CHINA GAS HOLDINGS LIMITED

中國燃氣控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 384)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2015

The Board of Directors (the "Board") of China Gas Holdings Limited (the "Company") announces the audited consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2015, together with the comparative figures for the year ended 31 March 2014, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**Year ended 31 March 2015** *HK$'000*	Year ended 31 March 2014 *HK$'000*
Revenue	*3*	**31,686,028**	26,007,997
Cost of sales		**(25,228,692)**	(20,721,862)
Gross profit		**6,457,336**	5,286,135
Other income		**674,352**	405,355
Other gains and losses		**50,554**	79,292
Selling and distribution costs		**(1,149,980)**	(871,038)
Administrative expenses		**(1,435,553)**	(1,200,432)
Finance costs		**(554,159)**	(614,967)
Share of results of associates		**309,057**	290,437
Share of results of joint ventures		**458,129**	345,814
Profit before taxation		**4,809,736**	3,720,596
Taxation	*4*	**(940,050)**	(741,301)
Profit for the year	*5*	**3,869,686**	2,979,295
Other comprehensive income			
Item that will be reclassified subsequently to profit or loss:			
Increase in fair value on available-for-sale investments		**29,235**	2,299
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**993**	105,407
Other comprehensive income for the year		**30,228**	107,706
Total comprehensive income for the year		**3,899,914**	3,087,001

	Note	Year ended 31 March 2015 HK$'000	Year ended 31 March 2014 HK$'000
Profit for the year attributable to:			
Owners of the Company		**3,371,053**	2,575,506
Non-controlling interests		**498,633**	403,789
		3,869,686	2,979,295
Total comprehensive income attributable to:			
Owners of the Company		**3,398,309**	2,659,918
Non-controlling interests		**501,605**	427,083
		3,899,914	3,087,001
Earnings per share	*6*		
Basic		**HK67.30 cents**	HK53.58 cents
Diluted		**HK65.48 cents**	HK51.61 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2015

	Notes	2015 HK$'000	2014 HK$'000
Non-current assets			
Investment properties		**262,364**	255,068
Property, plant and equipment		**21,115,635**	17,834,621
Prepaid lease payments		**1,373,881**	1,171,179
Investments in associates		**3,684,098**	2,686,039
Investments in joint ventures		**4,873,719**	4,117,689
Available-for-sale investments		**236,469**	162,984
Goodwill		**2,505,688**	2,337,439
Other intangible assets		**3,064,500**	1,984,329
Deposits for acquisition of property, plant and equipment		**275,809**	385,225
Deposits for acquisition of subsidiaries, joint ventures and associates		**104,120**	97,159
Amount due from an associate		**35,658**	189,887
Deferred tax assets		**124,489**	110,798
		37,656,430	31,332,417
Current assets			
Inventories		**1,198,879**	1,207,282
Amounts due from customers for contract work		**797,749**	529,365
Trade and other receivables	7	**5,327,853**	4,736,597
Amounts due from associates		**26,276**	175,759
Amounts due from joint ventures		**271,980**	536,324
Prepaid lease payments		**42,323**	33,425
Held-for-trading investments		**10,965**	8,813
Pledged bank deposits		**63,484**	250,748
Bank balances and cash		**5,228,497**	6,453,899
		12,968,006	13,932,212
Current liabilities			
Trade and other payables	8	**6,924,326**	6,079,095
Amounts due to customers for contract work		**427,659**	136,811
Taxation		**365,526**	304,796
Amount due to a non-controlling interest of a subsidiary		**1,077**	2,675
Bank and other borrowings — due within one year		**3,918,554**	5,760,676
		11,637,142	12,284,053
Net current assets		**1,330,864**	1,648,159
Total assets less current liabilities		**38,987,294**	32,980,576

	2015	2014
	HK$'000	*HK$'000*
Equity		
Share capital	**50,019**	49,953
Reserves	**18,346,298**	15,733,536
Equity attributable to owners of the Company	**18,396,317**	15,783,489
Non-controlling interests	**3,039,183**	2,373,523
Total equity	**21,435,500**	18,157,012
Non-current liabilities		
Bank and other borrowings — due after one year	**16,817,008**	14,192,186
Deferred taxation	**734,786**	631,378
	17,551,794	14,823,564
	38,987,294	32,980,576

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values.

2. APPLICATION OF NEW AND REVISED HKFRSs

The Group has applied the following amendments to HKFRSs and a new Interpretation issued by the HKICPA for the first time in the current year.

Amendments to HKFRS 10, HKFRS 12 and HKFRS 27	Investment entities
Amendments to HKAS 32	Offsetting financial assets and financial liabilities
Amendments to HKAS 39	Novation of agriculture and continuation of hedge accounting
HK(IFRIC) - INT 21	Levies

The application of the amendments to HKFRSs and a new Interpretation 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.

3. REVENUE AND SEGMENT INFORMATION

Revenue mainly represents the net amounts received and receivable for sales of piped gas, liquefied petroleum gas ("LPG"), coke and gas appliances and construction contract revenue from gas connection contracts by the Group for the year.

Information reported to the Group's chief operating decision maker ("CODM"), being the managing director of the Group, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services rendered which is also consistent with the basis of organisation of the Group.

The Group acquired 100% equity interest of Fortune Gas Investment Holdings Limited ("Fortune Gas") during the year ended 31 March 2014. The CODM reviewed the results of Fortune Gas being consolidated by the Group and Fortune Gas is a single operating segment.

The CODM reviewed the results of Zhongyu Gas Holdings Limited ("Zhongyu Gas"), an associate of the Group, being shared by the Group under equity accounting and Zhongyu Gas is a single operating segment.

