香 港 中 華 煤 氣 有 限 公 司
THE HONG KONG AND CHINA GAS COMPANY LIMITED

(Incorporated in Hong Kong under the Companies Ordinance with limited liability)
(Stock Code: 3)

PRELIMINARY ANNOUNCEMENT OF 2016 ANNUAL RESULTS

CHAIRMAN'S STATEMENT

THE YEAR'S RESULTS

The Group's town gas business in Hong Kong maintained stable growth in 2016. Global economic fluctuations, slowdown in economic growth in mainland China, further devaluation of the renminbi and low international oil prices during the year, however, impacted the Group's utility and emerging environmentally-friendly energy businesses on the mainland. Nevertheless, the Group endeavoured to maintain stability in its overall recurrent business results for 2016.

Profit after taxation attributable to shareholders of the Group for the year increased by 0.53 per cent to HK$7,341 million, an increase of HK$39 million compared to 2015. Earnings per share for the year amounted to HK57.7 cents.

During the year under review, the Group invested HK$6,257 million in production facilities, pipelines, plants and other fixed assets for the sustainable development of its various existing and new businesses in Hong Kong and mainland China.

TOWN GAS BUSINESS IN HONG KONG

The local economy grew slower in 2016 compared to 2015 amid a challenging global economy. During the year, tourism was hit by a strong Hong Kong dollar causing a decrease in the total number of inbound visitors for the second consecutive year and thus negatively impacting the food and beverage gas sales market. Conversely, as the average temperature in Hong Kong in 2016 was lower than in 2015, residential gas sales increased. Compared to 2015, total volume of gas sales in Hong Kong for 2016 increased by 1.4 per cent to 28,814 million MJ while appliance sales revenue increased by 24.9 per cent to HK$1,634 million with a total of 275,361 sets sold, mainly benefiting from newly completed residential projects.

As at the end of 2016, the number of customers was 1,859,414, an increase of 20,153 compared to 2015, slightly up by 1.1 per cent.

BUSINESS DEVELOPMENT IN MAINLAND CHINA

The Group's mainland businesses continued to progress steadily during 2016. Overall, inclusive of projects of the Group's subsidiary, Towngas China Company Limited ("Towngas China"; stock code: 1083.HK), the Group had 241 projects on the mainland, as at the end of 2016, 19 more than at the end of 2015, spread across 26 provinces, autonomous regions and municipalities. These projects encompass upstream, midstream and downstream natural gas sectors, water sectors, efficient energy applications and exploration and utilisation of emerging environmentally-friendly energy, as well as telecommunications.

The Group's development of emerging environmentally-friendly energy businesses in mainland China, including coalbed methane liquefaction, coal chemicals, conversion and utilisation of biomass, natural gas refilling stations, etc., through its wholly-owned subsidiary ECO Environmental Investments Limited and the latter's subsidiaries (collectively known as "ECO"), is progressing steadily. During 2016, international oil prices continued to fluctuate, falling at one time early in the year, to a 2003 low, leading to a drastic drop in prices of energy products which significantly affected ECO's profits. Nevertheless, ECO's self-developed innovative technologies progressed well in 2016. Gradual commercial application of ECO's new technologies is expected to contribute to long-term business growth of the Group. Additionally, international oil prices have become more stable since the end of 2016, and this will also help the Group's income growth.

Diversification and an increase in the number of projects have gradually transformed the Group from a locally-based company in Hong Kong centred on a single town gas business into a sizable, nation-wide, multi-business corporation focused on environmentally-friendly energy ventures and utility sectors.

UTILITY BUSINESSES IN MAINLAND CHINA

The Group's city-gas businesses are progressing well. As at the end of 2016, inclusive of Towngas China, the Group had a total of 131 city-gas projects in mainland cities spread across 23 provinces, autonomous regions and municipalities. The total volume of gas sales for these projects in 2016 was approximately 17,140 million cubic metres, an increase of 10.3 per cent over 2015. As at the end of 2016, the Group's mainland gas customers stood at approximately 23.1 million, an increase of 11 per cent over 2015. The Group continues to have a good reputation as a large-scale city-gas enterprise with outstanding performance on the mainland.

Due to uncertainties over the policy direction of a number of major global economies resulting in poor growth momentum, demand for commodities worldwide remained weak during 2016, and, as a result, growth in the mainland economy slowed compared to 2015. Exports from mainland China have now declined for two consecutive years. Cutting excessive capacity, destocking and deleveraging have also reduced industrial production. Thus, demand for energy across the country, including electricity, petroleum and natural gas, recorded only slight growth in 2016. Furthermore, given low international oil prices, prices for other petroleum fuels also declined. Nevertheless, in the medium to long term, as natural gas is still projected to be the clean energy of choice to best reduce air pollution and improve smoggy atmospheric conditions on the mainland, long-term and steady growth in demand is still anticipated. The Chinese government has also formulated a natural gas utilisation policy to strengthen preventative measures to combat air pollution and to minimise the formation of smog, indicating an energy development trend inclining towards natural gas and environmentally-friendly energy. The competitiveness of natural gas relative to other energy sources was also enhanced following reductions in the mainland's non-residential natural gas city-gate prices at the end of 2015. This favourable momentum will continue to benefit the Group's city-gas and natural gas businesses.

In addition, with gradual commissioning of large-scale national natural gas projects, including transmission pipelines from Sichuan province to eastern and southern China and the West-to-East pipeline, and projects for importing piped natural gas from Central Asia and Myanmar, together with a scheduled supply of piped natural gas from Russia, as well as a rise in the sources of imported liquefied natural gas ("LNG"), supply of natural gas on the mainland is becoming ample, which is beneficial to market development. With a number of mainland cities gradually advocating the use of natural gas to replace coal, natural gas as a fuel for household heating in winter is steadily growing. Thus, with increasing sources of gas supply, expanding pipeline networks, rising living standards and society's aspiration for greater environmental protection, the Group anticipates its mainland city-gas businesses will continue to thrive in future.

