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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, 2018

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	For the year ended 31st December,		
	2018 *HK$'000*	2017 *HK$'000*	**changes** %
Turnover	**7,627,088**	5,048,100	51.1%
Gross profit (Gross margin)	**2,221,873** **(29.1%)**	1,289,102 (25.5%)	72.4% (3.6%)
Profit attributable to owners of the Company	**620,684**	557,959	11.2%
Adjusted profit attributable to owners of the Company (excluding the net foreign exchange gain/loss and share option expenses)	**1,001,436**	443,212	125.9%
EBITDA	**2,048,801**	1,257,947	62.9%
Basic earnings per share (HK cents)	**24.52**	22.10	11.0%
Proposed final dividend (HK cents)	**7.00**	5.00	40.0%
Unit of natural gas sold ('000 m^3)	**1,615,646**	1,327,480	21.7%
New piped gas connections made (residential households)	**668,577**	365,178	83.1%

CHAIRMAN'S STATEMENTS

To our valued shareholders,

Looking back on the 40th anniversary of China's Reform and Opening Up in 2018, the government was pursuing environmental protection policies, such as using clean energy with greater determination and measures to achieve the goal of reducing air pollutant emissions and strengthen the control of the impact of smog. Natural gas policies such as Clean Winter Heating Plan for Northern China, the 13th Five-Year Plan for Energy Development, the Blue Sky Defence War, the "coal-to-gas" projects in the industrial and commercial sectors, and the Gas for Coal Replacement Projects in villages and towns, further improved the level of cleanliness and accelerated the country's natural gas consumption rapidly. The natural gas industry was booming and the industry scale continued to grow.

In the past 16 years, Zhongyu Gas Holdings Limited (the "Company", together with its subsidiaries, collectively referred to as the "Group") has developed into an integrated energy service provider through the trend of energy transformation and favorable policies. We cover four major businesses– gas pipeline construction and connection, sales of gas, operation of compressed natural gas or liquefied natural gas ("CNG/LNG") vehicles filling stations, and value-added services (sales of stoves and related equipment). The performance in 2018 has also reached a historical peak, with indicators such as sales revenue, sales volume and number of new users increasing substantially. The Group's development and consistently outstanding performance have been recognised and supported by the capital market. The Group was awarded the Listed Company Award of Excellence 2018 -Main Board by Hong Kong Economic Journal, due to its outstanding achievements in profitability and operational efficiency. In addition, the Group successfully entered the Hang Seng Composite Mid-Cap Index and Hong Kong Stock Connect in early 2019, becoming one of the models of gas stocks in domestic and overseas capital markets. In order to thank the shareholders and investors for their long-term support, the Board of Directors proposed to pay a final dividend of HK7 cents per share to share the accomplishments with shareholders.

In the year of 2018, the Group responded to the national village revitalization strategy, vigorously promoted the "coal-to-gas" projects in the countryside and actively participated in the Blue Sky Defence War, fulfilling its social responsibility. The number of new piped gas connections made for residential households in 2018 was 445,324 (2017: 111,126) under the Group's "coal-to-gas" projects. Together with industrial and commercial customers and customers from non "coal-to-gas" projects, 671,196 new customers were added in 2018, and our accumulated number of pipeline gas customers reached 2,890,624, laying a solid foundation for future growth. In addition to the gas sales, the Group had continued to strengthen its development in its existing markets in 2018. Our own retail brand Zhongyu Phoenix launched the market in an all-round way, and has been deeply involved in the customers' daily life, providing them with safe and efficient stove equipment and services, increasing customer loyalty and raising people's awareness of the Group's brand image.

PROSPECTS

With the continuous improvement of China's national economic and social development and the quality of life of the people, China has put forward new and higher requirements for the clean energy industry. The Group will continue to advance with the times and continue to expand and infiltrate the existing market on the basis of consolidating our main business of natural gas, actively expand our business to other potential areas, strengthen the development of value-added services, and accelerate the all-round development of clean energy.

By strengthening the analysis of industry policies and market environment, the Group will increase its efforts to develop new customers with high-usage, especially high-margin industrial and commercial customers. As for the rural "coal-to-gas" projects, our business has reached a large scale, and the current focus is to accelerate the improvement of operation management, enhance compliance measures, and improve the user's awareness of gas consumption. Regarding the value-added business, the Group adhered to the basic business of urban gas, while continued to strengthen its presence in the rural areas by engaging in the "coal-to-gas" projects. We continued to improve our coverage and strengthen our own retail brand. We prioritised businesses which are related to our core business with industrial advantages and sustainable development, further achieving vertical integration of the value chain in different stages of the business.

National policies promoted the natural gas consumption and stimulated the sustained and rapid development of the natural gas industry. It was estimated that the national natural gas consumption in 2019 will reach 308 billion m^3, representing a year-on-year growth of 11.4%. In view of this favorable condition, the Group is now focusing on identifying opportunities for mergers and acquisitions, especially high-quality projects that can achieve synergies with current operating projects, in order to further expand the coverage of our business. In January 2019, the Group acquired the exclusive concession rights of two gas projects in Mengzhou City and Wen County of Henan Province respectively through the acquisition of 100% equity of two natural gas companies, which have obtained relevant permission to operate piped gas business locally and provide ancillary services. Mengzhou City and Wen County are adjacent to Jiaozuo City, the main market of the Group. The acquisitions further expanded the Group's market share in Henan Province and consolidated its regional advantages and enhance its reputation. In addition, both Mengzhou City and Wen County are mature markets with stable customer base and revenue. The acquisitions are expected to bring positive financial contributions to the Group.

In recent years, China has been promoting smart grids and distributed energy to facilitate energy production, consumption, technology and institutional reform. The Group also regards it as one of its development priorities. The Group will actively and systematically develop, optimize its operation and management mechanism, and make use of the technological advantages of its subsidiaries, and strive to develop a series of new projects involving high-quality smart energy as demonstration projects to make the Group's business more diversified and competitive.

As always, the Group regards safety, quality, efficiency and effectiveness as its core values, especially safety. No matter in business management or daily work, safety is a necessary condition to support the long-term development of the Group. In terms of efficiency, strengthening the development of informatisation is one of the goals of this year. Comprehensive informatisation can effectively enhance the management and compliance of the Group's businesses, improve the level of customer service, and facilitate resource integration and process optimisation. The Group has successfully completed the trial of the Group's cloud based information system in 2018 and will fully implement such system this year. At the same time, the Group has continuously strengthened the internal control of quality, enhanced the management system and structure of various departments, emphasised on risk prevention and control, and promoted the overall healthy development of the Group.

The Group truely believes that talent is the cornerstone of the Group's development and has been diligently improving its talent system to strengthen the Company's core competitiveness and improve corporate governance and transparency. In February 2019, the Company appointed Mr. Li Yan ("Mr. Li") and Mr. Jia Kun ("Mr. Jia") as executive directors. On behalf of the Board of Directors, I would like to welcome them to join the board and believe that with their extensive experience and expertise, Mr. Li and Mr. Jia will bring great benefit to the future development of the Group.

In the coming year, our team will work together closely to provide customers with quality and efficient integrated services in the energy sector, and strive to become the most valuable integrated energy service provider, and drive the development of the Group to the next level unremittingly.

APPRECIATION

Last but not least, I would like to take this opportunity to thank the management and staff sincerely for their dedication and hard work, and thank all the shareholders and customers of the Group for their long-term support and trust.

Wang Wenliang
Chairman
Hong Kong

26th March, 2019

CEO MESSAGE

To our valued shareholders,

On behalf of management and fellow staff, I am pleased to deliver another set of remarkable annual results of the Group for the year ended 31st December, 2018 (the "Year").

As a growing natural gas distributor and service provider, the Group has continued to excel and deliver promising results since 2012. Under the favorable "coal-to-gas" conversion policy and the greatly promoted direction of the use of cleaner fuel and emission reduction by the People's Republic of China (the "PRC") government, the Group has grasped the chance to expand its network over the nation. As of 31st December, 2018, we covered a number of densely populated and affluent provinces, namely Henan, Hebei, Jiangsu, Shangdong, Jilin, Fujian, Heilongjiang, Zhejiang and Anhui, serving approximately 12,521 industrial and commercial customers and 2,878,103 residential households. The unit of natural gas sold increased by 21.7% year-on-year ("yoy") to 1,615,646,000 m^3 in 2018, achieving a record-breaking result. Our own retail brand, "中裕鳳凰" (Zhongyu Phoenix) has also been well recognised among the residential customers for its safe and reliable gas related products and services in the covered areas.