The Group's reportable and operating segments under HKFRS 8 are as follows:

(i) Sales of piped gas;
(ii) Gas connection;
(iii) Sales of LPG;
(iv) Sales of coke and gas appliances;
(v) Fortune Gas; and
(vi) Zhongyu Gas

Information regarding the above segments is presented below.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

For the year ended 31 March 2015

	Sales of piped gas *HK$'000*	Gas connection *HK$'000*	Sales of LPG *HK$'000*	Sales of coke and gas appliances *HK$'000*	Fortune Gas *HK$'000*	Zhongyu Gas *HK$'000*	Segment Total *HK$'000*
Segment revenue from external customers	**11,649,169**	**4,287,285**	**14,067,030**	**19,917**	**1,662,627**	**—**	**31,686,028**
Segment profit	**1,648,360**	**2,207,505**	**320,898**	**177**	**703,762**	**142,890**	**5,023,592**
Change in fair value of investment properties							**7,296**
Interest and other gains							**94,961**
Allowance for amount due from an associate							**(145,646)**
Unallocated corporate expenses							**(222,266)**
Finance costs							**(550,341)**
Share of results of unlisted associates							**164,165**
Share of results of joint ventures							**437,975**
Profit before taxation							**4,809,736**

For the year ended 31 March 2014

	Sales of piped gas *HK$'000*	Gas connection *HK$'000*	Sales of LPG *HK$'000*	Sales of coke and gas appliances *HK$'000*	Fortune Gas *HK$'000*	Zhongyu Gas *HK$'000*	Segment Total *HK$'000*
Segment revenue from external customers	10,168,707	3,657,582	11,268,183	8,988	904,537	—	26,007,997
Segment profit (loss)	1,451,236	1,979,238	167,124	(394)	199,897	115,531	3,912,632
Change in fair value of investment properties							8,957
Interest and other gains							62,101
Unallocated corporate expenses							(215,230)
Finance costs							(613,578)
Loss on deemed disposal of an associate							(15,033)
Gain on deemed disposal of joint ventures							78,807
Share of results of unlisted associates							173,695
Share of results of joint ventures							328,245
Profit before taxation							3,720,596

All of the segment revenue reported above is from external customers and no inter-segment sales are noted for current and prior years.

The accounting policies of the operating segments are the same as the Group's accounting policies. Except for segment profit of Fortune Gas and Zhongyu Gas, segment profit (loss) for remaining reportable segments represents the profit earned by or loss from each segment without allocation of bank interest income and other gains, central administration cost, change in fair value of investment properties, allowance for amount due from an associate, loss on deemed disposal of an associate, gain on deemed disposal of joint ventures, share of results of unlisted associates other than amount attributable to Fortune Gas's associates, share of results of joint ventures other than amount attributable to Fortune Gas's joint ventures and finance costs. The segment profit of Fortune Gas represents the profit before tax of Fortune Gas. The segment profit of Zhongyu Gas represents share of results of Zhongyu Gas. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

4. TAXATION

	2015	2014
	HK$'000	*HK$'000*
People's Republic of China (the "PRC"), other than Hong Kong Enterprise Income Tax	**970,271**	765,080
Deferred taxation	**(30,221)**	(23,779)
	940,050	741,301

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profit derived in Hong Kong for both years.

The tax rate of the PRC subsidiaries is 25% except for the tax relief explained below.

Certain PRC group entities are entitled to the preferential tax rate pursuant to the relevant regulations applicable to enterprises situated in the western regions of the PRC. The applicable tax rates of those PRC group entities is 15% for the year ended March 31, 2015 (2014: 15%).

5. PROFIT FOR THE YEAR

	2015	2014
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**9,000**	9,000
Depreciation of property, plant and equipment	**811,874**	653,089
Release of prepaid lease payments	**47,976**	37,730
Amortisation of intangible assets included in cost of sales	**71,544**	58,262
Minimum lease payments for operating leases	**152,679**	87,871
Loss on disposal of property, plant and equipment	**14,643**	6,169
Share of tax of associates (included in share of results of associates)	**126,887**	83,997
Share of tax of joint ventures (included in share of results of joint ventures)	**137,140**	99,412
Staff costs	**1,481,587**	1,168,554
Cost of inventories recognised as expenses	**24,154,115**	19,663,267
Rental income from investment properties less outgoings	**(37,520)**	(34,076)

6. EARNINGS PER SHARE

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

	2015	2014
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share, being profit for the year attributable to owners of the Company	**3,371,053**	2,575,506

	2015	2014
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,009,233**	4,806,622
Adjustment for effect of dilutive potential ordinary shares:		
Share options	**138,902**	183,560
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,148,135**	4,990,182

7. TRADE AND OTHER RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**1,716,337**	1,438,018
Less: Accumulated allowances	**(375,685)**	(318,613)
Trade receivables	**1,340,652**	1,119,405
Deposits paid for construction and other materials	**796,171**	681,232
Deposits paid for purchase of natural gas and LPG	**641,747**	545,747
Advance payments to sub-contractors	**525,896**	538,683
Rental and utilities deposits	**233,709**	138,340
Other tax recoverable	**242,742**	162,500
Other receivables and deposits	**1,247,221**	1,190,433
Prepaid operating expenses	**265,078**	320,333
Amounts due from non-controlling interests of subsidiaries	**34,637**	39,924
Total trade and other receivables	**5,327,853**	4,736,597

Other than certain major customers with good repayment history which the Group allows a longer credit period or settlement by instalment basis, the Group generally allows an average credit period of 30 to 180 days to its trade customers.

The following is an aged analysis of trade receivables net of impairment losses presented based on invoice date at the end of the reporting period:

	2015	2014
	HK$'000	*HK$'000*
0–180 days	**1,124,493**	890,496
181–365 days	**155,878**	182,357
Over 365 days	**60,281**	46,552
	1,340,652	1,119,405

The trade receivables with carrying amount of HK$1,124,493,000 (2014: HK$890,496,000) are neither past due nor impaired at the reporting date for which the Group believes that the amounts are considered recoverable.