Anhui Province Natural Gas Development Co. Ltd., an associated company of the Group, was listed on the Shanghai Stock Exchange on 10th January 2017. As a large-scale integrated operator, its core business is the construction and operation of long-haul natural gas pipelines in Anhui province, alongside a downstream distribution business. Listing will help speed up the company's construction of natural gas pipelines and its development of markets in the province.

Construction of the Group's natural gas storage facility in underground salt caverns in Jintan district, Changzhou city, Jiangsu province, is in progress. Upon completion, this facility will be the first of its kind developed by a city-gas enterprise on the mainland. Total storage capacity will be approximately 460 million standard cubic metres. Completion of phase one of this project, with a storage capacity of 150 million standard cubic metres, is expected during the second quarter of 2017. This facility, which will help the Group supplement and regulate gas supplies during the peak winter period for several of its city-gas projects in eastern China, is in line with the Chinese government's policy of advocating faster development of gas storage capacity, and will support the Group's business development in downstream city-gas markets.

The Group's development of natural gas vehicular refilling stations in mainland China, under the brand name "Towngas", is progressing well with 109 stations now spread across different provinces to date. Apart from this, the Group is also proactively developing refilling projects for marine vessels and is currently investing in a joint venture project, with six refilling sites, for barges along the Yangtze River in Jiangsu province. This is the country's first, and largest project in terms of number of refilling sites, along this river. In September 2013, the joint venture constructed and put into service the country's first floating LNG refilling station barge. Classified by the government as a pilot project, this venture represents the start of a new era for the mainland's marine industry in LNG applications. Given that LNG is a form of clean energy that is being actively promoted by the Chinese government, vehicular and marine refilling station businesses have good prospects for the Group.

The Group has entered into the mainland water market under the brand name "Hua Yan Water" for over 11 years and currently invests in, and operates, six water projects. These include water supply joint venture projects in Wujiang district, Suzhou city, Jiangsu province and in Wuhu city, Anhui province; wholly-owned water supply projects in Zhengpugang Xin Qu, Maanshan city and in Jiangbei Xin Qu, Wuhu city, both in Anhui province; and an integrated water supply and wastewater treatment joint venture project, together with an integrated wastewater treatment joint venture project for a special industry, both in Suzhou Industrial Park, Suzhou city, Jiangsu province. In addition, given food waste processing and utilisation is also a sizable environmentally-friendly industry, the Group is constructing a plant in Suzhou Industrial Park to handle 500 tonnes of food waste, green waste and landfill leachate daily for conversion into natural gas, oil products, solid fuel and fertilizers, under the "Hua Yan Water" brand; commissioning is expected in the third quarter of 2018 and will be the Group's first project converting waste into high-value products.

Operation and management of businesses encompassing city-gas, midstream natural gas, city-water and waste processing and utilisation projects create greater synergy and mutual advantages. Furthermore, these businesses generate a stable income and provide good environmental benefits, with room for expansion. The Group will therefore keep on looking for opportunities to invest in high-quality utility projects on the mainland.

EMERGING ENVIRONMENTALLY-FRIENDLY ENERGY BUSINESSES

ECO's major businesses in Hong Kong – an aviation fuel facility, dedicated liquefied petroleum gas ("LPG") vehicular refilling stations and landfill gas utilisation projects – all operated smoothly in 2016. With a total turnover of approximately 6.2 million tonnes in 2016, ECO's aviation fuel facility provided a safe and reliable fuel supply to Hong Kong International Airport and contributed to ECO's steady profit growth. ECO's LPG vehicular refilling station business had a steady operation and satisfactory profit in 2016, providing a quality and reliable fuel supply to the territory's taxi and minibus sectors. ECO's landfill gas project in the North East New Territories, after operating for several years, has been generating noticeable environmental benefits. ECO's development of a South East New Territories landfill gas utilisation project is also progressing smoothly, with commissioning expected to start in the first half of 2017. This will then further increase the proportion of landfill gas used by the Group and make an additional contribution to energy conservation and emission reduction in Hong Kong.

With international oil prices creeping low during most of 2016, annual output of ECO's oilfield project in Thailand fell to 1.37 million barrels, causing a significant impact on profit. However, a rebound in international oil prices to a range of approximately USD55 per barrel in late 2016 helps to stabilise the business conditions faced by the project.

As smog and air pollution on the mainland are now a growing concern, the Chinese government is stepping up its efforts to promote the use of LNG to gradually replace diesel as fuel for heavy-duty trucks. ECO's networks of natural gas refilling stations are gradually taking shape in provinces and autonomous regions including Shaanxi, Inner Mongolia, Ningxia, Shandong, Shanxi, Jiangsu, Henan and Liaoning. All in all, ECO currently has 62 refilling stations in operation, under construction or at the planning stage. As expansion of its networks progresses, the ECO brand name will gradually become more well-known in the market.

Conversion of biomass into clean energy and chemical products is an important part of ECO's business strategy which is in line with the policy direction of mainland China. To this end, the plant now under construction and located in Zhangjiagang city, Jiangsu province can upgrade approximately 220,000 tonnes of palm acid oil, a low-quality inedible bio-oil, into high-value oleic acids and other chemical products each year. Construction is expected to be completed and ready for trial production by the third quarter of 2017. In addition, construction of a project in Xuzhou city, Jiangsu province to produce LNG by methanation of coke oven gas has been largely completed; trial production is expected to commence in the first half of 2017.

Mainland China, a sizeable agricultural country, generates a large quantity of agricultural waste every year. Apart from using a small portion of this in fields or for power generation, there are currently no effective measures to make good use of the rest of this waste. However, ECO's research and development team has successfully developed a world leading approach on pyrolysis and hydrolysis technologies, which can convert agricultural and forestry waste into high-value syngas and green block chemicals, such as furfural and levulinic acid. To this end, ECO has launched a pilot project in Hebei province with trial production expected to start in the second half of 2017, the success of which would pave the foundation for subsequent commercial implementation.