RESULTS

Excluding the net foreign exchange loss of HK$321,905,000 (2017: gain of HK$114,747,000) and share option expenses of HK$58,847,000 (2017: nil), adjusted profit attributable to owners of the Company would amount to HK$1,001,436,000 (2017: HK$443,212,000), representing an increase of 125.9%. EBITDA increased by 62.9% to HK$2,048,801,000 (2017: HK$1,257,947,000).

For the Year, the Group recorded a turnover of HK$7,627,088,000, representing a yoy increase of 51.1% (2017:HK$5,048,100,000).The growth was mainly driven by the increase of gas consumption of industrial and commercial clients, and the growing number of connected piped gas customers. Profit attributable to owners of the Company surged by 11.2% yoy to HK$620,684,000 (2017: HK$557,959,000). Basic earnings per share rose to HK24.52 cents (2017: HK22.10 cents); net assets per share amounted to HK$1.55 (2017: HK$1.26).

BUSINESS REVIEW

The development of natural gas in the PRC continued its momentum in 2018. According to the National Development and Reform Commission of the People's Republic of China ("NDRC"), the natural gas consumption in 2018 reached 280 billion m^3, raised by 18.1% yoy. To cope with the demand, the domestic gas production increased by 7.5% yoy to 161 billion m^3. According to the "2018 Domestic and International Oil and Gas Industry Development Report" (2018年國內外油氣行業發展報告) issued by CNPC Economics & Technology Research Institute, the PRC's natural gas import also increased by 31.7% to 125.4 billion m^3 in 2018, making the PRC the world's largest LNG importer. The flourish industry was motivated by a number of favorable government policies, particularly the newly added ones in 2018 including the "Three-Year Action Plan for Winning the

Blue Sky War" (打贏藍天保衛戰三年行動計劃) and the "Several Opinions of the State Council on Promoting the Coordinated and Stable Development of Natural Gas" (國務院關於促進天然氣協調穩定發展的若干意見) by the State Council of the PRC. The Group reacted promptly to capture the opportunities for expansion for its four major businesses, including the sales of gas, gas pipeline construction and connection, operation of CNG/LNG vehicles filling stations, and the gas related value added services (sales of stoves and related equipment), which contributed 63.9%, 29.5%, 4.5% and 2.0% of the Group's turnover in 2018, respectively.

The sales of gas business continued to be the largest contributor of the Group in 2018, achieving HK$4,871,134,000 in sales with 43.3% yoy growth. The business was mainly fueled by the increased number of industrial and commercial customers, as well as the increased gas consumption by customers. Despite the fluctuating global economy in 2018, China's GDP growth of 6.6% sustained the increasing gas demand of industrial and commercial customers. The Group's strategy of client diversification also maintained its business growth and stability. The industrial and commercial customers, especially those market leaders that are with high industrial output, will continue to be the Group's expansion focus in the foreseeable future.

The gas pipeline construction and connection business also achieved good results for the Year, thanks to the implementation of the "coal-to-gas" conversion by the local governments. The Group outreached potential customers for both residential and non-residential, in urban and rural areas. Of which, the "coal-to-gas" projects for residential households in rural areas made great accomplishment that the connection revenue surged by 325.0% to HK$1,447,721,000 (2017: HK$340,616,000). The new customers acquired is expected to make bigger contributions in the future in terms of piped gas consumption.

In view of the shortage of gas supply in certain areas in the PRC over the past few years, the Group has established a LNG trading arm to secure additional LNG supply from different sources to maintain stable supply to its existing customers, complement the possible piped gas shortage, and most importantly, to expand its coverage to rural areas that were with limited access to piped gas and solve the bottlenecks in "coal-to-gas" conversion.

As a result of the expeditious "coal-to-gas" development in 2018, the number of residential customers surged by 33.3% yoy to 2,878,103 households (2017: 2,159,526) as of 31st December, 2018. With such a huge potential market for value-added services such as sales of safe and reliable kitchenware and gas-related equipment and services, the Group's consumer brand "中裕鳳凰" (Zhongyu Phoenix) gained a wide exposure and coverage in its service areas and it is expected to hasten the development in the coming years.

PROSPECTS

The PRC government has demonstrated its determination to tackle air pollution and improve air quality of the country by 2020 and natural gas will continue to be a substitute for coal. Along with a more diversified natural gas supply system established in the PRC last year, the strong demand for natural gas from industrial, commercial and residential users is expected to persist in 2019. According to the 13th Five-Year Plan, the natural gas consumption is expected to reach 360 billion m^3 by 2020, representing a compound annual growth of 13.3% from 280 billion m^3 in 2018.

In 2019, stable and strong demand for gas from the Group's existing customers is expected under the context of progressive "coal-to-gas" conversion and the continuous economic growth in the PRC. The Group will continue its efforts and deepen its penetration in covered areas by acquiring new customers for piped gas or LNG supply, as well as for its gas related value added services and products under the Group's own consumer brand "中裕鳳凰" (Zhongyu Phoenix), in order to take advantage of its existing geographical coverage and large customer base. Yet, considering the uncertain external economic condition, the Group will take caution and be more selective when acquiring new customers, as it is important for the Group to stay financially strong with a healthy level of cash flow, account receivables and profitability at all times.

On top of its current business footprint, the Group has been seeking for expansion by mergers and acquisitions ("M&A") over the years. In January 2019, the Group acquired 100% of the equity interest of two peers, who operated gas related business similar to the Group in Jiaozuo City, Henan Province, for an aggregate consideration of approximately RMB462 million. The acquired companies had been granted exclusive rights by the local governmental authority of Mengzhou City and Wen County to invest in, build and operate piped gas business and provide the ancillary services in Mengzhou City and Wen County. Together with the Group's existing presence in Jiaozuo City, these acquisitions will further enhance the Group's foothold in Henan Province, and are expected to make positive financial contributions to the Group. In the future, the Group will focus on M&A projects that are relatively mature, profit-making and with strong cash flow, and have potential to create synergy with the Group's existing operations and generate extra values.

In the longer term, smart energy and decentralised energy business will be another growth driver of the Group. The Group will accelerate the development by increasing its pilot bases and optimising the system according to customers' specifications, striving to become one of the most competitive integrated smart energy providers.

APPRECIATION

Last but not least, I would like to extend my heartfelt gratitude to our management and staff for their dedication and commitment during the Year. I would also like to thank our shareholders and customers for their consistent support and confidence in the Group.

Lui Siu Keung, Daniel
Chief Executive Officer
Hong Kong

26th March, 2019

The board of directors (the "Board" or the "Directors") of the Company is pleased to announce the audited consolidated results of the Group for the year ended 31st December, 2018, together with the comparative figures for the corresponding period in 2017, which are set out below. The Group is principally engaged in (i) the investment, operation and management of city gas pipeline infrastructure, and the 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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December, 2018

		2018	2017
	NOTES	***HK$'000***	*HK$'000*
Turnover	*3*	**7,627,088**	5,048,100
Cost of sales		**(5,405,215)**	(3,758,998)
Gross profit		**2,221,873**	1,289,102
Impairment losses, net of reversal		**(16,295)**	(5,939)
Other gains and losses	*5*	**(332,787)**	136,586
Other income	*6*	**60,930**	69,422
Selling and distribution costs		**(146,145)**	(111,355)
Administrative expenses		**(375,792)**	(311,860)
Share-based payments		**(58,847)**	–
Finance costs	*7*	**(272,747)**	(241,292)
Share of results of associates		**41,387**	24,750
Share of results of a joint venture		**(536)**	–
Profit before tax		**1,121,041**	849,414
Income tax expenses	*8*	**(406,686)**	(257,818)
Profit for the year	*9*	**714,355**	591,596
Profit for the year attributable to:			
Owners of the Company		**620,684**	557,959
Non-controlling interests		**93,671**	33,637
		714,355	591,596

