港華燃氣有限公司
Towngas China Company Limited

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

2017 INTERIM RESULTS ANNOUNCEMENT

Financial Highlights:

- Total gas sales of the Group surged by 18% to 4,186 million cubic metres.
- Profit after taxation attributable to shareholders of the Company was HK$602 million, a strong increase of 7%.
- Basic earnings per share amounted to HK22.21 cents.

RESULTS

The board of directors (the "Board") of Towngas China Company Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2017.

The unaudited consolidated results of the Group for the six months ended 30 June 2017 together with the comparative figures of 2016 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2017

		Six months ended 30 June	
		2017	2016
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	*(unaudited)*
Turnover	*2*	**4,036,072**	3,435,946
Total operating expenses		**(3,375,102)**	(2,879,824)
		660,970	556,122
Other (losses) gains, net		**(4,242)**	2,980
Share of results of associates		**182,935**	175,911
Share of results of joint ventures		**153,760**	156,133
Finance costs	*3*	**(122,553)**	(109,958)
Profit before taxation	*4*	**870,870**	781,188
Taxation	*5*	**(197,772)**	(164,747)
Profit for the period		**673,098**	616,441
Profit for the period attributable to:			
Shareholders of the Company		**602,315**	564,399
Non-controlling interests		**70,783**	52,042
		673,098	616,441
		HK cents	*HK cents*
Earnings per share	*6*		
– Basic		**22.21**	21.18

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	*(unaudited)*
Profit for the period	**673,098**	616,441
Other comprehensive income (expense)		
Item that will not be reclassified subsequently to profit or loss		
Exchange differences arising on translation to presentation currency	**354,829**	(341,074)
Items that may be reclassified subsequently to profit or loss		
Fair value change on available-for-sale investment	**(15,668)**	3,751
Cash flow hedge:		
Fair value change on cash flow hedge	**-**	2,361
Reclassification of fair value adjustments to profit or loss	**-**	1,239
	339,161	(333,723)
Total comprehensive income for the period	**1,012,259**	282,718
Total comprehensive income attributable to:		
Shareholders of the Company	**906,787**	250,677
Non-controlling interests	**105,472**	32,041
Total comprehensive income for the period	**1,012,259**	282,718

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2017

	NOTES	30.06.2017 HK$'000 (unaudited)	31.12.2016 HK$'000 (audited)
Non-current assets			
Property, plant and equipment		**13,585,983**	12,691,896
Leasehold land		**579,021**	550,847
Intangible assets		**510,939**	505,499
Goodwill		**5,515,621**	5,349,340
Interests in associates		**3,382,028**	3,032,771
Interests in joint ventures		**2,291,976**	2,022,754
Loan to a non-controlling shareholder		**-**	16,190
Available-for-sale investments		**227,859**	234,785
Other financial assets		**-**	80,977
		26,093,427	24,485,059
Current assets			
Inventories		**523,485**	492,838
Leasehold land		**26,628**	26,602
Loans to joint ventures		**139,304**	136,326
Loan to a non-controlling shareholder		**16,694**	-
Trade and other receivables, deposits and prepayments	*8*	**1,266,465**	1,190,407
Amounts due from non-controlling shareholders		**30,663**	29,738
Other financial assets		**11,680**	87,511
Time deposits over three months		**173,613**	227,557
Bank balances and cash		**1,510,386**	1,351,072
		3,698,918	3,542,051
Current liabilities			
Trade and other payables and accrued charges	*9*	**4,762,365**	4,332,932
Amounts due to non-controlling shareholders		**143,506**	107,662
Taxation		**722,647**	676,995
Borrowings – amount due within one year		**3,973,919**	2,652,660
Other financial liabilities		**13,174**	-
		9,615,611	7,770,249
Net current liabilities		**(5,916,693)**	(4,228,198)
Total assets less current liabilities		**20,176,734**	20,256,861
Non-current liabilities			
Other financial liabilities		**34,957**	-
Borrowings – amount due after one year		**4,404,924**	5,184,152
Deferred taxation		**422,309**	408,526
		4,862,190	5,592,678
Net assets		**15,314,544**	14,664,183

	30.06.2017	31.12.2016
	HK$'000	*HK$'000*
	(unaudited)	*(audited)*
Capital and reserves		
Share capital	**271,160**	271,160
Reserves	**13,809,586**	13,228,191
Equity attributable to shareholders of the Company	**14,080,746**	13,499,351
Non-controlling interests	**1,233,798**	1,164,832
Total equity	**15,314,544**	14,664,183

1. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

In the current interim period, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatorily effective for the current interim period.

