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

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2019

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	For the year ended 31st December,		
	2019 (unaudited) ***HK$'000***	2018 (audited) *HK$'000*	**changes** ***%***
Breakdown of turnover			
– Sales of gas	**5,805,421**	4,871,134	19.2%
– Revenue from gas pipeline construction	**1,581,238**	2,251,268	(29.8)%
– Sales of stoves and other services	**412,348**	154,854	166.3%
– Operation of CNG/LNG vehicle filling stations	**337,377**	342,365	(1.5)%
– Sales of liquefied petroleum gas	**7,387**	7,467	(1.1)%
Turnover	**8,143,771**	7,627,088	6.8%

	For the year ended 31st December,		
	2019	2018	**changes**
	(unaudited)	(audited)	
	HK$'000	*HK$'000*	**%**
Gross profit (Gross margin)	**1,909,920** **(23.5%)**	2,221,873 (29.1%)	(14.0)% (5.6)%
Profit attributable to owners of the Company	**430,121**	620,684	(30.7)%
Adjusted profit attributable to owners of the Company (excluding the net foreign exchange loss and share option expenses)	**722,485**	1,001,436	(27.9)%
EBITDA	**1,813,582**	2,107,648	(14.0)%
Basic earnings per share (HK cents)	**16.93**	24.52	(31.0)%
Proposed final dividend (HK cents)	**5.00**	7.00	(28.6)%
Unit of natural gas sold ('000 m^3)	**1,943,564**	1,615,646	20.3%
New piped gas connections made (residential households under "coal-to-gas" projects)	**217,674**	445,324	(51.1)%
New piped gas connections made (residential households under non "coal-to-gas" projects)	**230,622**	223,253	3.3%

CHAIRMAN'S STATEMENT

To our valued shareholders,

The year 2019 was a crucial year for the country to achieve the first Centenary Goal of building a prosperous society. The energy revolution of China entered into the acceleration phase, focusing more on quality and stock consumption, and optimizing the capacity to increase in production. With the further introduction of relevant policies such as the Notice on the Implementation of the Three-year Action Plan of Winning the Blue Sky War, the Measures on the Supervision and Administration of Fair Opening of Oil and Gas Pipeline Facilities, and the Opinion of Promoting the High-quality Development of Power, the Group's target to fight pollution was clear and the Group continued the momentum in pollution prevention and treatment. The in-depth adjustment of energy structure and the steady promotion of the use of various clean energy as substitution continued to be the focus of our energy transformation work in 2019.

To conform to market development trend, in the past 17 years, Zhongyu Gas Holdings Limited (the "Company", together with its subsidiaries, collectively referred to as the "Group") has benefited from the trend of energy transformation and favorable policies and developed into an integrated energy service provider. Our businesses include gas pipeline construction and connection, sales of gas, operation of compressed natural gas or liquefied natural gas ("CNG/LNG") vehicles filling stations, value-added services (sales of stoves and related equipment), and other decentralized energy. The performance in 2019 maintained a stable development, with indicators such as gas sales revenue, gas sales volume and number of users growing steadily. The Group's development and milestones have been recognised and supported by the capital market. The Group was successively awarded the Hong Kong Listed Company Award of Excellence in the Main Board and the Best Infrastructure and Public Utilities Stock Company Award. In early 2019, the Group entered the Hang Seng Index Constituents and Hang Seng Stock Connect Hong Kong Index Constituents. In order to show our appreciation to the shareholders and investors for their long-term support, the board of directors proposed a final dividend of HK5 cents per share to share the Company's accomplishments with shareholders.

In the year of 2019, the Group supported the national village revitalization strategy and continuously promoted the "coal-to-gas" projects in the countryside, actively fulfilling its social responsibility. The number of new piped gas connections made for residential households in 2019 was 217,674 under the Group's "coal-to-gas" projects. Together with industrial and commercial customers and regular residential projects, 451,149 new customers were gained in 2019, and our accumulated number of pipeline gas customers increased to more than 3,500,000, laying a solid foundation for future growth. In 2019, the Group had 69 gas projects, covering 9 provinces (including autonomous regions and municipalities). In 2019, 8 gas projects were newly added, including 6 acquired projects and 2 empty space projects. In addition to the gas sales, the Group vigorously developed its value-added business in 2019 and sold diversified ancillary products such as gas appliances, insurance and bellows under its own retail brand "Zhongyu Phoenix". Turnover from sales of stoves and other services throughout the year increased by 166.3% year-on-year.

PROSPECTS

Due to the trade tension, the escalation of geopolitical tension and the COVID-19 outbreak, the slowdown in global economic growth will continue in 2020. The economy of the PRC has entered into the era of "high growth in quality", transiting from a development model relying on a high level of input and consumption of resources in the past, to one featuring the enhancement of quality and efficiency. With the strengthening of the reform of the national energy system, the new "X+1+X" oil and gas market system with a supply of upstream oil and gas resources by multiple entities through multiple channels, a unified and efficient midstream pipeline network, and a fully competitive downstream sales market has been established in the natural gas market, meaning that the market-oriented reform of the domestic oil and gas industry has entered into a key stage. While the market has been vitalized, companies will at the same time encounter more intense competition. These series of changes posed challenges but also presented opportunities to the Group.

