders		107,662	151,299
Taxation		676,995	650,428
Borrowings – amount due within one year		2,652,660	3,183,174
Other financial liabilities		-	3,600
		<u>7,770,249</u>	<u>8,148,320</u>
Net current liabilities		<u>(4,228,198)</u>	<u>(3,491,055)</u>
Total assets less current liabilities		<u>20,256,861</u>	<u>20,722,204</u>
Non-current liabilities			
Loans from the ultimate holding company		-	993,750
Borrowings – amount due after one year		5,184,152	4,591,433
Deferred taxation		408,526	437,165
		<u>5,592,678</u>	<u>6,022,348</u>
Net assets		<u>14,664,183</u>	<u>14,699,856</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*AT 31 DECEMBER 2016*

	<i>NOTES</i>	2016 HK\$'000	2015 <i>HK\$'000</i>
Capital and reserves			
Share capital		271,160	266,506
Reserves		<u>13,228,191</u>	<u>13,211,578</u>
Equity attributable to shareholders of the Company		13,499,351	13,478,084
Non-controlling interests		<u>1,164,832</u>	<u>1,221,772</u>
Total equity		<u>14,664,183</u>	<u>14,699,856</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations

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 interest income, finance costs, share of results of associates, share of results of joint ventures, other gains (losses), 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 2016			
TURNOVER			
External	<u>5,517,866</u>	<u>1,663,284</u>	<u>7,181,150</u>
Segment results	<u>450,388</u>	<u>721,638</u>	<u>1,172,026</u>
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			<u>(250,579)</u>
Profit before taxation			1,455,403
Taxation			<u>(362,133)</u>
Profit for the year			<u>1,093,270</u>
	Sales and distribution of piped gas and related products HK\$'000	Gas connection HK\$'000	Consolidated HK\$'000
For the year ended 31 December 2015			
TURNOVER			
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>

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 2016 and 2015.

3. FINANCE COSTS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interest on:		
– bank and other borrowings wholly repayable within five years	261,664	188,305
– bank and other borrowings not wholly repayable within five years	526	559
Bank charges	<u>4,111</u>	<u>3,672</u>
	266,301	192,536
Less: amounts capitalised	<u>(15,722)</u>	<u>(12,032)</u>
	<u>250,579</u>	<u>180,504</u>

4. PROFIT BEFORE TAXATION

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets	19,524	20,479
Release of leasehold land	19,429	16,963
Cost of inventories sold	4,853,966	5,448,876
Depreciation of property, plant and equipment	460,476	428,446
Operating lease rentals in respect of land and buildings	28,602	30,343
Staff costs	856,622	856,973
Exchange loss	258,747	301,479
Loss on disposal of property, plant and equipment	15,160	-
and after crediting:		
Dividend income from available-for-sale investments	62,577	64,174
Gain on disposal of leasehold land	45,123	9,752
Gain on disposal of property, plant and equipment	-	664
Change in fair value of other financial assets	<u>168,488</u>	<u>-</u>

5. TAXATION

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
The charge comprises:		
PRC Enterprise Income Tax ("EIT")		
– current year	337,524	319,968
Deferred taxation		
– taxation charge for the year	<u>24,609</u>	<u>23,543</u>
	<u>362,133</u>	<u>343,511</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% (2015: 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 bureaux.

6. DIVIDENDS

During the year, a final dividend in respect of year ended 31 December 2015 of HK\$266,506,000 (2015: HK\$264,291,000 in respect of the year ended 31 December 2014) was recognised as distribution, being HK ten cents per ordinary share (2015: 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 2016 of HK twelve cents (2015: 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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Earnings for the purposes of basic and diluted earnings per share, being profit for the year attributable to shareholders of the Company	<u>973,997</u>	<u>807,042</u>

	Number of shares	
	2016	2015
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,686,298	2,649,961
Effect of dilutive potential ordinary shares:		
Share options	<u>N/A</u>	<u>1,971</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>N/A</u>	<u>2,651,932</u>

8. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2016	2015
	HK\$'000	HK\$'000
Trade receivables	653,540	734,598
Prepayments	327,267	502,695
Other receivables and deposits	<u>209,600</u>	<u>269,388</u>
	<u>1,190,407</u>	<u>1,506,681</u>

Trade receivables

Included in the balance of trade and other receivables, deposits and prepayments are trade receivables of HK\$653,540,000 (2015: HK\$734,598,000). 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:

	2016	2015
	HK\$'000	HK\$'000
0 to 90 days	493,819	544,639
91 to 180 days	45,624	99,045
181 to 360 days	<u>114,097</u>	<u>90,914</u>
	<u>653,540</u>	<u>734,598</u>

9. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade payables	1,045,416	941,764
Receipt in advance	2,581,508	2,403,811
Consideration payable for acquisitions of businesses	63,055	106,366
Consideration payable to a joint venture (note a)	-	1,528
Other payables and accruals	642,058	705,113
Amount due to the ultimate holding company (note b)	<u>895</u>	<u>1,237</u>
	<u>4,332,932</u>	<u>4,159,819</u>

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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0 to 90 days	676,711	673,382
91 to 180 days	158,557	100,631
181 to 360 days	111,813	88,848
Over 360 days	<u>98,335</u>	<u>78,903</u>
	<u>1,045,416</u>	<u>941,764</u>

FINANCIAL REVIEW

In 2016, total gas sales volume of the Group grew steadily by 9% to 7,120 million cubic metres. Profit after taxation attributable to shareholders of the Company amounted to HK\$974 million, an increase of 21% as compared to last year. Basic earnings per share amounted to HK36.26 cents, representing an increase of 19% compared to 2015.

Turnover

Turnover from the sales of piped gas and related products declined 8% from HK\$6,011 million in 2015 to HK\$5,518 million in 2016 mainly due to devaluation of Renminbi and downward adjustments to the natural gas price as made by the Chinese Government in November 2015. The total consolidated volume of gas sold during the year amounted to 1,890 million cubic metres, representing an increase of 10% compared to last year. In the gas connection business, income from connection fees for the year amounted to HK\$1,663 million, a decrease of 3% compared to 2015, mainly due to devaluation of Renminbi. Approximately 400,000 consolidated new household connections were made in 2016.

Gas Fuel, Stores and Materials Used

The cost of gas fuel, stores and materials used amounted to HK\$4,312 million in 2016, while that was HK\$4,936 million in 2015. The decrease in expenses was mainly attributable to the downward adjusted purchase price of natural gas and the devaluation of Renminbi during the year.

Overhead Costs

Overhead costs in 2016 amounted to HK\$1,847 million, up 5% as compared to HK\$1,765 million in 2015. The increase was mainly due to the Group's business development together with escalations in inflation. Staff costs were on a par with last year while depreciation and amortisation expenses rose by 7%. At the same time, an increase of HK\$20 million in overheads was due to the inclusion of new subsidiaries in 2016.

Finance Costs

Finance costs in 2016 amounted to HK\$251 million, an increase of 39% as compared to 2015. The Group replaced the Hong Kong dollar-denominated loans with the Renminbi-denominated loans, which resulted in a rise in finance costs.

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 Public Utilities Development Co., Ltd. ("Nanjing Public"), which contributed dividends to the Group. 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 2016, the Group's total borrowings amounted to HK\$7,837 million, of which HK\$2,653 million represented bank loans and other loans due within 1 year, HK\$5,137 million represented bank loans and other loans due between 1 to 5 years, and HK\$47 million represented bank loans and other loans due over 5 years. Other than the HK\$4,380 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 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 loss of HK\$259 million caused by the fluctuations of Renminbi exchange rate in 2016. Therefore, the Group raised the proportion of borrowings denominated in Renminbi to the total borrowings which amounted to HK\$4,815 million and the remaining HK\$3,022 million borrowings were denominated mainly in Hong Kong dollars and United States dollars. 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 change in fair value of other financial assets in 2016 was HK\$168 million. As at 31 December 2016, 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 31.7%.

As at 31 December 2016, the Group's cash and cash equivalents together with time deposits amounted to HK\$1,579 million, of which 97% are Renminbi-denominated and the rest are denominated in Hong Kong dollars and United States dollars.

As at 31 December 2016, the Group's unutilised available facilities amounted to HK\$2,923 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

In 2016, 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 2016.

Final Dividend

The Board recommended the payment of a final dividend for the year ended 31 December 2016 of HK twelve cents per share (2015: 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

Natural gas is considered a clean energy which has become a substitute for traditional energy such as coal and crude oil. In response to the targets set by the Chinese government to reduce energy consumption and emissions while also building a low-carbon society, Towngas China is committed to expanding the application of natural gas in urban areas with a view to fully support the national development in improving the environment and air quality. During the "13th Five-Year Plan" period, the percentage of natural gas as a primary energy is expected to reach 10% by 2020, in order to satisfy the long-term goal of reducing dependency on traditional energy resources, optimising the energy structure and moving towards clean and low-carbon development.

Although 2016 saw unstable global markets and the economic slowdown in China, the Group, leveraging our customer network, was able to actively expand our existing markets and customer resources, thus has paved the way for rapid business growth in the future. We have also enhanced our strategic partnership so that we are ideally placed to capture any opportunities arising from periodic economic rebounds and gradual recoveries with added impetus in our operations.