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed 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.

	Sales and distribution of piped gas and related products *HK$'000*	**Gas connection** *HK$'000*	**Consolidated** *HK$'000*
Six months ended 30 June 2017			
TURNOVER			
External	**3,272,484**	**763,588**	**4,036,072**
Segment results	**340,416**	**386,743**	**727,159**
Other losses, net			**(4,242)**
Unallocated corporate expenses			**(66,189)**
Share of results of associates			**182,935**
Share of results of joint ventures			**153,760**
Finance costs			**(122,553)**
Profit before taxation			**870,870**
Taxation			**(197,772)**
Profit for the period			**673,098**

	Sales and distribution of piped gas and related products *HK$'000*	Gas connection *HK$'000*	Consolidated *HK$'000*
Six months ended 30 June 2016			
TURNOVER			
External	2,693,205	742,741	3,435,946
Segment results	279,316	346,879	626,195
Other gains, net			2,980
Unallocated corporate expenses			(70,073)
Share of results of associates			175,911
Share of results of joint ventures			156,133
Finance costs			(109,958)
Profit before taxation			781,188
Taxation			(164,747)
Profit for the period			616,441

3. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Interest on bank and other borrowings	**130,346**	115,434
Bank charges	**2,695**	3,000
	133,041	118,434
Less: amounts capitalised	**(10,488)**	(8,476)
	122,553	109,958

4. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Amortisation of intangible assets	**9,231**	10,529
Release of leasehold land	**9,638**	9,640
Cost of inventories sold	**2,805,102**	2,314,392
Depreciation of property, plant and equipment	**239,629**	226,757
Staff costs	**405,466**	390,263
Exchange loss	**-**	108,203
Change in fair value of other financial assets/liabilities	**183,459**	-
and after crediting:		
Interest income	**11,490**	12,778
Dividend income from available-for-sale investments	**58,883**	62,559
Exchange gain	**91,007**	-
Change in fair value of other financial assets/liabilities	**-**	27,755

5. TAXATION

The taxation charge represents Enterprise Income Tax ("EIT") of the People's Republic of China (the "PRC") for both periods.

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 have been granted a concessionary tax rate of 15% by the local tax bureau.

6. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Earnings for the purposes of basic earnings per share, being profit for the period attributable to shareholders of the Company	**602,315**	564,399

	Number of shares Six months ended 30 June	
	2017	2016
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,711,602**	2,665,063

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (2016: nil). During the period, a dividend of HK twelve cents per ordinary share (2016: HK ten cents per ordinary share) amounting to HK$325,392,000 was declared by the Board as the final dividend for 2016 (HK$266,506,000 for 2015).

The final dividend for 2016 was payable in cash but shareholders were given the option of electing to receive the final dividend in the form of new shares in lieu of cash in respect of part or all of such dividend. Subsequent to the reporting period, on 17 July 2017, the final dividend of HK twelve cents per ordinary share, which included the scrip dividend alternative offered to shareholders, was paid to shareholders as the final dividend in respect of the financial year ended 31 December 2016.

8. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30.06.2017	31.12.2016
	HK$'000	*HK$'000*
Trade receivables	**714,030**	653,540
Prepayments	**383,409**	327,267
Other receivables and deposits	**169,026**	209,600
	1,266,465	1,190,407

Trade receivables

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:

	30.06.2017	31.12.2016
	HK$'000	*HK$'000*
0 to 90 days	**431,565**	493,819
91 to 180 days	**101,946**	45,624
181 to 360 days	**180,519**	114,097
	714,030	653,540

9. TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	30.06.2017 ***HK$'000***	31.12.2016 *HK$'000*
Trade payables	**1,023,199**	1,045,416
Receipt in advance	**2,714,398**	2,581,508
Consideration payable for acquisitions of businesses	**54,389**	63,055
Other payables and accruals	**967,482**	642,058
Amount due to ultimate holding company (note)	**2,897**	895
	4,762,365	4,332,932

Note: The amount is unsecured, interest-free and repayable on demand.

Trade payables

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

	30.06.2017 ***HK$'000***	31.12.2016 *HK$'000*
0 to 90 days	**569,898**	676,711
91 to 180 days	**183,691**	158,557
181 to 360 days	**173,233**	111,813
Over 360 days	**96,377**	98,335
	1,023,199	1,045,416

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

During the first half of 2017, the Group sold 4,186 million cubic metres of gas in total, surged by 18%. Profit after taxation attributable to shareholders of the Company amounted to HK$602 million, representing a strong increase of 7% compared to the corresponding period last year. Basic earnings per share amounted to HK22.21 cents.

Turnover

For the six months ended 30 June 2017, turnover from the sales of piped gas and related products rose 22% to HK$3,272 million over the corresponding period last year due to the satisfactory results derived from active promotion of natural gas replacing coal. The total consolidated volume of gas sold in the current period amounted to 1,156 million cubic metres, representing an increase of 25% over the corresponding period last year. In the gas connection business, income from connection fees for the period amounted to HK$764 million, an increase of 3% over corresponding period last year. Consolidated new households' connections of 190,000 were made during the period under review.

Development of New Projects

The Group acquired two gas projects during the period, a 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. The principal industrial activity of Huji Town of Zhongxiang City in Hubei Province mainly involves 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, rapidly expanding market share and building on the back of our focused efforts in the past to acquire downstream city gas projects. The midstream natural gas pipeline network project in Guyang County, Baotou City in the Inner Mongolia Autonomous Region will supply natural gas to the Group's city gas project in the county to ensure sufficient gas supply and facilitate our efforts towards unified gas supply management.

Available-for-sale Investments

Available-for-sale investments mainly consisted of the Group's investments 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 period.

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2017.

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 30 June 2017, the Group's total borrowings amounted to HK$8,379 million, of which HK$3,974 million represented bank loans and other loans due within 1 year, HK$4,356 million represented bank loans and other loans due between 1 to 5 years, and HK$49 million represented bank loans and other loans due over 5 years. Other than bank loans and other loans of HK$4,763 million 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. As at the end of the period, the Group had HK$4,781 million borrowings denominated in Renminbi and the remaining HK$3,598 million borrowings were denominated mainly in Hong Kong dollars and United States dollars. As the businesses of the Group are mainly occurred in mainland China and most transactions, assets and liabilities were stated in Renminbi, the Group bore foreign currency risk from fluctuations of Renminbi exchange rate for non-Renminbi denominated deposits and borrowings. The Group recorded an exchange gain of HK$91 million caused by the fluctuations of Renminbi exchange rate in the period. The Group entered into cross currency swap contracts and foreign currency forward contracts during the period to hedge foreign currency risk for non-Renminbi denominated bank loans. The loss on fair value change of other financial assets and liabilities was HK$183 million in the period. As at 30 June 2017, the Group did not have any pledge on assets. As at the end of the period, the Group had a gearing ratio (net debt to equity attributable to shareholders of the Company plus Net Debt) of 32.2%.

As at 30 June 2017, the Group's cash and cash equivalents together with time deposits amounted to HK$1,684 million, of which 98% are Renminbi-denominated and the rest are denominated in Hong Kong dollars and United States dollars.

As at 30 June 2017, the Group's unutilised available facilities amounted to HK$3,160 million.

The operating and capital expenditure of the Group is funded by cash flow 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.

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.

Interim Dividend

The Board has resolved not to declare an interim dividend (2016: nil).