	NOTES	2018 HK$'000	2017 HK$'000
Profit for the year		**714,355**	591,596
Other comprehensive income (expense)			
Items that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation to presentation currency		**(135,229)**	192,613
Fair value gain on revaluation of pipelines included in property, plant and equipment		**384,750**	386,738
Deferred tax arising from revaluation of pipelines included in property, plant and equipment		**(96,188)**	(96,685)
Total comprehensive income for the year		**867,688**	1,074,262
Profit for the year attributable to:			
Owners of the Company		**620,684**	557,959
Non-controlling interests		**93,671**	33,637
		714,355	591,596
Total comprehensive income attributable to:			
Owners of the Company		**751,861**	996,210
Non-controlling interests		**115,827**	78,052
		867,688	1,074,262
Proposed final dividend of HK7 cents (2017: HK5 cents) per ordinary share	*10*	**177,605**	126,250
Earnings per share	*11*		
Basic		**HK24.52 cents**	HK22.10 cents
Diluted		**HK24.30 cents**	HK22.08 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2018

	NOTES	2018 HK$'000	2017 HK$'000
Non-current assets			
Investment properties		**42,940**	44,516
Property, plant and equipment		**8,880,175**	7,124,176
Goodwill		**255,776**	225,878
Other intangible assets		**1,103,468**	1,072,322
Long-term deposits, prepayments and other receivables		**477,506**	418,568
Prepaid lease payments		**538,195**	522,635
Interests in associates		**390,780**	364,484
Interest in a joint venture		**9,777**	10,767
Amount due from an associate		**57,195**	–
Financial assets at fair value through other comprehensive income		**23,310**	–
Available-for-sale investments		**–**	6,309
		11,779,122	9,789,655
Current assets			
Inventories		**326,121**	209,554
Trade receivables	*12*	**1,669,455**	672,022
Deposits, prepayments and other receivables		**676,438**	484,944
Entrusted loan receivable		**–**	23,926
Amount due from an associate		**–**	59,816
Amount due from a related party		**8,579**	8,972
Prepaid lease payments		**15,614**	15,157
Contract assets		**185,698**	–
Amounts due from customers for contract work		**–**	56,821
Tax recoverable		**19,450**	15,517
Pledged bank deposits		**5,720**	–
Bank balances and cash		**1,595,157**	464,347
		4,502,232	2,011,076
Current liabilities			
Deferred income and advance received		**–**	670,050
Trade payables	*13*	**1,206,316**	727,274
Other payables and accrued charges		**337,723**	331,269
Amount due to an associate		**1,023**	1,236
Amount due to related parties		**81,102**	–
Contract liabilities		**884,573**	–
Amounts due to customers for contract work		**–**	35,484
Borrowings		**4,499,852**	1,581,936
Obligations under finance leases due within one year		**185,717**	188,373
Tax payables		**95,964**	141,047
		7,292,270	3,676,669
Net current liabilities		**(2,790,038)**	(1,665,593)
Total assets less current liabilities		**8,989,084**	8,124,062

	2018	2017
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**25,372**	25,250
Reserves	**3,913,147**	3,148,702
Equity attributable to owners of the Company	**3,938,519**	3,173,952
Non-controlling interests	**581,650**	549,265
Total equity	**4,520,169**	3,723,217
Non-current liabilities		
Deferred income and advance received	**15,616**	6,048
Borrowings	**3,730,367**	3,676,849
Obligations under finance leases due after one year	**61,537**	258,583
Deferred taxation	**661,395**	459,365
	4,468,915	4,400,845
	8,989,084	8,124,062

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2018

1. NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR

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

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers and the related amendments
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts
Amendments to HKAS 28	As part of the annual improvements to HKFRSs 2014–2016 cycle
Amendments to HKAS 40	Transfers of investment property

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 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 certain property, plant and equipment, investment properties and financial instruments that are measured at revalued amounts or 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

A. For the year ended 31st December, 2018

(i) Disaggregation of revenue from contracts with customers

	2018
	HK$'000
Types of goods or services	
Sales of gas	4,871,134
Revenue from gas pipeline construction	2,251,268
Sales of CNG/LNG in vehicle filling stations	342,365
Sales of stoves and other services	154,854
Sales of liquefied petroleum gas	7,467
Total	7,627,088

B. For the year ended 31st December, 2017

An analysis of the Group's turnover for the year is as follows:

	2017
	HK$'000
Sales of gas	3,399,172
Revenue from gas pipeline construction	1,235,142
Operation of CNG/LNG vehicle filling stations	329,429
Sales of stoves and other services	77,556
Sales of liquefied petroleum gas	6,801
	5,048,100

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 (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. Nearly all identifiable assets of the Group are located in the PRC. During the year, the Group commenced the business of design and consulting of energy projects upon the acquisition of 北京恩耐特分布能源技術有限公司 and its result is included in the segment of sales of stoves and other services. During the year, result of Harmony Gas Holdings Limited ("Harmony Gas") and its subsidiaries is incorporated into respective operating segments for the purpose of resources allocation and assessment of performance by CODM, since then no separate segment of Harmony Gas and its subsidiaries is presented. Segment information for the year ended 31 December 2017 was represented.

Information that is reported to the CODM for the purpose of resources allocation and assessment of performance focuses on the type of products delivered or services rendered which is also consistent with the basis of organisation of the Group.

Each type of product or service represents a 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 gas;

(b) revenue from gas pipeline construction;

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

(d) sales of stoves and other services; and

(e) sales of liquefied petroleum gas.

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, 2018

	Sales of gas *HK$'000*	Revenue from gas pipeline construction *HK$'000*	Operation of CNG/LNG vehicle filling stations *HK$'000*	Sales of stoves and other services *HK$'000*	Sales of liquefied petroleum gas *HK$'000*	Consolidated *HK$'000*
Segment revenue	**4,871,134**	**2,251,268**	**342,365**	**154,854**	**7,467**	**7,627,088**
Segment profit	**296,082**	**1,459,432**	**24,165**	**43,348**	**148**	**1,823,175**
Unallocated other income						**17,787**
Unallocated other gains and losses						**(309,024)**
Unallocated central corporate expenses						**(121,855)**
Impairment losses, net of reversal						**(16,295)**
Finance costs						**(272,747)**
Profit before tax						**1,121,041**

For the year ended 31st December, 2017

	Sales of gas *HK$'000*	Revenue from gas pipeline construction *HK$'000*	Operation of CNG/LNG vehicle filling stations *HK$'000*	Sales of stoves and other services *HK$'000*	Sales of liquefied petroleum gas *HK$'000*	Consolidated *HK$'000*
Segment revenue	3,399,172	1,235,142	329,429	77,556	6,801	5,048,100
Segment profit (loss)	300,251	681,152	11,421	22,708	(33)	1,015,499
Unallocated other income						4,297
Unallocated other gains and losses						139,194
Unallocated central corporate expenses						(62,345)
Impairment losses, net of reversal						(5,939)
Finance costs						(241,292)
Profit before tax						849,414

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 2. Segment profit (loss) of reportable segments represents the financial result of each segment without allocation of central administration costs, directors' salaries, equity-settled share option expenses, interest income, change in fair value of investment properties, net foreign exchange gain or loss, certain sundry income, 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

Amounts of segment assets and liabilities of the Group are not reviewed by the CODM or otherwise regularly provided to the CODM, accordingly, segment assets and liabilities are not presented.