In 2020, the Group will continue to steadily expand and increase in market share in the existing market, integrate with the newly-acquired projects, create stronger synergies, actively expand our business to other potential areas, strengthen the development of value-added services, and accelerate the all-around development of all businesses. The Group greatly promoted the use of natural gas as a clean energy. Meanwhile, it actively cooperated with the government to promote environmental protection and the development of modern urbanization, achieving steady growth in new customers, expanding its natural gas trading business, and strengthening the protection of gas sources. At the same time, the Group actively worked on mergers and acquisitions, focusing on projects with potential to grow in the future which are located close to gas sources and in areas with a strong local demand for energy, adopting a two-pronged approach to increase revenue both internally and externally.

With the gradual deepening of the reformation of the oil and gas industry, the market is opened for more competition. In order to meet the personalized energy demand and differentiated service demand of users, the Group will actively embrace the digital transformation era of urban gas, modify its products and services, and developed into a personalized, intelligent, and service-oriented transformation and upgrading. For residential users, the Group will continue to develop its value-added business in 2020 by making good use of technologies such as terminal data collection and cloud computing to increase the involvement of our own retail brand "Zhongyu Phoenix" in the customers' daily life, to provide them with safe and efficient stove equipment and diverse and personalized services, increase customer loyalty and raise people's awareness of the Group's brand image.

In terms of industrial and commercial customers, the Group will vigorously promote smart energy projects to address multiple needs of enterprises and local governments in environment protection and emission reduction, energy efficiency improvement, household energy consumption reduction and energy structure optimization. The Group has successfully built a diversified business chain of project development, operation management and engineering technology services. It will improve our products and services by applying technologies such as measurement techniques and artificial intelligence, so as to better meet business demands of its customers, develop large enterprises and industrial parks with large energy demands and accelerate business growth.

The China Oil & Gas Piping Network Corporation was established for the construction and dispatch and operation of the national oil and gas pipeline network to form a national network, which can dispatch all interconnected pipe networks in a unified manner to guarantee supply under emergency circumstances. This will improve the operation safety and pipeline operation capacity of the oil and gas pipeline network and further promote the supply of upstream oil and gas resources by different market players through multiple channels and the competition in downstream sales market of the oil and gas industry, which allows the natural gas market to be more open and flexible. The Group will also make full use of the opportunities brought by the reform of the national pipeline to explore the feasibility of participating in regional pipeline construction and open up new sources of income.

As always, the Group regards safety, quality, efficiency and effectiveness as its core values, especially safety. Whether it is business management or daily work, safety is necessary to support the long-term development of the Group. The Group strengthened its audit and supervision work, further increased its efforts in supervising various businesses comprehensively, strengthened the prevention and control of various operational risks, and stimulated the endogenous driving force of the subsidiaries with the compliant operation to promote the steady development of the Group.

In the coming year, the Group will adhere to the operating principle of "market-driven, customer-oriented, and economic efficiency-centered", and strive to become the most valuable integrated energy service provider, and drive the development of the Group to the next level unremittingly.

APPRECIATION

In the beginning of 2020, the prevention and control of novel coronavirus infection evoked emotions at the hearts of everyone in China and around the world. I would like to take this opportunity to thank our staff sincerely for their dedication during the epidemic and being responsible to make every effort to safeguard a safe and stable supply of city gas. I would also like to thank all member companies of the Group for their spontaneous donations of materials to the frontline workers helping with epidemic prevention in the community and helping each other, implementing our corporate social responsibility. Last but not least, I would like to thank all the shareholders and customers of the Group for their long-term support and trust. We believe we can get through extraordinary times and achieve steady progress by working and joining hands together.

Wang Wenliang
Chairman
Hong Kong

30th March, 2020

CEO MESSAGE

To our valued shareholders,

On behalf of the board of directors and fellow staff, I am pleased to present our annual results for the year ended 31st December, 2019 (the "Year").

2019 definitely marked a significant year of change for the natural gas industry. Continuous efforts of the PRC government were made to promote natural gas as one of the main energy sources, including the construction of the China-Russia East-Route Natural Gas Pipeline, the establishment of China Oil & Gas Piping Network Corporation in Beijing at the end of 2019, not to mention the promotion of "coal-to-gas" conversion (煤改氣), 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 other environmental pollution controls continued to be contributing drivers for the development of natural gas industry, bringing business opportunities to the Group. As of 31st December, 2019, the Group had 69 exclusive gas projects in 9 provinces and served approximately 16,627 industrial and commercial customers as well as 3,485,127 residential households. The total unit of natural gas sold also increased by 20.3% year-on-year ("yoy") to 1,943,564 m^3 in 2019, achieving a set of record-high results, and reached a 3-year compound annual growth rate of 25.4%. Our own retail house brand, "Zhongyu Phoenix" (中裕鳳凰), also brought the value-added business to its new height, with a surged increase of 166.3% in turnover from the sales of stoves and other services.

RESULTS

During the Year, the Group recorded a turnover of HK$8,143.8 million, representing a growth of 6.8% yoy (2018: HK$7,627.1 million). The growth in turnover was mainly driven by the increase in both sales volume of piped gas and average selling price of natural gas. However, due to slowdown of new gas pipeline construction and connection which segment enjoys the highest gross margin, the overall gross profit of the Group decreased from HK$2,221.9 million in 2018 to HK$1,909.9 million, with gross profit margin of 23.5% (2018: 29.1%). Profit attributable to owners of the Company dropped by 30.7% to HK$430.1 million as compared to HK$620.7 million in 2018. Basic earnings per share and net assets per share amounted to HK16.93 cents and HK$1.81 respectively (2018: HK24.52 cents; HK$1.55).