ECO's coal chemical project in Ordos city, Inner Mongolia Autonomous Region, operated smoothly during 2016 yielding over 310,000 tonnes of methanol. Works to upgrade and optimise the facility to convert methanol into natural gasoline are progressing as planned. Additionally, ECO has launched a new project to convert 40 per cent of the coal-based syngas into 120,000 tonnes of higher-valued ethylene glycol, with trial production targeted to start before the end of 2017. These will lay a solid foundation for ECO to further broaden its businesses on syngas utilisation and methanol upgrading.

In line with its evolving business development strategy, ECO continues to strengthen its capabilities in research and technological development, from the original technological emphasis on fuel substitutes, now extending to encompass higher value-added chemical and new material substitutes. These include the conversion of high-temperature coal tar oil into pitch-based carbon materials, low temperature carbonisation of oil-rich powder coal, and deep-processing of levulinic acid to green fuel additives. A number of breakthroughs have already been achieved, and upon commercial application of technologies which can be proceeded shortly, significant economic and environmental benefits could be derived. All these successes will create a significant competitive edge for ECO's future development.

TOWNGAS CHINA COMPANY LIMITED (STOCK CODE: 1083.HK)

Towngas China, a subsidiary of the Group, recorded good growth in profit after taxation attributable to its shareholders, amounting to HK$974 million in 2016, an increase of approximately 21 per cent over 2015. As at the end of 2016, the Group held approximately 1,739 million shares in Towngas China, representing approximately 64.12 per cent of Towngas China's total issued shares.

Towngas China added two new distributed energy projects to its portfolio in 2016, one based in Sichuan province, and the other known as Towngas China Energy Investment (Shenzhen) Limited.

Towngas China was honoured with the Grand Award presented by The Hong Kong Management Association ("HKMA") at its 2016 HKMA Quality Awards, in recognition of the company's long-time commitment to quality. The award is highly gratifying as it affirms Towngas China's positive approach to total quality management, enhancement of performance across all its operations, and quality products and services. Towngas China's ongoing efforts to improve its customer services, safety, human resources, social responsibility, corporate governance and financial performance continue to contribute to the Group's business growth momentum and establishment of a good corporate image.

During 2016, Moody's Investors Service maintained its issuer credit rating on Towngas China as "Baa1" with a "stable" outlook. Standard & Poor's Ratings Services also upheld their "BBB+" long-term corporate credit rating and "cnA+" long-term Greater China regional scale credit rating on Towngas China with a "stable" outlook. These two international rating agencies' ratings demonstrate recognition of Towngas China's stable financial status and reflect the company's increasing credit strength.

FINANCING PROGRAMMES

In order to tap funding in a timely and flexible manner, the Group established a medium term note programme in 2009 under HKCG (Finance) Limited, a wholly-owned subsidiary of the Group. Taking advantage of low interest rates, medium term notes totalling HK$1,328 million, with maturity ranging from 10 to 12 years, were issued during 2016. In line with the Group's long-term business investments, as at 31st December 2016, the amount of medium term notes issued had reached HK$11.9 billion with tenors ranging from 10 to 40 years, with an average fixed interest rate of 3.6 per cent and an average tenor of 15.5 years.

EMPLOYEES AND PRODUCTIVITY

As at the end of 2016, the number of employees engaged in the town gas business in Hong Kong was 2,019 (2015 year end: 1,999), the number of customers was 1,859,414, and each employee served the equivalent of 921 customers, a similar level to 2015. Inclusive of employees engaged in local businesses such as telecommunications, LPG vehicular refilling stations and engineering contractual works, the total number of the Group's employees engaged in businesses in Hong Kong was 2,392 as at the end of 2016 compared to 2,380 as at the end of 2015. Related manpower costs amounted to HK$1,052 million for 2016. In 2016, there was an approximately 4 per cent average increase in remuneration over 2015. The Group will continue to offer employees rewarding careers based on their capabilities and performance and arrange a variety of training programmes in order to constantly enhance the quality of the Group's customer services.

Exclusive of businesses in Hong Kong, the total number of the Group's employees in mainland China and other places outside Hong Kong was 47,000 as at the end of 2016, an increase of approximately 1,400 compared to 2015.

On behalf of the Board of Directors, I would like to thank all our employees for their dedication and hard work in creating value for shareholders and customers.

BONUS ISSUE OF SHARES

The Directors propose to make a bonus issue of one new share for every ten existing shares held by shareholders whose names are on the Register of Members of the Company as at 15th June 2017. The necessary resolution will be proposed at the forthcoming Annual General Meeting on 7th June 2017, and if passed, share certificates will be posted on 23rd June 2017.

FINAL DIVIDEND

The Directors are pleased to recommend a final dividend of HK23 cents per share payable to shareholders whose names are on the Register of Members of the Company as at 15th June 2017. Including the interim dividend of HK12 cents per share paid on 3rd October 2016, the total dividend payout for the whole year shall be HK35 cents per share.

Barring unforeseen circumstances, the forecast dividends per share for 2017 after bonus share issue shall not be less than the interim and final dividends for 2016.

BUSINESS OUTLOOK FOR 2017

The Company predicts steady growth in its number of customers in Hong Kong during 2017. With a small upturn in the total number of inbound tourists in early 2017, the retail market has now improved slightly. The Group's gas business in Hong Kong is also benefiting from the efforts of The Government of the Hong Kong Special Administrative Region to increase land and housing supply which should help maintain stable and good growth in the number of gas customers in the next few years. Additionally, town gas competitiveness as an energy resource combining both environmental and economic advantages is helping to develop the commercial and industrial energy market. Due to the impact of international oil prices, gas tariff fuel cost adjustment charges have been reduced which is beneficial to customers and further enhances the competitiveness of town gas, relative to electricity in particular, in the energy market. However, uncertainties in international politics and the world economy have created variables in Hong Kong's economic development this year. Moreover, increasing local manpower costs and operating expenses are leading to rising costs for businesses in Hong Kong generally. The business environment is full of challenges. The Company will, however, continue to enhance operational efficiency so as to maintain stable development of its gas business in the territory.