Other segment information

2018

	Sales of gas	**Revenue from gas pipeline construction**	**Operations of CNG/LNG vehicle filling stations**	**Sales of stoves and other services**	**Sales of liquefied petroleum gas**	**Segment total**	**Unallocated**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Amounts included in the measure of segment profit or loss:								
Net (gain) loss on disposal of property, plant and equipment	**37,285**	**–**	**2,298**	**(1,241)**	**–**	**38,342**	**(537)**	**37,805**
Release of prepaid lease payments	**6,236**	**–**	**4,842**	**–**	**–**	**11,078**	**761**	**11,839**
Depreciation of property, plant and equipment	**260,301**	**–**	**9,977**	**200**	**–**	**270,478**	**8,123**	**278,601**
Amortisation of other intangible assets	**40,647**	**–**	**2,021**	**–**	**–**	**42,668**	**–**	**42,668**

2017

	Sales of gas	Revenue from gas pipeline construction	Operations of CNG/LNG vehicle filling stations	Sales of stoves and other services	Sales of liquefied petroleum gas	Segment total	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Amounts included in the measure of segment profit or loss:								
Net loss on disposal of property, plant and equipment	34,757	–	–	–	–	34,757	–	34,757
Net gain on disposal of prepaid lease payments	(33,008)	–	–	–	–	(33,008)	–	(33,008)
Release of prepaid lease payments	4,245	–	3,834	–	–	8,079	742	8,821
Depreciation of property, plant and equipment	208,019	–	9,498	–	–	217,517	8,258	225,775
Amortisation of other intangible assets	39,121	–	8,271	–	–	47,392	–	47,392
Reversal of impairment loss recognised on amounts due from customers for contract work	–	(2,873)	–	–	–	(2,873)	–	(2,873)

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

	2018	2017
	HK$'000	*HK$'000*
Recovery of bad debts previously written off	**29,109**	25,806
Net foreign exchange (loss) gain	**(321,905)**	114,747
Increase (decrease) in fair value of investment properties	**387**	(2,218)
Net loss on disposal of property, plant and equipment	**(37,805)**	(34,757)
Net gain on disposal of prepaid lease payments	**–**	33,008
Others	**(2,573)**	–
	(332,787)	136,586

6. OTHER INCOME

	2018	2017
	HK$'000	*HK$'000*
Interest income from financial assets at amortised cost		
– Bank interest income	**9,412**	3,973
– Interest income on amount due from an associate	**3,072**	2,775
	12,484	6,748
Government subsidies (*Note*)	**6,264**	15,879
Income from investments in life insurance contracts	**2,702**	2,587
Sundry income	**39,480**	44,208
	60,930	69,422

Note: During the year ended 31st December, 2018, the Group has received subsidies of HK$6,264,000 (2017: HK$15,879,000) 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

	2018	2017
	HK$'000	*HK$'000*
Interest on borrowings	**281,233**	227,521
Interest on obligations under finance lease	**20,338**	13,247
	301,571	240,768
Imputed interest on obligation arising from forward contract with non-controlling interests	**–**	34,371
Amortisation on loan facilities fees relating to bank borrowings	**38,100**	21,330
Total borrowing costs	**339,671**	296,469
Less: Amounts capitalised in construction in progress included in property, plant and equipment	**(66,924)**	(55,177)
	272,747	241,292

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.55% (2017: 5.53%) per annum to expenditure on qualifying assets.

8. INCOME TAX EXPENSES

	2018	2017
	HK$'000	*HK$'000*
PRC Enterprise Income Tax:		
Current tax	**301,670**	258,020
(Overprovision) underprovision in prior years	**(6,467)**	7,603
Withholding tax levied on dividends paid previously not recognised	**9,402**	6,638
	304,605	272,261
Deferred tax	**102,081**	(14,443)
	406,686	257,818

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%.

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, 2018, withholding tax amounting to HK$9,402,000 (2017: HK$6,638,000) 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

	2018	2017
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**3,500**	3,500
Amortisation of other intangible assets (included in cost of sales)	**42,668**	47,392
Release of prepaid lease payments	**11,839**	8,821
Depreciation of property, plant and equipment	**278,601**	225,775
Employee benefits expenses, other than directors		
– Salaries and other benefits	**325,804**	297,004
– Equity-settled share-based payment	**48,631**	–
– Contributions to retirement benefits schemes	**64,927**	50,363
	439,362	347,367
Operating lease rentals in respect of rented premises	**16,614**	12,176
Cost of inventories recognised as expenses in respect of contract cost for gas pipeline construction	**405,900**	253,281
Cost of inventories recognised as expenses in respect of sales of gas, CNG/LNG, liquefied petroleum gas and stoves equipment	**4,235,995**	2,902,116
	4,641,895	3,155,397
Impairment losses allowance for financial assets, net		
– Trade receivables (good and services)	**95**	(8,812)
– Contract assets	**(16,390)**	2,873
	(16,295)	(5,939)
Gross rental income from investment properties with minimal outgoings	**(874)**	(425)
Gross rental income from equipment with minimal outgoings	**(1,968)**	(2,454)

10. DIVIDENDS

	2018	2017
	HK$'000	*HK$'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
Final dividend, proposed, of HK7 cents (2017: HK5 cents) per ordinary share	**177,605**	126,250

Subsequent to the end of reporting period, a final dividend in respect of the year ended 31st December, 2018 of HK7 cents per ordinary share, in an aggregate amount of HK$177,605,000 (2017: HK$126,250,000), has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming general meeting.

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:

	2018	2017
	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	**620,684**	557,959

	2018	2017
	'000	*'000*
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**2,530,877**	2,525,008
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**23,098**	1,648
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,553,975**	2,526,656

12. TRADE RECEIVABLES

The following is an aged analysis of trade receivables from contracts with customers 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 gas and the respective construction contracts completion dates as appropriate:

	2018	2017
	HK$'000	*HK$'000*
0 – 30 days	**782,221**	508,797
31 – 90 days	**130,453**	50,987
91 – 180 days	**237,993**	63,110
181 – 360 days	**518,788**	49,128
Trade receivables	**1,669,455**	672,022

13. TRADE PAYABLES

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

	2018	2017
	HK$'000	*HK$'000*
0 – 30 days	**640,840**	438,374
31 – 90 days	**186,997**	82,844
91 – 180 days	**110,122**	53,471
Over 180 days	**268,357**	152,585
Trade payables	**1,206,316**	727,274

LIQUIDITY, FINANCIAL RESOURCES AND WORKING CAPITAL

Liquidity

As at 31st December, 2018, the total assets of the Group increased by HK$4,480,623,000 or 38.0% to HK$16,281,354,000 (2017: HK$11,800,731,000).

As at 31st December, 2018, the Group has net current liabilities of HK$2,790,038,000 (2017: HK$1,665,593,000). It was mainly due to increase in bank and other borrowings which are repayable within one year.

As at 31st December, 2018, the Group's current ratio, represented by a ratio of total current assets to total current liabilities, was approximately 0.6 (2017: 0.5).

As at 31st December, 2018, the total borrowings and obligations under finance lease increased by HK$2,771,732,000 or 48.6% to HK$8,477,473,000 (2017: HK$5,705,741,000).

As at 31st December, 2018, the Group had total net debts of HK$6,876,596,000 (2017: HK$5,241,394,000), measured as total borrowings and obligations under finance lease minus the bank balances and cash and pledged bank deposits. As at 31st December, 2018, the Group had net gearing ratio of approximately 1.52 (2017: 1.41), measured as total net debts to total equity of HK$4,520,169,000 (2017: HK$3,723,217,000).

Financial resources

During the year ended 31st December, 2018, the Group entered into several loan agreements with several banks in Hong Kong and overseas, pursuant to which loan facilities of up to US$391,500,000 and HK$2,333,300,000 in total were made available to the Group.

During the year ended 31st December, 2018, the Group generally financed its operations with internally generated resources and bank and other borrowings. As at 31st December, 2018, all of the bank and other 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"), Hong Kong dollars or the United States dollars and the Group conducted its business transactions principally in RMB. As a result of the depreciation of RMB since the second quarter of 2018, exchange loss arising from the Group's bank borrowings denominated in United States dollars and Hong Kong dollars was recognised during the year. The Group is seeking suitable financial instruments to hedge against potential depreciation of RMB. As at 31st December, 2018, the Group did not employ any financial instruments for hedging purposes.

EMPLOYEE INFORMATION

As at 31st December, 2018, the Group had a total of 3,816 employees (2017: 3,587) in Hong Kong and the PRC, and the total employee benefit expenses (other than directors) for the year was approximately HK$439,362,000 (2017: HK$347,367,000). The increase was mainly due to the increase in the number of headcount of the Group, salary increment and recognition of share option expenses. Around 99.7% of the Group's employees are located in the PRC.

The Group's remuneration and bonus policies are determined based on 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 Option 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.

On 1st August, 2018, the Company adjusted the exercise price and the number of outstanding options granted under the Old Share Option Scheme and the New Share Option Scheme in accordance with the scheme rules and the Supplementary Guidance issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in 2005 as a result of the issue and allotment of scrip shares by the Company in relation to the final dividend for the year ended 31st December, 2017 ("Adjustment"). Please refer to the announcement of the Company dated 1st August, 2018 for more details.