BUSINESS REVIEW

According to the latest data released by the National Bureau of Statistics of China, China's economic growth in 2019 was 6.1%. The apparent natural gas consumption of the PRC in 2019 amounted to approximately 302.5 billion m^3, representing an increase of 9% yoy according to the National Development and Reform Commission of the People's Republic of China. The demand for natural gas still managed to grow at a fast pace amid the economic slowdown in the PRC. Such favorable operating environment allowed the Group to achieve a few milestones during the Year.

The Group's three major business segments, namely the sales of gas, gas pipeline construction and connection, and the sales of stoves and other services, contributed 71.3%, 19.4% and 5.1% of the Group's turnover in 2019, respectively.

The sales of gas continued to be the largest contributor of the Group in 2019, achieving HK$5,805,421,000 in sales with 19.2% yoy growth. The business was mainly fueled by the increase in the number of overall customers. This is testament to the success of the Group's client diversification strategy between residential, industrial and commercial customers. Industrial and commercial users, especially those strong market players with high gas usage, will continue to be the Group's core focus in this segment.

Following the Group's efforts in the past years, the penetration of gas connection in its covered area has reached a relatively high level. Accordingly, the Group has been more selective and cautious in acquiring new customers for gas connection to maintain a good level of profitability, cash flow and account receivables. For the Year, the total number of new piped gas connections amounted to 451,149 customers. As the Group continued to expand its coverage, the Group's total existing intermediate and main pipelines increased from 14,928 km to 23,318 km, representing a 56.2% increase in length.

The value-added services provided under "Zhongyu Phoenix" have been an effective channel for the Group to capitalize the full potential of its large pool of residential customers, differentiate itself with customized solutions, as well as increase customer stickiness. During the Year, the Group has placed additional resources to strengthen its retail brand by expanding product portfolio and promote greater brand recognition. This segment's turnover recorded a 166.3% yoy increase, from HK$154.9 million in 2018 to HK$412.3 million in 2019. The growth was driven by the good market reception of the Group's increased variety of product and services offerings, including sales of gas stoves, gas cooking appliances, wall hung boilers and insurance services. The Group sees enormous potentials to explore the market leveraging on the existing residential customer portfolio.

The Group has been actively expanding over the years. In 2019, the Group has successfully obtained the exclusive concession rights of 8 new gas projects in Henan, Hebei and Heilongjiang. Together with the Group's existing presence, these acquisitions further enhanced the Group's foothold in those provinces. The new projects are also expected to create greater synergies with nearby operations and make financial contributions to the Group.

By seizing opportunities arising from the government's determination to control air pollution and the deepening of energy reform in the PRC, the Group also strived to expand its natural gas sales and accelerated its development of smart energy and decentralized energy businesses based on customers' diversified energy needs, in particular industrial users with heavy energy consumption. During the Year, the Group signed a number of new projects and completed construction of certain decentralized energy projects, including charging piles for electric vehicles. The Group believes that smart energy and decentralized energy business not only would diversify the Group's revenue sources, but would also be an important business module of its integrated energy service.

PROSPECTS

At the beginning of 2020, in the face of the spread of novel coronavirus epidemic, epidemic prevention measures were adopted throughout the country, such as extending Chinese New Year holiday, strictly controlling road traffic, delaying the resumption of work in factories, suspending businesses and closing tourist attractions, and adopting community closed management. This has had a serious impact on the domestic manufacturing production, industrial and commercial activities and consumption. As an integrated energy service provider, the Group's business has inevitably been under pressure in a certain extent. During the outbreak, the Group has taken all feasible measures to ensure the health and safety of our employees and made every effort to reduce the impact of the epidemic. As the epidemic has been coming under control throughout the country, work and production have been gradually resumed in provinces and cities. We believe that the impact of the novel coronavirus epidemic is temporary and remain optimistic about the long-term prospects of the gas industry.

In the long run, the PRC government remains determined to speed up the restructuring of the national energy structure, build a clean, low-carbon and efficient energy system through promoting the use of clean energy for heating and imposing restrictions on the use of coal.

The establishment of China Oil & Gas Piping Network Corporation in Beijing in late 2019 forms an "X+1+X" structure in the natural gas industry. With vigorous and continuous advancement in the reform of national energy system, the setup of the China Oil & Gas Piping Network Corporation is expected to promote multi-entities and multi-channel supply of upstream oil and gas resources, a unified pipeline network in the midstream, and to open up flexible and efficient downstream market. Coupled with the completion and ventilation of the first phase of The China-Russia natural gas pipeline, it is expected that China's natural gas demand will continue to grow in the next few years with abundant supply and more affordable costs. In view of this, the Group will capture these opportunities by implementing the following key strategies in the coming year:

(i) To continue to expand the scale of its piped gas business and achieve greater economies of scale

The strong demand for natural gas from industrial, commercial and residential users is expected to persist in 2020. The Group will deepen its penetration in covered areas and focus on exploring M&A targets with proximity to gas sources, healthy financials, and potential to create good synergy with existing businesses to bring in more values.

(ii) To actively develop new markets and seek new sources of income

In order to meet the increasing demand for personalized energy solutions and diversified services, it is necessary for the Group to be innovative in providing value-added solutions. For the residential market, the Group will continue to enrich its gas related services and products under "Zhongyu Phoenix", strengthen its retail sales channels, make good use of online sales platforms, and thus increasing the stickiness of its residential users and capitalizing the large customer base. In terms of industrial and commercial markets, the Group will vigorously promote smart energy solutions to enterprises and local governments to address their increasing needs in achieving environmental-friendly operations, emission reduction, enhancement of energy efficiency, as well as optimization of energy structure in the community.