Development of export manufacturing industries in mainland China is being negatively affected by uncertainties in both the global economy and the policy direction of a number of major economies. This, combined with other factors including the mainland's slow economic growth momentum, is adversely impacting industrial gas demand. Thus, growth in gas sales of the Group's mainland city-gas businesses is weakening. Coupled with the exchange rate risk arising from renminbi devaluation, overall profit growth of the Group's mainland businesses faces challenges in the near term. Nevertheless, in the long term, the Chinese government's move to improve smoggy atmospheric conditions, thus tightening supervision and administration of related measures and enhancing efforts to reduce carbon emissions and encouraging the use of clean energy, is creating opportunities for natural gas to replace use of coal in industrial processing, as well as in boilers, power generation, distributed energy, household heating, gas hot water heaters and clothes dryers. Natural gas price adjustments in late 2015 lowered upstream gas prices, thus enhancing competitiveness. Furthermore, increasing upstream gas supply, expanding pipeline networks and rapid urbanisation leading to a continuous rise in demand for utility facilities and energy, are all favourable to the development of the downstream gas market and the healthy and long-term development of the natural gas business sector in general.

In respect of emerging environmentally-friendly energy businesses, following the Chinese government's move towards greater energy diversification, environmental protection and recycling of materials, the Group is continuing to develop and apply new technologies for conserving energy and reducing pollutant emissions. There is also a growing trend for greater use of low-sulfur, high-quality oil, electricity and natural gas as fuels for vehicles and vessels to reduce atmospheric pollution. Though international oil prices have recently rebounded from their lowest point in early 2016, it is necessary to closely monitor potential market volatility, as this will still impact profit growth and slow down the pace of investment of the Group's emerging environmentally-friendly energy businesses in the short term. ECO is moving towards production of high-quality chemical products which are less sensitive to international oil prices, taking this as a guide for future project investments. As self-developed research and developments gradually achieve results which will be put into commercial production, emerging environmentally-friendly energy businesses will ignite a new light for the Group, illuminating the way for long-term development and business growth strategy.

With the Group's solid foundation in Hong Kong and its diverse business sectors spread across extensive areas on the mainland, together with its successful technical experience and corporate brand names and sales channels built there over 22 years, alongside society's growing concern over air quality, it is anticipated that there will be ever-rising demand for clean energy. According to the Thirteenth Five-Year Plan, the share of natural gas in the country's total energy mix is set to increase from below 6 per cent currently to 10 per cent by year 2020, thus creating huge market potential for clean energy businesses. In addition, given that the number of piped-gas customers in Hong Kong and mainland China is increasing, the Group, with its sizeable customer base, foresees better benefits from its expanding new businesses.

Despite the challenges resulting from the slowdown in economic growth on the mainland, the Group has formulated, and is gradually implementing, plans in accordance with the country's energy and environmental policies. Overall, with demand for natural gas and environmentally-friendly and renewable energy increasing alongside society's growing aspiration for more environmental protection, coupled with the Group's drive to promote an innovative mindset to continually add new momentum to its business growth, the Group anticipates development in the years to come will be ever broader and better.

LEE Shau Kee
Chairman
Hong Kong, 16th March 2017

The Board of Directors has pleasure in presenting a summary of results of the Group for the year ended 31st December 2016 with comparative figures for the previous corresponding year as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31st December 2016

	Note	**2016 HK$ Million**	2015 HK$ Million
Revenue	4	**28,557.1**	29,591.3
Total operating expenses	5	**(21,387.2)**	(22,601.9)
		7,169.9	6,989.4
Other (losses)/gains, net	6	**(29.5)**	101.4
Interest expense		**(1,207.4)**	(1,128.6)
Share of results of associates		**2,447.4**	2,228.2
Share of results of joint ventures		**1,465.3**	1,715.6
Profit before taxation		**9,845.7**	9,906.0
Taxation	7	**(1,575.9)**	(1,726.7)
Profit for the year		**8,269.8**	8,179.3
Attributable to:			
Shareholders of the Company		**7,340.7**	7,302.0
Holders of perpetual capital securities		**110.5**	110.5
Non-controlling interests		**818.6**	766.8
		8,269.8	8,179.3
Dividends	8	**4,450.9**	4,046.6
Earnings per share – basic and diluted, HK cents	9	**57.7**	57.4*

* *Adjusted for the bonus share issue in 2016*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31st December 2016

	2016 HK$ Million	2015 HK$ Million
Profit for the year	**8,269.8**	8,179.3
Other comprehensive income:		
Item that will not be reclassified subsequently to profit or loss:		
Remeasurements of retirement benefit	**6.3**	(23.1)
Items that may be reclassified subsequently to profit or loss:		
Change in value of available-for-sale financial assets	**53.9**	(929.8)
Impairment loss on available-for-sale financial assets transferred to income statement	**534.3**	38.6
Change in fair value of cash flow hedges	**86.8**	(117.2)
Share of other comprehensive income/(loss) of an associate	**7.2**	(5.4)
Recognition of exchange reserve upon disposal of subsidiaries	**-**	(83.0)
Exchange differences	**(3,078.2)**	(2,060.8)
Other comprehensive loss for the year, net of tax	**(2,389.7)**	(3,180.7)
Total comprehensive income for the year	**5,880.1**	4,998.6
Total comprehensive income attributable to:		
Shareholders of the Company	**5,354.7**	4,445.6
Holders of perpetual capital securities	**110.5**	110.5
Non-controlling interests	**414.9**	442.5
	5,880.1	4,998.6