Pursuant to the Adjustment, the outstanding share options granted under the Old Share Option Scheme and their exercise price were adjusted from 2,000,000 to 2,011,600 share options and from HK$0.49 per share to HK$0.4872 per share, and the outstanding share options granted under the New Share Option Scheme and their exercise price were adjusted from 126,000,000 to 126,730,800 share options and from HK$5.5 per share to HK$5.468 per share.

As at the date of this announcement, there were a total of 2,011,600 share options (as at the date of the annual report of the Company for the year ended 31st December, 2017: 2,000,000) outstanding which were granted to the Directors under the Old Share Option Scheme, the full conversion of which will result in the issue of 2,011,600 ordinary shares in the Company, representing approximately 0.08% of the number of issued shares of the Company as at the date of this announcement (number of share options outstanding as at the date of the annual report of the Company for the year ended 31st December, 2017 over the number of issued shares of the Company as at that date: 0.08%).

The following table discloses movements of the Company's share options granted to the Directors under the Old Share Option Scheme and movements in such holdings during the year ended 31st December, 2018:

				Number of share options granted under the Old Share Option Scheme					
Name of Directors	Date of grant	Exercise/vesting period	Exercise price HK$ *(Note)*	Outstanding at 1st January, 2018	Granted during the year under review	Adjustment during the year under review *(Note)*	Exercised during the year under review	Lapsed/ Cancelled during the year under review	Outstanding at 31st December, 2018 *(Note)*
Xu Yongxuan	11th April, 2011	11th April, 2011 to 10th April, 2021	0.4872	1,000,000	–	5,800	–	–	1,005,800
Luo Yongtai	11th April, 2011	11th April, 2011 to 10th April, 2021	0.4872	1,000,000	–	5,800	–	–	1,005,800
				2,000,000	–	11,600	–	–	2,011,600
Exercisable at the end of the period									2,011,600
Weighted average exercise price				HK$0.49	–	HK$0.4872	–	–	HK$0.4872

Note: As announced by the Company on 1st August, 2018, the exercise price and the number of options outstanding as at that date were adjusted in accordance with the terms of the Old Share Option Scheme and the New Share Option Scheme, respectively, as a result of the issue of scrip shares by the Company to its shareholders on 1st August, 2018.

The closing price of the Company's shares on 8th April, 2011 was HK$0.48, which was the business day immediately before the date on which the share options under the Old Share Option Scheme were granted on 11th April, 2011.

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. 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 which must be a business day; (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 5th January, 2018, 126,000,000 share options to subscribe for an aggregate of 126,000,000 ordinary shares of the Company at par value of HK$0.01 each were granted to the eligible participants (including Directors) by the Company pursuant to the New Share Option Scheme. The exercise price of such share options granted under the New Share Option Scheme was HK$5.5 per share. The share options granted shall be valid for a period of ten years from the date of grant. No share options granted under the New Share Option Scheme were exercised from 1st January, 2018 to the date of this announcement. The closing price of the Company's shares on 4th January, 2018, being the date immediately before the date on which the share options under the New Share Option Scheme were granted, was HK$4.98. As announced by the Company on 1st August, 2018, the exercise price and the number of options outstanding as at that date were adjusted to HK$5.468 per share and 126,730,800 options in accordance with the terms of the New Share Option Scheme, as a result of the issue of scrip shares by the Company to its shareholders on 1st August, 2018.

As at the date of this announcement, the number of outstanding share options granted under the New Share Option Scheme was 123,713,400 and the maximum number of share options which may be granted under the New Share Option Scheme is 128,687,368. The outstanding share options, if converted in full into shares of the Company, and the number of options available for future grant, if granted and converted in full, represent approximately 4.8760% and 5.0720% of the number of issued shares of the Company as at the date of this announcement, respectively.

The following table discloses movements of the Company's share options granted to the eligible participants (including Directors) under the New Share Option Scheme and movements in such holdings during the year:

Name of participants who are Directors and category of other participants	Date of grant	Exercise/ vesting period	Exercise price	Number of share options granted under the New Share Option Scheme					
				Outstanding as at 1st January, 2018	Granted during the year under review	Adjustment during the year under review	Exercised during the year under review	Lapsed during the year under review	Outstanding as at 31st December, 2018
			HK$						
			(Note)			*(Note)*			*(Note)*
Lui Siu Keung	5th January, 2018	5th January, 2018 to 4th January, 2028	5.468	–	7,500,000	43,500	–	–	7,543,500
Lu Zhaoheng	5th January, 2018	5th January, 2018 to 4th January, 2028	5.468	–	3,000,000	17,400	–	–	3,017,400
Xu Yongxuan	5th January, 2018	5th January, 2018 to 4th January, 2028	5.468	–	500,000	2,900	–	–	502,900
Li Chunyan	5th January, 2018	5th January, 2018 to 4th January, 2028	5.468	–	500,000	2,900	–	–	502,900
Luo Yongtai	5th January, 2018	5th January, 2018 to 4th January, 2028	5.468	–	500,000	2,900	–	–	502,900
Liu Yu Jie	5th January, 2018	5th January, 2018 to 4th January, 2028	5.468	–	500,000	2,900	–	–	502,900
				–	12,500,000	72,500	–	–	12,572,500
Employees	5th January, 2018	5th January, 2018 to 4th January, 2028	5.468	–	3,000,000	17,400	–	–	3,017,400
Employees	5th January, 2018	5th January, 2020 to 4th January, 2028	5.468	–	110,500,000	640,900	–	(3,017,400)	108,123,500
				–	126,000,000	730,800	–	(3,017,400)	123,713,400
Exercisable at the end of the period									15,589,900
Weighted average exercise price				–	HK$5.5	HK$5.468	–	HK$5.468	HK$5.468

Note: As announced by the Company on 1st August, 2018, the exercise price and the number of options outstanding as at that date were adjusted in accordance with the terms of the Old Share Option Scheme and the New Share Option Scheme, respectively, as a result of the issue of scrip shares by the Company to its shareholders on 1st August, 2018.

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.

CHARGE ON THE GROUP'S ASSETS

As at 31st December, 2017, the Group has pledged certain buildings in the PRC having carrying value of HK$2,927,000 to secure a bank borrowing granted to the Group.

As at 31st December, 2017, the Group has pledged certain prepaid lease payments in the PRC having carrying value of HK$40,291,000 to secure certain bank borrowings granted to the Group.

As at 31st December, 2018, pledged bank deposits of RMB5,000,000 (equivalent to HK$5,720,000) (2017: nil) are used to secure the short-term general banking facilities granted to the Group.

As at 31st December, 2018, the Group's obligations under finance lease are secured by the Group's pipelines with an aggregate carrying amount of RMB555,848,000 (equivalent to HK$635,836,000) (2017: RMB591,210,000 (equivalent to HK$707,273,000)) and 50% of the equity interests of a subsidiary of the Group.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

As at 31st December, 2018, the Board did not have any specific plans for material investment or capital assets.

CAPITAL AND OTHER COMMITMENTS

As at 31st December, 2018, 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$167,297,000 (2017: HK$120,529,000).

CONTINGENT LIABILITIES

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

BUSINESS REVIEW

During the year ended 31st December, 2018, the Group was principally engaged in (i) the investment, operation and management of city gas pipeline infrastructure, and the 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.

New Downstream Piped Gas Distribution Projects

As at 31st December, 2018, the Group had 61 gas projects with exclusive rights in the PRC. During the year, the Group obtained concession right to operate 2 additional natural gas projects in Hebei Province and Jiangsu Province.

In January 2019, the Group acquired 100% equity interest of two companies, which have concession right to operate 2 natural gas projects in Henan Province.

New CNG/LNG Vehicle Filling Stations Expansion

In 2018, the Group slowed down the expansion of CNG/LNG vehicle filling stations as the price of crude oil remained at a low level. During the financial year ended 31st December, 2018, two loss-making subsidiaries, which operated CNG vehicle filling stations, were disposed of.

