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中裕燃氣控股有限公司
ZHONGYU GAS HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3633)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2015

FINANCIAL HIGHLIGHTS

	For the year ended 31st December,		
	2015 *HK$'000*	2014 *HK$'000*	**changes** %
Turnover	**3,276,666**	3,412,690	(4.0)%
Sales of piped gas	**2,098,195**	2,317,565	(9.5)%
Connection revenue from gas pipeline construction	**748,185**	612,974	22.1%
Operation of CNG/LNG vehicle filling stations	**413,612**	461,471	(10.4)%
Gross profit (Gross margin)	**784,833** **(24.0%)**	850,040 (24.9%)	(7.7)% (-0.9%)
Profit attributable to owners of the Company (Net profit margin)	**93,390** **(2.9%)**	324,351 (9.5%)	(71.2)% (-6.6%)
Earnings per share Basic Diluted	 **HK3.70 cents** **HK3.70 cents**	 HK12.85 cents HK12.84 cents	 (71.2)% (71.2)%
EBITDA	**608,342**	759,287	(19.9)%
Net assets value per share	**HK79 cents**	HK79 cents	–
Adjusted profit attributable to owners of the Company (excluding the net foreign exchange loss/gain)	**258,289**	324,003	(20.3)%

CHAIRMAN'S STATEMENTS

Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I am pleased to present another set of annual results of Zhongyu Gas Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31st December, 2015 (the "Year").

The Group is a mature and steady natural gas distributor with a proven track record of growth since 2010. Under the influence of revolutionary policies from the People's Republic of China (the "PRC"), the natural gas industry was continuously expanding in the past decade. To capture the opportunities arisen from the growing demand of clean energy in the PRC, the Group actively performed merger and acquisition in the past few years to expand the Group's market share and geographical coverage with an aim to outpace the industry growth. In 2015, the Group focused on consolidating its newly acquired projects, which are expected to bring in positive financial contribution starting from the second quarter of 2016.

LATEST DEVELOPMENT – ACQUISITION OF 88.7% OF EQUITY IN HARMONY GAS

In November 2014, the Group has completed its largest acquisition since 2008, in which we acquired 50% of equity in Harmony Gas Holdings Limited ("Harmony Gas"). Leveraging on Harmony Gas' ownership of 22 exclusive natural gas distribution projects, the Group successfully extended its coverage to high-demand natural gas areas such as Beijing City, Hebei and Jiangsu provinces. Harmony Gas projects have prime locations that are close to the main gas pipeline and are granted exclusive ownership rights by the PRC. Realising Harmony Gas' abundant growing potential, the Group decided to take a further step and performed a top-up acquisition in December 2015 for an additional 38.7% of Harmony Gas' equity, which will be completed in 2017. The Group will then become Harmony Gas' major shareholder holding 88.7% of its equity.

After the acquisition, the Group started consolidating and paving pipeline connections to build a comprehensive pipeline network that penetrates into the covered regions. The Harmony Gas acquisition projects are expected to bring in positive cash flow starting from the second quarter of 2016.

RESULTS

During the Year, the Group has recorded turnover of HK$3,276.7 million, year-on-year decreased by 4.0% (2014: HK$3,412.7 million). Gross profit declined from HK$850.0 million in 2014 to HK$784.8 million, with gross profit margin of 24.0% (2014: 24.9%). Profit attributable to owner of the Company declined by 71.2% to HK$93.4 million as compared with HK$324.4 million in 2014, while net profit margin decreased by 6.6 percentage points to 2.9% (2014: 9.5%). The decrease in net profit was mainly due to the significant unrealised exchange loss primarily arising from the Group's bank borrowings being denominated in the United States dollars as a result of the depreciation of the Renminbi in the second half of 2015. Excluding the net foreign exchange loss of HK$164.9 million (2014: net foreign exchange gain of HK$0.3 million), the adjusted profit from operations would be HK$258.3 million, representing a decrease of 20.3%. Earnings per share and net assets per share amounted to HK$0.037 and HK$0.79 respectively (2014: HK$0.1285; HK$0.79).

BUSINESS REVIEW

Our three major existing business segments, namely the sales of piped gas, gas pipeline construction and connection, and the operation of compressed natural gas & liquefied natural gas ("CNG/LNG") vehicle filling stations, recorded a slight decrease in total turnover in 2015. With the gradual integration of the Harmony Gas projects, the Group currently operates a total of 52 exclusive piped gas projects in the PRC and covers 10,073,000 connectable urban population across the PRC, increasing by 17.2%, as compared with the previous year. The seamless pipeline coverage and the proximity of the main pipeline echoed with the uprising demand of natural gas across the PRC and the Group believes that the integration and development of the Harmony Gas projects will become a strong and robust growth driver in 2016.

Affected by economic slowdown, mild climate, and high gas prices, the total gas consumption in the PRC reached 193 billion cubic meters in 2015, rising 5.7% year-on-year, which recorded the 10-year low in terms of the growth rate, according to the National Development and Reform Commission ("NDRC"). However, in November 2015, the PRC government for the first time reduced the non-residential natural gas city-gate price by RMB 0.7/cubic meter. I believed the lower gas price provided a stronger incentive for non-residential users to use natural gas over coal and facilitated the Group to develop its new industrial and commercial customers, which sparked up the gas sales volume of the Group.

The performance of the operation of CNG/LNG vehicle filling stations has fallen below the Group's expectation. During the Year, the revenue generated from operation of CNG/LNG vehicle filling stations has dropped by 10.4%. Yet, the Group is still optimistic towards the development of operation of CNG/LNG vehicle filling stations due to the strong support from the PRC government and the upcoming trend of renewable energy vehicles. In 2015, the substantial decline in preferential car tax in all 1.6 liters vehicles stimulated the sales of renewable energy vehicles by 250% in the first half of 2015 as compared with the same period in 2014. The popularity of the renewable energy vehicles in the PRC genuinely increases the demand for CNG and hence the Group sees it as a promising organic growth driver to our natural gas filling stations operation.

MANAGEMENT CHANGE

In October 2015, I tendered my resignation as a Joint Managing Director to the Board and remained as an Executive Director and Chairman of the Company. Mr. Peng Wei was appointed as a new Joint Managing Director and Executive Director.

The split of managerial responsibility is to allow me to have more time to focus on the strategic planning of the Group.

PROSPECTS

Environmental protection has increasing worldwide awareness and importance. China, as the world's largest carbon emitter, has pledged to cut its greenhouse gas emissions per unit of gross domestic production by 60-65% from the 2005 levels during the climate change talks in Paris in 2015. In the China's National People's Congress held on 5th March, 2015, Premier Li Keqiang cited targets to improve environmental standards across the board, and focused in particular on measures to tackle urban smog in the forthcoming 13th Five-Year Plan. Premier Li indicated that the government will limit factory emissions of tiny harmful particulate matter (PM2.5) – a major cause of air pollution – down by 25% and revealed other environmental targets, which include reducing emissions from coal burning industries and vehicles, promoting the use of electricity and natural gas in place of coal, and increasing in the proportion of clean energy.

Under the draft 13th Five-Year Plan, the PRC Government suggested to increase the total gas consumption to 360 billion cubic meters by 2020, growing at a rate of 17.0% each year. In addition, on 2nd March, 2016, the China Energy Research Society ("CERS") published the "China Energy Prospects 2030" and stated that the Chinese natural gas consumption is currently at a relatively low level and its future potential is enormous. The CERS predicted the PRC gas consumption will reach 480 billion cubic meters by 2030, growing at a 10-year CAGR of 5.2% between 2020 and 2030. Therefore, the Group is optimistic towards the upcoming development of the industry.

Looking forward in 2016, the acceleration in the integration of the Harmony Gas projects will be the Group's top priority, in which we will first speed up the construction of gas pipeline construction in the covered area. The Group mainly targets at industrial customers in various sectors which are of large consumption and less price sensitive. Diversity of customers also minimises our reliance on certain sectors. On the other hand, the popularity of natural-gas-fueled vehicles is increasing, which will subsequently derive the demand for natural gas filling stations. Since most of the Harmony Gas projects currently have no CNG/LNG vehicle filling stations in the region, the Group will gradually construct such infrastructure for customers' easy access to natural gas, thus opening a sustainable income stream in the foreseeable years.

To further increase the Group's market penetration and geographic coverage, we will continue to cautiously seek favourable merger and acquisition possibilities in the market with an aggressive yet selective approach. With our focused vision of becoming the most valued clean energy distributor and operator in the PRC, the Board will continue to thrive in the natural gas market so as to create long-term value for our shareholders.

APPRECIATION

Last but not least, I would like to extend my sincere appreciation to our management and staff for their hard work and dedication during the Year. I would also like to thank our shareholders for their unfailing support and confidence in the Group.