The Group has policies for allowance of bad and doubtful debts which are based on the evaluation of collectability and age analysis of accounts and on the management's judgment including the credit creditworthiness and the past collection history of each customer.

During the year ended 31 March 2015, the Group made an allowance of HK$57,072,000 (2014: allowance of HK$64,579,000) in respect of the trade receivables related to the gas pipeline construction business and LPG business, which was past due at the reporting date with long age and slow repayments were received from respective customers since the due date. The directors of the Company (the "Directors") considered the related receivables may be impaired and specific allowance is made.

8. TRADE AND OTHER PAYABLES

Trade and other payables comprise amounts outstanding for trade purchases and ongoing costs. The following is an aged analysis of trade and other payables presented based on the invoice date at the end of the reporting period:

	2015	2014
	HK$'000	*HK$'000*
0–90 days	**1,379,846**	1,101,225
91–180 days	**477,489**	432,312
Over 180 days	**1,360,640**	1,001,938
Trade and bill payables	**3,217,975**	2,535,475
Other payables and accrued charges	**642,893**	563,161
Construction fee payables	**528,918**	507,833
Other tax payables	**60,792**	26,348
Accrued staff costs	**86,397**	70,869
Loan interest payables	**76,827**	115,947
Deposits received from customers	**45,939**	48,253
Advance payments from customers	**1,486,290**	1,338,459
Advances received from customers for contract works that have not yet been started	**606,971**	801,053
Amounts due to non-controlling interests of subsidiaries	**171,324**	71,697
	6,924,326	6,079,095

Included in the amounts due to non-controlling interests of subsidiaries are trade payables amounting to HK$582,000 (2014: HK$16,204,000) respectively. All of the balances were aged within 90 days based on invoice date and the average credit period is 90 days.

The non-trade balances of amounts due to non-controlling interests of subsidiaries are unsecured, non-interest bearing and repayable on demand.

FINAL DIVIDEND

The Board recommended to pay a final dividend of HK13.95 cents per share to shareholders whose names appear on the register of members of the Company on 27 August 2015 (Thursday) (the record date for determining the entitlement of the shareholders to receive the proposed final dividend). Together with the interim dividend of HK2.2 cents per share paid to the shareholders on 30 January 2015, total dividend payout for the financial year ended 31 March 2015 amounted to HK16.15 cents per share (total dividend payout for the previous year: HK12.06 cents per share).

The final dividend, if approved by the shareholders, is expected to be payable on or about 30 September 2015.

CLOSURE OF REGISTER OF MEMBERS

To be eligible to attend and vote at the forthcoming annual general meeting

The register of members of the Company will be closed from 17 August 2015 (Monday) to 19 August 2015 (Wednesday) (both days inclusive), during which period no transfer of shares in the Company will be registered, for the purpose of determining the identity of the shareholders entitled to attend and vote at the 2015 annual general meeting of the Company ("2015 AGM"). In order to qualify for attending and voting at the 2015 AGM to be held on 19 August 2015 (Wednesday), all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 14 August 2015 (Friday).

To qualify for the proposed final dividend

The register of members of the Company will be closed from 25 August 2015 (Tuesday) to 27 August 2015 (Thursday) (both days inclusive), during which period no transfer of shares in the Company will be registered, for the purpose of determining the entitlement of the shareholders to receive the proposed final dividend for the year ended 31 March 2015. Subject to approval of the shareholders at the 2015 AGM, the proposed final dividend will be payable to the shareholders whose names appear on the register of members of the Company on 27 August 2015 (Thursday). In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17 Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 24 August 2015 (Monday).

MANAGEMENT DISCUSSION AND ANALYSIS

Introduction to the Group

The Group is a gas operator and service provider primarily engaged in the investment, construction and operation of city gas pipeline infrastructure facilities, gas terminals, storage and transportation facilities, and gas logistics systems, transmission of natural gas and liquefied petroleum gas ("LPG") to residential, industrial and commercial customers, construction and operation of compressed natural gas/liquefied natural gas ("CNG/LNG") refilling stations as well as development and application of technologies relating to natural gas and LPG in China.

Business Review

For the year ended 31 March 2015, the revenue of the Group amounted to HK$31,686,028,000 (for the year ended 31 March 2014: HK$26,007,997,000), increased by 21.8% over the same period last year. Gross profit amounted to HK$6,457,336,000 (for the year ended 31 March 2014: HK$5,286,135,000), increased by 22.2% over the same period last year. Overall gross profit margin was 20.4% (for the year ended 31 March 2014: 20.3%). Profit for the year amounted to HK$3,869,686,000 (for the year ended 31 March 2014: HK$2,979,295,000), increased by 29.9% over the same period last year. Basic earnings per share amounted to HK67.30 cents (for the year ended 31 March 2014: HK53.58 cents), increased by 25.6% over the same period last year.

New Projects Expansion

During the financial year, the Group secured 36 additional city piped gas projects. As of 31 March 2015, the Group has secured a total of 273 piped gas projects with exclusive concession rights, 13 long-distance natural gas pipeline projects, 520 CNG/LNG refilling stations for vehicles, 1 coal bed methane development projects and 98 LPG distribution projects in 25 provinces, municipalities and autonomous regions in China.

