CHINA GAS HOLDINGS LIMITED
中國燃氣控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 384)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2018

The Board of Directors (the "Board") of China Gas Holdings Limited (the "Company") announces the audited consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2018, together with the comparative figures for the year ended 31 March 2017, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**Year ended 31 March 2018** *HK$'000*	Year ended 31 March 2017 *HK$'000*
Revenue	*3*	**52,831,958**	31,993,323
Cost of sales		**(41,160,934)**	(23,616,497)
Gross profit		**11,671,024**	8,376,826
Other income		**563,903**	445,644
Other gains and losses		**165,328**	(214,653)
Selling and distribution costs		**(1,615,916)**	(1,229,274)
Administrative expenses		**(1,987,608)**	(1,675,472)
Share of results of associates		**496,822**	293,060
Share of results of joint ventures		**758,313**	611,187
		10,051,866	6,607,318
Share-based payments		**(644,320)**	–
Finance costs		**(807,781)**	(705,116)
Profit before taxation		**8,599,765**	5,902,202
Taxation	*4*	**(1,930,711)**	(1,207,506)
Profit for the year	*5*	**6,669,054**	4,694,696

	Note	Year ended 31 March 2018 HK$'000	Year ended 31 March 2017 HK$'000
Other comprehensive expense			
Items that will be reclassified subsequently to profit or loss:			
Decrease in fair value on available-for-sale investments		**(22,959)**	(21,794)
Items that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**2,945,501**	(1,240,162)
Other comprehensive income (expense) for the year		**2,922,542**	(1,261,956)
Total comprehensive income for the year		**9,591,596**	3,432,740
Profit for the year attributable to:			
Owners of the Company		**6,095,153**	4,147,732
Non-controlling interests		**573,901**	546,964
		6,669,054	4,694,696
Total comprehensive income attributable to:			
Owners of the Company		**8,645,772**	3,047,451
Non-controlling interests		**945,824**	385,289
		9,591,596	3,432,740
Earnings per share	*6*		
Basic		**HK$1.23**	HK$0.85
Diluted		**HK$1.20**	HK$0.85

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2018

	Note	**2018**	2017
		HK$'000	*HK$'000*
			(restated)
Non-current assets			
Investment properties		**272,929**	219,221
Property, plant and equipment		**34,088,413**	25,879,389
Prepaid lease payments		**1,996,978**	1,568,354
Investments in associates		**5,924,790**	4,165,789
Investments in joint ventures		**6,423,615**	5,412,087
Available-for-sale investments		**409,176**	324,304
Goodwill		**3,079,624**	2,725,604
Other intangible assets		**3,903,024**	3,718,428
Deposit for acquisition of property, plant and equipment		**663,790**	417,854
Deposit for acquisition of subsidiaries, joint ventures and associates		**194,038**	267,264
Deferred tax assets		**224,325**	160,617
		57,180,702	44,858,911
Current assets			
Inventories		**3,069,246**	1,678,888
Amounts due from customers for contract work		**3,166,968**	1,738,107
Trade and other receivables	*7*	**9,019,230**	6,066,993
Amounts due from associates		**38,347**	255,015
Amounts due from joint ventures		**935,161**	304,156
Prepaid lease payments		**63,225**	49,991
Held-for-trading investments		**48,077**	27,402
Pledged bank deposits		**290,729**	517,676
Bank balances and cash		**8,246,322**	4,724,646
		24,877,305	15,362,874

	Note	2018 HK$'000	2017 HK$'000 (restated)
Current liabilities			
Trade and other payables	*8*	**14,044,970**	9,649,805
Amounts due to associates		**125**	100,939
Amounts due to joint ventures		**88,441**	797,393
Amounts due to customers for contract work		**942,632**	645,193
Derivate financial instrument		**2,338**	936
Taxation		**943,784**	511,844
Bank and other borrowings – due within one year		**11,079,288**	10,873,256
		27,101,578	22,579,366
Net current liabilities		**(2,224,273)**	(7,216,492)
Total assets less current liabilities		**54,956,429**	37,642,419
Equity			
Share capital		**49,685**	49,685
Reserves		**28,406,311**	20,500,548
Equity attributable to owners of the Company		**28,455,996**	20,550,233
Non-controlling interests		**4,274,104**	3,396,346
Total equity		**32,730,100**	23,946,579
Non-current liabilities			
Bank and other borrowings – due after one year		**21,293,133**	12,745,179
Deferred taxation		**933,196**	950,661
		22,226,329	13,695,840
		54,956,429	37,642,419

1. BASIS OF PREPARATION

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

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

2. APPLICATION OF NEW AND REVISED HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014 - 2016 Cycle

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

Amendments to HKAS 7 Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

3. REVENUE AND SEGMENT INFORMATION

Revenue mainly represents the net amounts received and receivable for sales of piped gas, gas connection (including revenue from gas connection and other contracted construction), sales of LPG, and value-added services by the Group for the year.

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

The CODM reviews the results of Zhongyu Gas Holdings Limited ("Zhongyu Gas"), an associate of the Group, being accounted for under equity accounting separately and thus Zhongyu Gas is presented as a single operating and reportable segment.

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

(i) Sales of piped gas;

(ii) Gas connection;

(iii) Sales of LPG;

(iv) Value-added services; and

(v) Zhongyu Gas

Information regarding the above segments is presented below.