Wang Wenliang
Chairman
Hong Kong
31st March, 2016

The board of directors (the "Board" or the "Directors") of Zhongyu Gas Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December, 2015, together with the comparative figures for the corresponding period in 2014, which are set out below. The Group is principally engaged in (i) the investment, operation and management of city gas pipeline infrastructure, distribution of piped gas to residential, industrial and commercial users; and (ii) the construction and operation of compressed natural gas or liquefied natural gas ("CNG/LNG") vehicle filling stations in the People's Republic of China (the "PRC").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December, 2015

	NOTES	2015 HK$'000	2014 HK$'000
Turnover	3	**3,276,666**	3,412,690
Cost of sales		**(2,491,833)**	(2,562,650)
Gross profit		**784,833**	850,040
Other gains and losses	5	**(73,633)**	29,454
Other income	6	**46,050**	37,092
Selling and distribution costs		**(71,565)**	(61,501)
Administrative expenses		**(209,334)**	(213,046)
Research and development costs		**–**	(422)
Finance costs	7	**(114,866)**	(84,565)
Share of results of a joint venture		**(51,962)**	13
Share of results of associates		**(2,018)**	–
Profit before tax		**307,505**	557,065
Income tax expenses	8	**(157,637)**	(167,285)
Profit for the year	9	**149,868**	389,780
Other comprehensive expense			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation to presentation currency		**(105,461)**	(20,620)
Total comprehensive income for the year		**44,407**	369,160

	NOTES	2015 HK$'000	2014 HK$'000
Profit for the year attributable to:			
Owners of the Company		**93,390**	324,351
Non-controlling interests		**56,478**	65,429
		149,868	389,780
Total comprehensive income attributable to:			
Owners of the Company		**12,616**	305,811
Non-controlling interests		**31,791**	63,349
		44,407	369,160
Earnings per share	*11*		
Basic		**HK3.70 cents**	HK12.85 cents
Diluted		**HK3.70 cents**	HK12.84 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2015

	NOTES	**2015** **HK$'000**	2014 HK$'000
Non-current assets			
Investment properties		**9,012**	9,365
Property, plant and equipment		**4,470,817**	3,144,809
Goodwill		**199,859**	141,442
Other intangible assets		**1,033,347**	788,836
Long-term deposits, prepayments and other receivables		**428,750**	363,976
Prepaid lease payments		**472,338**	335,369
Interest in a joint venture		**–**	398,005
Interest in associates		**155,418**	–
Available-for-sale investments		**6,301**	6,523
		6,775,842	5,188,325
Current assets			
Inventories		**103,521**	91,541
Trade and bills receivables	*12*	**318,762**	204,066
Deposits, prepayments and other receivables	*12*	**283,844**	262,467
Entrusted loan receivable		**23,872**	25,352
Amount due from a joint venture		**–**	286,742
Amount due from an associate		**59,680**	–
Amounts due from related parties		**14,053**	–
Prepaid lease payments		**13,693**	9,775
Amounts due from customers for contract work		**35,848**	2,365
Tax recoverable		**980**	–
Pledged bank deposit		**95,488**	–
Bank balances and cash		**983,726**	828,189
		1,933,467	1,710,497
Current liabilities			
Deferred income and advance received	*13*	**496,371**	464,396
Trade payables	*13*	**591,578**	339,825
Other payables and accrued charges	*13*	**199,172**	205,353
Amount due to an associate		**1,234**	–
Amounts due to customers for contract work		**51,313**	11,814
Borrowings		**1,172,315**	424,211
Obligations under finance lease due within one year		**33,285**	–
Tax payables		**65,653**	79,923
		2,610,921	1,525,522
Net current (liabilities) assets		**(677,454)**	184,975
Total assets less current liabilities		**6,098,388**	5,373,300

	2015	2014
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**25,250**	25,250
Reserves	**1,981,414**	1,968,798
Equity attributable to owners of the Company	**2,006,664**	1,994,048
Non-controlling interests	**265,730**	298,692
Total equity	**2,272,394**	2,292,740
Non-current liabilities		
Deferred income and advance received	**6,034**	6,409
Borrowings	**3,063,890**	3,028,519
Obligations under finance lease due after one year	**121,986**	–
Consideration payable	**512,844**	–
Deferred taxation	**121,240**	45,632
	3,825,994	3,080,560
	6,098,388	5,373,300

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2015

	Attributable to owners of the Company									Non-controlling interests			
	Share capital *HK\$'000*	**Share premium** *HK\$'000*	**Share option reserve** *HK\$'000*	**Property revaluation reserve** *HK\$'000*	**Other reserve** *HK\$'000*	**Statutory surplus reserve** *HK\$'000* *(Note)*	**Translation reserve** *HK\$'000*	**Accumulated profits** *HK\$'000*	**Total** *HK\$'000*	**Capital contribution and share of results** *HK\$'000*	**Others** *HK\$'000*	**Total** *HK\$'000*	**Total** *HK\$'000*
At 1st January, 2014	25,240	895,054	520	1,128	1,049	61,905	237,103	470,481	1,692,480	236,194	–	236,194	1,928,674
Profit for the year	–	–	–	–	–	–	–	324,351	324,351	65,429	–	65,429	389,780
Other comprehensive expense for the year	–	–	–	–	–	–	(18,540)	–	(18,540)	(2,080)	–	(2,080)	(20,620)
Total comprehensive income for the year	–	–	–	–	–	–	(18,540)	324,351	305,811	63,349	–	63,349	369,160
Transfer to statutory surplus reserve	–	–	–	–	–	137	–	(137)	–	–	–	–	–
Exercise of share options	10	682	(201)	–	–	–	–	–	491	–	–	–	491
Dividend paid by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	(369)	–	(369)	(369)
Acquisition of additional interest in a subsidiary	–	–	–	–	(4,734)	–	–	–	(4,734)	(10,296)	–	(10,296)	(15,030)
Deregistration of subsidiaries	–	–	–	–	–	–	–	–	–	8,546	–	8,546	8,546
Transfer to accumulated profits upon deregistration of subsidiaries	–	–	–	–	–	–	9,798	(9,798)	–	–	–	–	–
Capital contribution from non-controlling interest of a subsidiary	–	–	–	–	–	–	–	–	–	1,268	–	1,268	1,268
At 31st December, 2014	25,250	895,736	319	1,128	(3,685)	62,042	228,361	784,897	1,994,048	298,692	–	298,692	2,292,740
Profit for the year	–	–	–	–	–	–	–	93,390	93,390	56,478	–	56,478	149,868
Other comprehensive expense for the year	–	–	–	–	–	–	(80,774)	–	(80,774)	(24,687)	–	(24,687)	(105,461)
Total comprehensive income for the year	–	–	–	–	–	–	(80,774)	93,390	12,616	31,791	–	31,791	44,407
Transfer to statutory surplus reserve	–	–	–	–	–	11,021	–	(11,021)	–	–	–	–	–
Dividend paid by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	(19,752)	–	(19,752)	(19,752)
Consideration payable committed to acquire additional interest in Harmony Gas Holdings Limited ("Harmony Gas")	–	–	–	–	–	–	–	–	–	–	(507,817)	(507,817)	(507,817)
Obtaining control over Harmony Gas and its subsidiaries	–	–	–	–	–	–	–	–	–	459,235	–	459,235	459,235
Transfer to accumulated profits upon obtaining control over Harmony Gas and its subsidiaries	–	–	–	–	–	–	15,610	(15,610)	–	–	–	–	–
Capital contribution from non-controlling interest of a subsidiary	–	–	–	–	–	–	–	–	–	3,581	–	3,581	3,581
At 31st December, 2015	25,250	895,736	319	1,128	(3,685)	73,063	163,197	851,656	2,006,664	773,547	(507,817)	265,730	2,272,394

Note: The articles of association of the Company's subsidiaries incorporated in the PRC state that they may make an appropriation of 10% of their profit for each year (prepared under generally accepted accounting principles in the PRC) to the statutory surplus reserve until the balance reaches 50% of the paid-in capital. The statutory surplus reserve shall only be used for making good losses, capitalisation into paid-in capital and expansion of their production and operation.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2015

	2015	2014
	HK$'000	*HK$'000*
Operating activities		
Profit before tax	**307,505**	557,065
Adjustments for:		
Depreciation of property, plant and equipment	**125,315**	99,048
Amortisation and impairment of other intangible assets	**51,903**	11,526
Release of prepaid lease payments	**8,753**	7,083
Net (gain) loss on disposal/written-off of property, plant and equipment	**(3,591)**	2,669
Gain on disposal of leasehold land	**–**	(8,242)
Loss on deregistration of subsidiaries	**–**	8,546
Net (reversal of allowance) allowance for doubtful debts		
– trade receivables	**(281)**	(754)
– other receivables	**641**	641
Share of results of a joint venture	**51,962**	(13)
Share of results of associates	**2,018**	–
Reversal of impairment loss recognised on amounts due from customers for contract work	**(1,085)**	(2,152)
Reversal of impairment loss recognised on intangible assets	**–**	(29,380)
Gain on obtaining control over Harmony Gas and its subsidiaries	**(86,749)**	–
Interest income	**(29,953)**	(12,935)
Finance costs	**114,866**	84,565
Increase in fair value of investment properties	**(201)**	(434)
Foreign exchange loss	**160,876**	–
Operating cash flows before movements in working capital	**701,979**	717,233
Decrease (increase) in inventories	**5,756**	(10,073)
Decrease (increase) in trade and bills receivables	**28,073**	(24,770)
Decrease (increase) in deposits, prepayments and other receivables	**77,608**	(74,714)
Decrease (increase) in amounts due from customers for contract work	**12,671**	(213)
(Decrease) increase in deferred income and advance received	**(61,307)**	149,292
(Decrease) increase in trade payables	**(28,759)**	22,449
Increase (decrease) in other payables and accrued charges	**6,514**	(39,102)
Increase (decrease) in amounts due to customers for contract work	**17,982**	(11,533)
Cash generated from operations	**760,517**	728,569
Interest received	**29,953**	12,935
Income taxes paid	**(172,285)**	(143,811)
Withholding tax paid	**(12,991)**	(3,966)
Net cash from operating activities	**605,194**	593,727