The new projects secured by the Group since 1 April 2014 are located as follows:

Provinces/Autonomous Regions/ Municipalities	**Cities/Districts**
Heilongjiang Province	Fuyu County, Xinqing District of Yichun City, Boli County, Luobei County, Jixi City
Hebei Province	Dingxing County, Dingzhou City, Laishui County, Yutian County, Changli County, Weixian County, Xiahuayuan District, Cheng'an County, Wuqiao County, Ningjin County, Linzhang County, Zaoqiang County, Longyao County, Xingtang County, Gucheng County, Nangong City, Jize County, Xinhe County

Provinces/Autonomous Regions/ Municipalities	Cities/Districts
Jilin Province	Baishan City, Changbaishan International Resort of Fusong County
Guangxi Zhuang Autonomous Region	Hechi City, Guangxi Provincial Natural Gas Pipeline Network
Jiangsu Province	Lianyungang Haizhou Economic Development Zone, Pei County, Sihong County, Si County, Guannan County
Fujian Province	Wuping County
Xinjiang Uygur Autonomous Region	Huocheng Economic Development Zone, Khorgos Economic Development Zone
Anhui Province	Wuhe County
Hunan Province	New Zone of Yiyang City

As at 31 March 2015, the total connectable urban population covered by the Group's gas projects has increased to 91,843,911 (approximately 28,439,569 households).

Gas Business Review

The principal business segments of the Group are selling natural gas and LPG, the customer bases and the adopted market strategies of which are different from each other. The performance of each segment for the year ended 31 March 2015 is discussed below.

Natural Gas Business

As an operator and service provider mainly focusing on natural gas supply, the Group has, through its efforts in the past 13 years, established a unique operating and management system that suits it best in the natural gas industry in China. With regular optimisation, such system has proven to contribute positively towards the management efficiency and operating results of the Group.

Construction of Piped Gas Networks

City gas pipeline networks are the foundation of the operation of gas supply corporations. By constructing city gas trunk and branch pipeline networks, the Group connects natural gas pipelines with its residential as well as industrial and commercial customers, from whom connection fees and gas usage fees are charged.

As at 31 March 2015, of all city piped gas projects owned by the Group, 190 projects were in the operation phase by supplying piped natural gas. The Group completed the construction of gas transmission pipeline networks of 60,419 kilometers and 269 storage and distribution stations (city gates). Those storage and distribution stations are designed to supply 79,290,000 cubic meters of gas per day.

Natural Gas Users

Natural gas customers of the Group are mainly classified into residential customers, industrial and commercial customers, and CNG/LNG refilling stations for vehicles.

Residential Customers

With the commercial and residential property markets in China being in weak condition in 2014, residential connection business for natural gas companies faced challenges. However, the social housing, under the strong support of the government, has developed rapidly, and thus the overall number of connections for newly constructed residences has increased compared to last year. To proactively address the weakening newly constructed residence market, the Group has developed marketing and incentive strategies for the connection of existing residential users in recent years, and achieved significant results by optimising the strategies. During the financial year, the number of newly connected existing residential customers accounted for 30% of the total number of newly connected residential customers for the year.

During the financial year, the Group completed natural gas connections for 1,920,790 new residential households, representing an increase of approximately 15.6% over the same period last year (for the year ended 31 March 2014: 1,662,167 households). The average piped gas connection fee for residential customers during the financial year remains stable at RMB2,568/household (for the year ended 31 March 2014: RMB2,562/household).

As at 31 March 2015, the Group completed gas connections for 12,590,944 households, representing an increase of approximately 22.2% over the same period last year (for the year ended 31 March 2014: 10,306,995 households), accounting for 44.3% of the total number of connectable residential customers of the Group.

Industrial and Commercial Customers

The Chinese Government has been encouraging high energy consumption industries to gradually replace highly-polluting coal and oil with clean energy, such as natural gas, to strengthen energy conservation and emission reduction. In September 2013, the State Council of China promulgated the Action Plan on Prevention and Control of Air Pollution (《大氣污染防治行動計劃》), according to which China will make efforts to rectify small coal-fired boilers and accelerate the construction of gas-fired central heating systems and "coal-to-gas" conversion projects across the country. By 2017, cities at and above prefecture level will have to eliminate coal-fired boilers with efficiency of and lower than 10 tons of steam per hour, and stop building coal-fired boilers with efficiency lower than 20 tons of steam per hour. The State Council of China also released Circular on Several Opinions on Long-term Mechanisms for Securing Stable Natural Gas Supplies (《保障天然氣穩定供應長效機制若干意見的通知》) in April 2014 to secure the availability of 112 billion cubic meters of natural gas by 2020 to meet the demand from "coal-to-gas" conversion projects. In the coming three to five years, the "coal-to-gas" market will develop quickly, and capturing this opportunity will substantially facilitate and enhance the Group's natural gas sales to industrial users and for the winter heating consumption.

Industrial and commercial customers have higher demand for natural gas and lower operating cost for unit gas sales as compared with residential customers. As such, in addition to fulfilling the gas demand from residential customers, the Group stepped up gas connections for industrial and commercial customers. As the implementation of the Group's "hub-satellite cities" development strategy continues, the Group expects to secure more piped natural gas projects in industrialised cities, economic development zones and industrial parks. These new projects will become one of the Group's major drivers for natural gas sales growth in the future.

During the financial year, the Group added 954 industrial customers and 12,328 commercial customers. As at 31 March 2015, the Group had 3,668 industrial customers and 71,807 commercial customers, representing increases of approximately 35.2% and 20.7% respectively as compared with the same period last year. The average connection fees for industrial customers and commercial customers during the financial year were RMB270,000 per household and RMB55,000 per household respectively.

During the financial year, the Group's income from gas connection activities grew by approximately 17.2% over the same period last year to HK$4,287,285,000, accounting for approximately 13.5% of the Group's total revenue for the year.