Segment revenues and results

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

For the year ended 31 March 2018

	Sales of piped gas *HK$'000*	Gas connection* *HK$'000*	Sales of LPG *HK$'000*	Value-added services *HK$'000*	Zhongyu Gas *HK$'000*	Segment Total *HK$'000*
Segment revenue from external customers	**22,612,904**	**11,302,543**	**15,969,830**	**2,946,681**	**–**	**52,831,958**
Segment profit	**2,463,320**	**4,761,526**	**608,479**	**774,522**	**245,671**	**8,853,518**
Change in fair value of investment properties						**38,490**
Interest and other gains						**153,580**
Unallocated corporate expenses						**(210,915)**
Finance costs						**(807,781)**
Exchange gain on translation of foreign currency monetary items into functional currency						**207,729**
Share-based payments						**(644,320)**
Share of results of associates						**251,151**
Share of results of joint ventures						**758,313**
Profit before taxation						**8,599,765**

* including revenue from gas connection and other contracted construction.

For the year ended 31 March 2017

	Sales of piped gas	Gas connection*	Sales of LPG	Value-added services	Zhongyu Gas	Segment Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue from external customers	13,778,572	5,748,458	11,654,633	811,660	–	31,993,323
Segment profit	1,989,072	3,207,548	545,218	295,992	90,817	6,128,647
Change in fair value of investment properties						31,686
Interest and other gains						73,334
Loss on liquidation of subsidiaries						(77,454)
Litigation claim						(87,376)
Unallocated corporate expenses						(205,300)
Finance costs						(705,116)
Exchange loss on translation of foreign currency monetary items into functional currency						(69,649)
Share of results of associates						202,243
Share of results of joint ventures						611,187
Profit before taxation						5,902,202

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

The accounting policies of the operating segments are the same as the Group's accounting policies. Except for segment profit of Zhongyu Gas, segment profit for remaining reportable segments represents the profit earned by each segment without allocation of interest income and other gains, head office administration costs, change in fair value of investment properties, litigation claim, loss on liquidation of subsidiaries, share-based payments, share of results of associates, share of results of joint ventures, exchange gain/(loss) on translation of foreign currency monetary items into functional currency and finance costs. The segment profit of Zhongyu Gas represents share of results of Zhongyu Gas. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

* including revenue from gas connection and other contracted construction.

4. TAXATION

	2018	2017
	HK$'000	*HK$'000*
People's Republic of China ("PRC")		
Enterprise Income Tax	**2,022,350**	1,229,483
Deferred taxation	**(91,639)**	(21,977)
	1,930,711	1,207,506

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

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

Certain PRC group entities are entitled to the preferential tax rate pursuant to the relevant regulations applicable to enterprises situated in the western region of the PRC and high-technology enterprises. The applicable tax rates of those PRC group entities is 15% for the year ended 31 March 2018 (2017: 15%).

5. PROFIT FOR THE YEAR

	2018	2017
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**9,688**	9,000
Depreciation of property, plant and equipment	**1,049,946**	872,640
Release of prepaid lease payments	**55,954**	48,362
Amortisation of intangible assets included in cost of sales	**124,340**	87,157
Minimum lease payments for operating leases	**205,962**	179,745
Loss (gain) on disposal of property, plant and equipment	**1,663**	(2,239)
Share of tax of associates (included in share of results of associates)	**186,321**	76,485
Share of tax of joint ventures (included in share of results of joint ventures)	**237,081**	172,997
Staff costs	**2,889,505**	1,860,899
Cost of inventories recognised as expenses	**37,453,586**	22,808,385
Rental income from investment properties less outgoings	**(21,034)**	(25,300)

6. EARNINGS PER SHARE

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

	2018	2017
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share, being profit for the year attributable to owners of the Company	**6,095,153**	4,147,732

	2018	2017
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,968,519**	4,908,043
Adjustment for effect of dilutive potential ordinary shares: Share options	**109,324**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,077,843**	4,908,043

The computation of diluted earnings per share for the year ended 31 March 2017 did not assume the exercise of the Company's outstanding share options as the exercise price of those share options was higher than the average market price of the shares for the 2017 financial year.

7. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**3,409,101**	2,407,026
Less: accumulated allowances	**(473,333)**	(379,289)
Trade receivables	**2,935,768**	2,027,737
Deposits paid for construction and other materials	**448,968**	379,795
Deposits paid for purchase of natural gas and LPG	**1,786,991**	909,187
Advance payments to sub-contractors	**859,784**	739,990
Rental and utilities deposits	**262,897**	190,736
Other tax recoverable	**973,943**	337,174
Other receivables and deposits	**1,256,836**	1,077,147
Prepaid operating expenses	**460,459**	380,223
Amounts due from non-controlling interests of subsidiaries	**33,584**	25,004
Total trade and other receivables	**9,019,230**	6,066,993

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

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

	2018	2017
	HK$'000	*HK$'000*
0-180 days	**2,532,433**	1,794,627
181-365 days	**211,664**	168,785
Over 365 days	**191,671**	64,325
	2,935,768	2,027,737

The trade receivables with carrying amount of HK$2,532,433,000 (2017: HK$1,794,627,000) are neither past due nor impaired at the reporting date for which the Group believes that the amounts are considered recoverable.

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

During the year ended 31 March 2018, the Group made an allowance of HK$74,182,000 (2017: a reversal of allowance of HK$1,289,000) in respect of the trade receivables related to the gas pipeline construction business and LPG business, which was past due at the reporting date with long age and slow repayments having been received from respective customers since the due date. The Directors of the Company considered the related receivables may be impaired and specific allowance was made.