Riding on the ongoing reform of the national energy system, the Group will keep a close eye on the opportunities arising in the supply chain and will react promptly and strive to becoming one of the most valuable and competitive integrated smart energy service providers in the PRC.

APPRECIATION

Last but not least, I would like to take this opportunity to extend my gratitude to the board of directors, the management and all of our staff for their dedication and commitment, as well as our business partners, customers and shareholders for their continuous support for the Group during the Year.

Lui Siu Keung, Daniel
Chief Executive Officer

30th March, 2020

The board of directors (the "Board" or the "Directors") of the Company is pleased to announce the unaudited consolidated results of the Group for the year ended 31st December, 2019, together with the comparative figures for the corresponding period in 2018, 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 operation of CNG/LNG vehicle filling stations in the PRC.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December, 2019

	NOTES	**2019 (unaudited) *HK$'000***	2018 (audited) *HK$'000*
Turnover	*3*	**8,143,771**	7,627,088
Cost of sales		**(6,233,851)**	(5,405,215)
Gross profit		**1,909,920**	2,221,873
Reversal of impairment/(impairment losses)		**9,344**	(16,295)
Other gains and losses	*5*	**(230,304)**	(332,787)
Other income	*6*	**53,493**	60,930
Selling and distribution costs		**(183,041)**	(146,145)
Administrative expenses		**(451,878)**	(375,792)
Share-based payments		**(43,802)**	(58,847)
Finance costs	*7*	**(344,248)**	(272,747)
Share of results of associates		**45,052**	41,387
Share of results of a joint venture		**(117)**	(536)
Profit before tax		**764,419**	1,121,041
Income tax expenses	*8*	**(280,770)**	(406,686)
Profit for the year	*9*	**483,649**	714,355
Profit for the year attributable to:			
Owners of the Company		**430,121**	620,684
Non-controlling interests		**53,528**	93,671
		483,649	714,355

	NOTES	**2019 (unaudited) *HK$'000***	2018 (audited) *HK$'000*
Profit for the year		**483,649**	714,355
Other comprehensive income (expense)			
Items that will not be reclassified subsequently to profit or loss:			
Exchange differences on translation from functional currency to presentation currency		**(57,763)**	(135,229)
Fair value gain on revaluation of pipelines included in property, plant and equipment and right-of-use assets		**92,099**	384,750
Deferred tax arising from revaluation of pipelines included in property, plant and equipment and right-of-use assets		**(23,025)**	(96,188)
Other comprehensive income for the year		**11,311**	153,333
Total comprehensive income for the year		**494,960**	867,688
Profit for the year attributable to:			
Owners of the Company		**430,121**	620,684
Non-controlling interests		**53,528**	93,671
		483,649	714,355
Total comprehensive income attributable to:			
Owners of the Company		**438,027**	751,861
Non-controlling interests		**56,933**	115,827
		494,960	867,688
Proposed final dividend of HK5 cents (2018: HK7 cents) per ordinary share	*10*	**132,242**	177,605
Earnings per share	*11*		
Basic		**HK16.93 cents**	HK24.52 cents
Diluted		**HK16.73 cents**	HK24.30 cents

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2019

	NOTES	2019 (unaudited) HK$'000	2018 (audited) HK$'000
Non-current assets			
Investment properties		**9,180**	42,940
Property, plant and equipment		**9,937,008**	8,880,175
Right-of-use assets		**1,022,284**	–
Goodwill		**411,885**	255,776
Other intangible assets		**1,646,932**	1,103,468
Long-term deposits, prepayments and other receivables		**1,114,217**	477,506
Prepaid lease payments		**–**	538,195
Interests in associates		**426,832**	390,780
Interest in a joint venture		**9,453**	9,777
Amount due from an associate		**–**	57,195
Financial assets at fair value through other comprehensive income		**78,898**	23,310
		14,656,689	11,779,122
Current assets			
Inventories		**473,657**	326,121
Properties under development for sale		**110,871**	–
Trade receivables	*12*	**1,331,588**	1,669,455
Deposits, prepayments and other receivables		**1,219,926**	676,438
Amount due from an associate		**55,972**	–
Amount due from a related party		**8,396**	8,579
Prepaid lease payments		**–**	15,614
Contract assets		**509,321**	185,698
Tax recoverable		**19,366**	19,450
Pledged bank deposits		**–**	5,720
Bank balances and cash		**1,903,313**	1,595,157
		5,632,410	4,502,232
Current liabilities			
Trade payables	*13*	**1,219,726**	1,206,316
Other payables and accrued charges		**417,460**	337,723
Amount due to an associate		**1,001**	1,023
Amount due to related parties		**–**	81,102
Contract liabilities		**1,097,362**	884,573
Borrowings		**4,308,237**	4,499,852
Lease liabilities		**68,744**	–
Obligations under finance leases due within one year		**–**	185,717
Tax payables		**78,750**	95,964
		7,191,280	7,292,270
Net current liabilities		**(1,558,870)**	(2,790,038)
Total assets less current liabilities		**13,097,819**	8,989,084

	2019 (unaudited) *HK$'000*	2018 (audited) *HK$'000*
Capital and reserves		
Share capital	**26,448**	25,372
Reserves	**4,748,921**	3,913,147
Equity attributable to owners of the Company	**4,775,369**	3,938,519
Non-controlling interests	**660,704**	581,650
Total equity	**5,436,073**	4,520,169
Non-current liabilities		
Deferred income and advance received	**6,874**	15,616
Borrowings	**6,712,973**	3,730,367
Lease liabilities	**12,678**	–
Obligations under finance leases due after one year	**–**	61,537
Deferred taxation	**929,221**	661,395
	7,661,746	4,468,915
	13,097,819	8,989,084