	2015	2014
	HK$'000	*HK$'000*
Investing activities		
Purchases of property, plant and equipment	**(602,617)**	(562,189)
Proceeds from disposal of property, plant and equipment	**8,453**	1,606
Proceed from disposal of leasehold land	**–**	31,821
Withdrawal of pledged bank deposits	**–**	9,397
Business combinations	**–**	(54,337)
Obtaining control over Harmony Gas and its subsidiaries	**126,572**	–
Acquisition of assets and liabilities through acquisition of subsidiaries	**(41,214)**	(8,043)
Acquisition of additional interest in a subsidiary	**–**	(15,030)
Addition of prepaid lease payments	**(147,128)**	(81,759)
Investment in a joint venture	**–**	(397,992)
Addition of available-for-sale investment	**–**	(2,720)
Advance to a joint venture	**(249,967)**	(286,742)
Repayment from a joint venture	**286,742**	–
Deposit paid for acquisition of additional interest in a subsidiary	**–**	(6,655)
Deposits paid for acquisition of property, plant and equipment and prepaid lease payments	**(81,309)**	(221,599)
Investments in life insurance contracts	**–**	(72,333)
Investment in entrusted loan receivable	**–**	(25,352)
Net cash used in investing activities	**(700,468)**	(1,691,927)
Financing activities		
Interest paid	**(138,636)**	(121,789)
Loan facilities fee paid	**(4,566)**	(81,445)
New borrowings raised	**776,377**	3,164,241
New obligations under finance lease	**186,706**	–
Repayments of borrowings	**(509,019)**	(1,465,205)
Repayments of obligations under finance lease	**(31,435)**	–
Deposit paid for obtaining a finance lease	**(8,952)**	–
Proceeds from issue of shares upon exercise of share options	**–**	491
Dividend paid by subsidiaries to non-controlling interests	**(19,752)**	(369)
Capital contribution from non-controlling interest of a subsidiary	**3,581**	1,268
Net cash from financing activities	**254,304**	1,497,192
Net increase in cash and cash equivalents	**159,030**	398,992
Cash and cash equivalents at 1st January	**828,189**	429,546
Effect of foreign exchange rate changes	**(3,493)**	(349)
Cash and cash equivalents at 31st December, represented by bank balances and cash	**983,726**	828,189

1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010 - 2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011 - 2013 cycle

The application of these amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments[2]
HKFRS 15	Revenue from contracts with customers[2]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exceptions[1]
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations[1]
Amendments to HKAS 1	Disclosure initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants[1]

[1] Effective for annual periods beginning on or after 1st January, 2016.
[2] Effective for annual periods beginning on or after 1st January, 2018.
[3] Effective for annual periods to be determined.

HKFRS 15 Revenue from contracts with customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In the opinion of the Directors, it is not practicable to provide a reasonable estimate of the effect for the application of HKFRS 15 until a detailed review has been completed.

The Directors anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

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

The disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to certain provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors' reports, and to streamline with HKFRSs and have become effective for the financial year ended 31st December, 2015. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31st December, 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31st December, 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. TURNOVER

Turnover represents the net amounts received and receivable for goods sold and services rendered by the Group to outside customers, net of discounts and related taxes. An analysis of the Group's turnover for the year is as follows:

	2015	2014
	HK$'000	*HK$'000*
Sales of piped gas	**2,098,195**	2,317,565
Connection revenue from gas pipeline construction	**748,185**	612,974
Operation of CNG/LNG vehicle filling stations	**413,612**	461,471
Sales of liquefied petroleum gas	**622**	10,795
Sales of stoves and related equipment	**16,052**	9,885
	3,276,666	3,412,690

4. SEGMENT INFORMATION

The Group's executive directors are the chief operating decision makers ("CODM") as they collectively make strategic decisions on resources allocation and performance assessment. The Group is principally engaged in the investment, operation and management of city gas pipeline infrastructure, distribution of piped gas to residential, industrial and commercial users; the construction and operation of CNG/LNG vehicle filling stations in the PRC. Nearly all identifiable assets of the Group are located in the PRC.

Information that is reported to the CODM for the purpose of resources allocation and assessment of performance focuses on the type of products or services rendered which is also consistent with the basis of organisation of the Group, except for the performance of Harmony Gas, which ceased to be a joint venture of the Group and has become a subsidiary of the Group since 8th December, 2015 as a result of change of the shareholders agreement. The Group considered Harmony Gas and its subsidiaries as a single operating and reportable segment as CODM reviewed the total revenue and overall result of Harmony Gas for the period from 8th December, 2015 to 31st December, 2015 separately.

Each type of product or service is managed by an unique business unit within the Group whose performance is assessed independently. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group. The Group's operating and reportable segments are therefore as follows:

(a) sales of piped gas;

(b) connection revenue from gas pipeline construction;

(c) operation of CNG/LNG vehicle filling stations;

(d) sales of liquefied petroleum gas;

(e) sales of stoves and related equipment; and

(f) Harmony Gas and its subsidiaries: trading of natural gas and gas pipeline construction.

Segment revenue and results

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

For the year ended 31st December, 2015

	Sales of piped gas HK$'000	Connection revenue from gas pipeline construction HK$'000	Operation of CNG/LNG vehicle filling stations HK$'000	Sales of liquefied petroleum gas HK$'000	Sales of stoves and related equipment HK$'000	Harmony Gas and its subsidiaries HK$'000	Consolidated HK$'000
Segment revenue	**2,069,612**	**708,460**	**413,306**	**236**	**16,034**	**69,018**	**3,276,666**
Segment profit (loss)	**202,720**	**341,446**	**31,313**	**(45)**	**6,625**	**(875)**	**581,184**
Unallocated other income							**29,880**
Unallocated other gains and losses							**(72,925)**
Unallocated central corporate expenses							**(63,806)**
Share of results of a joint venture							**(51,962)**
Finance costs							**(114,866)**
Profit before tax							**307,505**

For the year ended 31st December, 2014

	Sales of piped gas HK$'000	Connection revenue from gas pipeline construction HK$'000	Operation of CNG/LNG vehicle filling stations HK$'000	Sales of liquefied petroleum gas HK$'000	Sales of stoves and related equipment HK$'000	Consolidated HK$'000
Segment revenue	2,317,565	612,974	461,471	10,795	9,885	3,412,690
Segment profit	278,846	320,237	100,704	391	6,386	706,564
Unallocated other income						18,015
Unallocated other gains and losses						(7,764)
Unallocated central corporate expenses						(75,198)
Share of results of a joint venture						13
Finance costs						(84,565)
Profit before tax						557,065

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 2. Except for segment loss of Harmony Gas and its subsidiaries which is presented as a separate segment, segment profit (loss) represents the financial result of each segment without allocation of central administration costs, directors' salaries, interest income, increase in fair value of investment properties, gain on obtaining control over Harmony Gas and its subsidiaries, loss on deregistration of subsidiaries, net foreign exchange (loss) gain, certain sundry income, share of results of a joint venture, finance costs and income tax expenses. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

Segment assets and liabilities

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

As at 31st December, 2015

	Sales of piped gas *HK$'000*	Connection revenue from gas pipeline construction *HK$'000*	Operation of CNG/LNG vehicle filling stations *HK$'000*	Sales of liquefied petroleum gas *HK$'000*	Sales of stoves and related equipment *HK$'000*	Harmony Gas and its subsidiaries *HK$'000*	Consolidated *HK$'000*
ASSETS							
Segment assets	4,487,993	196,102	511,642	–	1,268	2,153,447	7,350,452
Investment properties							9,012
Available-for-sale investments							6,301
Property, plant and equipment for corporate use							199,486
Deposits paid for acquisition of property, plant and equipment for corporate use							56,738
Prepaid lease payments for corporate use							114,395
Investments in life insurance contracts							73,854
Entrusted loan receivable							23,872
Bank balances and cash							850,611
Other assets							24,588
Consolidated assets							8,709,309
LIABILITIES							
Segment liabilities	605,863	305,910	31,963	–	–	1,033,586	1,977,322
Tax payables							53,675
Borrowings							3,692,643
Obligations under finance lease							155,271
Deferred tax liabilities							38,783
Consideration payable							512,844
Other liabilities							6,377
Consolidated liabilities							6,436,915

As at 31st December, 2014

	Sales of piped gas HK$'000	Connection revenue from gas pipeline construction HK$'000	Operation of CNG/LNG vehicle filling stations HK$'000	Sales of liquefied petroleum gas HK$'000	Sales of stoves and related equipment HK$'000	Consolidated HK$'000
ASSETS						
Segment assets	4,495,419	189,081	482,869	21	784	5,168,174
Investment properties						9,365
Interest in a joint venture						398,005
Available-for-sale investments						6,523
Property, plant and equipment for corporate use						74,791
Prepaid lease payments for corporate use						3,650
Investments in life insurance contracts						72,333
Entrusted loan receivable						25,352
Amount due from a joint venture						286,742
Bank balances and cash						828,189
Other assets						25,698
Consolidated assets						6,898,822
LIABILITIES						
Segment liabilities	650,692	325,080	46,044	–	–	1,021,816
Tax payables						79,923
Borrowings						3,452,730
Deferred tax liabilities						45,632
Other liabilities						5,981
Consolidated liabilities						4,606,082

For the purpose of monitoring segment performance and allocating resources between reportable segments:

- except for the assets of Harmony Gas and its subsidiaries which are presented as a separate operating segment, all the Group's assets are allocated to operating segments, other than investment properties, interest in a joint venture, available-for-sale investments, property, plant and equipment, prepaid lease payments and deposits paid for property, plant and equipment for corporate use, investments in life insurance contracts, entrusted loan receivable, amount due from a joint venture, certain deposits, prepayments and other receivables, bank balances and cash; and

- except for the liabilities of Harmony Gas and its subsidiaries which are presented as a separate operating segment, all the Group's liabilities are allocated to operating segments, other than tax payables, obligations under finance lease, borrowings, deferred tax liabilities, consideration payable, certain other payables and accrued charges.