Employee and Remuneration Policies

As at 30 June 2017, the Group had 21,948 employees, 99% of whom worked in mainland China. Employee remuneration is based on individual performance, job nature and the relevant responsibilities involved. The Group also provides on-the-job training as well as generous benefits packages for employees, which include medical welfare, provident funds, bonuses and other incentives. We also encourage employees to seek a sound balance between work and leisure, while also endeavouring to improve the working environment for employees on a continuing basis so that they can realise their full potential for the benefit of the Group.

Corporate Social Responsibilities

We are committed to providing our customers with a safe, reliable supply of gas while adhering to our principle of corporate social responsibility "Actively participating in charity services to make contributions to society; Striving for environmental protection to give back to the community". We have set sustainable development as an objective in our daily operations. At the same time we provide support and care for the underprivileged as appropriate.

As part of our efforts to preserve, protect and improve the environment, we launched a range of low-carbon environmental initiatives under "Towngas China Environmental Protection" campaign in February this year. The campaign called on all our staff and their family members, customers and the public to participate in environmental activities such as "Towngas China Plantation Day" and "Earth Hour". During the first half of the year, we also organised tree planting, green walkathon as well as plant exchange activities, in which more than 1,200 saplings were planted, covering a green area of approaching 4,000 square metres.

We have also been working closely with various social welfare associations to provide aid to students in economically backward regions through monetary donations and provision of daily necessities. Since the inception of "Gentle Breeze" education aid programme in 2013, we have helped 22 schools in Jiangxi, Anhui, Shandong, Guizhou, Liaoning, Sichuan and Guangdong, to improve their learning environment. During the period, we extended the reach to Yangjiang City in Guangdong Province where we donated office desks and chairs for teachers, school uniforms as well as teaching equipment to Daba Secondary School in Daba Town and Heliao Primary School in Heshan Town.

Our employees have constantly demonstrated their passion to serve and contribute to society through active participation in social service. We organised the annual "Rice Dumplings for the Community" event, in which over 27,000 rice dumplings were made this year. These, together with festive gifts, were sent to children, senior citizens and the disadvantaged through welfare agencies in different regions on the eve of the Dragon Boat Festival, benefiting more than 7,000 recipients.

Outlook

Economic Landscape

As the Chinese Government continued to drive structural economic reforms, the positive effects of these measures began to bear fruit in the first half of 2017. First quarter gross domestic product ("GDP") growth hit 6.9%, the highest level in the past six quarters. The balance in foreign exchange reserves amounted to over USD3,000 billion, while the RMB exchange rate remained relatively stable. Overall macro-economic indicators also fared well, with GDP growth maintaining its 6.9% rate into the second quarter, will be continuing the positive development seen in the first quarter.

Enhancing these structural reforms, the Chinese Government also implemented measures allowing businesses and commercial enterprises to share in the success of the reforms. For example, as a result of the "Notice on the Policy relating to the Simplification and Consolidation of Value-added Tax ("VAT") Rates" issued by the State Administration of Taxation in June 2017, VAT rates have been adjusted with effect from 1 July 2017. The VAT rate for natural gas products was lowered from 13% to 11%, leading to more competitive prices for natural gas. This continuing introduction of favourable measures in the wake of successful reforms helps to alleviate the burdens bourne by business enterprises in real terms, which provides yet further impetus for development. In turn, these measures and developments help China to achieve its goal of sustaining moderate to rapid economic growth.

New Progress in Market-based Reforms for the Natural Gas Sector

Since the beginning of the year, market-based reforms for the domestic natural gas sector have gained notable pace. Further progress is being made under the general principle of "enhancing control in the middle and deregulating on both ends" (government regulation of prices over sectors of natural monopoly).

In May 2017, the Central Committee of the Communist Party of China and the State Council promulgated a document entitled "Certain Opinions on Further Structural Reforms of the Oil and Natural Gas Sector". The document highlights eight reform objectives and establishes the direction and guiding principles for the future market-oriented development of the domestic natural gas industry. It also underpins the State's determination to implement reforms in the oil and gas sector, to effectively stimulate the domestic natural gas market for its sustainable and future development.