8. TRADE AND OTHER PAYABLES

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

	2018	2017
	HK$'000	*HK$'000*
0-90 days	**3,252,218**	3,078,423
91-180 days	**1,177,211**	558,837
Over 180 days	**3,040,546**	1,368,979
Trade and bill payables	**7,469,975**	5,006,239
Other payables and accrued charges	**867,813**	569,243
Consideration payable	**482,446**	550,964
Construction fee payables	**1,216,433**	586,801
Other tax payables	**156,066**	84,143
Accrued staff costs	**161,593**	76,234
Loan interest payables	**179,437**	109,098
Advance payments from customers	**2,778,969**	2,013,342
Advances received from customers for contract work that have not yet been started	**431,661**	377,169
Amounts due to non-controlling interests of subsidiaries	**300,577**	276,572
	14,044,970	9,649,805

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

FINAL DIVIDEND

The Board resolved to recommend payment of a final dividend of HK27 cents per share to shareholders whose names appear on the register of members of the Company on 31 August 2018 (the record date for determining the entitlement of the shareholders to receive the proposed final dividend). Together with the interim dividend of HK8 cents per share paid to the shareholders on 31 January 2018, the total dividend for the year ended 31 March 2018 amounts to HK35 cents per share (total dividend for the year ended 31 March 2017 amounted to HK25 cents per share).

The final dividend, if approved by the shareholders at the forthcoming annual general meeting, is expected to be payable on or around 28 September 2018 (Friday).

CLOSURE OF REGISTER OF MEMBERS

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

For the purpose of determining the shareholders who are entitled to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from 17 August 2018 (Friday) to 22 August 2018 (Wednesday) (both days inclusive), during which no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting to be held on 22 August 2018 (Wednesday), all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 16 August 2018 (Thursday).

To qualify for the proposed final dividend

For the purpose of determining the shareholders who are entitled to receive the proposed final dividend for the year ended 31 March 2018, the register of members of the Company will be closed from 29 August 2018 (Wednesday) to 31 August 2018 (Friday) (both days inclusive), during which no transfer of shares will be registered. Subject to the approval of the shareholders at the forthcoming annual general meeting, the final dividend will be payable to the shareholders whose names appear on the register of members of the Company on 31 August 2018 (Friday). In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 28 August 2018 (Tuesday).

MANAGEMENT DISCUSSION AND ANALYSIS

Introduction to the Company

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

Business Review

During the financial year, benefitting from China's improved macro-economy performance, the government's determination to curb smog and haze pollution, adoption of increasingly tightened environmental protection policies, as well as effective implementation of natural gas utilization policies, such as "coal to gas replacement" in industrial and commercial sectors and "replacement of coal with gas" in towns and villages in northern China, China's natural gas industry is presented with tremendous development opportunities. In 2017, the apparent consumption of natural gas in China reached 237.3 billion m^3, representing a year-on-year growth of 15.3%, which has substantially exceeded the growth of 6.6% in 2016.

To actively respond to market changes, the Group strengthened its corporate governance and safety operation, deepened its internal reforms, optimized its management, and continued building a new ecosystem in which a 4G energy network (piped natural gas, PNG, CNG, LNG and LPG) can be developed. In the aspect of business development, the Group firmly implemented its 112N strategy for comprehensive development of all related business and vigorously promoted businesses such as "replacement of coal with gas" in towns and villages and "beautiful villages" on the basis of continuing to strengthen its city gas business with an aim to ensure continuous high growth of its traditional primary businesses. Meanwhile, the Group accelerated its pace in developing LPG, LNG trading, thermoelectric, value-added service, distributed energy and other new businesses and realized a stable growth for all business segments.

During the financial year, the Group's three major business segments (i.e. natural gas sales plus pipeline connections, LPG sales and value-added service) recorded considerable increases in both financial and operating results. The Group's total natural gas sales volume increased by 52.6% to 18,659,299,000 m^3. Number of new residential connections amounted to 3,926,762, representing a year-on-year increase of 53.1%. Total revenue increased by 65.1% to HK$52,831,958,000. Gross profit amounted to HK$11,671,024,000, representing a year-on-year increase of 39.3%. Meanwhile, profit attributable to owners of the Company increased by 47.0% to HK$6,095,153,000, and basic earnings per share was HK$1.23, representing a significant year-on-year increase of 44.7%.

Financial Highlights
for the year ended 31 March

	2018	2017	**Change**
Turnover *(HK$'000)*	**52,831,958**	31,993,323	65.1%
Gross profit *(HK$'000)*	**11,671,024**	8,376,826	39.3%
Profit attributable to owners of the Company *(HK$'000)*	**6,095,153**	4,147,732	47.0%
Core profit attributable to owners of the Company *(HK$'000)*	**6,362,035**	4,474,509	42.2%
Basic EPS *(in HK dollars)*	**1.23**	0.85	44.7%
Total dividend per share *(in HK cents)*	**35**	25	40.0%

Operational Performance

Number of piped-gas projects	**495**	330	165
Connectable residential households (household)	**40,983,038**	38,931,203	5.3%
Penetration rate *(%)*	**57.2%**	53.1%	4.1 pps
Total natural gas sale volume *(million m^3)*	**18,659.3**	12,224.3	52.6%
Natural gas sold through city and township gas projects *(million m^3)*	**11,786.5**	8,473.3	39.1%
Natural gas sold through direct pipelines and trade *(million m^3)*	**6,872.8**	3,751.0	83.2%
Sales of natural gas in city and township projects (customer breakdown) *(million m^3)*			
Residential	**3,088.9**	1,929.5	60.1%
Industrial	**5,419.6**	3,679.3	47.3%
Commercial	**2,054.1**	1,661.0	23.7%
CNG/LNG stations	**1,223.9**	1,203.5	1.7%
New Connections			
Residential	**3,926,762**	2,564,943	53.1%
Industrial	**2,318**	1,569	47.7%
Commercial	**26,829**	27,411	-2.1%