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2019

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 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the unaudited 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 unaudited consolidated financial statements have been prepared on the historical cost basis except for certain property, plant and equipment, financial instruments and investment properties 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

Disaggregation of revenue from contracts with customers

	2019	2018
	(unaudited)	(audited)
	HK$'000	*HK$'000*
Types of goods or services		
Sales of gas	**5,805,421**	4,871,134
Revenue from gas pipeline construction	**1,581,238**	2,251,268
Sales of stoves and other services	**412,348**	154,854
Sales of CNG/LNG in vehicle filling stations	**337,377**	342,365
Sales of liquefied petroleum gas	**7,387**	7,467
Total	**8,143,771**	7,627,088
Timing of revenue recognition		
A point in time	**6,562,533**	5,375,820
Overtime	**1,581,238**	2,251,268
Total	**8,143,771**	7,627,088

All the revenue from contracts with customers are derived from the PRC.

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 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 ended 31st December, 2018, 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.

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

(a) sales of gas;

(b) gas pipeline construction;

(c) sales of stoves and other services;

(d) operation of CNG/LNG vehicle filling stations; 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, 2019 (unaudited)

	Sales of gas *HK$'000*	Gas pipeline construction *HK$'000*	Sales of stoves and other services *HK$'000*	Operation of CNG/LNG vehicle filling stations *HK$'000*	Sales of liquefied petroleum gas *HK$'000*	Consolidated *HK$'000*
Segment revenue	5,805,421	1,581,238	412,348	337,377	7,387	8,143,771
Segment profit	407,773	922,253	91,255	24,596	61	1,445,938
Unallocated other income						13,634
Unallocated other gains and losses						(219,548)
Unallocated central corporate expenses						(140,701)
Reversal of impairment						9,344
Finance costs						(344,248)
Profit before tax						764,419

For the year ended 31st December, 2018 (audited)

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 2. Reportable segments represent the financial result of each segment without allocation of central administration costs, directors' emoluments, interest income, share-based payments, 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.

A subsidiary of the Group also engages in the property development in the PRC and the revenue generate from this business will be included as the consolidated revenue of the Group. There was no property sold for the year ended 31st December, 2019. The operating result and other financial information of this subsidiary's business are not reviewed by the CODM for the purpose of resources allocation and performance assessments.

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

2019 (unaudited)

	Sales of gas *HK$'000*	**Gas pipeline construction** *HK$'000*	**Sales of stoves and other services** *HK$'000*	**Operations of CNG/LNG vehicle filling stations** *HK$'000*	**Sales of liquefied petroleum gas** *HK$'000*	**Segment total** *HK$'000*	**Unallocated** *HK$'000*	**Consolidated** *HK$'000*
Amounts included in the measure of segment profit or loss:								
Net (gain) loss on disposal of property, plant and equipment	**(18,941)**	**–**	**–**	**3**	**–**	**(18,938)**	**12**	**(18,926)**
Depreciation of right-of-use assets	**40,790**	**–**	**1,062**	**5,267**	**–**	**47,119**	**4,068**	**51,187**
Depreciation of property, plant and equipment	**272,239**	**694**	**1,306**	**10,246**	**–**	**284,485**	**7,161**	**291,646**
Amortisation of other intangible assets	**65,767**	**–**	**2,168**	**1,783**	**–**	**69,718**	**–**	**69,718**

2018 (audited)

	Sales of gas *HK$'000*	Gas pipeline construction *HK$'000*	Sales of stoves and other services *HK$'000*	Operations of CNG/LNG vehicle filling stations *HK$'000*	Sales of liquefied petroleum gas *HK$'000*	Segment total *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Amounts included in the measure of segment profit or loss:								
Net loss (gain) on disposal of property, plant and equipment	37,285	–	(1,241)	2,298	–	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	–	200	9,977	–	270,478	8,123	278,601
Amortisation of other intangible assets	40,647	–	–	2,021	–	42,668	–	42,668

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.

As at 31st December, 2019, all the non-current assets of the Group (excluding financial assets) amounting to HK$13,899,766,000 (2018: HK$11,699,929,000) are located in the PRC.

5. OTHER GAINS AND LOSSES

	2019	2018
	(unaudited)	(audited)
	HK$'000	*HK$'000*
Recovery of bad debts previously written off	**–**	29,109
Net foreign exchange losses	**(248,562)**	(321,905)
(Decrease) increase in fair value of investment properties	**(1,579)**	387
Net gain (loss) on disposal of property, plant and equipment	**18,926**	(37,805)
Others	**911**	(2,573)
	(230,304)	(332,787)

6. OTHER INCOME

	2019	2018
	(unaudited)	(audited)
	HK$'000	*HK$'000*
Interest income from financial assets at amortised cost		
– Bank interest income	**11,282**	9,412
– Interest income on amount due from an associate	**2,946**	3,072
	14,228	12,484
Government subsidies (*Note*)	**5,160**	6,264
Income from investments in life insurance contracts	**2,771**	2,702
Sundry income	**31,334**	39,480
	53,493	60,930

Note: During the year ended 31st December, 2019, the Group has received subsidies of HK$5,160,000 (2018: HK$6,264,000) 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

	2019	2018
	(unaudited)	(audited)
	HK$'000	*HK$'000*
Interest on borrowings	**357,915**	281,233
Interest on obligations under finance leases	**–**	20,338
Interest on lease liabilities	**12,408**	–
	370,323	301,571
Amortisation on loan facilities fees relating to bank borrowings	**53,167**	38,100
Total borrowing costs	**423,490**	339,671
Less: Amounts capitalised in construction in progress included in property, plant and equipment	**(79,242)**	(66,924)
	344,248	272,747

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 4.66% (2018: 5.09%) per annum to expenditure on qualifying assets.