The "Guidance Opinion on Enhanced Regulation over the Pricing of Gas Distribution" (《關於加強配氣價格監管的指導意見》) issued by the National Development and Reform Commission (the "NDRC") in June 2017 extended the scope of regulation over the pricing of gas transmission and distribution to cover all cross-provincial trunk lines and city/town gas pipelines. It has also stipulated important reform measures, such as the separate determination of prices for gas distribution in cities and towns subject to a maximum yield of 7% in principle for gas distribution businesses, as well as the inclusion of gas installation costs in property prices.

Closely monitoring developments in the country's market-based reforms in the natural gas sector, the Group continues to make timely plans both in response to these developments as well as in anticipation of new business opportunities presented by the reforms. China's current market-based reforms will be conducive to the development of a fair and orderly marketplace for the natural gas business. Based on this increasingly positive environment, we will be able to bring the Group's competitive strengths in the design, construction and operation of pipeline networks, safety management and quality services into full play.

Market Prospects of the City Gas Business

The "13th Five-Year Plan for Energy Development" (《能源發展十三五規劃》) and "13th Five-Year Plan for Natural Gas Development" (《天然氣發展十三五規劃》) announced by the NDRC and National Energy Administration have set a target for natural gas consumption to account for 10% of primary energy consumption by 2020, as compared to approximately 25% for developed countries. Among the provinces and municipalities, Jiangsu, Guangdong, Sichuan, Zhejiang and Shanghai have adopted the "Coal-to-Gas" initiative and other measures for air pollution control. They have also set targets for natural gas consumption as a percentage of primary energy consumption to exceed 10% by 2020. According to the "Plan to Drive the Registration of 100 Million Non-resident Population in Cities" (《推動1億非戶籍人口在城市落戶方案》) announced by the State Council in September 2016, the Government has plans to increase the number of registered citizens in the urban area by 1% or 13 million people each year during the "13th Five-Year Plan" period. Accordingly, the demand for city gas services will increase in tandem with the annual increment in the rate of urbanisation. We therefore remain both optimistic and confident in the market prospects of the city gas business in China.

Business Outlook of the Group

Given China's stable macro-economic growth and the steady progress in market-based reforms in the natural gas sector, the Group will continue to engage in in-depth customer development in the industrial and commercial sectors. We will also be making a major effort to develop the "Coal-to-Gas" business for coal boilers and furnaces through geographic outreach and expansion. Natural gas application projects, such as distributed energy and central heating will be developed under Towngas China Energy Investment (Shenzhen) Limited. At the same time, we plan to launch centralised liquefied natural gas ("LNG") procurement, leveraging our competitive strengths in pipeline operation, safety management and quality services, to lower gas procurement costs as well as to explore opportunities in LNG import and trade. Elsewhere, we will continue to expand the market for our extended businesses and value-added businesses on the back of our massive residential customer base via mobile internet technologies, to realise our ongoing goal for stable and quality growth.

OTHER INFORMATION

Purchases, 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 six months ended 30 June 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 ("Listing Rules") during the six months ended 30 June 2017.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code set out in Appendix 10 of 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 six months ended 30 June 2017.

Board Audit and Risk Committee

The Company has established a board audit and risk committee (the "Board Audit and Risk Committee") in accordance with requirements under the Listing Rules for the purposes of reviewing and supervising the Group's financial reporting processes, risk management and internal control systems.

A Board Audit and Risk Committee meeting was held on 10 August 2017 to review the unaudited condensed consolidated financial statements for the six months ended 30 June 2017. Deloitte Touche Tohmatsu, the Company's external auditor, had carried out a review of the unaudited condensed consolidated financial statements for the six months ended 30 June 2017 in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

Appreciation

On behalf of the Board, I would like to express sincere gratitude to all staff for their dedication and hard work, and to all shareholders and investors for their long-standing support.

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

Hong Kong, 16 August 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 *(Chief Operating Officer)*

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