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31st December 2016

	Note	**At 31st December 2016 HK$ Million**	At 31st December 2015 HK$ Million
Assets			
Non-current assets			
Property, plant and equipment		**49,209.6**	47,455.6
Investment property		**729.0**	713.0
Leasehold land		**2,016.6**	1,961.9
Intangible assets		**5,572.4**	5,819.5
Associates		**20,485.0**	19,591.9
Joint ventures		**9,226.5**	9,288.2
Available-for-sale financial assets		**4,967.1**	4,567.0
Derivative financial instruments		**505.9**	161.5
Other non-current assets		**2,860.4**	2,371.8
		95,572.5	91,930.4
Current assets			
Inventories		**2,110.4**	2,291.3
Trade and other receivables	10	**6,329.6**	6,896.8
Loan and other receivables from associates		**153.4**	90.9
Loan and other receivables from joint ventures		**900.1**	966.4
Loan and other receivables from non-controlling shareholders		**65.4**	122.6
Financial assets at fair value through profit or loss		**67.3**	12.1
Derivative financial instruments		**87.5**	-
Time deposits over three months		**3,381.1**	1,326.9
Time deposits up to three months, cash and bank balances		**8,076.1**	11,925.9
		21,170.9	23,632.9
Current liabilities			
Trade and other payables	11	**(12,134.2)**	(11,936.7)
Amounts due to joint ventures		**(718.9)**	(572.3)
Loan and other payables to non-controlling shareholders		**(186.3)**	(181.4)
Provision for taxation		**(556.3)**	(736.2)
Borrowings		**(5,951.8)**	(9,712.3)
Derivative financial instruments		**-**	(41.7)
		(19,547.5)	(23,180.6)
Total assets less current liabilities		**97,195.9**	92,382.7

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
As at 31st December 2016

	At 31st December 2016 HK$ Million	At 31st December 2015 HK$ Million
Non-current liabilities		
Customers' deposits	**(1,302.8)**	(1,282.9)
Deferred taxation	**(5,067.3)**	(4,874.7)
Borrowings	**(27,296.1)**	(23,363.4)
Loan payables to non-controlling shareholders	**-**	(21.9)
Asset retirement obligations	**(39.4)**	(30.2)
Derivative financial instruments	**(542.2)**	(654.4)
Retirement benefit liabilities	**(50.1)**	(42.3)
	(34,297.9)	(30,269.8)
Net assets	**62,898.0**	62,112.9
Capital and reserves		
Share capital	**5,474.7**	5,474.7
Reserves	**48,457.5**	47,366.7
Shareholders' funds	**53,932.2**	52,841.4
Perpetual capital securities	**2,353.8**	2,353.8
Non-controlling interests	**6,612.0**	6,917.7
Total equity	**62,898.0**	62,112.9

Notes:

1. General information

The Hong Kong and China Gas Company Limited (the "Company") and its subsidiaries (collectively, the "Group") have been diversified into different fields of businesses and principally engages in the production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses in Hong Kong and the People's Republic of China (the "PRC"). The Group is also engaged in property development and investment activities in Hong Kong.

The financial figures in respect of the preliminary announcement of the Group's result for the year ended 31st December 2016 have been agreed by the Company's auditor, PricewaterhouseCoopers Hong Kong ("PwC"), to the amount set out in the Group's audited consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and consequently no assurance has been expressed by PwC on this announcement.

The financial information relating to the years ended 31st December 2016 and 2015 included in this preliminary announcement of 2016 annual results do not constitute the Group's statutory annual consolidated financial statements for those years but are derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) (the "Companies Ordinance") is as follows:

The Company has delivered the consolidated financial statements for the year ended 31st December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the consolidated financial statements for the year ended 31st December 2016 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

2. Changes in accounting policies

The principal accounting policies applied in the preparation of the consolidated financial statements have been consistently applied to both years presented, unless otherwise stated.

The Group has applied the following amendments to Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA and annual improvements, which are effective for the Group's financial year beginning 1st January 2016. There is however no significant impact on the Group's results and financial position or any substantial changes in the Group's accounting policies.

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

Except for the above, the HKICPA has issued a number of new or revised standards, interpretations and amendments to standards which are not effective for accounting period beginning 1st January 2016 and have not been early adopted by the Group.

3. **Financial risk management and fair value estimation of financial instruments**

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31st December 2016 and 31st December 2015.

	Level 1		**Level 2**		**Level 3**		**Total**	
At 31st December HK$ Million	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
Assets								
Financial assets at fair value through profit or loss								
- Debt securities	**-**	-	**46.8**	-	**-**	-	**46.8**	-
- Equity securities	**20.5**	12.1	**-**	-	**-**	-	**20.5**	12.1
Derivative financial instruments	**-**	-	**344.6**	161.5	**248.8**	-	**593.4**	161.5
Available-for-sale financial assets								
- Debt securities	**453.0**	420.2	**-**	-	**-**	-	**453.0**	420.2
- Equity investment	**1,175.1**	994.1	**39.1**	219.5	**2,808.6**	2,416.2	**4,022.8**	3,629.8
Total assets	**1,648.6**	1,426.4	**430.5**	381.0	**3,057.4**	2,416.2	**5,136.5**	4,223.6
Liabilities								
Other payables	**-**	-	**-**	-	**154.0**	176.7	**154.0**	176.7
Derivative financial instruments	**-**	-	**542.2**	696.1	**-**	-	**542.2**	696.1
Total liabilities	**-**	-	**542.2**	696.1	**154.0**	176.7	**696.2**	872.8

There are no other changes in valuation techniques during the year.

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting year. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

3. **Financial risk management and fair value estimation of financial instruments** *(Continued)*

Specific valuation techniques used to value financial instruments includes:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of cross currency swaps is calculated as the present value of the estimated future cash flows based on observable foreign exchange rates and yield curves.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the end of the reporting year, with the resulting value discounted back to present value.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

- Financial assets composed of available-for-sale financial assets and derivative financial instruments in level 3, which represented an unlisted equity investment and its related derivative respectively. In respect of the unlisted equity investment, the fair value is determined based on the discounted cash flow model. The significant unobservable inputs include discount rate of 11.6 per cent, sales price, sales volume and expected free cash flows of the investee. The higher the discount rate, the lower the fair value. The higher the sales price, sales volume or expected free cash flows of the investee, the higher the fair value.