Other segment information

2015

	Sales of piped gas *HK$'000*	Connection revenue from gas pipeline construction *HK$'000*	Operations of CNG/LNG vehicle filling stations *HK$'000*	Sales of liquefied petroleum gas *HK$'000*	Sales of stoves and related equipment *HK$'000*	Harmony Gas and its subsidiaries *HK$'000*	Segment total *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:									
Capital additions	**455,499**	**–**	**41,804**	**–**	**–**	**23,178**	**520,481**	**149,998**	**670,479**
Capital additions through obtaining control over Harmony Gas and its subsidiaries	**–**	**–**	**–**	**–**	**–**	**1,422,726**	**1,422,726**	**–**	**1,422,726**
Capital additions through acquisition of assets and liabilities through acquisition of a subsidiary	**–**	**–**	**6,923**	**–**	**–**	**–**	**6,923**	**–**	**6,923**
Net (gain) loss on disposal/ written-off of property, plant and equipment	**(3,521)**	**–**	**(11)**	**–**	**–**	**55**	**(3,477)**	**(114)**	**(3,591)**
Release of prepaid lease payments	**6,024**	**–**	**2,700**	**–**	**–**	**29**	**8,753**	**–**	**8,753**
Depreciation of property, plant and equipment	**110,248**	**–**	**6,955**	**–**	**–**	**2,783**	**119,986**	**5,329**	**125,315**
Amortisation and impairment of other intangible assets	**49,529**	**–**	**2,374**	**–**	**–**	**–**	**51,903**	**–**	**51,903**
Reversal of impairment loss recognised on amounts due from customers for contract work	**–**	**(1,085)**	**–**	**–**	**–**	**–**	**(1,085)**	**–**	**(1,085)**
Net (reversal of allowance) allowance on doubtful debts	**(281)**	**–**	**–**	**–**	**–**	**–**	**(281)**	**641**	**360**

2014

	Sales of piped gas *HK$'000*	Connection revenue from gas pipeline construction *HK$'000*	Operations of CNG/LNG vehicle filling stations *HK$'000*	Sales of liquefied petroleum gas *HK$'000*	Sales of stoves and related equipment *HK$'000*	Segment total *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Amounts included in the measure of segment profit or loss or segment assets:								
Capital additions	663,041	–	89,285	–	–	752,326	19,433	771,759
Capital additions through acquisition of a subsidiary	129,693	–	–	–	–	129,693	–	129,693
Net loss (gain) on disposal/written-off of property, plant and equipment	2,095	–	(67)	–	–	2,028	641	2,669
Release of prepaid lease payments	5,131	–	1,952	–	–	7,083	–	7,083
Depreciation of property, plant and equipment	86,805	–	5,724	67	–	92,596	6,452	99,048
Amortisation of other intangible assets	9,132	–	2,394	–	–	11,526	–	11,526
Reversal of impairment loss recognised on amounts due from customers for contract work	–	(2,152)	–	–	–	(2,152)	–	(2,152)
Net (reversal of allowance) allowance on doubtful debts	(56)	–	–	(698)	–	(754)	641	(113)

Geographical information

All the turnover of the Group for both years are derived from the PRC. None of the customers contributes over 10% of the total revenue of the Group.

All the non-current assets of the Group (excluding investments in life insurance contracts and club membership located in Hong Kong) for both years are located in the PRC.

5. OTHER GAINS AND LOSSES

	2015	2014
	HK$'000	*HK$'000*
Net reversal of allowance (allowance) for doubtful debts		
– trade receivables	**281**	754
– other receivables	**(641)**	(641)
Net foreign exchange (loss) gain	**(164,899)**	348
Increase in fair value of investment properties	**201**	434
Reversal of impairment loss recognised on other intangible assets	**–**	29,380
Reversal of impairment loss recognised on amounts due from customers for contract work	**1,085**	2,152
Net gain (loss) on disposal/written-off of property, plant and equipment	**3,591**	(2,669)
Gain on obtaining control over Harmony Gas and its subsidiaries	**86,749**	–
Gain on disposal of leasehold land	**–**	8,242
Loss on deregistration of subsidiaries	**–**	(8,546)
	(73,633)	29,454

6. OTHER INCOME

	2015	2014
	HK$'000	*HK$'000*
Bank interest income	**6,924**	5,154
Interest income on amount due from a joint venture	**20,653**	6,669
Government subsidies (*Note*)	**3,411**	11,635
Interest income from investments in life insurance contracts	**2,376**	1,112
Sundry income	**12,686**	12,522
	46,050	37,092

Note: During the year ended 31st December, 2015, the Group has received subsidies of HK$3,411,000 (2014: HK$11,635,000) from relevant PRC governments for promoting the use of natural gas. There are no conditions attached to the subsidies granted to the Group.

7. FINANCE COSTS

	2015	2014
	HK$'000	*HK$'000*
Interest on borrowings:		
– wholly repayable within five years	**128,667**	120,532
– over five years	**2,424**	1,257
Interest on obligations under finance lease	**7,545**	–
	138,636	121,789
Imputed interest on consideration payable	**5,027**	–
Amortisation on loan facilities fees relating to bank borrowings	**28,610**	20,588
Total borrowing costs	**172,273**	142,377
Less: Amounts capitalised in construction in progress included in property, plant and equipment	**(57,407)**	(57,812)
	114,866	84,565

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 4.35% (2014: 4.59%) per annum to expenditure on qualifying assets.

8. INCOME TAX EXPENSES

	2015	2014
	HK$'000	*HK$'000*
PRC Enterprise Income Tax:		
Current tax	**147,014**	161,535
Underprovision in prior years	**1,823**	205
Withholding tax levied on dividends paid previously not recognised	**10,550**	–
	159,387	161,740
Deferred tax	**(1,750)**	5,545
	157,637	167,285

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Company and its subsidiaries had no assessable profits arising in Hong Kong for both years.

Under the EIT Law of the PRC, withholding tax is imposed on the dividend declared to non-PRC tax residents in respect of profits earned by PRC subsidiaries from 1st January, 2008 onwards. During the year ended 31st December, 2015, withholding tax amounting to HK$12,991,000 (2014: HK$3,966,000) was charged by the PRC tax authority which levied on the dividends paid to overseas group entities in previous and current years.

9. PROFIT FOR THE YEAR

	2015	2014
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**2,095**	2,235
Amortisation and impairment of other intangible assets (included in cost of sales)	**51,903**	11,526
Release of prepaid lease payments	**8,753**	7,083
Depreciation of property, plant and equipment	**125,315**	99,048
Employee benefits expenses, other than directors (including contributions to retirement benefits schemes of HK$36,559,000 (2014: HK$32,638,000))	**224,400**	193,990
Operating lease rentals in respect of rented premises	**4,855**	4,139
Cost of inventories recognised as expenses in respect of contract cost for gas pipeline construction	**163,221**	156,206
Cost of inventories recognised as expenses in respect of sales of piped gas, liquefied petroleum gas and stoves equipment	**1,835,309**	2,091,435
	1,998,530	2,247,641
Gross rental income from investment properties with minimal outgoings	**(715)**	(777)
Gross rental income from equipment with minimal outgoings	**(610)**	(716)

10. DIVIDENDS

No dividend was paid or proposed during 2015, nor has any dividend been proposed since the end of the reporting period (2014: nil).

11. 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		
Earnings for the purposes of basic and diluted earnings per share, being profit for the year attributable to owners of the Company	**93,390**	324,351

	2015	2014
	'000	*'000*
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**2,525,008**	2,524,597
Effect of dilutive potential ordinary shares: Share options issued by the Company	**1,507**	1,872
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,526,515**	2,526,469

12. TRADE AND BILLS RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

The Group allows an average credit period of 30 days (2014: 30 days) to its trade customers. The bills receivables are matured within the range of 30 days to 180 days (2014: 30 days to 180 days) as at 31st December, 2015. The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates for sales of piped gas and the billing dates for work performed for construction contracts:

	2015	2014
	HK$'000	*HK$'000*
0 – 30 days	**197,794**	131,915
31 – 90 days	**37,055**	3,478
91 – 180 days	**12,483**	7,347
181 – 360 days	**48,358**	16,576
Trade receivables	**295,690**	159,316
0 – 90 days	**15,367**	36,814
91 – 180 days	**7,705**	7,936
Bills receivables	**23,072**	44,750
Trade and bills receivables	**318,762**	204,066

Included in deposits, prepayments and other receivables are advances to suppliers of natural gas and construction materials for customers' gas pipeline construction amounting to HK$123,966,000 (2014: HK$166,973,000).

Trade receivables of HK$197,794,000 (2014: HK$131,915,000) and bills receivables of HK$23,072,000 (2014: HK$44,750,000) were neither past due nor impaired. These customers are mainly local reputable real estate developers and corporate entities in Henan, Shandong, Jiangsu, Hebei, Zhejiang, Jilin and Anhui provinces and Beijing City and no significant counterparty default was noted in the past.