	2018	2017	Change
Accumulated number of connected customers and gas stations			
Residential	**24,570,321**	20,681,656	18.8%
Industrial	**9,721**	7,403	31.3%
Commercial	**168,964**	141,969	19.0%
CNG/LNG stations	**580**	580	–
Average connection fees *(RMB)*			
City gas projects	**2,523**	2,540	-0.7%
Township gas projects	**3,089**	–	–
Average gas tariffs (ex-tax)			
Residential *(RMB/m³)*	**2.40**	2.36	1.7%
Industrial *(RMB/m³)*	**2.50**	2.38	5.0%
Commercial *(RMB/m³)*	**2.60**	2.55	2.0%
CNG/LNG stations *(RMB/m³)*	**2.63**	2.79	-5.7%

New Projects Expansion

By virtue of its long-established penetrating market insights, dedicated project development strategies, excellent safety and operation management and good corporate image, the Group has maintained its outstanding performance in securing new projects in the industry. During the financial year, the Group secured 20 additional city piped gas projects. As of 31 March 2018, the Group cumulatively secured a total of 495 piped gas projects with concession rights (including 145 "replacement of coal with gas" projects in counties and districts), and operated 14 natural gas long distance transmission pipelines, 580 CNG/LNG refilling stations for vehicles, one coal bed methane development project, 100 LPG distribution projects as well as completed construction and commenced operation of 19 comprehensive energy supply projects with multi-energy complementation in 26 provinces, municipalities and autonomous regions in the PRC.

The Group secured 20 additional city piped gas projects from 1 April 2017 to 31 March 2018 in the following locations:

Provinces	**Cities/Districts**
Guangxi Zhuang Autonomous Region	Cenxi City, Napo County, Liucheng County, Luocheng County
Heilongjiang Province	Shuangyashan City, Sunwu County
Liaoning Province	Dalian Puwan Economic Development Zone, Kuandian Manchu Autonomous County
Fujian Province	Youxi County Industrial Park, Datian County, Jianning County, Hua'an Economic Development Zone
Anhui Province	Wuwei County Industrial Park
Hainan Province	Qiongzhong Li and Miao Autonomous County
Hebei Province	Gucheng County, Xingtai
Henan Province	Yuanyang County, Hui County
Hubei Province	Yunxi County, Xiaogan Hi-tech Zone

As of 31 March 2018, the number of connectable population living in the cities covered by all of the Group's gas projects increased to 124 million (approximately 41 million households), representing a year-on-year increase of 5.8%.

Gas Business Review

The primary business of the Group includes gas pipeline construction and user connection, natural gas and LPG sales and value-added business. Each business has different customer bases, profit models and marketing strategies. The annual performance of each segment for the year ended 31 March 2018 is discussed below.

Gas Pipeline Network Construction and User Connection

City gas pipeline network is the foundation for the operation of gas suppliers. By constructing trunk and branch pipelines of city gas pipeline network, the Group connects natural gas pipelines to its residential, industrial and commercial users and charge them for connection fees and gas bills.

As of 31 March 2018, the Group completed construction of gas transmission pipeline networks of 172,540 kilometres.

Natural Gas Users

Natural gas users of the Group are mainly classified into residential, industrial and commercial users, as well as the transportation industry where natural gas is provided through CNG/LNG refilling stations for vehicle and vessel use.

Residential Users

Besides connecting pipelines for new buildings, the Group continues to take the initiative in the vigorous development for the connection of existing residential users and has achieved remarkable success. The proportion of newly connected existing residential users against the total number of new residential connections for the year has been increasing annually, reaching 35% during the financial year.

During the financial year, the Group completed natural gas connections for 3,926,762 new residential households (of which 2,777,629 were connected under city gas projects, and 1,149,133 were connected under "replacement of coal with gas" projects in towns and villages in northern China) (for the year ended 31 March 2017: 2,564,943 households), representing a year-on-year increase of approximately 53.1%. Average piped gas connection fees paid by residential households of city gas projects and "replacement of coal with gas" projects in towns and villages in northern China were RMB2,523 per household (for the year ended 31 March 2017: RMB2,540 per household) and RMB3,089 per household (for the year ended 31 March 2017: nil), respectively.

As of 31 March 2018, the accumulated number of connected residential users of the Group was 24,570,321 households (of which 23,421,188 were connected under city gas projects, and 1,149,133 were connected under "replacement of coal with gas" projects in towns and villages in northern China), representing a year-on-year increase of approximately 18.8%. Penetration rate of city gas projects reached 57.2%. Though rising constantly, the Group's overall penetration rate remains low compared with the level of 80% in developed markets. It is expected that the number of new residential users subscribing to the Group's services will increase steadily in the future and will generate stable gas connection income for the Group.

Industrial and Commercial Users

Fueled by China's stably rebounding macro-economic growth and stringent environmental protection policies, overall natural gas demand presented a significant growth this year as compared to the previous two years.

Natural gas demand from industrial and commercial users implementing "coal to gas replacement" projects will continue to grow, which will become one of the significant drivers to support the growth in natural gas sales volume. The Group will continue to play an active role in coordinating with all levels of governments to accelerate the construction of gas-fired central heating systems and industrial and commercial "coal to gas replacement" projects according to the requirements of the Action Plan on the Prevention and Control of Air Pollution promulgated by the State Council of the PRC. The Group also leveraged on its natural gas logistics fleet to develop township and point-to-point natural gas supply projects in order to effectively promote the Group's volume of gas sold to industrial and commercial users.