Compressed Natural Gas Refilling Station/Liquefied Natural Gas Refilling Stations

On 14 October 2012, the National Development and Reform Commission of China (the "NDRC") issued the Natural Gas Utilisation Policy, in which the NDRC emphasised for the first time the prioritised development of "oil-to-gas" utilisation projects in the transportation sectors of vehicles and vessels. Such "oil-to-gas" policy stimulated the development of gas refilling stations for vehicles and vessels. The Group made the development of CNG/LNG refilling stations as one of the important drivers for its sustainable growth to push forward the development and construction of CNG/LNG refilling stations for vehicles and vessels in all aspects. It aims to build 1,000 natural gas refilling stations by 2017 with a market development strategy giving priority to the development of CNG stations. Regarding the gas refilling business for vessels, the Group owns the patents and intellectual property rights in LNG vessel engine modifications and advanced "oil-to-gas" conversion technology for vessels as well as the experience in development. With regards to the incentive policies promulgated by the NDRC and the Ministry of Transport in relation to the application of natural gas for vessels, the Group prepared a three-year strategic plan for the development of its vessel gas refilling projects, which set "innovative planning, serious analysis, prudent development" as the implementation approaches to boost LNG refilling business for vessels.

The Group experienced the fastest growth in terms of the number of refilling stations in the financial year, during which 65 new CNG refilling stations and 102 LNG refilling stations for vehicles were built. As at 31 March 2015, the Group owned a total of 360 CNG refilling stations and 160 LNG refilling stations for vehicles. The total number of gas refilling stations increased by 47.3% to 520 as compared with the same period last year. Sales volume of CNG/LNG for vehicles made up 11.9% of the Group's total natural gas sales volume during the financial year.

Sale of Natural Gas

During the financial year, the Group sold a total of 8,974,630,000 cubic meters of natural gas, representing an increase of 11.6% over the same period last year, of which 6,753,276,000 cubic meters were sold through city piped gas network, representing an increase of 19.2% over the same period last year, and 2,221,354,000 cubic meters were sold directly through long-distance natural gas pipelines, representing a decrease of 6.7% over the same period last year. During the period, the drop of gas volume sold through long-distance natural gas pipelines was mainly due to following two factors: the industrial customer of Changmeng Pipeline took advantage of the weak production season in summer to execute its production equipment maintenance, the temporary pause of its production consumed 310 million cubic meters less natural gas. Besides, in response to the requirement of the environment protection department, production of the industrial users of Wushen Pipeline has been suspended since October 2014 for the installation of environmental protection equipment. Due to the suspension of production, 350 million cubic meters of natural gas that should have been sold by the Group through long-distance pipelines was affected during the reporting period. Following the removal of the above-mentioned one-off effect factor, the Group believes that the volume of gas sold through long distance pipeline projects in operation will grow significantly from the next financial year. Meanwhile, the newly added large-scale pipelines of the Group were still under construction or at the initial stage of operation, such as Liaoyang Pipeline with an annual designed capacity of 1 billion cubic meters and the Guangxi Provincial Natural Gas Pipeline with an annual designed capacity of 10 billion cubic meters, etc. These new long distance pipelines will contribute significant volume increase to the Group once construction is completed and the utilisation rate is gradually enhanced year over year.

During the financial year, the Group sold 1,339,827,000 cubic meters of gas to residential customers, 5,318,183,000 cubic meters to industrial customers, 1,244,609,000 cubic meters to commercial customers and 1,072,011,000 cubic meters to CNG/LNG vehicle users, accounting for approximately 14.9%, 59.3%, 13.9% and 11.9% of the Group's total natural gas sales volume respectively. With a large proportion of industrial and commercial customers in the customer mix, the Group enjoys enormous potential in its future gas sales. In addition, the less stringent control on gas tariffs for industrial and commercial customers enables the Group to pass through the fluctuation in upstream natural gas prices more easily.

During the financial year, the Group's income from natural gas sales grew by approximately 14.6% over the same period last year to HK$11,649,169,000, representing approximately 36.8% of the Group's total revenue for the year.

The core business of the Group is piped natural gas supply. However, for some projects in areas such as Fushun where piped natural gas is not yet accessible, piped coal gas or LPG blended with air is sold as a transitional fuel. A total of 139,726,000 cubic meters piped coal gas and LPG blended with air were sold during the financial year. With the availability of upstream natural gas to such cities, the sale of transitional fuels by the Group is likely to scale down gradually.

Selling Price of Natural Gas

During the period, the average selling price (pre-tax) of the Group's natural gas was RMB2.36 per cubic meter for residential customers, RMB2.82 per cubic meter for industrial customers, RMB2.98 per cubic meter for commercial customers, and RMB3.33 per cubic meter for CNG/LNG vehicle users.

In order to regulate natural gas prices, guarantee natural gas supply, promote energy saving and emission reduction, and increase utilisation efficiency of resources, the NDRC issued the Notice of the NDRC on Adjusting the Natural Gas Prices (國家發改委關於調整天然氣價格的通知, the "Notice") on 28 June 2013. According to the Notice, natural gas price will be adjusted stage by stage and great efforts will be made to achieve full adjustment by the end of 2015 for the purpose of allowing natural gas price to be completely determined by market mechanism. The Notice required the adjustment of natural gas price for non-residential customers, and categorised natural gas volume into existing gas and incremental gas. From 10 July 2013, incremental gas price will be adjusted in one step to reach reasonable price level comparing with such alternative energies as fuel oil and liquefied petroleum gas (with the weight of 60% and 40% respectively). Under the phased adjustment, existing gas price will be increased twice each by no more than RMB0.4 per cubic meter on 10 July 2013 and 1 September 2014. Upon these two upward price adjustments, the Group managed to pass through the price changes on a timely basis and secured a reasonable price difference for its natural gas sale.