As at 31st December, 2015, trade receivables of HK$97,896,000 (2014: HK$27,401,000) were past due but no impairment has been provided for as there has not been a significant change in credit quality and the amounts are still considered recoverable taking into account the debtors' settlement history. The Group does not hold any collateral over these balances. The average age of these trade receivables is 170 days (2014: 210 days).

Ageing of trade receivables which are past due but not impaired

	2015	2014
	HK$'000	*HK$'000*
31-90 days	**37,055**	3,478
91-180 days	**12,483**	7,347
181-360 days	**48,358**	16,576
	97,896	27,401

Movement in the allowance for doubtful debts

Trade receivables

	2015	2014
	HK$'000	*HK$'000*
At 1st January	**2,330**	3,084
Decrease in allowance recognised in profit or loss	**(281)**	(754)
At 31st December	**2,049**	2,330

Other receivables

	2015	2014
	HK$'000	*HK$'000*
At 1st January	**7,695**	7,054
Increase in allowance recognised in profit or loss	**641**	641
At 31st December	**8,336**	7,695

Included in the allowance for doubtful debts are individually impaired trade receivables, which were either in severe financial difficulties or overdue for a long period of time. The Group has made full allowance on these receivables and considered that they are generally not recoverable.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the end of the reporting period. Some of the trade receivables categorised as past due but not impaired as at the end of the reporting period were subsequently settled as at the date of the Group's consolidated financial statements were authorised for issuance. For those balances that have not been settled, the Directors are confident that there will be no recoverability issue taking into account that there was no historical default of payments by the respective customers. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that no further credit provision is required in excess of the allowance for doubtful debts.

13. DEFERRED INCOME AND ADVANCE RECEIVED, TRADE PAYABLES, OTHER PAYABLES AND ACCRUED CHARGES

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

	2015	2014
	HK$'000	*HK$'000*
0 – 30 days	**320,105**	259,003
31 – 90 days	**42,323**	22,723
91 – 180 days	**61,213**	12,318
Over 180 days	**167,937**	45,781
Trade payables	**591,578**	339,825

The average credit period on purchase of goods is 90 days (2014: 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

Deferred income and advance received classified as current liabilities represent amounts received from customers before the contract work is performed and advance payments from customers for purchase of natural gas from the Group. Deferred income and advance received classified as non-current liabilities are government grants of HK$6,034,000 (2014: HK$6,409,000) received by the Group, and will be released to profit or loss when the related costs (for which the grants are intended to compensate) are recognised in profit or loss.

As at 31st December, 2015, included in other payables and accrued charges are (i) deposits received from customers in relation to gas supply business of HK$48,160,000 (2014: HK$37,193,000); (ii) accrued expenses of HK$36,250,000 (2014: HK$31,900,000); (iii) unsettled consideration for the acquisition of assets and liabilities through acquisition of a subsidiary of RMB2,600,000, equivalent to HK$3,103,000 (2014: RMB29,500,000, equivalent to HK$37,394,000 which was settled during the year ended 31st December, 2015); and (iv) unsettled consideration for the acquisition of a subsidiary of RMB20,650,000, equivalent to HK$26,176,000.

LIQUIDITY, FINANCIAL RESOURCES AND WORKING CAPITAL

Liquidity

As at 31st December, 2015, the total assets of the Group increased by approximately HK$1,810,487,000 or 26.2% to HK$8,709,309,000 (2014: HK$6,898,822,000).

As at 31st December, 2015, the Group has net current liabilities of approximately HK$677,454,000 (2014: net current assets of HK$184,975,000). It was mainly due to increase in bank and other borrowings which are repayable within one year.

As at 31st December, 2015, the Group's current ratio, represented by a ratio of total current assets to total current liabilities, was approximately 0.7 (2014: 1.1).

As at 31st December, 2015, the total borrowings and obligations under finance lease increased by approximately HK$938,746,000 or 27.2% to HK$4,391,476,000 (2014: HK$3,452,730,000).

As at 31st December, 2015, the Group had total net debts of approximately HK$3,312,262,000 (2014: HK$2,624,541,000), measured as total borrowings and obligations under finance lease minus the bank balances and cash and pledged bank deposit. As at 31st December, 2015, the Group had net gearing ratio of approximately 145.8% (2014: 114.5%), measured as total net debts to total equity of approximately HK$2,272,394,000 (2014: HK$2,292,740,000).

Financial resources

During the year, the Company entered into several loan agreements with several banks in Hong Kong, pursuant to which the Company was made available to loan facilities of up to US$52,000,000 and HK$300,000,000 in total. The net loan proceeds are used for refinancing the existing indebtedness of the Group, financing the working capital and capital expenditure of the Group.

During the year ended 31st December, 2015, the Group generally financed its operations with internally generated resources and bank and other borrowings. As at 31st December, 2015, all of the bank borrowings were secured or unsecured and on normal commercial basis.

Working capital

In view of the Group's current financial and liquidity positions and in the absence of unforeseen circumstances, the Directors are of the opinion that the Group has sufficient working capital for its requirements.

EXPOSURE TO EXCHANGE RATE FLUCTUATIONS

During the year, the Group's monetary assets and liabilities are principally denominated in either Renminbi ("RMB") or the United States dollars and the Group conducted its business transactions principally in RMB. In August 2015, the People's Bank of China announced a new mechanism to determine the RMB reference rate and RMB depreciated for around 6% during the year. This led to an significant unrealised exchange loss arising from the Group's bank borrowings denominated in United States dollars. The Group is seeking suitable financial instruments for hedging purposes. As at 31st December, 2015, the Group did not employ any financial instruments for hedging purposes, as the management considered the cost of employing such financial instruments will outweigh the benefit.

EMPLOYEE INFORMATION

As at 31st December, 2015, the Group had a total of 3,129 employees (2014: 2,440) in Hong Kong and the PRC, and the total employee benefit expenses (other than directors) for the year was approximately HK$224,400,000 (2014: HK$193,990,000). The increase was mainly due to the increase in the number of headcount of the Group's subsidiaries and salary increment. Around 99.8% of the Group's employees are located in the PRC.

The Group's remuneration and bonus policies are determined by the performance of individual employees.

The emoluments of the Directors are recommended by the Remuneration Committee of the Company, having regard to the Group's operating results, the Directors' duties and responsibilities within the Group and comparable market statistics.

Share option scheme

On 24th October, 2003, the Company adopted a share option scheme ("Old Share Option Scheme") pursuant to which the Directors were authorised to grant share option to its employees (including executive directors and employees of any of its subsidiaries) or any person who has contributed or will contribute to the Group. The Old Share Option Scheme was terminated and replaced by a new share option scheme ("New Share Options Scheme") on 3rd May, 2013 by an ordinary resolution passed by the shareholders of the Company at the annual general meeting held on 3rd May, 2013.

As at the date of this announcement, there were a total of 2,000,000 share options (as at the date of the annual report of the Company for the year ended 31st December, 2014: 2,000,000) outstanding under the Old Share Option Scheme, the full conversion of which will result in the issue of 2,000,000 shares in the Company, representing approximately 0.08% of the number of issued shares of the Company as at the date of this announcement (as at the date of the annual report of the Company for the year ended 31st December, 2014: 0.08%).

The New Share Option Scheme shall be valid and effective for a period of ten years commencing on 3rd May, 2013 and will expire on 2nd May, 2023. As at the date of this announcement, no share options have been granted under the New Share Option Scheme and the maximum number of share options which may be granted under the New Share Option Scheme is 252,400,768. These share options, if granted and converted in full, represent approximately 9.996% of the number of issued shares of the Company as at the date of this announcement (as at the date of the annual report of the Company for the year ended 31st December, 2014: 9.996%).

Under the New Share Option Scheme, the Directors may offer to any employees or any eligible person, who has made or will make contributions to the Group, share options to subscribe for shares in the Company in accordance with the terms of the New Share Option Scheme. The exercise price is determined by the Directors, and shall not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

On 11th April, 2011, share options to subscribe for an aggregate of 159,000,000 ordinary shares at par value HK$0.01 each of the Company were granted to the eligible participants by the Company pursuant to the Old Share Option Scheme. The exercise price of share options granted was HK$0.49 per share. The share options granted shall be valid for a period of ten years from the date of grant. No share options were exercised during the year.

The following table discloses movements of the Company's share options granted under the Old Share Option Scheme and movements in such holdings during the year:

				Number of share options				
Name of Directors	Date of grant	Exercise period	Exercise price *HK$*	Outstanding at 1st January, 2015	Granted during the year under review	Exercised during the year under review	Lapsed/ Cancelled during the year under review	Outstanding at 31st December, 2015
Xu Yongxuan	11th April, 2011	11th April, 2011 to 10th April, 2021	0.49	1,000,000	–	–	–	1,000,000
Luo Yongtai	11th April, 2011	11th April, 2011 to 10th April, 2021	0.49	1,000,000	–	–	–	1,000,000
				2,000,000	–	–	–	2,000,000
Exercisable at the end of the period								2,000,000
Weighted average exercise price				HK$0.49	–	–	–	HK$0.49

The closing price of the Shares on 8th April, 2011 was HK$0.48, which was the date immediately before the date on which the share options were granted on 11th April, 2011.

Save as disclosed above, at no time during the year under review was the Company, its subsidiaries, its ultimate holding company or any subsidiaries of its ultimate holding company a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

CHARGE ON THE GROUP'S ASSETS

As at 31st December, 2015, the Group has pledged certain buildings in the PRC having a carrying value of HK$3,147,000 (2014: HK$3,530,000) to secure certain bank borrowings granted to the Group.