During the financial year, the Group had newly connected a total of 2,318 industrial users and 26,829 commercial users. As of 31 March 2018, the Group had 9,721 industrial users, representing a year-on-year increase of approximately 31.3%, and 168,964 commercial users, representing a year-on-year increase of 19.0%. Average connection fees for each industrial user and each commercial user were RMB197,020 and RMB30,569 respectively.

Transportation Users (CNG/LNG Refilling Stations for Vehicles and Vessels)

As international oil price has remained at low levels in recent years, and in light of the impact of policies such as electric vehicle subsidies in the PRC, both market development and natural gas sales volume of CNG refilling stations were confronted with pressure. However, thanks to the recovery of China's logistics transportation industry and the increasing number of LNG heavy-duty trucks, gas sales volume of LNG refilling stations secured ideal growth.

The Group adheres to the principle of proactively adjusting development strategy of refilling stations for vehicles in accordance with market changes. With a focus on “upgrading the market development capability of refilling stations, enhancing the profitability of gas refilling stations for vehicles and vessels, tapping the potentials of refilling stations having either low efficiency or problems, and optimizing the investment strategy”, the Group increased project management efficiency and strengthened investment risk control to push forward with market development. Meanwhile, the Group also vigorously promoted service quality for vehicle and vessel users and pushed ahead with value-added businesses such as “e-refilling” and convenience stores in refilling stations to expand sources of profits, attract both new and old customers and enhance customer loyalty.

In the aspect of gas refilling business for vessels, the Group owns patents and intellectual property rights for LNG vessel engine modifications and advanced conversion technology and development experience in “oil-to-gas” projects for vessels. In combination with the incentive policies promulgated by the National Development and Reform Commission (the “NDRC”) and the Ministry of Transport in relation to the application of natural gas for vessels, the Group proposed an action plan of “active planning, detailed analysis and prudent implementation” for the development of gas refilling stations for vessels with a view to push ahead with the development of its LNG refilling stations for vessels.

As of 31 March 2018, the Group owned a total of 580 CNG/LNG refilling stations for vehicles.

Township “Replacement of Coal with Gas”

Environmental issues are tied with national economy and people’s livelihood. As a response to the Blue Sky Project formulated by the Chinese government, the Group, as a responsible clean energy operator, is actively investing in projects for winter heating in township-level regions in northern China through prudent investigation and study, scientific design, comprehensive planning, highly efficient construction and safe operation, namely the township “replacement of coal with gas” projects.

The Group had scientifically deployed an organisational structure for the “replacement of coal with gas”, provided systematic professional trainings on market development in townships, engineering design and construction, gas supply and pricing management, energy performance contracting, sales and installation of wall-hanging gas heaters, safe operations, customer services, etc., and proceeded expeditiously to ensure rapid progress in each work related to the project.

Through highly effective collaboration and coordination, the Group developed cooperation with provincial and municipal governments on environmental governance and entered into strategic cooperation framework agreements with them. As a result, mutual advantages have been leveraged and resources have been shared to accelerate project construction and increase natural gas utilisation rate in cities, towns and villages. So far, the Group has established strategic partnerships with Tianjin municipality, Hebei, Shandong, Shanxi, Henan, Shaanxi, Anhui, Yunnan, Hainan and Heilongjiang provinces respectively, and implemented projects, in more than 145 cities, counties or districts, such as township "replacement of coal with gas", conversion of coal-fired boilers to gas-fired boilers, gas for vehicles, distributed energy resources, gas storage facilities, gas pipeline network and "beautiful villages". As of 15 June 2018, the Group cumulatively signed agreements with approximately 4,260,000 residential users for the township "replacement of coal with gas" projects.

Natural Gas Sales

During the financial year, the Group's total sales of natural gas was 18,659,299,000 cubic metres, representing a year-on-year increase of 52.6%. Natural gas was mainly sold through city and township piped gas network, trade and direct-supply channels, of which, 11,786,459,000 cubic metres were sold through city and township piped gas network, representing a year-on-year increase of 39.1% (township: 254,641,000 cubic metres); and 6,872,840,000 cubic metres were sold through trade and direct-supply channels, representing a year-on-year increase of 83.2%.

The Group is mainly engaged in developing piped natural gas. However, in a few areas where piped natural gas is not yet accessible, piped coal gas or LPG blended with air as transitional fuel is provided. During the financial year, the Group's total sales of piped coal gas and LPG blended with air was 209,340,000 cubic metres. With upstream natural gas supply entering these areas, the Group will gradually scale down the sale of transitional fuels.

Liquefied Petroleum Gas Business

The Group currently owns eight LPG terminals and 100 LPG distribution projects, with distribution operations in 19 provinces in China. It has been positioned as the largest vertically integrated LPG business operation service provider in the country.

With LPG becoming popular among rural-urban fringe residents, with industrial and commercial LPG demand growing steadily over the long term, and with LPG developing rapidly as a form of raw material in petrochemical synthesis and deep-processing sectors, LPG industry has been enjoying continuous and rapid development since the end of 2014. The Group makes full use of its strengths yielded from its LPG terminals, storage facilities, vessel and vehicle fleets and networks to boost international and domestic purchasing of LPG, thereby continuously increasing the utilisation rate of LPG assets. Meanwhile, the Group exercises unified procurement of LPG in downstream retail business, with a view to capitalizing on its advantages generated by the integration of upstream and downstream, realizing rational placement of gas procurement, storage and distribution resources and market coverage, and effectively integrating wholesale segment and retail segment, thereby maximizing profit margin of the entire supply chain. The Group also makes use of its extensive city gas network and resources across the country to expand LPG distribution business from the south to provinces and cities of the north in China, thereby significantly raising LPG sales volume and realizing economies of scale.