Along with the vertiginous drop in international oil price in the second half of 2014, the prices of alternative energy sources such as fuel oil and LPG also followed the downward trend. Pressure weighed on the promotion of natural gas utilisation without reasonable price difference between natural gas and alternative energy sources. In view of such sudden slump in oil price, the NRDC announced on 28 February 2015 that existing gas price at city-gate for non-residential customers would become in line with the incremental gas price with effect from 1 April 2015, making downward adjustment on incremental gas price by RMB0.44 per cubic meter and upward adjustment on existing gas price by RMB0.04 per cubic meter, completing the third step for price reform policy on natural gas. As such, the average natural gas purchase cost for the Group's gas projects would decline. We would communicate with the governmental pricing management departments at various levels as well as industrial and commercial customers in the place where our projects are located, and initiate the price pass-through mechanism. Under the principle of guaranteeing a stable price difference, we would lower our natural gas selling price to stimulate gas demand effectively.

According to the Guiding Opinions on the Establishment of Proper Natural Gas Tier-pricing System for Residential Users (《關於建立健全居民生活用氣階梯價格制度的指導意見》) as issued by the NDRC in March 2014, residential gas will be categorised into three tiers and a progressive pricing rate is applied to each tier. Residential gas tier-pricing system shall be established in all cities by the end of 2015. The implementation of such policy fosters the gradual rationalisation of the natural gas price difference imposed by city gas enterprises on their sales to residential customers. The Group will apply the residential gas tier-pricing system to all cities with piped natural gas supply as soon as possible in advocate of government's plan actively.

Liquefied Petroleum Gas (LPG) Business

The Group currently owns 8 LPG terminals and 98 LPG distribution projects.

During the financial year, the Group sold 2,413,308 tons of LPG, representing an increase of 37.4% over the same period last year, of which 1,559,678 tons were wholesale volume, representing an increase of 60.7% over the same period last year, and 853,630 tons were retail sales volume, representing an increase of 8.5% over the same period last year. Revenue for the period amounted to HK$14,067,030,000, representing an increase of 24.8% over the same period last year. Gross profit amounted to HK$1,087,281,000 (for the year ended 31 March 2014: HK$758,478,000), representing an increase of 43.4% over the same period last year. Operating profit amounted to HK$320,898,000 (for the year ended 31 March 2014: profit of HK$167,124,000), representing an increase of 92.0% over the same period last year. Net profit amounted to HK$171,048,000 (for the year ended 31 March 2014: loss of HK$5,681,000). The Group accomplished its target of recording a turnaround in LPG business during the financial year.

Contractual sales accounted for more than 60% of the total wholesale LPG volume for the year, enabling the Group to effectively avoid the negative impacts caused by the significant decrease in the global LPG price in line with the decline in oil price and to mitigate the operational risks associated with the LPG wholesale business.

With LPG becoming more popular in townships and villages and its long-term and stable utilisation amongst industrial and commercial markets, China's LPG industry meets a rare development opportunity, especially in the rapid growth of the petrochemical synthesis and processing sector where LPG is being used as a raw material. The Group will fully utilise its LPG terminals, storage facilities and fleets of vehicles and vessels to boost overseas and domestic purchases of LPG, and in turn gradually increase utilisation rate of midstream LPG wholesale business. In addition, the Group will capitalise the advantage of its integrated business chain by putting in place a central procurement system for its downstream retail business, so as to lay out a proper deployment over its LPG procurement, storage resources and market coverage and reach an effective synergy between the wholesale segment and retail segment, which will maximise the profit of the whole value chain. The Group will leverage its extensive urban natural gas network and resources to expand the LPG distribution business from the existing 10 provinces in Southern China to provinces, cities, villages and towns across the country, thereby significantly raising the volume of LPG sold and realizing economies of scale.

Value-Added Services for End Users

With the continuous increase in the connection rate of city gas projects, our customer base has been rapidly expanding. Currently, the Group provides more than 18 million residential, industrial and commercial customers with piped natural gas and LPG services. There is an enormous potential for value-added services in the customer network. Accordingly, the Group will strive to increase the percentage of its income from value-added services in the Group's overall revenue by enriching its value-added services and edging up its efforts on marketing. In this way, the Group is transforming itself from a mere gas distributor to a provider of comprehensive energies and customer services so as to further improve the profitability and overall competitiveness of the Group's businesses.

During the financial year, the Group's project companies were actively pursuing revenue generation through value-added advertising and sale of gas appliances. They also cooperated with domestic reputable insurance companies to keep developing city gas insurance market. Furthermore, the Group will make use of its advantages in piped gas market to develop distributed energy projects step by step. With its existing market research and technology innovation, the Group will start comprehensive utilisation of natural gas with the aims of providing large scale customers with highly efficient energy and satisfying their needs for heating, electricity and cooling.

During the period, gross profit from value-added business amounted to HK$165,285,000, representing a growth of 474.6% over the same period last year. Sales of gas insurance, alarm system, corrugated pipe and gas appliances recorded a surge.

Human Resources

A team of excellent employees is vital to the success of a corporation. Adhering to the management concept of "people come first", the Group clings to the philosophy of "cultivating potential talents within the Group while recruiting talents from outside" with regard to personnel training and team construction.

The Group constantly upgrades the professionalism and competence of its staff at all levels. It seeks to create a platform for exchanging knowledge and sharing experience among its staff and to recruit and retain capable personnel by enhancing job satisfaction and providing attractive remuneration packages.

As at 31 March 2015, the Group had approximately 38,500 employees in total. More than 99.9% of the Group's employees are based in China. Employee remuneration is determined with reference to the qualification and experience of individual staff concerned and the industry practice prevailed in relative operational areas. Apart from basic salary and pension fund contribution, selected employees may be rewarded with discretionary bonuses, merit payments and share options depending on the Group's financial results and the performance of such employees.