- In respect of the related derivative, the fair value is determined based on the binomial and black scholes models. The significant unobservable inputs, except for those included in the fair value of the unlisted equity investment, mainly include expected volatility of the fair value of the unlisted equity investment. The higher the volatility, the higher the fair value.

- Financial liability represents contingent consideration which is generated from the further acquisition of a subsidiary in 2015 under other payables in level 3. The fair value is determined based on discounted cash flow model. The significant unobservable inputs include discount rate of 4.0 per cent and the rate of probability on the outflow of resources will be required to settle the obligation. The higher the discount rate, the lower the fair value. The higher the rate of probability, the higher the fair value.

The following table presents the changes in level 3 instruments of the Group for the year ended 31st December 2016 and 31st December 2015.

	Financial liability		**Financial assets**	
HK$ Million	**2016**	2015	**2016**	2015
At beginning of year	**176.7**	-	**2,416.2**	-
Acquisitions	**-**	176.7	**739.0**	3,151.7
Change in fair value	**(18.7)**	-	**108.0**	(598.2)
Exchange differences	**(4.0)**	-	**(205.8)**	(137.3)
At end of year	**154.0**	176.7	**3,057.4**	2,416.2

The carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

4. Segment information

The Group's principal activities are the production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses ("New Energy") in Hong Kong and mainland China. The revenue comprises the following:

	2016 **HK$ Million**	2015 HK$ Million
Gas sales before fuel cost adjustment	**19,553.5**	20,748.2
Fuel cost adjustment	**438.8**	878.8
Gas sales after fuel cost adjustment	**19,992.3**	21,627.0
Gas connection income	**2,831.1**	2,897.5
Equipment sales and maintenance services	**2,514.4**	2,141.0
Water and related sales	**1,233.3**	1,260.9
Oil and coal related sales	**834.2**	643.0
Other sales	**1,151.8**	1,021.9
	28,557.1	29,591.3

The chief operating decision-maker has been identified as the executive committee members (the "ECM") of the Company. The ECM reviews the Group's internal reporting in order to assess performance and allocate resources. The ECM considers the business from both a product and geographical perspectives. From a product perspective, management assesses the performance of (a) gas, water and related businesses; (b) New Energy and (c) property business. Gas, water and related businesses is further evaluated on a geographical basis (Hong Kong and Mainland China).

The ECM assesses the performance of the operating segments based on a measure of adjusted profit before interest, tax, depreciation and amortisation (the "adjusted EBITDA"). Other information provided, except as noted below, to the ECM is measured in a manner consistent with that in the accounts.

The segment information provided to the ECM for the reportable segments is as follows:

2016 HK$ Million	**Gas, water and related businesses Hong Kong**	**Mainland China**	**New Energy**	**Property**	**Other segments**	**Total**
Revenue	**9,042.6**	**16,683.7**	**2,072.8**	**63.8**	**694.2**	**28,557.1**
Adjusted EBITDA	**4,512.8**	**4,618.0**	**636.8**	**40.3**	**176.2**	**9,984.1**
Depreciation and amortisation	**(710.8)**	**(1,055.3)**	**(370.7)**	**-**	**(68.0)**	**(2,204.8)**
Unallocated expenses						**(609.4)**
						7,169.9
Other losses, net						**(29.5)**
Interest expense						**(1,207.4)**
Share of results of associates	**-**	**735.3**	**(0.8)**	**1,710.3**	**2.6**	**2,447.4**
Share of results of joint ventures	**-**	**1,455.5**	**1.1**	**9.2**	**(0.5)**	**1,465.3**
Profit before taxation						**9,845.7**
Taxation						**(1,575.9)**
Profit for the year						**8,269.8**

Share of results of associates includes HK$1,188.0 million (2015: HK$1,167.6 million), being the Group's share of change in valuation of investment properties at the International Finance Centre (the "IFC") complex for the year.

4. **Segment information** *(Continued)*

2015 HK$ Million	Gas, water and related businesses Hong Kong	 Mainland China	New Energy	Property	Other segments	Total
Revenue	8,845.6	17,970.9	2,126.6	59.7	588.5	29,591.3
Adjusted EBITDA	4,258.9	4,505.1	703.2	36.7	151.0	9,654.9
Depreciation and amortisation	(681.7)	(984.1)	(334.9)	-	(58.4)	(2,059.1)
Unallocated expenses						(606.4)
						6,989.4
Other gains, net						101.4
Interest expense						(1,128.6)
Share of results of associates	-	544.9	(1.2)	1,682.9	1.6	2,228.2
Share of results of joint ventures	-	1,707.0	1.4	7.3	(0.1)	1,715.6
Profit before taxation						9,906.0
Taxation						(1,726.7)
Profit for the year						8,179.3

The segment assets at 31st December 2016 and 2015 are as follows:

2016 **HK$ Million**	**Gas, water and related businesses** **Hong Kong**	 **Mainland China**	**New Energy**	**Property**	**Other segments**	**Total**
Segment assets	**16,259.1**	**56,276.4**	**16,093.0**	**12,706.2**	**3,254.2**	**104,588.9**
Unallocated assets:						
Available-for-sale financial assets						**4,967.1**
Financial assets at fair value through profit or loss						**67.3**
Time deposits, cash and bank balances excluded from segment assets						**5,884.6**
Others (Note)						**1,235.5**
Total assets	**16,259.1**	**56,276.4**	**16,093.0**	**12,706.2**	**3,254.2**	**116,743.4**

Note:

Other unallocated assets mainly include other receivables other than those included under segment assets, derivative financial instruments, loan and other receivables from non-controlling shareholders.