During the financial year, the Group's total sales of LPG was 4,030,394 tonnes, representing a year-on-year increase of 9.0%. Of which, 2,944,493 tonnes were sold through wholesale business, representing a year-on-year increase of 16.2%; and 1,085,901 tonnes were sold through retail business, representing a year-on-year decrease of 6.8%. Total sales revenue amounted to HK$15,969,830,000 (for the year ended 31 March 2017: HK$11,654,633,000), representing a year-on-year increase of 37.0%. Operating profit amounted to HK$608,479,000 (for the year ended 31 March 2017: HK$545,218,000), while net profit amounted to HK$478,398,000 (for the year ended 31 March 2017: HK$320,635,000).

Value-Added Services for End Users

With ever increasing penetration rate, our customer base has been rapidly expanding. Currently, the Group provides natural gas and LPG services to more than 30,000,000 residential, industrial and commercial users, which gives shape to a customer network with enormous potential for conducting value-added activities. Accordingly, it will strive to gradually increase the percentage of its income from value-added businesses in its overall operating income by enriching its value-added services and edging up its marketing efforts, aiming at further enhancing the profitability and overall competitiveness of its operational service network. The Group's value-added business includes sales of wall-hanging gas heaters and kitchen appliances under the brand of "Gasbo (中燃寶)", provision of comprehensive gas insurance agency services, and sales of gas corrugated pipes, gas alarms and other products such as bottled water, each of which recorded significant growth during the financial year. Sales of wall-hanging gas heaters and kitchen gas appliances series under the brand of "Gasbo" reached 450,000 units, making the Group a leading manufacturer and distributor of wall-hanging gas heaters and kitchen appliances in China.

During the period, the Group's revenue from value-added businesses amounted to HK$2,946,681,000, representing a year-on-year growth of 263.0%; gross profit amounted to HK$1,000,664,000, representing a year-on-year growth of 166.0%; and operating profit amounted to HK$774,522,000, representing a year-on-year growth of 161.7%.

Expansion into New Businesses

Driven by the progress made in implementing environmental protection policies, the changes in energy consumption structure and transformation in consumption patterns, China's energy industry is witnessing an unprecedented wave of transformational changes towards making energy clean, diversifying energy consumption and integrating energy supply. Over the years, the Group has been committed to pushing forward with the extensive deployment of such new business as gas-fired distributed energy resources, photovoltaic power generation, distribution and sale of electricity, charging piles and central heating in China, on the basis of the huge market and large customer base gained by its gas projects. It seeks to carry out integrated utilization of energy resources with years of cumulative experience in market development and technical innovation, in an effort to provide customers with highly efficient integrated energy resources that address their needs for gas, heating, electricity and cooling.

As of 31 March 2018, the Group had a total of 19 comprehensive energy supply projects with multi-energy complementation in operation.

Human Resources

The Group has always placed people first as it is aware that a team of excellent employees is vital to the success of an enterprise. Accordingly, in terms of talent development and team building, it follows the philosophy of "cultivating potential talents within the Group and recruiting talents from outside" for the establishment of a sound mechanism of brain gain and in-house training.

The Group constantly upgrades the professionalism and competence of its staff at all levels while proactively creating platforms for exchanging knowledge and sharing experiences among its staff. It intends to attract talents and retain outstanding staff by enhancing their job satisfaction and developing optimal remuneration and welfare system.

As of 31 March 2018, the Group had approximately 48,000 employees in total with more than 99.9% of them based in China. Employees' remuneration is determined with reference to their qualification and experience and prevailing local industry practice. Apart from basic salary and pension fund contribution, eligible employees may be awarded interest of discretionary bonuses, merit payments and share options, based on the Group's financial results and their individual performance.

Corporate Management and Corporate Governance

It has been a long-standing tradition of the Group to adhere to the "normalized, standardized and systematic" management principle to achieve continuous improvement in operational management. Along with its growing scale, expanding operating region, development of new businesses, changing staff structure and gradually maturing gas industry, the Group keeps on optimizing its management policies to achieve scientific corporate management. During the financial year, the Group was fully dedicated to serving the development strategy of "replacement of coal with gas" based on the business nature of the replacement of coal with gas in township-level regions of North China, in terms of organization structure design, authorization system, management and control mode, and implementation plan of "enclave programme" (according to which mature project companies and experienced management personnel will get involved in newly invested projects of township replacement of coal with gas and participate in the investment in and construction and operation of the project on the spot). It issued such effective policies as the *China Gas Level-based Authorization System of New Business including Replacement of Coal with Gas in Rural Areas* and the *China Gas Scheme for Further Improving Management and Control Mode of New Business including Replacement of Coal with Gas in Rural Areas*, in a bid to establish and implement the management and control mode of "headquarters, regional management centre, core project company, and branch and subsidiary of core project company", further push ahead with the transformation of the function of the headquarters from "management" to "service", encourage maximum creativity and vitality of front-line staffs, and enable the management mechanism to catch up with the Group's rapid development.