In the first year of the "13th Five-Year Plan" period, the Group adhered to favourable policies that accelerated both the urbanisation process and environment protection, resulting in an active extension of our business scope, expansion of our one-stop household gas product line and offered with more diversified extended services. All these to enabling our customers to benefit from a creative and stylish living experience while to create value for our investors.

Riding on the trend of "Internet plus", Towngas China offered customers with convenient online platforms and mobile applications to allow them to log into their accounts anytime and anywhere while to manage their gas account and to make enquiry, in order to enjoy the comfort of shopping in their own homes.

In pursuit of excellence, we strive to provide customers with a full-range of services of highest standard, the corporate culture of "Master Craft" spirit has been promoted across the Group, in order to reinforce our comprehensive quality management approach. At the same time, we continued to make a contribution to society as a part of our business development.

Sales of Piped Gas

In 2016, the Group sold a total of 7,120 million cubic metres of piped gas, representing a steady increase of 9%, with a total of 10.91 million customers. Industrial gas sales amounted to 3,918 million cubic metres, accounting for 55% of the total volume of gas sold by the Group, while commercial gas sales reached 1,285 million cubic metres, accounting for 18% of the total volume of gas sold. Residential gas sales accounted for 27% of the total volume of gas sold by the Group.

In view of the volatile global economy and the Chinese Government's economic reform policies, the development of the industrial and commercial market is facing immense pressure that indirectly to a shrink in the overall gas consumption. However, 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

In 2016, the Group's scope of business continued to expand to include two new distributed energy projects: SCEI Distributed Energy Systems Co., Ltd. ("SCEI") and Towngas China Energy Investment (Shenzhen) Limited ("TCEI"). A natural gas "distributed energy project" is utilised in models such as Combined Cooling Heating and Power to enable natural gas as fuel and enables energy cascade utilisation. The energy efficiencies of these projects can reach 70% or more. In addition, state-of-the-art power supply methods are being adopted close to load centres to achieve higher efficiency of natural gas utilisation.

SCEI's primary market targets are regions with substantial energy consumption, such as metropolitan areas and industrial parks, where the use of distributed renewable energy technology will be extensively applied and actively promoted. SCEI intends to establish its leading market position within Sichuan Province and gain an initial foothold outside Sichuan in 2016 to 2017. In 2018 to 2020, it aims to become the market share leader within the Province while extending its business to cover all of China. To date, SCEI has an operating project, a project in trial operation and 4 projects under construction. 4 projects have also gained approvals.

The Group has actively promoted the use of clean energy in line with the "13th Five-Year Plan of Energy Development" and unswervingly pursued the development of integrated energy service operations in response to the policy guideline – "reducing carbon emission and smog". By establishing its base in Shenzhen's Qianhai Free Trade Zone, TCEI has been taking advantage of the supportive policies and regulatory regime on capital and financing in this free trade zone, and leveraging the Group's huge client base and market resources in the mainland, to invest primarily in natural gas distributed energy and central heating projects. It also provides Group members with energy planning, energy saving consultancy and other services. With the Group's advantages in natural gas sources, safety management and quality services, TCEI expects to provide all-around support for investments in distributed energy projects, continuing to drive growth in the integrated energy operations of the Group. Currently, TCEI has undertaken over ten key projects.

At the beginning of 2017, the Group acquired a new city gas project in Huji Town, Zhongxiang City, Hubei Province. The project mainly involves the production of phosphate compound fertiliser and is wholly owned by the Group. This project marks the Group's maiden expansion into Hubei Province.

Employee and Remuneration Policies

As at 31 December 2016, the Group employed a total of 22,129 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 Honoured

In 2016, Towngas China was honoured with the Grand Award 2016, presented by The Hong Kong Management Association. The Group is the first Hong Kong corporation whose principal businesses operate outside Hong Kong to receive this highest honour. Having a portfolio of more than 100 projects which spans across provinces and municipal cities in mainland China, Towngas China has inherited the quality management culture from the mother company. We have been dedicated to continuous improvement and creating synergies between businesses across mainland China and Hong Kong to achieve the vision, mission and value. This prestigious award is a testament to the Group's commitment to the development of quality products, services and performance across its operations.

Over the years, Towngas China has received a series of awards and recognitions. In the light of the outstanding management in leading the Group conquering new heights, Mr Chan Wing Kin, Alfred, Chairman and Executive Director of the Group was again named as one of the 100 Best-Performing CEOs in the World in 2016 by Harvard Business Review. He is the one and only from the public utility industry in Hong Kong earning this well recognised achievement.