4. **Segment information** *(Continued)*

2015 HK$ Million	Gas, water and related businesses Hong Kong	 Mainland China	New Energy	Property	Other segments	Total
Segment assets	16,055.6	57,487.8	15,431.1	11,526.0	2,575.7	103,076.2
Unallocated assets:						
Available-for-sale financial assets						4,567.0
Financial assets at fair value through profit or loss						12.1
Time deposits, cash and bank balances excluded from segment assets						6,541.8
Others (Note)						1,366.2
Total assets	16,055.6	57,487.8	15,431.1	11,526.0	2,575.7	115,563.3

The Company is domiciled in Hong Kong. The Group's revenue from external customers in Hong Kong for the year ended 31st December 2016 is HK$10,328.9 million (2015: HK$10,059.0 million), and the revenue from external customers in other geographical locations is HK$18,228.2 million (2015: HK$19,532.3 million).

At 31st December 2016, the total of non-current assets other than financial instruments located in Hong Kong and other geographical locations are HK$25,755.0 million and HK$61,484.1 million (2015: HK$23,828.1 million and HK$61,002.0 million) respectively.

5. **Total operating expenses**

	2016 **HK$ Million**	2015 HK$ Million
Stores and materials used	**12,709.6**	14,097.9
Manpower costs	**2,955.2**	2,844.3
Depreciation and amortisation	**2,223.1**	2,075.3
Other operating items	**3,499.3**	3,584.4
	21,387.2	22,601.9

6. **Other (losses)/gains, net**

	2016 **HK$ Million**	2015 HK$ Million
Net investment gains	**208.5**	276.6
Fair value gain on investment property	**14.1**	26.8
Gain on disposal of an associate	**-**	30.8
Fair value gain on derivative	**248.8**	-
Project research and development costs	**(49.3)**	(51.7)
Provision for other assets	**(206.6)**	(168.6)
Provision for an investment in an associate	**(250.0)**	-
Ineffective portion on cash flow hedges	**5.0**	(9.4)
Others	**-**	(3.1)
	(29.5)	101.4

7. Taxation

The amount of taxation charged to the income statement represents:

	2016 **HK$ Million**	2015 HK$ Million
Current taxation - provision for Hong Kong Profits Tax at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits for the year	**647.5**	628.0
Current taxation - provision for other countries income tax at the prevailing rates on the estimated assessable profits for the year	**695.9**	777.4
Current taxation - over provision in prior years	**(101.6)**	(9.5)
Deferred taxation - origination and reversal of temporary differences	**255.2**	215.9
Withholding tax	**78.9**	114.9
	1,575.9	1,726.7

8. Dividends

	2016 **HK$ Million**	2015 HK$ Million
Interim, paid of HK12 cents per ordinary share (2015: HK12 cents per ordinary share)	**1,526.0**	1,387.6
Final, proposed of HK23 cents per ordinary share (2015: HK23 cents per ordinary share)	**2,924.9**	2,659.0
	4,450.9	4,046.6

9. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders of HK$7,340.7 million (2015: HK$7,302.0 million) and the weighted average of 12,717,042,258 shares (2015: 12,718,465,258 shares *) in issue during the year.

As there were no diluted potential ordinary shares outstanding during the year (2015: nil), the diluted earnings per share for the year ended 31st December 2016 is the same as the basic earnings per share.

* *Adjusted for the bonus share issue in 2016*

10. Trade and other receivables

	2016 **HK$ Million**	2015 HK$ Million
Trade receivables (Note)	**3,497.5**	3,513.9
Payments in advance	**1,259.4**	1,242.3
Other receivables	**1,572.7**	2,140.6
	6,329.6	6,896.8

10. Trade and other receivables *(Continued)*

Note:

The Group has established credit policies for different types of customers. The credit periods offered for trade receivables, which are subject to periodic review by management, range from 30 to 60 days except for gas receivables of the Company which are due by 8 working days after billing date. As at 31st December 2016, the aging analysis of the trade receivables, net of impairment provision, is as follows:

	2016	2015
	HK$ Million	HK$ Million
0 – 30 days	**2,874.8**	2,979.5
31 – 60 days	**199.0**	129.5
61 – 90 days	**135.9**	104.5
Over 90 days	**287.8**	300.4
	3,497.5	3,513.9

11. Trade and other payables

	2016	2015
	HK$ Million	HK$ Million
Trade payables (Note a)	**2,647.0**	2,573.1
Other payables and accruals (Note b)	**9,487.2**	9,363.6
	12,134.2	11,936.7

Notes:

(a) As at 31st December 2016, the aging analysis of the trade payables is as follows:

	2016	2015
	HK$ Million	HK$ Million
0 – 30 days	**1,379.3**	1,179.3
31 – 60 days	**249.5**	352.0
61 – 90 days	**264.0**	314.1
Over 90 days	**754.2**	727.7
	2,647.0	2,573.1

(b) The balances mainly represent advance received from customers for construction works and accrual for services or goods received from suppliers. The balance at 31st December 2015 included an amount of approximately HK$45.7 million payable to Henderson Land Development Company Limited and the balance was fully settled during the year.

DIVIDEND AND BONUS SHARE ISSUE

The Board now recommends a final dividend of HK23 cents per share payable to shareholders of the Company whose names are on the register of members of the Company on 15th June 2017. The Board also recommends the issue of bonus shares on the basis of one bonus share for every ten existing shares held by shareholders registered as such on the register of members of the Company on 15th June 2017. The necessary resolutions will be proposed at the forthcoming Annual General Meeting on 7th June 2017, and if passed, dividend warrants and share certificates will be posted on 23rd June 2017.

CLOSURE OF REGISTER OF MEMBERS

In order to determine entitlement of shareholders to the right to attend and vote at the forthcoming Annual General Meeting (or any adjournment thereof), the register of members of the Company will be closed from Friday, 2nd June 2017 to Wednesday, 7th June 2017, both days inclusive, during which period no share transfer will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 1st June 2017.