8. INCOME TAX EXPENSES

	2019	2018
	(unaudited)	(audited)
	HK$'000	*HK$'000*
PRC Enterprise Income Tax:		
Current tax	**173,144**	301,670
Overprovision in prior years	**(3,736)**	(6,467)
Withholding tax levied on dividends paid previously not recognised	**7,361**	9,402
	176,769	304,605
Deferred tax	**104,001**	102,081
	280,770	406,686

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% 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, 2019, withholding tax amounting to HK$7,361,000 (2018: HK$9,402,000) 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

	2019	2018
	(unaudited)	(audited)
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**4,145**	3,500
Amortisation of other intangible assets (included in cost of sales)	**69,718**	42,668
Depreciation of right-of-use assets	**51,187**	–
Release of prepaid lease payments	**–**	11,839
Depreciation of property, plant and equipment	**291,646**	278,601
Employee benefits expenses, other than directors' emoluments		
– Salaries and other benefits	**345,317**	309,043
– Equity-settled share-based payments	**43,802**	48,631
– Contributions to retirement benefits schemes	**69,387**	62,070
	458,506	419,744
Cost of inventories recognised as expenses in respect of contract cost for gas pipeline construction	**276,759**	405,900
Cost of inventories recognised as expenses in respect of sales of gas, CNG/LNG, liquefied petroleum gas and stoves	**5,268,305**	4,235,995
	5,545,064	4,641,895
(Reversal of impairment)/impairment losses		
– Trade receivables (good and services)	**(739)**	(95)
– Other receivables	**784**	–
– Contract assets	**(9,389)**	16,390
	(9,344)	16,295
Gross rental income from investment properties with minimal outgoings	**(1,265)**	(874)
Gross rental income from equipment with minimal outgoings	**(6,579)**	(1,968)
Operating lease rentals in respect of rental premises	**–**	16,614

10. DIVIDENDS

	2019	2018
	(unaudited)	(audited)
	HK$'000	*HK$'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2018 final dividend of HK7 cents (2018: 2017 final dividend of HK5 cents) per ordinary share	**177,675**	126,250
2019 interim dividend of HK2 cents (2018: nil) per ordinary share	**50,764**	–
	228,439	126,250
Final dividend, proposed, of HK5 cents (2018: HK7 cents) per ordinary share	**132,242**	177,605

Subsequent to the end of reporting period, a final dividend in respect of the year ended 31st December, 2019 of HK5 cents (2018: final dividend in respect of the year ended 31st December, 2018 of HK7 cents) per ordinary share, in an aggregate amount of HK$132,242,000 (2018: HK$177,605,000), 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:

	2019	2018
	(unaudited)	(audited)
	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	**430,121**	620,684

	2019	2018
	(unaudited)	(audited)
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**2,540,405**	2,530,877
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	**29,852**	23,098
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**2,570,257**	2,553,975

12. TRADE RECEIVABLES

The following is an aged analysis of trade receivables from contracts with customers net of allowance for credit losses 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:

	2019	2018
	(unaudited)	(audited)
	HK$'000	*HK$'000*
0 – 30 days	**724,759**	782,221
31 – 90 days	**45,579**	130,453
91 – 180 days	**73,442**	237,993
181 – 360 days	**318,699**	518,788
Over 360 days	**169,109**	–
Trade receivables	**1,331,588**	1,669,455

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:

	2019	2018
	(unaudited)	(audited)
	HK$'000	*HK$'000*
0 – 30 days	**592,132**	640,840
31 – 90 days	**228,734**	186,997
91 – 180 days	**120,080**	110,122
Over 180 days	**278,780**	268,357
Trade payables	**1,219,726**	1,206,316

14. EVENT AFTER THE REPORTING PERIOD

As the outbreak of novel coronavirus epidemic continues to spread across the global, the Group will continue to closely monitor the development of the novel coronavirus epidemic and ensure a stable operation. By the date of this announcement, the impact of novel coronavirus epidemic on the Group's subsequent operating results is still under assessment.

LIQUIDITY, FINANCIAL RESOURCES AND WORKING CAPITAL

Liquidity

As at 31st December, 2019, the total assets of the Group increased by HK$4,007,745,000 or 24.6% to HK$20,289,099,000 (2018: HK$16,281,354,000).

As at 31st December, 2019, the Group has net current liabilities of HK$1,558,870,000 (2018: HK$2,790,038,000). Decrease in net current liabilities was mainly due to the increase in bank balances and reduction of borrowings due within one year after re-financing.

As at 31st December, 2019, the Group's current ratio, represented by a ratio of total current assets to total current liabilities, was approximately 0.8 (2018: 0.6).

As at 31st December, 2019, the total borrowings, lease liabilities and obligations under finance leases increased by HK$2,625,159,000 or 31.0% to HK$11,102,632,000 (2018: HK$8,477,473,000).

As at 31st December, 2019, the Group had total net debts of HK$9,199,319,000 (2018: HK$6,876,596,000), measured as total borrowings, lease liabilities and obligations under finance leases minus the bank balances and cash and pledged bank deposits. As at 31st December, 2019, the Group had net gearing ratio of approximately 1.69 (2018: 1.52), measured as total net debts to total equity of HK$5,436,073,000 (2018: HK$4,520,169,000).