Major Operational Data

The downstream natural gas distribution business of the Group primarily comprises sales of 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 ended 31st December, 2018 together with the comparative figures for the corresponding period last year are as follows:

	2018	2017	Increase/ (Decrease)
Number of operational locations *(Note a)*	**61**	59	2
– Henan Province	**24**	24	–
– Hebei Province	**19**	18	1
– Jiangsu Province	**6**	5	1
– Shandong Province	**4**	4	–
– Jilin Province	**2**	2	–
– Fujian Province	**1**	1	–
– Heilongjiang Province	**1**	1	–
– Zhejiang Province	**2**	2	–
– Anhui Province	**2**	2	–
Connectable population ('000) *(Note b)*	**15,527**	11,885	30.6%
Connectable residential households ('000)	**4,436**	3,396	30.6%
New piped gas connections by the Group made during the year			
– Residential households	**668,577**	365,178	83.1%
(i) "Coal-to-gas" projects	**445,324**	111,126	300.7%
(ii) Non "Coal-to-gas" projects	**223,253**	254,052	(12.1)%
– Industrial customers	**489**	475	2.9%
– Commercial customers	**2,130**	2,200	(3.2)%
Accumulated number of connected piped gas customers			
– Residential households	**2,878,103**	2,159,526	33.3%
– Industrial customers	**2,135**	1,646	29.7%
– Commercial customers	**10,386**	8,256	25.8%

	2018	2017	Increase/ (Decrease)
Penetration rate of residential pipeline connection *(Note c)*	**64.9%**	63.6%	1.3%
Unit of piped natural gas sold ('000 m^3)	**1,461,377**	1,203,007	21.5%
– Residential households	**319,646**	250,086	27.8%
– Industrial customers	**967,372**	825,725	17.2%
– Commercial customers	**138,271**	115,418	19.8%
– Wholesale customers	**36,088**	11,778	206.4%
Unit of LNG sold ('000 m^3)			
– Wholesale customers	**67,943**	28,251	140.5%
Number of CNG/LNG vehicle filling stations			
– Accumulated	**62**	63	(1)
– Under construction	**9**	11	(2)
Unit of natural gas sold to vehicles ('000 m^3)	**86,326**	96,222	(10.3)%
Total length of existing intermediate and main pipelines (km)	**14,928**	12,342	21.0%
Average selling price of natural gas (pre-tax) (RMB per m^3)			
– Residential households	**2.20**	2.13	3.3%
– Industrial customers	**2.77**	2.38	16.4%
– Commercial customers	**3.05**	2.81	8.5%
– Wholesale customers	**2.25**	1.89	19.0%
– Wholesale customers (LNG)	**2.76**	2.29	20.5%
– CNG/LNG vehicle filling stations	**3.35**	2.97	12.8%
Average cost of natural gas (RMB per m^3)	**2.46**	2.11	16.6%
Average connection fee for residential households (RMB)			
– "Coal-to-gas" projects	**2,745**	2,656	3.4%
– Non "Coal-to-gas" projects	**2,510**	2,558	(1.9)%

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.

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.

FINANCIAL REVIEW

Overall

The Group's turnover for the year ended 31st December, 2018 increased by 51.1% to HK$7,627,088,000 (2017: HK$5,048,100,000), and gross profit for the year ended 31st December, 2018 increased by 72.4% to HK$2,221,873,000 (2017: HK$1,289,102,000). The Group's profit attributable to owners of the Company increased by 11.2% to HK$620,684,000 (2017: HK$557,959,000). Excluding the net foreign exchange loss of HK$321,905,000 (2017: gain of HK$114,747,000) and share option expenses of HK$58,847,000 (2017: nil), adjusted profit attributable to owners of the Company would amount to HK$1,001,436,000 (2017: HK$443,212,000). The basic and diluted earnings per share attributable to the owners of the Company were HK24.52 cents and HK24.30 cents respectively for the year ended 31st December, 2018, as compared with that of HK22.10 cents and HK22.08 cents respectively for the corresponding period last year.

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,				
	2018	**% of total**	2017	% of total	Increase/ (Decrease)
	HK$'000		*HK$'000*		
Sales of Gas	**4,871,134**	**63.9%**	3,399,172	67.4%	43.3%
Revenue from Gas Pipeline Construction	**2,251,268**	**29.5%**	1,235,142	24.5%	82.3%
Operation of CNG/LNG Vehicle Filling Stations	**342,365**	**4.5%**	329,429	6.5%	3.9%
Sales of Stoves and Other Services	**154,854**	**2.0%**	77,556	1.5%	99.7%
Sub-total	**7,619,621**	**99.9%**	5,041,299	99.9%	51.1%
Sales of Liquefied Petroleum Gas	**7,467**	**0.1%**	6,801	0.1%	9.8%
Total	**7,627,088**	**100%**	5,048,100	100%	51.1%

The turnover for the year ended 31st December, 2018 amounted to HK$7,627,088,000 (2017: HK$5,048,100,000). The growth in turnover was mainly attributable to a significant increase in sales of gas to industrial customers and revenue from gas pipeline construction under the implementation of the "coal-to-gas" conversion policy.

Sales of Gas

Sales of gas for the year ended 31st December, 2018 amounted to HK$4,871,134,000 (2017: HK$3,399,172,000), representing an increase of 43.3% over the corresponding period last year.

Sales of gas for the year ended 31st December, 2018 contributed 63.9% of the total turnover of the Group, as compared with the percentage of 67.4% during the corresponding period last year. Sales of gas continued to be the major source of turnover for the Group. The following table set forth the breakdown of sales of gas by customers.

Sales of gas by customers:

	Year ended 31st December,				
	2018	**% of total**	2017	% of total	Increase/ (Decrease)
	HK$'000		*HK$'000*		
Industrial customers	**3,216,181**	**66.0%**	2,299,934	67.7%	39.8%
Residential households	**837,033**	**17.2%**	623,478	18.3%	34.3%
Commercial customers	**500,141**	**10.3%**	375,191	11.0%	33.3%
Wholesale customers	**95,962**	**2.0%**	25,747	0.8%	272.7%
Wholesale customers (LNG)	**221,817**	**4.5%**	74,822	2.2%	196.5%
Total	**4,871,134**	**100%**	3,399,172	100%	43.3%

Industrial customers

The sales of gas to the Group's industrial customers for the year ended 31st December, 2018 increased by 39.8% to HK$3,216,181,000 from HK$2,299,934,000 for the corresponding period last year. During the year ended 31st December, 2018, the Group connected 489 new industrial customers. The average selling price of natural gas for industrial customers for the year ended 31st December, 2018 increased by 16.4% to RMB2.77 per m^3 (2017: RMB2.38 per m^3) when compared to the corresponding period last year. There is a continuous growth in the demand of natural gas among industrial customers under the implementation of the "coal-to-gas" conversion policy. During the year ended 31st December, 2018, the piped natural gas usage provided by the Group to its industrial customers increased by 17.2% to 967,372,000 m^3 (2017: 825,725,000 m^3).

The sales of gas to our industrial customers for the year ended 31st December, 2018 contributed 66.0% of the total sales of gas of the Group (2017: 67.7%) and continues to be the major source of sales of gas of the Group.

Residential households

The sales of gas to our residential households for the year ended 31st December, 2018 increased by 34.3% to HK$837,033,000 from HK$623,478,000 for the corresponding period last year. The growth in sales of gas to residential households was supported by the implementation of the "coal-to-gas" conversion policy in the Group's existing project cities in the PRC. During the year ended 31st December, 2018, the Group provided new natural gas connections for 668,577 residential households and the piped natural gas usage provided by the Group to residential households was 319,646,000 m^3 (2017: 250,086,000 m^3).

The sales of gas to our residential households for the year contributed 17.2% of the total sales of gas of the Group (2017: 18.3%).

Commercial customers

The sales of gas to our commercial customers for the year ended 31st December, 2018 increased by 33.3% to HK$500,141,000 from HK$375,191,000 for the corresponding period last year. The sales of gas to commercial customers for the year contributed 10.3% of the total sales of gas of the Group (2017: 11.0%). During the year ended 31st December, 2018, the Group connected 2,130 new commercial customers. As at 31st December, 2018, the number of commercial customers of the Group reached 10,386, representing an increase of 25.8% as compared with 8,256 commercial customers as at 31st December, 2017.