As at 31st December, 2015, the Group has pledged certain prepaid lease payments in the PRC having carrying value of HK$44,660,000 (2014: HK$48,614,000) to secure certain bank borrowings granted to the Group.

As at 31st December, 2015, pursuant to a letter of undertaking, the Group is required to maintain a deposit of RMB80,000,000 (equivalent to HK$95,488,000) with a bank as a condition precedent to a short-term bank borrowing.

DETAILS OF FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

As at 31st December, 2015, the Board did not have any specific plans for material investment or capital assets.

CAPITAL COMMITMENTS

As at 31st December, 2015, the capital expenditure in respect of the acquisition of property, plant and equipment and prepaid lease payments contracted for but not provided in the consolidated financial statements is HK$77,771,000 (2014: HK$61,818,000).

CONTINGENT LIABILITIES

As at 31st December, 2015, the Group did not have any contingent liabilities.

BUSINESS REVIEW

During the year, the Group was principally engaged in (i) the investment, operation and management of city gas pipeline infrastructure, distribution of piped gas to residential, industrial and commercial users; and (ii) the construction and operation of CNG/LNG vehicle filling stations in the PRC.

Natural Gas Pricing Reform

In recent years, the National Development and Reform Commission (the "NDRC") of the PRC announced different measures for marketisation of natural gas pricing. On 1st April, 2015, the NDRC reduced the city-gate price of incremental volume by RMB0.44 per cubic metre and increased the city-gate price of existing volume by RMB0.04 per cubic metre, in order to converge the city-gate prices of existing volume and incremental volume. On 20th November, 2015, the NDRC lowered the maximum city-gate prices of natural gas for non-residential users by RMB0.7 per cubic metre. Moreover, the city-gate price then becomes a benchmark price, which is subject to negotiation between suppliers and buyers. The non-residential suppliers may charge up to 20% above the benchmark city-gate prices based on supply of and demand for natural gas.

The Group passed through the decreased cost to its non-residential users. The lower gas price provided a stronger incentive for non-residential users to use natural gas and facilitated the Group to develop its new industrial and commercial customers, which sparked up the gas sales volume of the Group.

Downstream Piped Gas Distribution

Harmony Gas Project

References are made to the announcement of the Company dated 8th December, 2015, (the "Announcement") in relation to acquisition of further interests in Harmony Gas, which holds 100% shareholding interests in the privatized Sino Gas International Holdings, Inc. (the "Harmony Gas Project"), and the Shareholders Agreement (as defined in the Announcement). Unless otherwise defined herein, capitalised terms used in this section of this announcement shall have the same meanings as defined in the Announcement.

On 8th December, 2015, Zhongyu Beijing (a wholly-owned subsidiary of the Company) and the Vendor entered into the Sale and Purchase Agreement pursuant to which Zhongyu Beijing conditionally agreed to acquire further interests in Harmony Gas held by the Vendor at the consideration of US$78,722,395 which shall be satisfied by cash at the Completion Date. The parties also entered into the Shareholders Agreement.

Zhongyu Beijing is an existing 50% shareholder of Harmony Gas so the purchase of the Sale Shares will, on completion of the Sale and Purchase Agreement, increase Zhongyu Beijing's shareholding in Harmony Gas to 88.7%. Completion is expected to take place on a date parties will agree but, absent agreement, shall take place no later than 14th July, 2017. Even though completion of the Sale and Purchase Agreement will not take place in the year ended 31st December, 2015, as a result of the terms of the Shareholders Agreement, the Company consolidated the results of Harmony Gas and its subsidiaries from 8th December, 2015, the date when Harmony Gas became a subsidiary of the Company.

Harmony Gas and its subsidiaries own and operate 22 exclusive piped gas projects in PRC, covering connectable urban population in Hebei, Jiangsu, Jilin and Anhui provinces.

Due to the steady growth in the natural gas market in the PRC, the Group is confident in its prospects in this market. The Directors are of the view that the Harmony Gas Project could provide an opportunity for the Group to further invest in natural gas business in the PRC in order to enhance its earning base and expand the geographical coverage of its operations.

Dezhou Wangyuan Project

In 2014, the Group acquired 100% equity interest in 德州中裕燃氣有限公司 (previously called 德州旺源燃氣有限公司 ("Dezhou Wangyuan")). During the year ended 31st December, 2015, the Group made additional capital injection of RMB15,000,000 to Dezhou Wangyuan. Dezhou Wangyuan is principally engaged in exclusively sales of piped gas in Tianqu industrial zone of Dezhou City, Shandong Province, the PRC. After developing for over a decade, Tianqu industrial zone is growing stronger. The zone is divided into six districts, namely the modern logistic district, chemical district, electronic information district, textile district, food processing district and the Tianqu business district respectively.

New CNG/LNG Vehicle Filling Stations Expansion

Newly established CNG/LNG vehicle filling stations

The Group continued to develop vehicles natural gas filling station business actively. During the financial year, 10 additional CNG/LNG vehicle filling stations were put into operation.

Major Operational Data

The downstream natural gas distribution business of the Group primarily comprises sales of piped gas, gas pipeline construction and sales of natural gas from CNG/LNG vehicle filling stations.

The major operational data of the Group for the year together with the comparative figures for the corresponding period last year are as follows:

	2015	2014	Increase/ (Decrease)
Number of operational locations *(Note a)**	**52**	52	–
– Henan Province	**21**	21	–
– Hebei Province	**15**	15	–
– Jiangsu Province	**5**	5	–
– Shandong Province	**4**	4	–
– Jilin Province	**2**	2	–
– Fujian Province	**1**	1	–
– Heilongjiang Province	**1**	1	–
– Zhejiang Province	**1**	1	–
– Anhui Province	**2**	2	–
Connectable urban population ('000) *(Note b)**	**10,073**	8,594	17.2%
Connectable residential households ('000)*	**2,878**	2,455	17.2%
New piped gas connections by the Group made during the year			
– Residential households	**160,794**	146,997	9.4%
– Industrial customers	**166**	95	74.7%
– Commercial customers	**656**	670	(2.1)%

	2015	2014	Increase/ (Decrease)
Accumulated number of connected piped gas customers*			
– Residential households	**1,584,683**	1,344,627	17.9%
– Industrial customers	**803**	625	28.5%
– Commercial customers	**4,859**	4,082	19.0%
Penetration rate of residential pipeline connection *(Note c)*	**55.1%**	58.3%	(3.2)%
Unit of piped natural gas sold ('000 m^3)	**626,392**	685,953	(8.7)%
– Residential households	**149,042**	124,150	20.0%
– Industrial customers	**376,109**	467,183	(19.5)%
– Commercial customers	**74,219**	66,979	10.8%
– Wholesale customers	**27,022**	27,641	(2.2)%
Number of CNG/LNG Vehicle Filling Stations			
– Accumulated	**54**	44	10
– Under construction	**24**	19	5
Unit of natural gas sold to vehicles ('000 m^3)	**95,949**	98,877	(3.0)%
Total length of existing intermediate and main pipelines (km)*	**9,067**	7,880	15.1%
Average selling price of natural gas (pre-tax) (RMB per m^3)			
– Residential households	**1.99**	1.94	2.6%
– Industrial customers	**2.79**	2.71	3.0%
– Commercial customers	**3.04**	3.05	(0.3)%
– Wholesale customers	**2.16**	2.14	0.9%
– CNG/LNG vehicle filling stations	**3.46**	3.70	(6.5)%
Average cost of natural gas (RMB per m^3)	**2.29**	2.24	2.2%
Average connection fee for residential households (RMB)	**2,819**	2,835	(0.6)%

Note a: The number of operational locations represents the gas projects with exclusive rights which are operated by the Group in different cities and regions in the PRC.

Note b: The information is quoted from the website of PRC government. The increase in connectable urban population is due to the increase in urban area and jurisdictional region of the cities.

Note c: The penetration rates of residential pipeline connection represented by the percentage of the accumulated number of the Group's connected residential households to the estimated aggregate number of connectable residential households in its operation regions.

* The information in 2014 included the statistics of the Harmony Gas Project.

FINANCIAL REVIEW

Overall

The Group's profit attributable to owners of the Company amounted to HK$93,390,000 (2014: HK$324,351,000). The decrease was mainly due to (i) net foreign exchange loss of HK$164,899,000; (ii) share of loss of a joint venture of HK$51,962,000 and (iii) decline in turnover during the year. In August 2015, the People's Bank of China announced a new mechanism to determine the RMB reference rate and RMB depreciated for around 6% during the year. This led to a significant unrealised exchange loss which mainly arising from the Group's bank borrowings denominated in United States dollars.

Excluding the net foreign exchange loss of HK$164,899,000 (2014: net foreign exchange gain of HK$348,000), the Group's adjusted profit attributable to owners of the Company would amount to HK$258,289,000 (2014: HK$324,003,000).