The Group has furthermore been honoured with a number of awards, reaffirming our solid performance in a number of aspects. Some of the awards received during the year include: Best Investment Value Award for Listed Companies at the 6th "China Securities Golden Bauhinia Awards" hosted by Hong Kong Ta Kung Wen Wei Media Group, "Pioneer in Social Responsibility Performance Award" in "CSR China Education Awards 2016" from the Communist Youth League of China, the Ministry of Education and the Ministry of Industry and Information Technology of China, "5-Star Outstanding Corporate Citizen in China 2016" presented by China Association of Social Workers, Corporate Citizenship Committee, CCTV and Tencent Charity Foundation and "CSR Brand Award 2016" awarded by the organising committee of China Charity Festival comprised of over 30 Chinese mass media outlets in the 6th China Charity Festival. The Group is well regarded in areas including management, investor relations and corporate social responsibility.

Corporate Social Responsibility

We keep our corporate social responsibilities in mind and strive to integrate sustainability into every aspect of our daily operations. Building on a solid foundation of resources, we thus work to help the underprivileged in the society. Apart from monetary assistance, our volunteers contribute both time and expertise to help create a better community as well as a greener environment.

The "Towngas Gentle Breeze Movement", one of the Group's annual charitable events, has stepped into its fourth anniversary. To date, the Group has donated more than RMB1.8 million to 20 schools in remote mountainous areas in provinces such as Jiangxi, Anhui, Shandong, Guizhou, Liaoning, Sichuan, etc. The donations are used to refurbish school buildings together with the set up of "Towngas China Charity Libraries" for the more impoverished students. It also provides uniforms, sports equipment, computers and other materials. In 2016, our education assistance scheme expanded to cover the provinces of Liaoning and Sichuan with the construction of libraries as well as teaching equipments to help improve the learning environment for approximately 800 local teachers and students.

Our "Towngas Rice Dumplings for the Community" initiative, another annual signature event, was again held to celebrate the Dragon Boat Festival with the needy. Under this initiative, we have prepared and handed out traditional rice dumplings to the elderly and people in need. The management and nearly 40 of our project companies came together to make more than 36,000 dumplings, which were distributed to charitable organisations, health and construction workers across the country. At the same time, we have distributed festive gifts to more than 7,000 beneficiaries in celebration of the festival.

During the year, we continued to support the "Firefly Programme" which is run by the "Shanghai Soong Ching Ling Foundation – BEA Charity Fund", to construct multi-media classrooms for resource-strapped schools. Our fifth "Firefly Centre" was completed in Taian City, Shandong Province during the year. We also donated equipments such as computers, textbooks and stationery as well as a range of equipments to the school in order to improve teaching quality.

We remain committed to environmental protection. Not only are we a clean energy supplier, we also play an active role in promoting urban greening movements, low-carbon lifestyles and community care initiatives that demonstrate our commitment to apply environmental conscious concept in every aspect of our business operation.

Long-term Development Strategy

Towngas China's mission is to provide our customers with safe, reliable gas supply and caring, competent and efficient services, while working to preserve, protect and improve our environment.

Gas-related investments will remain the Group's business focus, exploration, sales and operations management. We will continue to uphold our prudent financial management principles, and at the same time grasp every business opportunity to boost reasonable returns for our shareholders.

According to China's "13th Five-Year Plan", the country's clean energy policies will continue to foster urban gas supply development. It will also play an important role in the government's response to climate change. Looking forward, we will keep leveraging our strengths, which include our existing customer network, outstanding industry safety record, reputable gas and stove brands as well as our professional and reliable customer services, to capture the benefits of being the first in the market, to seize every opportunity to expand business horizon and to strengthen our leading position in the industry.

While the Group will keep directing project companies into new arenas, longstanding efforts to expand, we will remain committed to our corporate social responsibilities and charity spirit and to working restlessly to give back to the community and to protect our environment, to spur our sustainable and ongoing 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 2016.

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 2016.

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 2017 to review the Group's audited consolidated financial statements for the year ended 31 December 2016 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 Thursday, 1 June 2017. For details of the AGM, please refer to the Notice of AGM which is expected to be published on or about Wednesday, 19 April 2017.

Final Dividend

The Board recommended the payment of a final dividend out of the share premium account under reserves of the Company of HK twelve cents per share (2015: HK ten cents per share) to shareholders whose names are on the register of members on 9 June 2017, 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 16 June 2017.

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 17 July 2017.

Closure of Register of Members

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

- (1) from 26 May 2017 to 1 June 2017, 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 2017 to 9 June 2017, 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 25 May 2017 and 6 June 2017 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, 15 March 2017

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