The average selling price of natural gas for commercial customers increased by 8.5% to RMB3.05 per m^3 (2017: RMB2.81 per m^3) when compared to the corresponding period last year. The increase in gas consumption of commercial customers by 19.8% to 138,271,000 m^3 (2017: 115,418,000 m^3) for the year ended 31st December, 2018 was attributable to the "coal-to-gas" conversion policy and the raising awareness for environmental protection.

Gas Pipeline Construction

Revenue from gas pipeline construction for the year ended 31st December, 2018 amounted to HK$2,251,268,000, representing an increase of 82.3% over the corresponding period last year. The following table set forth the breakdown of revenue from gas pipeline construction by customers.

Revenue from gas pipeline construction by customers

	Year ended 31st December,				
	2018	**% of total**	2017	% of total	Increase/ (Decrease)
	HK$'000		*HK$'000*		
Residential households					
– "Coal-to-gas" projects	**1,447,721**	**64.3%**	340,616	27.6%	325.0%
– Non "Coal-to-gas" projects	**663,678**	**29.5%**	750,194	60.7%	(11.5)%
Non-residential households	**139,869**	**6.2%**	144,332	11.7%	(3.1)%
Total	**2,251,268**	**100%**	1,235,142	100%	82.3%

Started from 2017, the PRC government has determined to launch the "coal-to-gas" policy as one of its major priorities to fight with air pollution. The Group has followed the "coal-to-gas" conversion policy and carried out a number of conversion projects in different regions of the PRC. Revenue from gas pipeline construction for residential households for "coal-to-gas" projects for the year ended 31st December, 2018 increased by 325.0% to HK$1,447,721,000 from HK$340,616,000 for the corresponding period last year. During the year ended 31st December, 2018, the Group provided new natural gas connections for 445,324 residential households (2017: 111,126) under "coal-to-gas" projects and the average connection fee was RMB2,745 (2017: RMB2,656).

During the year ended 31st December, 2018, revenue from gas pipeline construction for residential households for non"coal-to-gas" projects decreased by 11.5% to HK$663,678,000 from HK$750,194,000 for the corresponding period last year. The decrease was mainly attributable to the drop in construction work for gas pipeline connection completed by the Group for residential households for non "coal-to-gas" projects to 223,253 from 254,052 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 ended 31st December, 2018, revenue from gas pipeline construction for non-residential customers decreased by 3.1% to HK$139,869,000 from HK$144,332,000 for the corresponding period last year.

As at 31st December, 2018, the Group's penetration rates of residential pipeline connection amounted to 64.9% (2017: 63.6%) (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 favourable energy policies in the PRC, the Group is aiming to continue to increase its market coverage by acquisitions when suitable opportunities arise.

Operation of CNG/LNG Vehicle Filling Stations

The operation of CNG/LNG vehicle filling stations is facing keen competition. Revenue from operating CNG/LNG vehicle filling stations for the year ended 31st December, 2018 amounted to HK$342,365,000, representing a mild increase of 3.9% over the corresponding period last year. In view of the increased cost of natural gas, the average selling price of natural gas for CNG/LNG vehicle filling stations for the year ended 31st December, 2018 was adjusted upward by 12.8% to RMB3.35 per m^3 (2017: RMB2.97 per m^3) when compared to the corresponding period last year. The unit of natural gas sold to vehicles reduced by 10.3% to 86,326,000 m^3 for the year ended 31st December, 2018 from 96,222,000 m^3 for the corresponding period last year.

During the year ended 31st December, 2018, the turnover derived from operating CNG/LNG vehicle filling stations accounted for 4.5% (2017: 6.5%) of the total turnover of the Group. As at 31st December, 2018, the Group had 62 CNG/LNG vehicle filling stations and commenced building an additional 9 CNG/LNG vehicle filling stations in the PRC.

Gross profit margin

The overall gross profit margin for the year ended 31st December, 2018 was 29.1% (2017: 25.5%). The improvement in overall gross profit margin in current year was mainly due to increase in the proportion of connection revenue to total turnover.

The gross profit margin for the sales of piped natural gas reduced to 8.1% (2017: 12.0%) as a result of increased average cost of natural gas from suppliers. The gross profit margin for the operation of CNG/LNG vehicle filling stations increased to 9.3% (2017: 4.1%) because sales increment has been recorded in gas stations in Jilin Province, which have higher gross profit margin due to premium locations. The gross profit margin for the gas pipeline construction increased to 77.3% for the year under review (2017: 69.7%), which was mainly due to cost reduction after integration and improvement of design, material procurement and construction processes.

Other gains and losses

The Group recognised other net loss of HK$332,787,000 in 2018 (2017: net gain of HK$136,586,000). The amount mainly represented (i) net foreign exchange loss of HK$321,905,000 (2017: gain of HK$114,747,000) mainly arising from the Group's bank borrowings denominated in United States dollars and Hong Kong dollars as a result of the depreciation of RMB since the second quarter of 2018; and (ii) net loss on disposal of property, plant and equipment of HK$37,805,000 (2017: HK$34,757,000); net off by (iii) recovery of bad debts previously written off of HK$29,109,000 (2017: HK$25,806,000). In 2017, there was net gain on disposal of prepaid lease payments of HK$33,008,000.

Other income

Other income reduced to HK$60,930,000 in 2018 from HK$69,422,000 in 2017. The balance in 2018 represented the bank interest income of HK$9,412,000 (2017: HK$3,973,000), interest income on amount due from an associate of HK$3,072,000 (2017: HK$2,775,000), government subsidies of HK$6,264,000 (2017: HK$15,879,000), income from investments in life insurance contracts of HK$2,702,000 (2017: HK$2,587,000) and sundry income of HK$39,480,000 (2017: HK$44,208,000).

Selling and distribution costs and administrative expenses

Selling and distribution costs increased by 31.2% to HK$146,145,000 in 2018 from HK$111,355,000 in 2017. Administrative expenses increased by 20.5% to HK$375,792,000 in 2018 from HK$311,860,000 in 2017. The increase was mainly attributable to (i) ascending staff costs and related expenses as a result of increased salary and number of headcount and (ii) additional depreciation expenses arisen from the revaluation of pipelines in prior year. In 2018, the Group also recognised equity-settled share option expenses of HK$58,847,000 (2017: nil) arising from share options granted on 5th January, 2018.

Finance costs

Finance costs increased by 13.0% to HK$272,747,000 in 2018 from HK$241,292,000 in 2017. The increase was mainly attributable to the increase in average bank and other borrowings balance.

Income tax expenses

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%.

On 21st March, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28th March, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the years ended 31st December, 2017 and 2018. 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, 2018, withholding tax amounting to HK$9,402,000 (2017: HK$6,638,000) was charged by the PRC tax authority which levied on the dividends paid to overseas group entities in the previous and current year.

Accordingly, the income tax expenses in 2018 amounted to HK$406,686,000 (2017: HK$257,818,000).

Earnings from continuing operations before finance costs, taxation, depreciation, amortisation and foreign exchange gain/loss ("EBITDA")

The Group's EBITDA was approximately HK$2,048,801,000 in 2018, representing an increase of 62.9% as compared with that of approximately HK$1,257,947,000 in 2017.

Profit attributable to owners of the Company

As a result of the above, profit attributable to owners of the Company was HK$620,684,000 in 2018, representing an increase of 11.2% as compared with that of HK$557,959,000 in 2017.

Excluding the net foreign exchange loss of HK$321,905,000 (2017: gain of HK$114,747,000) and share option expenses of HK$58,847,000 (2017: nil), adjusted profit attributable to owners of the Company would amount to HK$1,001,436,000 (2017: HK$443,212,000).

Net profit margin

For the year ended 31st December, 2018, the net profit margin, representing a ratio of profit attributable to owners of the Company to turnover, was 8.1% (2017: 11.1%).

Earnings per share

The basic and diluted earnings per share attributable to the owners of the Company were HK24.52 cents and HK24.30 cents respectively in 2018, as compared with that of HK22.10 cents and HK22.08 cents respectively in 2017.

Net assets value per share

The net assets value per share attributable to the owners of the Company was HK$1.55 as at 31st December, 2018, representing an increase of 23.0% as compared with that of HK$1.26 as at 31st December, 2017.

The net assets value represents total assets minus total liabilities.