On 16 April 2014, the Group granted a total of 250,000,000 share options (the "Options") to directors, employees and other eligible persons under the share option scheme adopted by the Company on 20 August 2013. The exercise price of the Options granted is HK$12.40 per share and the validity period of the Options is five years (from 16 April 2014 to 15 April 2019). Conditions for exercising the Options are as follows:

(1) The audited profit after tax of the Group after deduction of minority interests for the financial year ended 31 March 2017 or before shall not be less than HK$5.5 billion;

(2) If the above condition is not fulfilled, the Options may be exercised if the audited profit after tax of the Group after deduction of minority interests for the financial year ended 31 March 2018 is not less than HK$6 billion;

(3) The Options will lapse if the above two conditions are not satisfied.

Corporate Management and Corporate Governance

It has been a long-standing tradition of the Group to adhere to a "systemised, standardised and institutionalised" management philosophy in enhancing its level of management and operation. Along with its growing scale, expanding operational region and improving staff structure, as well as a maturing gas industry, the Group keeps improving its management policies to remain a well-managed corporate enterprise. During the financial year, the Group continued to implement the management and control model of "shifting the operational focus to a lower level and moving the management platform to the frontend" to promote region-based coordination and management. Regional coordination and management centres were established to take over the responsibilities of the respective functional departments of the headquarters to supervise, instruct and serve the project companies in each specific region, and negotiate on behalf of the project companies with the local authorities regarding gas supply and gas price. The functional departments of the headquarters may then focus on the overall management of budgeting, standardisation, performance targets assessment and future development strategies, thereby forming an integrated management system featuring "the headquarters as the decision-making body, regional centers as the management platform and project companies as the implementation entities". The implementation of this regional management system is an important reform of the Group's management model, which is essential for the Group to achieve more standardised, more efficient and safer development, and effectively improve the expediency of decision-making.

In terms of operation management, the Group actively refines its operating system, continues to invest in its information technology system, and actively encourages innovation. In addition to continuously improving the standards of operation management, the Group is also gradually shifting its focus from standardising the management of the operation system to the application of information technology in its management system, thereby strengthening the overall operational standards of the Group on an ongoing basis. The Group remains one of the leaders in the industry in terms of gas loss management, which is an important indicator gauging a gas company's overall management standard. This achievement has significantly reduced our operating costs and enhanced the safety standard of our operations, with no major accident happened during the financial year.

In terms of construction management, the Group has established a standardised system which emphasises the categorisation and classification management of construction and construction tenders to make full use of the functions of on-site coordination, supervision and service of the regional management centre. While speeding up its construction progress, the Group continuously strengthens its management of construction investment in compliance with the principle of "setting strict standards on efficiency to improve investment returns" to achieve rational control over the size of the investment in construction projects which are not essential to production, thereby efficiently utilising its core assets and maximising the returns.

At the same time as it grows, the Group is also committed to improving its corporate governance and internal control on an ongoing basis. Through internal review and adoption of professional opinions provided by independent third parties, the Group undertakes to incorporate effective and sustainable corporate governance and internal control measures into its corporate development strategies and risk management system, with an aim to ensuring higher standard of corporate governance and internal control.

Financial Review

For the year ended 31 March 2015, the revenue of the Group amounted to HK$31,686,028,000 (for the year ended 31 March 2014: HK$26,007,997,000), representing an increase of 21.8% over the same period last year. Gross profit amounted to HK$6,457,336,000 (for the year ended 31 March 2014: HK$5,286,135,000), representing an increase of 22.2% over the same period last year. Overall gross profit margin was 20.4% (for the year ended 31 March 2014: 20.3%). Profit for the year amounted to HK$3,869,686,000 (for the year ended 31 March 2014: HK$2,979,295,000), representing an increase of 29.9% over the same period last year.

Operating Expenses

Operating expenses (including selling and distribution costs and administrative expenses) increased by 24.8% to approximately HK$2,585,533,000 from approximately HK$2,071,470,000 recorded in the same period last year. The increase was mainly due to business growth, especially in LPG business and value-added services, of the Group during the period.

Finance Costs

For the year ended 31 March 2015, finance costs decreased 9.9% to approximately HK$554,159,000 from approximately HK$614,967,000 recorded in the same period last year. The decrease was mainly due to the continuous adoption of effective management measures on interest margin and liquidity by the Group during the period.

Income Tax Expenses

For the year ended 31 March 2015, income tax expenses amounted to approximately HK$940,050,000 (for the year ended 31 March 2014: HK$741,301,000). The significant increase in taxation expenses was mainly due to a corresponding significant increase in assessable profit as a result of business growth.

Liquidity

The principal business of the Group is featured with a steadily growing cash flow. Coupled with an effective and well-established capital management system, the Group is able to maintain stable and healthy operations amidst uncertainties in the macro-economy development and capital market operation.

As at 31 March 2015, the total assets of the Group were HK$50,624,436,000, representing an increase of approximately 11.8% as compared with 31 March 2014. Cash on hand was HK$5,291,981,000 (31 March 2014: HK$6,704,647,000). The Group had a current ratio of approximately 1.11 (31 March 2014: 1.13). After deducting the import letter of credit and trust receipt loan related to the Group's LPG business amounting to HK$1,337,240,000, the Group's current ratio was approximately 1.26. Net gearing ratio was 0.66 (31 March 2014: 0.57), which was calculated on the basis of the net borrowings of HK$14,106,341,000 (total borrowings of HK$20,735,562,000 less the acceptance bills and trust receipts related to the Group's LPG business amounting to HK$1,337,240,000 and bank balance and cash of HK$5,291,981,000) and net assets of HK$21,435,500,000 as at 31 March 2015.

The Group has always adopted a prudent financial management policy. Most of the available cash is deposited with credible banks as demand and time deposits.