In order to determine shareholders who qualify for the proposed issue of bonus shares and final dividend, the register of members of the Company will be closed from Tuesday, 13th June 2017 to Thursday, 15th June 2017, both days inclusive, during which period no share transfer will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, for registration no later than 4:30 p.m. on Monday, 12th June 2017.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Wednesday, 7th June 2017. For details of the Annual General Meeting, please refer to the Notice of Annual General Meeting which is expected to be published on or about Thursday, 20th April 2017.

FINANCIAL RESOURCES REVIEW

Liquidity and capital resources

As at 31st December 2016, the Group had a net current deposits position of HK$5,505 million (31st December 2015: HK$3,541 million) and long-term borrowings of HK$27,296 million (31st December 2015: HK$23,363 million). In addition, banking facilities available for use amounted to HK$11,500 million (31st December 2015: HK$13,000 million).

The operating and capital expenditures of the Group are funded by cash flow from operations, internal liquidity, banking facilities, debt and equity financing. The Group has adequate and stable sources of funds and unutilised banking facilities to meet its future capital expenditures and working capital requirements.

Financing structure

In May 2009, the Group established a US$1 billion Medium Term Note Programme (the "Programme") which gives the Group the flexibility to issue notes at favourable terms and timing under the Programme. In May 2012, the Programme was updated with the size increased to US$2 billion. Up to 31st December 2016 after the repayment of Renminbi notes during the year, the Group issued notes in the total amount of HK$11,934 million (31st December 2015: HK$11,818 million) with maturity terms of 10 years, 12 years, 15 years, 30 years and 40 years in Australian dollar, Japanese yen and Hong Kong dollar under the Programme (the "MTNs"). The carrying value of the issued MTNs as at 31st December 2016 was HK$11,196 million (31st December 2015: HK$11,055 million).

As at 31st December 2016, the outstanding principal amount of the 10-year US dollar Guaranteed Notes (the "Guaranteed Notes") issued by the Group in August 2008 at a fixed coupon rate of 6.25 per cent per annum was US$995 million (31st December 2015: US$995 million) and the carrying value was HK$7,701 million (31st December 2015: HK$7,682 million).

As at 31st December 2016, the Group's borrowings amounted to HK$33,248 million (31st December 2015: HK$33,076 million). While the Notes mentioned above together with the bank and other loans of HK$4,381 million (31st December 2015: HK$1,684 million) had fixed interest rate and were unsecured, the remaining bank and other loans of the Group were unsecured and had a floating interest rate, of which HK$6,496 million (31st December 2015: HK$5,582 million) were long-term bank loans and HK$3,474 million (31st December 2015: HK$7,073 million) had maturities within one year on revolving credit or term loan facilities. As at 31st December 2016, the maturity profile of the Group's borrowings was 18 per cent within 1 year, 28 per cent within 1 to 2 years, 22 per cent within 2 to 5 years and 32 per cent over 5 years (31st December 2015: 29 per cent within 1 year, 5 per cent within 1 to 2 years, 37 per cent within 2 to 5 years and 29 per cent over 5 years).

The US dollar Guaranteed Notes, the AUD Note and JPY Note issued are hedged to Hong Kong dollars by currency swaps. Except for some borrowings of certain subsidiaries are arranged in or hedged to their functional currency in Renminbi, the Group's borrowings are primarily denominated in Hong Kong dollars and local currency of subsidiaries in mainland China. The Group therefore has no significant exposure to foreign exchange risk.

In January 2014, the Group issued its first Perpetual Subordinated Guaranteed Capital Securities (the "Perpetual Capital Securities") amounting to US$300 million with distribution rate of 4.75 per cent per annum for the first five years and thereafter at floating distribution rate. With no fixed maturity and the distribution payment can be deferred at the discretion of the Group, the Perpetual Capital Securities are redeemable at the Group's option on or after 28th January 2019 and are accounted for as equity in the financial statements. The Perpetual Capital Securities are guaranteed by the Company. The issuance helps strengthen the Group's financial position, improve its financing maturity profile and diversify its funding sources.

The gearing ratio [net borrowing / (shareholders' funds + perpetual capital securities + net borrowing)] for the Group as at 31st December 2016 remained healthy at 28 per cent (31st December 2015: 26 per cent).

Contingent liabilities

As at 31st December 2016 and 31st December 2015, the Group did not provide any guarantee in respect of bank borrowing facilities made available to any associates, joint ventures or third parties.

Currency profile

The Group's operations and activities are predominantly based in Hong Kong and mainland China. As such, its cash, cash equivalents or borrowings are mainly denominated in Hong Kong dollars, Renminbi or United States dollars, whereas borrowings of the Group's subsidiaries, associates and joint ventures in mainland China are predominantly denominated in the local currency, Renminbi, in order to provide natural hedging for the investment there.

Group's financial investments in securities

Under the guidance of the Group's Treasury Committee, financial investments have been made in equity and debt securities. As at 31st December 2016, the investments in securities amounted to HK$1,649 million (31st December 2015: HK$1,646 million). The performance of the Group's financial investments in securities was satisfactory.

CORPORATE GOVERNANCE

During the year ended 31st December 2016, the Company complied with all 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 Board Audit and Risk Committee has reviewed the Group's consolidated financial statements for the year ended 31st December 2016, including the accounting principles and practices adopted by the Group, in conjunction with the Group's internal auditor and PricewaterhouseCoopers, the Group's external auditor.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S 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.

By Order of the Board
JOHN H.M. HO
Chief Financial Officer and Company Secretary

Hong Kong, 16th March 2017

As at the date of this announcement, the Board comprises:

Non-executive Directors:	Dr. the Hon. Lee Shau Kee (Chairman), Dr. Colin Lam Ko Yin, Dr. Lee Ka Kit and Mr. Lee Ka Shing
Independent Non-executive Directors:	Mr. Leung Hay Man, Dr. the Hon. Sir David Li Kwok Po and Professor Poon Chung Kwong
Executive Directors:	Mr. Alfred Chan Wing Kin and Mr. Peter Wong Wai Yee

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