The Group actively presses ahead with and optimises the reform and revitalisation scheme of "old state-owned enterprises" and "small and medium-sized project companies", in an effort to streamline corporate governance structure, establish market-oriented incentive mechanism and performance appraisal system and accelerate market development, thereby practically solving problems confronted by old state-owned enterprises and small and medium sized enterprises in the course of development.

In terms of operational management, the Group vigorously pushes ahead with meticulous operational management, continuously increases investment in the construction of IT-based operating system, and actively encourages innovation, with a view to improving operational management and achieving a shift of operating system from standardized management to IT-based management, thereby raising the Group's overall operational management level on an ongoing basis. It has thus maintained a leadership position in the industry's gas pipeline transmission loss management, a key indicator used to measure a gas company's overall operational management level. This performance has not only significantly reduced its operating costs, but also improved its safety operations.

In terms of engineering construction management, the Group emphasizes on classification and hierarchical management of engineering construction and bid invitation through the establishment of a normalised standard system, so as to give full play to the functions of regional management centres in coordination, supervision and services on the spot. While speeding up engineering construction, the Group keeps on strengthening engineering construction investment management, compliance with the principle of "setting strict standards on efficiency and increasing returns on investment", and rational control over the scale of investment in non-productive engineering construction projects, thereby creating maximum returns through efficient utilisation of its core assets.

In the course of development, the Group endeavors to improve corporate governance and internal control on an ongoing basis. It has committed to incorporate effective and sustainable measures of corporate governance and internal control into its corporate development strategy and risk control system, through internal review and adoption of professional opinions provided by independent third parties, with an aim to ensuring a higher standard of corporate governance and internal control.

Financial Review

For the year ended 31 March 2018, the Group's sales revenue amounted to HK$52,831,958,000 (for the year ended 31 March 2017: HK$31,993,323,000), representing a year-on-year increase of 65.1%. Gross profit amounted to HK$11,671,024,000 (for the year ended 31 March 2017: HK$8,376,826,000), representing a year-on-year increase of 39.3%. Overall gross profit margin was 22.1% (for the year ended 31 March 2017: 26.2%). Profit for this year attributable to the owners amounted to HK$6,095,153,000 (for the year ended 31 March 2017: HK$4,147,732,000), representing a significant year-on year increase of 47.0%. Basic earnings per share amounted to HK$1.23 (for the year ended 31 March 2017: HK$0.85), representing a significant year-on-year increase of 44.7%.

Operating Expenses

Operating expenses (including sales and distribution costs and administrative expenses) increased by 24.1% to HK$3,603,524,000 from HK$2,904,746,000 in the same period last year.

Finance Costs

For the year ended 31 March 2018, financial costs increased by 14.6% to HK$807,781,000 from HK$705,116,000 in the same period last year.

Share of Results of Associates

For the year ended 31 March 2018, share of results of associates amounted to HK$496,822,000 (for the year ended 31 March 2017: HK$293,060,000), representing a year-on-year increase of 69.5%.

Share of Results of Joint Ventures

For the year ended 31 March 2018, share of results of joint ventures was approximately HK$758,313,000 (for the year ended 31 March 2017: HK$611,187,000), representing a year-on-year increase of 24.1%.

Income Tax Expenses

For the year ended 31 March 2018, income tax expenses amounted to HK$1,930,711,000 (for the year ended 31 March 2017: HK$1,207,506,000), which was mainly due to an increase in taxable profit as a result of business growth.

Liquid Funds

The Group's primary business generates steadily growing cash flow. Coupled with an effective and well-established capital management system, the Group has been able to maintain stable business development and healthy cash flow, despite uncertainties in macro-economy and capital market.

As of 31 March 2018, the Group's total assets amounted to HK$82,058,007,000, representing a year-on-year increase of approximately 36.3%. Bank balance and cash amounted to HK$8,537,051,000 (31 March 2017: HK$5,242,322,000). Current ratio was 0.92 (31 March 2017: 0.68). Net gearing ratio was 0.62 (31 March 2017: 0.77), as calculated on the basis of net borrowings of HK$20,221,245,000 (total borrowings of HK$32,372,421,000 less trade facility relating to short-term import letters of credit of the LPG business of HK$3,614,125,000 and bank balance and cash of HK$8,537,051,000) and net assets of HK$32,730,100,000 as of 31 March 2018.

The Group always adopts a prudent financial management policy, under which a majority of available cash of the Group is deposited in reputable banks as current and fixed deposits.

Financial Resources

The Group has been actively building up long-standing cooperation relationships with Chinese (including Hong Kong) and overseas banks. As the Group's principal cooperating bank, China Development Bank has provided the Group with a long-term credit facility of RMB20 billion under a maximum term of 15 years, which has given strong financial support to the Group's project investments and stable operations. Other major domestic and foreign banks such as Asian Development Bank (ADB), Industrial and Commercial Bank of China, Bank of Communications, Bank of China, Agricultural Bank of China, China Merchants Bank, and Hongkong and Shanghai Banking Corporation (HSBC) have also granted long-term credit to the Group. As of 31 March 2018, over 20 banks offered syndicated loans and standby credit facilities to the Group. Such bank loans are generally used to fund the Group's operations and project investments.

China's RMB bond market has achieved significant development since 2015, with a sharp rise in the size of bond issuance. Both the Company acting as an overseas issuer and the Group's wholly-owned subsidiaries incorporated in China actively participate in the issuance of RMB bonds on stock exchanges and interbank bond market in China. As of 31 March 2018, remaining balance of the RMB Panda Bonds and medium-term RMB notes issued by the Group amounted to RMB6.8 billion.