Financial Resources

The Group has long-standing relationships with Chinese (including Hong Kong) and overseas banks. As the Group's principal cooperating bank, China Development Bank (CDB) provided the Group with a long-term credit facility of RMB20 billion under a term of up to 15 years and a loan facility of US$420 million, giving a strong financial support to the Group's project investments and stable operations. In addition, the Group also received long-term credit support from major domestic and overseas banks such as Asian Development Bank (ADB), Industrial and Commercial Bank of China, China Construction Bank, Export Development Canada, The Netherlands Development Finance Company, Bank of Taiwan, Australia and New Zealand Banking Group Limited, Commonwealth Bank of Australia, Malayan Banking Berhad, Bank of Communications and Agricultural Bank of China. As at March 2015, over 30 banks had extended syndicated loans and credit facilities to the Group and most syndicated loans have terms longer than five years with an average maturity of seven years. Bank loans are generally used to fund the working capital requirements and project investments of the Group.

As at 31 March 2015, the Group's portfolio of bank loans and other loans is as follows:

	2015	2014
	HK$'000	*HK$'000*
Less than one year	**3,918,554**	5,760,676
After one year but not more than two years	**5,242,474**	1,740,506
After two years but not more than five years	**9,509,517**	10,957,972
After five years	**2,065,017**	1,493,708
	20,735,562	19,952,862

* Of these, the acceptance bills and trust receipts related to the Group's LPG business amounted to HK$1,337,240,000. (2014: HK$2,977,594,000).

As at 31 March 2015, bank loans and other loans of the Group amounted to HK$20,735,562,000 in aggregate, representing an increase of 3.9% as compared with last year, of which HK$1,337,240,000 were the trade facilities relating to short-term import letters of credit of the Group's LPG business.

The operating and capital expenditures of the Group are financed by operating cash income, indebtedness and financing of share capital. The Group has sufficient funding to satisfy its future capital expenditures and working capital requirements.

Foreign Exchange and Interest Rate

No significant foreign exchange risk is expected as the Group's cash, borrowings, income and expenses are settled in Hong Kong dollars, RMB and US dollars.

Charge on Assets

As at 31 March 2015, the Group pledged certain properties, plants and equipment and prepaid lease payments with net carrying values of HK$321,475,000 (31 March 2014: HK$262,215,000) and HK$23,508,000 (31 March 2014: HK$16,328,000) respectively, investment properties with net carrying value of HK$60,600,000 (31 March 2014: HK$58,800,000), inventories with net carrying value of HK$ Nil (31 March 2014: HK$155,696,000) and pledged bank deposits of HK$63,484,000 (31 March 2014: HK$250,748,000) and certain subsidiaries pledged their equity investments in other subsidiaries to banks to secure loan facilities.

Capital Commitments

The Group had capital commitments in respect of the acquisition of property, plant and equipment and construction materials contracted but not provided for in the financial statements as at 31 March 2015 amounting to HK$172,378,000 (31 March 2014: HK$87,804,000) and HK$148,358,000 (31 March 2014: HK$170,810,000) respectively, and such commitments would require the utilisation of the Group's cash on hand and external borrowings. The Group has undertaken to acquire shares in certain Chinese enterprises and set up Sino-foreign joint ventures in China.

Contingent Liabilities

As at 31 March 2015, the Group did not have any material contingent liabilities (31 March 2014: nil).

CORPORATE GOVERNANCE

The Company complied with the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year, except for the deviations from the Code Provision A.4.1 of the Code which stipulates that non-executive directors should be appointed for a specific term and be subject to re-election. None of the existing non-executive Directors and independent non-executive Directors is appointed for a specific term. However, according to Bye-law 87 of the Company's Bye-laws, one-third of the Directors for the time being must retire from the office by rotation at each annual general meeting. The Company has observed the need for good corporate governance practices. All non-executive Directors and independent non-executive Directors have retired from the office by rotation and have been re-elected in the past three years. The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the relevant Code Provision.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules and all the Directors confirmed that they have complied with the required standards set out in the Model Code throughout the financial year ended 31 March 2015.

REVIEW OF ANNUAL RESULTS

The Audit Committee of the Board has reviewed the accounting principles and practices adopted by the Group and the annual results for the year ended 31 March 2015.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, the Company repurchased a total of 19,210,000 Shares on the Stock Exchange at an aggregate consideration of HK$232,381,438.40. Details of the repurchases are as follows:

Month	Total number of Shares repurchased	Price per Share Highest	Price per Share Lowest	Aggregate consideration
		HK$	*HK$*	*HK$*
December 2014	6,610,000	12.40	11.94	80,746,958.20
January 2015	11,734,000	12.56	11.74	141,268,460.20
February 2015	866,000	11.98	11.94	10,366,020.00
	19,210,000			232,381,438.40

Up to the date of this announcement, all of the above repurchased Shares were cancelled.

The repurchases were made for the purpose of enhancing the net asset value per Share and earnings per Share and was pursuant to the general mandate granted to the Board at the 2014 annual general meeting of the Company to repurchase the Shares.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is required to be published on the websites of the Stock Exchange at www.hkex.com.hk and the Company at www.chinagasholdings.com.hk respectively. The annual report of the Company for the year ended 31 March 2015 will be dispatched to the shareholders and published on the aforesaid websites in due course.

On Behalf of the Board of
CHINA GAS HOLDINGS LIMITED
Zhou Si
Chairman

Hong Kong, 24 June 2015

As at the date of this announcement, Mr. ZHOU Si, Mr. LIU Ming Hui, Mr. HUANG Yong, Mr. ZHU Weiwei, Mr. MA Jinlong, Mr. CHEN Xinguo and Ms. LI Ching are the executive Directors, Mr. YU Jeong Joon (his alternate is Mr. KIM Yong Joong), Mr. LIU Mingxing and Mr. Arun Kumar MANCHANDA are the non-executive Directors and Mr. ZHAO Yuhua, Dr. MAO Erwan, Ms. WONG Sin Yue, Cynthia, Mr. HO Yeung and Ms. CHEN Yanyan are the independent non-executive Directors.

* *for identification purpose only*