FINAL DIVIDEND FOR THE YEARS ENDED 31ST DECEMBER, 2017 AND 2018

The Board recommended the payment of a final dividend of HK5 cents per ordinary share for the year ended 31st December, 2017 to shareholders whose names appear on the register of members of the Company on 15th June, 2018 and the final dividend was paid on 1st August, 2018. The payment of dividends was approved by the shareholders at the annual general meeting of the Company held on 29th May, 2018.

The Board has recommended the payment of a final dividend of HK7 cents per ordinary share for the year ended 31st December, 2018 to shareholders whose names appear on the register of members of the Company on 15th July, 2019 and the proposed final dividend is expected to be paid on or about 1st August, 2019. The payment of dividends shall be subject to the approval of the shareholders at the forthcoming annual general meeting of the Company.

DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at 31st December, 2018, the interests and short positions of the 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/underlying 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 8)*
Mr. Wang Wenliang	*1*	759,714,206	Beneficial/Interest in controlled corporation/ Interest of spouse	29.91%
Mr. Xu Yongxuan	*2*	1,508,700	Beneficial	0.06%
Mr. Lui Siu Keung	*3*	21,707,179	Beneficial	0.85%
Mr. Lu Zhaoheng	*4*	6,040,984	Beneficial	0.24%
Mr. Li Chunyan	*5*	1,510,761	Beneficial	0.06%
Dr. Luo Yongtai	*6*	1,508,700	Beneficial	0.06%
Ms. Liu Yu Jie	*7*	502,900	Beneficial	0.02%

Notes:

1. Among these shares and/or underlying shares, 730,451,289 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 18,824,616 shares and 10,438,301 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 1,005,800 share options at an exercise price of HK$0.4872 per share granted under the Old Share Option Scheme and the 502,900 share options at an exercise price of HK$5.468 per share granted under the New Share Option Scheme.

3. These comprise 14,163,679 shares directly held by Mr. Lui Siu Keung and 7,543,500 underlying shares to be issued and allotted upon exercise of the rights attaching to the 7,543,500 share options at an exercise price of HK$5.468 per share granted under the New Share Option Scheme.

4. These comprise 3,023,584 shares directly held by Mr. Lu Zhaoheng and 3,017,400 underlying shares to be issued and allotted upon exercise of the rights attaching to the 3,017,400 share options at an exercise price of HK$5.468 per share granted under the New Share Option Scheme.

5. These comprise 1,007,861 shares directly held by Mr. Li Chunyan and 502,900 underlying shares to be issued and allotted upon exercise of the rights attaching to the 502,900 share options at an exercise price of HK$5.468 per share granted under the New Share Option Scheme.

6. These underlying shares are to be allotted and issued upon exercise of the rights attaching to the 1,005,800 share options at an exercise price of HK$0.4872 per share granted under the Old Share Option Scheme and the 502,900 share options at an exercise price of HK$5.468 per share granted under the New Share Option Scheme.

7. These underlying shares are to be allotted and issued upon exercise of the rights attaching to the 502,900 share options at an exercise price of HK$5.468 per share granted under the New Share Option Scheme.

8. As at 31st December, 2018, the total number of issued shares of the Company was 2,538,553,557, having taken into account the 1,100,000 shares cancelled during 2018 as a result of share repurchases conducted by the Company. Had this number been used as the denominator for calculation of directors' interests, as at 31st December, 2018, Mr. Wang Wenliang was interested in approximately 29.93% shares/underlying shares of the Company and Mr. Lui Siu Keung was interested in approximately 0.86% shares/underlying shares of the Company. The percentage interests of the other directors set out above remain unchanged.

Save as disclosed above, as at 31st December, 2018, none of the Directors and chief executive 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, 2018, 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	1,091,516,129	42.98%
Hezhong	*2*	Beneficial	730,451,289	28.76%
Ms. Feng Haiyan	*3*	Beneficial/ Interest of spouse	759,714,206	29.91%

Notes:

1. According to the disclosure of interests pages as shown in the website of the Stock Exchange as at 31st December, 2018, China Gas Holdings Limited held these shares through Rich Legend International Limited ("Rich Legend"), its wholly-owned subsidiary, and is therefore deemed to be interested in the 1,091,516,129 shares held by Rich Legend.

2. Hezhong is beneficially interested in 730,451,289 shares. Mr. Wang Wenliang is beneficially interested in 100% of the issued share capital of Hezhong.

3. Ms. Feng Haiyan directly holds 10,438,301 shares and is deemed to be interested in 749,275,905 shares under the SFO as she is the spouse of Mr. Wang Wenliang.

4. As at 31st December, 2018, the total number of issued shares of the Company was 2,538,553,557, having taken into account the 1,100,000 shares cancelled during 2018 as a result of share repurchases conducted by the Company. Had this number been used as the denominator for calculation of substantial shareholder's interests, as at 31st December, 2018, China Gas Holdings Limited was interested in approximately 43.00% shares of the Company, Hezhong was interested in approximately 28.77% shares of the Company and Ms. Feng Haiyan was interested in approximately 29.93% shares of the Company.

Save as disclosed above, as at 31st December, 2018, 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 29th 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 year under review, the Company has complied with all the applicable code provisions under the CG Code.

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 during the year ended 31st December, 2018.

AUDIT COMMITTEE

The Company's Audit Committee, comprising Mr. Li Chunyan, Dr. Luo Yongtai and Ms. Liu Yu Jie, 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, 2018. There were no disagreements within the Audit Committee in relation to the accounting treatment adopted by the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31st December, 2018, the Company repurchased on the Stock Exchange a total of 2,442,000 shares of the Company at a total consideration of HK$12,991,880.80. The repurchase of the Company's shares was made for the benefit of the shareholders with a view to enhancing the net asset value per share and earnings per share of the Company. Such repurchased shares were cancelled on 26th November, 2018, 11th January, 2019 and 18th January, 2019 respectively. Details of the share repurchases are summarized as follows:

Date of repurchase	Total number of shares repurchased	Repurchased price per share Lowest *(HK$)*	Highest *(HK$)*	Aggregate consideration *(HK$)*
29th October, 2018	400,000	5.28	5.35	2,130,400.00
30th October, 2018	270,000	5.19	5.24	1,408,580.00
31st October, 2018	230,000	5.21	5.26	1,206,820.00
1st November, 2018	200,000	5.38	5.40	1,079,720.00
6th December, 2018	260,000	5.23	5.25	1,363,420.00
7th December, 2018	200,000	5.18	5.25	1,046,700.00
10th December, 2018	124,000	5.14	5.19	641,898.40
11th December, 2018	246,000	5.28	5.35	1,310,343.60
12th December, 2018	250,000	5.43	5.46	1,360,900.00
13th December, 2018	200,000	5.49	5.53	1,101,020.00
14th December, 2018	62,000	5.46	5.55	342,078.80

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31st December, 2018.

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, 2018 will be despatched to the shareholders in April 2019 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 and the related notes thereto for the year ended 31st December, 2018 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.

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the Company's register of members on 29th May, 2019 will be eligible to attend and vote at the forthcoming annual general meeting of the Company. The Company's transfer books and register of members will be closed from 24th May, 2019 to 29th May, 2019 (both days inclusive) during which period no transfer of shares will be registered. In order to attend and vote at the forthcoming annual general meeting of the Company, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on 23rd May, 2019.

Shareholders whose names appear on the Company's register of members on 15th July, 2019, will qualify for the proposed final dividend. The Company's transfer books and register of members will be closed from 12th July, 2019 to 15th July, 2019 (both days inclusive) for the purpose of ascertaining shareholders' entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on 11th July, 2019. The proposed final dividend (the payment of which is subject to the shareholders' approval at the forthcoming annual general meeting) is expected to be paid on 1st August, 2019 to shareholders whose names appear on the register of members of the Company on 15th July, 2019.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises of Mr. Wang Wenliang (Chairman), Mr. Lui Siu Keung (Chief Executive Officer), Mr. Lu Zhaoheng, Mr. Li Yan and Mr. Jia Kun, as the executive Directors, Mr. Xu Yongxuan (Vice-Chairman), as the non-executive Director and Mr. Li Chunyan, Dr. Luo Yongtai and Ms. Liu Yu Jie, as the independent non-executive Directors.

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

Hong Kong, 26th March, 2019