Financial resources

During the year ended 31st December, 2019, the Group entered into several loan agreements with several banks in Hong Kong and overseas, pursuant to which loan facilities of up to US$75,200,000 and HK$4,455,605,000 in total were made available to the Group.

During the year ended 31st December, 2019, the Group generally financed its operations with internally generated resources and bank and other borrowings. As at 31st December, 2019, 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 in 2019, 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, 2019, the Group did not employ any financial instruments for hedging purposes.

EMPLOYEE INFORMATION

As at 31st December, 2019, the Group had a total of 4,388 employees (2018: 3,816) in Hong Kong and the PRC, and the total employee benefit expenses (other than directors) for the year was approximately HK$512,635,000 (2018: HK$483,630,000), which included equity-settled share option expenses of HK$43,802,000 (2018: HK$48,631,000). The increase was mainly due to the increase in the number of headcount of the Group. Around 99.6% 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.

As at the date of this announcement, there were a total of 1,005,800 share options (as at the date of the annual report of the Company for the year ended 31st December, 2018: 2,011,600) outstanding which were granted to the Directors under the Old Share Option Scheme, the full conversion of which will result in the issue of 1,005,800 ordinary shares in the Company, representing approximately 0.04% 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, 2018 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, 2019:

Name of Directors	Date of grant	Exercise/vesting period	Exercise price *HK$*	Number of share options granted under the Old Share Option Scheme				
				Outstanding at 1st January, 2019	Granted during the year under review	Exercised during the year under review	Lapsed/ Cancelled during the year under review	Outstanding at 31st December, 2019
Xu Yongxuan	11th April, 2011	11th April, 2011 to 10th April, 2021	0.4872	1,005,800	–	–	–	1,005,800
Luo Yongtai	11th April, 2011	11th April, 2011 to 10th April, 2021	0.4872	1,005,800	–	(1,005,800)	–	–
				2,011,600	–	(1,005,800)	–	1,005,800
Exercisable at the end of the period								1,005,800
Weighted average exercise price				HK$0.4872	–	HK$0.4872	–	HK$0.4872

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.

As at the date of this announcement, the number of outstanding share options granted under the New Share Option Scheme was 17,098,600 and the maximum number of share options which may be granted under the New Share Option Scheme is 235,302,168. 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 0.65% and 8.90% 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 their holdings during the year ended 31st December, 2019:

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, 2019	Granted during the year under review	Exercised during the year under review	Lapsed/ Cancelled during the year under review	Outstanding as at 31st December, 2019
			HK$					
Lui Siu Keung	5th January, 2018	5th January, 2018 to 4th January, 2028	5.468	7,543,500	–	–	–	7,543,500
Lu Zhaoheng	5th January, 2018	5th January, 2018 to 4th January, 2028	5.468	3,017,400	–	–	–	3,017,400
Xu Yongxuan	5th January, 2018	5th January, 2018 to 4th January, 2028	5.468	502,900	–	–	–	502,900
Li Chunyan	5th January, 2018	5th January, 2018 to 4th January, 2028	5.468	502,900	–	–	–	502,900
Luo Yongtai	5th January, 2018	5th January, 2018 to 4th January, 2028	5.468	502,900	–	–	–	502,900
Liu Yu Jie	5th January, 2018	5th January, 2018 to 4th January, 2028	5.468	502,900	–	–	–	502,900
				12,572,500	–	–	–	12,572,500
Employees	5th January, 2018	5th January, 2018 to 4th January, 2028	5.468	3,017,400	–	–	–	3,017,400
Employees	5th January, 2018	17th December, 2019 to 4th January, 2028 *(Note)*	5.468	108,123,500	–	(106,614,800)	–	1,508,700
				123,713,400	–	(106,614,800)	–	17,098,600
Exercisable at the end of the period								17,098,600
Weighted average exercise price				HK$5.468	–	HK$5.468	–	HK$5.468

Note: On 17th December, 2019, the shareholders approved the amendment of the vesting period of 108,123,500 options granted by the Company on 5th January, 2018 to certain employees of the Group. As a result, these options have become vested and exercisable from 17th December, 2019 until 4th January, 2028.

Save as disclosed above, (i) 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; and (ii) no other equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year under review or subsisted at the end of the year under review.

CHARGE ON THE GROUP'S ASSETS

As at 31st December, 2019, no pledged bank deposit (2018: RMB5,000,000 (equivalent to HK$5,720,000)) is used to secure the short-term general banking facilities granted to the Group.

As at 31st December, 2018, the Group's obligations under finance leases are secured by the Group's pipelines with an aggregate carrying amount of RMB725,778,000 (equivalent to HK$830,220,000) and 50% of the equity interests of a subsidiary of the Company.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES

On 22nd January, 2019, Zhongyu (Henan) Energy Holding Co., Ltd. ("Zhongyu (Henan)"), a wholly-owned subsidiary of the Company as purchaser and each of the shareholders of Mengzhou City Gaoyuan Natural Gas Co., Ltd. ("Gaoyuan Gas (Mengzhou)") and Wen County Gaoyuan Natural Gas Co., Ltd. ("Gaoyuan Gas (Wen County)") as vendors (collectively refer to as "the Vendors") entered into the sale and purchase agreements pursuant to which Zhongyu (Henan) agreed to acquire and the Vendors agreed to sell 100% of the equity interest in each of Gaoyuan Gas (Mengzhou) and Gaoyuan Gas (Wen County) at an aggregate consideration of approximately RMB462,152,000 (equivalent to approximately HK$536,096,000). Gaoyuan Gas (Mengzhou) and Gaoyuan Gas (Wen County) are principally engaged in the businesses of pipeline gas; sale of gas appliances, metal hardware and electrical appliances, steel and building materials; design, repair and installation of gas appliances; sale of vehicle-used compressed natural gas in Henan Province. Each of Gaoyuan Gas (Mengzhou) and Gaoyuan Gas (Wen County) has signed a franchise agreement with the local governmental authority of Mengzhou City and Wen County pursuant to which an exclusive right has been granted to each of them to invest in, build and operate piped gas business and provide the ancillary services in Mengzhou City and Wen County for a period of 30 years and 27 years ending in 2035 and 2039, respectively. The acquisitions had been completed as at the date of this announcement.