As at 31 March 2018, the Group's bank loans and other bond portfolios was as follows:

	2018	2017
	HK$'000	*HK$'000*
Less than one year	**11,079,288**	10,873,256
More than one year but not more than two years	**13,636,482**	4,739,895
More than two years but not more than five years	**5,889,718**	4,486,561
After five years	**1,766,933**	3,518,723
	32,372,421	23,618,435

As at 31 March 2018, the Group's bank loans and other loans amounted to HK$32,372,421,000 in aggregate, representing a year-on-year increase of 37.1%, among which trade facility relating to short-term import letters of credit of LPG business recorded a year-on-year increase of HK$3,614,125,000.

The Group's operating and capital expenditure has been financed by operating cash income, indebtedness and financing of share capital. The Group has maintained sufficient source of funds to satisfy its future capital expenditure and working capital requirements.

Foreign Exchange and Interest Rate

Most of the income of the Group is received in RMB while most of the expenses and capital expenditure are also denominated in RMB. However, certain bank loans and other borrowings and bank balances of the Group are denominated in currencies other than the relevant functional currency (RMB) of the entities of the Group. The appreciation or depreciation of RMB against foreign currencies will give rise to exchange gain or loss. Although most of such gain or loss is non-operating in nature, it can make a positive or negative impact on the results of the Group.

On 11 August 2015, the People's Bank of China announced a reform of the central parity quotation mechanism of RMB against US dollars, which increased the uncertainty of the exchange rate between US dollars and RMB, thereby having an impact on the results of the Group. In view of this change of foreign exchange policy, the Board revised its exchange rate risks management and control policies, closely monitored the trends of market rates and foreign exchange rates and adjusted its debt structure in a timely and reasonable manner to avoid risks effectively. In accordance with such exchange rate risks management and control policies, the Group actively adjusted the structure of debt in domestic currency (RMB) and foreign currencies by replacing the existing debts denominated in US dollars with those denominated in RMB, and adopted currency hedging derivatives to hedge the currency risk of a small portion of existing foreign currency loans, which significantly lowered the potential exchange rate risks. As of 31 March 2018, the proportion of foreign currency debts out of all debts of the Group was 16.4%. The strict control measures on debt in foreign currencies will immensely decrease the impact of future exchange profit and loss on the Group's results.

Pledge of Assets

As of 31 March 2018, the Group pledged no properties, plants and equipment (31 March 2017: HK$31,267,000), no investment properties (31 March 2017: HK$72,200,000), and pledged bank deposit amounting to HK$290,729,000 (31 March 2017: HK$517,676,000), other deposit amounting to HK$68,323,000 (31 March 2017: nil), and certain subsidiaries have pledged their equity investments in other subsidiaries to banks to secure loan facilities.

Capital Commitments

As at 31 March 2018, the Group had capital commitments amounting to HK$134,766,000 (31 March 2017: HK$121,324,000) and HK$54,934,000 (31 March 2017: HK$81,825,000) respectively in respect of the acquisition of property, plant and equipment and construction materials contracted but not provided for in the financial statements, which would require the utilisation of the Group's cash on hand and external financing. The Group has undertaken to acquire shares of certain Chinese enterprises and set up Sino-foreign joint ventures in China.

Contingent Liabilities

As at 31 March 2018, the Group did not have any material contingent liabilities (31 March 2017: nil).

CORPORATE GOVERNANCE

The Company complied with the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 of the Listing Rules throughout the year, except for the deviations from the Code Provision A.4.1 of the Code which stipulates that non-executive directors should be appointed for a specific term and be subject to re-election. None of the existing non-executive Directors and independent non-executive Directors is appointed for a specific term. However, pursuant to Bye-law 87(1) of the Bye-laws of the Company, one-third of the directors for the time being must retire from the office by rotation at each annual general meeting. The Company has observed the good corporate governance practices. All non-executive Directors and independent non-executive Directors retired from the office by rotation and were re-elected in the past three years. The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the relevant Code Provision.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, and all the Directors confirmed that they have complied with the required standards set out in the Model Code throughout the financial year ended 31 March 2018.

REVIEW OF ANNUAL RESULTS

The Audit Committee of the Board has reviewed the accounting principles and practices adopted by the Group and the annual results for the year ended 31 March 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 31 March 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

The results announcement is required to be published on the websites of Hong Kong Exchanges and Clearing Limited ("HKEX") at www.hkex.com.hk under "Latest Listed Company Information" and the Company at www.chinagasholdings.com.hk under "Announcements" respectively. The annual report of the Company for the year ended 31 March 2018 will be dispatched to the shareholders and published on the websites of HKEX and the Company in due course.

On behalf of the Board
CHINA GAS HOLDINGS LIMITED*
Zhou Si
Chairman

Hong Kong, 22 June 2018

As at the date of this announcement, Mr. ZHOU Si, Mr. LIU Ming Hui, Mr. HUANG Yong, Mr. ZHU Weiwei, Mr. MA Jinlong and Ms. LI Ching are the executive Directors of the Company; Mr. YU Jeong Joon (his alternate being Mr. KWON Woonsang), Mr. LIU Mingxing (his alternate being Ms. LIU Chang), Mr. Arun Kumar MANCHANDA and Mr. JIANG Xinhao are the non-executive Directors of the Company ; and Mr. ZHAO Yuhua, Dr. MAO Erwan, Ms. WONG Sin Yue Cynthia, Ms. CHEN Yanyan and Mr. ZHANG Ling are the independent non-executive Directors of the Company.

*   *for identification purpose only*