Turnover

An analysis of the Group's turnover by products and services for the year, together with the comparative figures for the corresponding period last year are as follows:

	Year ended 31st December				
	2015	**% of total**	2014	% of total	Increase/ (Decrease)
	HK$'000		*HK$'000*		
Sales of Piped Gas	**2,098,195**	**64.0%**	2,317,565	67.9%	(9.5)%
Connection revenue from Gas Pipeline Construction	**748,185**	**22.9%**	612,974	18.0%	22.1%
Operation of CNG/LNG Vehicle Filling Stations	**413,612**	**12.6%**	461,471	13.5%	(10.4)%
Sales of Stoves and Related Equipment	**16,052**	**0.5%**	9,885	0.3%	62.4%
Sub-total	**3,276,044**	**100.0%**	3,401,895	99.7%	(3.7)%
Sales of Liquefied Petroleum Gas	**622**	**0.0%**	10,795	0.3%	(94.2)%
Total	**3,276,666**	**100%**	3,412,690	100%	(4.0)%

The turnover for the year amounted to approximately HK$3,276,666,000 (2014: HK$3,412,690,000). The continuous growth in sales of piped gas to commercial and residential customers and connection revenue from gas pipeline construction were offset by the decrease in sales of piped gas to industrial customers and the sales of natural gas from CNG/LNG vehicle filling stations.

Sales of Piped Gas

Sales of piped gas for the year ended 31st December, 2015 amounted to approximately HK$2,098,195,000, representing a decrease of approximately 9.5% over the corresponding period last year.

Sales of piped gas for the year contributed approximately 64.0% of the total turnover of the Group. As compared with the percentage of approximately 67.9% during the corresponding period last year, sales of piped gas continued to be the major source of turnover of the Group. The following table set forth the breakdown of sales of piped gas by customers.

Sales of piped gas by customers:

	Year ended 31st December,				
	2015	**% of total**	2014	% of total	Increase/ (Decrease)
	HK$'000		*HK$'000*		
Industrial customers	**1,354,493**	**64.6%**	1,657,029	71.5%	(18.3)%
Residential households	**388,074**	**18.5%**	325,164	14.0%	19.3%
Commercial customers	**282,934**	**13.5%**	260,837	11.3%	8.5%
Wholesale customers	**72,694**	**3.4%**	74,535	3.2%	(2.5)%
Total	**2,098,195**	**100%**	2,317,565	100%	(9.5)%

Industrial customers

The sales of piped gas to its industrial customers for the year decreased by 18.3% to approximately HK$1,354,493,000 from approximately HK$1,657,029,000 for the corresponding period last year. During the year, the Group connected 166 new industrial customers. The average selling price of natural gas for industrial customers was increased by 3.0% to RMB2.79 per m^3 (2014: RMB2.71 per m^3) when compared to the corresponding period last year, which partly suppressed the gas consumption of industrial customers. During the year, the piped natural gas usage provided by the Group to its industrial customers reduced to 376,109,000 m^3 (2014: 467,183,000 m^3) as a result of the slowdown of economic growth of PRC.

The sales of piped gas to its industrial customers for the year contributed approximately 64.6% of the total sales of piped gas of the Group. As compared with the percentage of approximately 71.5% during the corresponding period last year, it continued to be the major source of sales of piped gas of the Group.

Residential households

The sales of piped gas to its residential households for the year increased by 19.3% to approximately HK$388,074,000 from approximately HK$325,164,000 for the corresponding period last year. The growth in sales of piped gas to residential households was supported by the growth in population due to urbanization in the Group's existing project cities in China. The Group provided new natural gas connections for 160,794 residential households. During the year, the piped natural gas usage provided by the Group to residential households was approximately 149,042,000 m^3 (2014: 124,150,000 m^3).

The sales of piped gas to its residential households for the year contributed approximately 18.5% of the total sales of piped gas of the Group (2014: 14.0%).

Commercial customers

In addition to fulfilling the demand of residential customers for natural gas, the Group stepped up gas connection for commercial customers. The sales of piped gas to its commercial customers for the year increased by 8.5% to approximately HK$282,934,000 from approximately HK$260,837,000 for the corresponding period last year. The sales of piped gas to its commercial customers for the year contributed approximately 13.5% of the total sales of piped gas of the Group (2014: 11.3%). During the year, the Group connected 656 new commercial customers. As at 31st December, 2015, the number of commercial customers of the Group reached 4,859.

The average selling price of natural gas for commercial customers remained stable at RMB3.04 per m^3 (2014: RMB3.05 per m^3) when compared to the corresponding period last year. The increase in gas consumption of commercial customers by 10.8% to approximately 74,219,000 m^3 drove the piped gas sales increment.

Gas Pipeline Construction

Connection revenue from gas pipeline construction for the year ended 31st December, 2015 amounted to approximately HK$748,185,000, representing an increase of approximately 22.1% over the corresponding period last year. The following table set forth the breakdown of connection revenue from gas pipeline construction by customers.

Connection revenue from gas pipeline construction by customers

	Year ended 31st December,				
	2015	**% of total**	2014	% of total	Increase/ (Decrease)
	HK$'000		*HK$'000*		
Residential households	**563,019**	**75.3%**	525,970	85.8%	7.0%
Non-residential customers	**185,166**	**24.7%**	87,004	14.2%	112.8%
Total	**748,185**	**100%**	612,974	100%	22.1%

During the year, connection revenue from gas pipeline construction for residential households increased by 7.0% to approximately HK$563,019,000 from approximately HK$525,970,000 for the corresponding period last year. The increase in connection revenue from gas pipeline construction for residential households was mainly attributable to the increase in construction work for gas pipeline connection completed by the Group for residential households to 160,794 from 146,997 for the corresponding period last year.

The connection fee charged to industrial/commercial customers by the Group was significantly higher than that charged to residential households and was determined on a case-by-case basis. During the year, connection revenue from gas pipeline construction for non-residential customers increased by 112.8% to approximately HK$185,166,000 from approximately HK$87,004,000 for the corresponding period last year, benefited from the escalating awareness of the use of clean energy.

As at 31st December, 2015, the Group's penetration rates of residential pipeline connection amounted to 55.1% (2014: 58.3%) (represented by the percentage of the accumulated number of the Group's connected residential households to the estimated aggregate number of connectable residential households in its operation regions). In view of the rapid growth of the population in urban areas due to urbanization, the Group will continue to increase its market coverage by active acquisition when suitable opportunities arise.

Operation of CNG/LNG Vehicle Filling Stations

International crude oil prices remained at a low level since late 2014. The competitive advantage of CNG/LNG vehicle filling stations was shrinking in short term. Revenue from operating CNG/LNG vehicle filling stations for the year ended 31st December, 2015 amounted to approximately HK$413,612,000, representing a decrease of approximately 10.4% over the corresponding period last year. The average selling price of natural gas for CNG/LNG vehicle filling stations was reduced by 6.5% to RMB3.46 per m^3 (2014: RMB3.70 per m^3) when compared to the corresponding period last year. The unit of natural gas sold to vehicles slightly decreased by 3.0% to approximately 95,949,000 m^3 for the year ended 31st December, 2015 from approximately 98,877,000 m^3 for the corresponding period last year.

During the year, the turnover derived from operating CNG/LNG vehicle filling stations accounted for approximately 12.6% of the total turnover of the Group. Despite the short-term difficulties faced by the industry, the Group is confident in the future development of the natural gas industry. As at 31st December, 2015, the Group had 54 CNG/LNG vehicle filling stations and commenced building an additional 24 CNG/LNG vehicle filling stations in the PRC. It is targeted that all new CNG/LNG vehicle filling stations will commence operation in 2016 or 2017.

Gross profit margin

The overall gross profit margin for the year ended 31st December, 2015 was approximately 24.0% (2014: 24.9%). The gross profit margin for the sales of piped natural gas was 15.6% (2014: 17.2%); for the gas pipeline construction was 58.7% (2014: 63.0%); and for the operation of CNG/LNG vehicle filling stations was 14.1% (2014: 20.7%).

The decrease in the gross profit margin for the sales of piped natural gas was mainly due to increase in upstream natural gas price and overhead costs, such as direct labour costs and depreciation. The decrease in the gross profit margin for the connection revenue from gas pipeline construction was mainly due to the increase in the average construction cost for non-residential customers. In view of the current economic environment in PRC, the non-residential customers were more prudent when negotiating the gas pipeline construction contracts. The decrease in the gross profit margin for the operation of CNG/LNG vehicle filling stations was mainly due to reduction of average selling price in current year, as a result of keen competition.

Other gains and losses

The Group recognised other net loss of HK$73,633,000 in 2015 (2014: other net gain of HK$29,454,000). The amount mainly represented net foreign exchange loss of HK$164,899,000 (2014: net foreign exchange gain of HK$348,000), offset by gain on obtaining control over Harmony Gas and its subsidiaries of HK$86,749,000. In 2014, there was one-off reversal of impairment loss of HK$29,380,000 recognised on other intangible assets. No such gain was noted in 2015.

Other income

Other income increased to approximately HK$46,050,000 in 2015 from approximately HK$37,092,000 in 2014. The balance in 2015 represented the bank interest income of approximately HK$6,924,000 (2014: HK$5,154,000), interest income on amount due from a joint venture of approximately HK$20,653,000 (2014: HK$6,669,000), government subsidies of approximately HK$3,411,000 (2014: HK$11,635,000), interest income from investments in life insurance contracts of approximately HK$2,376,000 (2014: HK$1,112,000) and sundry income of approximately HK$12,686,000 (2014: HK$12,522,000).

Selling and distribution costs

Selling and distribution costs increased by 16.4% to approximately HK$71,565,000 in 2015 from approximately HK$61,501,000 in 2014. The increase was mainly attributable to (i) ascending staff costs and related expenses as a result of increased salary and number of headcount for PRC subsidiaries; and (ii) the consolidation of selling and distribution costs of Harmony Gas.

Administrative expenses

Administrative expenses decreased by 1.7% to approximately HK$209,334,000 in 2015 from approximately HK$213,046,000 in 2014. The decrease was mainly attributable to (i) the reduction in professional fees as fewer new gas projects were acquired in current year; (ii) decrease in director emoluments; and (iii) the cost-saving measures conducted by the Group to improve cost-efficiency. These offset the impact of the consolidation of administrative expenses of Harmony Gas.

Share of results of a joint venture

During the year, the Group shared loss of Harmony Gas and its subsidiaries of HK$51,962,000 (2014: share of profit of HK$13,000).

Finance costs

Finance costs increased by 35.8% to approximately HK$114,866,000 in 2015 from approximately HK$84,565,000 in 2014. The increase was mainly attributable to the increase in average bank and other borrowings and amortisation on loan facilities fees regarding to bank borrowings.

Income tax expenses

Under the Law of the PRC on the EIT Law and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profits arising in Hong Kong for both years.

Under the EIT Law of the PRC, withholding tax is imposed on the dividend declared to non-PRC tax residents in respect of profits earned by PRC subsidiaries from 1st January, 2008 onwards. During the year ended 31st December, 2015, withholding tax amounting to HK$12,991,000 (2014: HK$3,966,000) was charged by the PRC tax authority which levied on the dividends paid to overseas group entities in previous and current years.

Accordingly, the income tax expenses in 2015 amounted to approximately HK$157,637,000 (2014: HK$167,285,000).

Earnings from continuing operations before finance costs, taxation, depreciation and amortisation ("EBITDA")

The Group's EBITDA was approximately HK$608,342,000 in 2015, representing a decrease of 19.9% as compared with that of approximately HK$759,287,000 in 2014.

Profit attributable to owners of the Company

As a result of the above, profit attributable to owners of the Company was approximately HK$93,390,000 in 2015, representing a decrease of 71.2% as compared with that of approximately HK$324,351,000 in 2014.

Net Profit Margin

As at 31st December, 2015, the net profit margin, representing a ratio of profit attributable to owners of the Company to turnover, was approximately 2.9% (2014: 9.5%).

Earnings per share

The basic and diluted earnings per share attributable to the owners of the Company were HK3.70 cents and HK3.70 cents respectively in 2015, as compared with that of HK12.85 cents and HK12.84 cents respectively in 2014.

Net assets value per share

The net assets value per share attributable to the owners of the Company was HK79 cents in 2015 (2014: HK79 cents).

The net assets value represents total assets minus total liabilities.

DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at 31st December, 2015, the interests and short positions of the Directors and the Joint Managing Directors of the Company and their associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules were as follows:

Long positions in the Shares of the Company

Name of Directors	*Notes*	Number of Shares and/or underlying Shares	Type of Interests	Approximate percentage of issued share capital *(Note 4)*
Mr. Wang Wenliang	*1*	590,807,542	Beneficial and interest in controlled corporation	23.40%
Mr. Xu Yongxuan	*2*	1,000,000	Beneficial	0.04%
Mr. Lui Siu Keung	*3*	6,000,000	Beneficial	0.24%
Mr. Lu Zhaoheng	*3*	3,000,000	Beneficial	0.12%
Mr. Li Chunyan	*3*	1,000,000	Beneficial	0.04%
Mr. Luo Yongtai	*2*	1,000,000	Beneficial	0.04%

Notes:

1. Among these shares and/or underlying shares, 567,453,542 shares are held by Hezhong Investment Holding Company Limited ("Hezhong"). Mr. Wang Wenliang is beneficially interested in 100% of the issued share capital of Hezhong. The remaining 16,112,000 shares and 7,242,000 shares are directly held by Mr. Wang Wenliang and his spouse respectively.

2. These underlying shares are to be allotted and issued upon exercise of the rights attaching to the share options at an exercise price of HK$0.49 per share under the share option scheme adopted by the Company on 24th October, 2003.

3. The shares are directly held by the director.

4. As at 31st December, 2015, the total issued share capital of the Company was 2,525,007,684.

Save as disclosed above, as at 31st December, 2015, none of the Directors nor the Joint Managing Directors of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Interests of substantial shareholders of the Company

So far as is known to the Directors, as at 31st December, 2015, the following entities (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Long positions in the Shares of the Company

Name of Shareholder	*Notes*	**Type of interests**	**Number of Shares**	**Approximate percentage of interests** *(Note 4)*
China Gas Holdings Limited	*1*	Interest of controlled corporation	1,111,934,142	44.04%
Rich Legend International Limited	*1*	Beneficial	1,111,934,142	44.04%
Hezhong	*2*	Beneficial	567,453,542	22.47%
Ms. Feng Haiyan	*3*	Interest of spouse	590,807,542	23.40%

Notes:

1. According to the disclosure of interests pages as shown in the website of the Stock Exchange as at 31st December, 2015, China Gas Holdings Limited controlled 100% of Rich Legend International Limited ("Rich Legend") and is therefore deemed to be interested in the 1,111,934,142 Shares held by Rich Legend. This does not include an interest in 568,619,542 Shares which, based on such disclosure are not held beneficially by Rich Legend but are held by Rich Legend in a capacity described as "Other" in the relevant disclosure of interests pages. Apart from the information ascertained in the disclosure of interest pages as shown in the website of the Stock Exchange, the Company has no further information.

2. Hezhong is beneficially interested in 567,453,542 shares. Mr. Wang Wenliang is beneficially interested in 100% of the issued share capital of Hezhong respectively.

3. Ms. Feng Haiyan directly holds 7,242,000 shares and is deemed to be interested in 583,565,542 shares under the SFO as she is the spouse of Mr. Wang Wenliang.

4. As at 31st December, 2015, the total issued share capital of the Company was 2,525,007,684.

Save as disclosed above, as at 31st December, 2015, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

COMPETING INTEREST

China Gas Holdings Limited is a substantial shareholder of the Company. For the reasons stated in the Transfer of Listing announcement of the Company dated 29 June 2012, the Board is of the view that in so far as the existing pipeline gas projects of the Group in the PRC are concerned, the Group and China Gas Holdings Limited are not competing with each other due to the nature of the natural gas industry in the PRC. However, there may be competition between the Group and China Gas Holdings Limited in relation to the construction and operation of gas stations in the PRC in the future depending on the direction and expansion of the Group's operations and business in the PRC.

Save as stated in the Transfer of Listing announcement of the Company dated 29th June, 2012 and as mentioned above, as far as the Directors are aware, during the period under review, none of the Directors, the management shareholders or substantial shareholders of the Company or their respective associates (as defined in the Listing Rules) had any interest in a business which competed with or might compete with the business of the Group.

CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules. During the period under review, the Company has complied with all the applicable code provisions under the CG Code, except for the following deviation:

CG Code Provision A.2.1 provides that the roles of Chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the Chairman and chief executive should be clearly established and set out in writing.

Mr. Wang Wenliang was originally the Chairman and the Joint Managing Director (who has similar role and responsibilities as those of a chief executive) of the Company. As a result, the dual role that Mr. Wang Wenliang had as the Chairman and a Joint Managing Director may constitute a deviation from CG Code Provision A.2.1.

On 16th October, 2015, Mr. Wang Wenliang resigned as a Joint Managing Director but remains as an executive director and the Chairman of the Company. Mr. Peng Wei had on the same day been appointed as a Joint Managing Director and an executive director of the Company. Mr. Wang Wenliang's resignation from the office of Joint Managing Director has allowed the separation of the roles of the Company's Chairman and the chief executive in accordance with CG Code Provision A.2.1.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted and complied with the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry of all Directors, they have all confirmed their compliance with the required standard of dealings and the Model Code regarding securities transactions by Directors adopted by the Company.

AUDIT COMMITTEE

The Company's Audit Committee, comprising Mr. Li Chunyan, Dr. Luo Yongtai and Mr. Hung, Randy King Kuen, as the independent non-executive Directors, has reviewed with the Company's management the accounting principles and practices adopted by the Group and financial reporting matters including a review of the annual results of the Group for the year ended 31st December, 2015. There were no disagreements within the Audit Committee in relation to the accounting treatment adopted by the Company.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the shares during the year ended 31st December, 2015.

PUBLICATION OF INFORMATION ON THE WEBSITES OF HONG KONG EXCHANGES AND CLEARING LIMITED AND THE COMPANY

This announcement is required to be published on the website of The Hong Kong Exchanges and Clearing Limited ("HKEX") at www.hkex.com.hk under "Latest Listed Company Information" and the Company at www.zhongyugas.com under "Announcement" respectively. The annual report of the Company for the year ended 31st December, 2015 will be despatched to the shareholders in April 2016 and will be published on the websites of the HKEX and the Company accordingly.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes thereto for the year ended 31st December, 2015 as set out in this announcement (the "Preliminary Announcement") have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu 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 and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the Preliminary Announcement.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises of Mr. Wang Wenliang (Chairman), Mr. Peng Wei (Joint Managing Director), Mr. Lui Siu Keung (Joint Managing Director) and Mr. Lu Zhaoheng, as the executive Directors, Mr. Xu Yongxuan (Vice-Chairman), as the non-executive Director and Mr. Li Chunyan, Dr. Luo Yongtai and Mr. Hung, Randy King Kuen, as the independent non-executive Directors.

By Order of the Board
ZHONGYU GAS HOLDINGS LIMITED
Wang Wenliang
Chairman

Hong Kong, 31st March, 2016