During the year under review, save for the events described above, the Group did not conduct any significant investments, or material acquisitions or disposal of subsidiaries.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

As at 31st December, 2019, the Board did not have any specific plans for material investment or capital assets.

CAPITAL AND OTHER COMMITMENTS

As at 31st December, 2019, the capital expenditure in respect of the acquisition of property, plant and equipment and right-of-use assets (2018: prepaid lease payments) contracted for but not provided in the unaudited consolidated financial statements is HK$94,110,000 (2018: HK$167,297,000).

CONTINGENT LIABILITIES

As at 31st December, 2019, the Group did not have any contingent liabilities (2018: nil).

BUSINESS REVIEW

During the year ended 31st December, 2019, 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 operation of CNG/LNG vehicle filling stations in the PRC.

New Downstream Piped Gas Distribution Projects

As at 31st December, 2019, the Group had 69 gas projects with exclusive rights in the PRC. During the year, the Group obtained concession right to operate 8 additional natural gas projects in Henan Province, Hebei Province and Heilongjiang Province.

New CNG/LNG Vehicle Filling Stations Expansion

In 2019, the Group slowed down the expansion of CNG/LNG vehicle filling stations due to keen competition. During the financial year ended 31st December, 2019, 1 new CNG vehicle filling station was put into operation.

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, 2019 together with the comparative figures for the corresponding period last year are as follows:

	2019	2018	Increase/ (Decrease)
Number of operational locations *(Note a)*	**69**	61	8
– Henan Province	**28**	24	4
– Hebei Province	**22**	19	3
– Jiangsu Province	**6**	6	–
– Shandong Province	**4**	4	–
– Jilin Province	**2**	2	–
– Fujian Province	**1**	1	–
– Heilongjiang Province	**2**	1	1
– Zhejiang Province	**2**	2	–
– Anhui Province	**2**	2	–
Connectable population ('000) *(Note b)*	**18,196**	15,527	17.2%
Connectable residential households ('000)	**5,182**	4,436	16.8%
New piped gas connections by the Group made during the year			
– Residential households	**448,296**	668,577	(32.9)%
(i) "Coal-to-gas" projects	**217,674**	445,324	(51.1)%
(ii) Non "Coal-to-gas" projects	**230,622**	223,253	3.3%
– Industrial customers	**323**	489	(33.9)%
– Commercial customers	**2,530**	2,130	18.8%
Accumulated number of connected piped gas customers			
– Residential households	**3,485,127**	2,878,103	21.1%
– Industrial customers	**2,932**	2,135	37.3%
– Commercial customers	**13,695**	10,386	31.9%
Penetration rate of residential pipeline connection *(Note c)*	**67.3%**	64.9%	2.4%

	2019	2018	Increase/ (Decrease)
Unit of piped natural gas sold ('000 m^3)	**1,673,599**	1,461,377	14.5%
– Residential households	**430,181**	319,646	34.6%
– Industrial customers	**1,077,641**	967,372	11.4%
– Commercial customers	**143,414**	138,271	3.7%
– Wholesale customers	**22,363**	36,088	(38.0)%
Unit of LNG sold ('000 m^3)			
– Wholesale customers	**180,504**	67,943	165.7%
Number of CNG/LNG vehicle filling stations			
– Accumulated	**63**	62	1
– Under construction	**8**	9	(1)
Unit of natural gas sold to vehicles ('000 m^3)	**89,461**	86,326	3.6%
Total length of existing intermediate and main pipelines (km)	**23,318**	14,928	56.2%
Average selling price of natural gas (pre-tax) (RMB per m^3)			
– Residential households	**2.36**	2.20	7.3%
– Industrial customers	**2.89**	2.77	4.3%
– Commercial customers	**3.22**	3.05	5.6%
– Wholesale customers	**2.43**	2.25	8.0%
– Wholesale customers (LNG)	**2.32**	2.76	(15.9)%
– CNG/LNG vehicle filling stations	**3.32**	3.35	(0.9)%
Average purchase cost of natural gas (RMB per m^3) *(Note d)*	**2.26**	2.27	(0.4)%
Average connection fee for residential households (RMB)			
– "Coal-to-gas" projects	**2,998**	2,745	9.2%
– Non "Coal-to-gas" projects	**2,666**	2,510	6.2%

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.

Note d: The amounts do not include the average distribution costs of natural gas, which is RMB0.22 per m^3 (2018: RMB0.19 per m^3)

FINANCIAL REVIEW

Overall

The Group's turnover for the year ended 31st December, 2019 increased by 6.8% to HK$8,143,771,000 (2018: HK$7,627,088,000). The gross profit dropped to HK$1,909,920,000 (2018: HK$2,221,873,000) as a result of reduction of new piped gas connections made under "coal-to-gas" projects. The Group's profit attributable to owners of the Company declined by 30.7% to HK$430,121,000 (2018: HK$620,684,000). Excluding the net foreign exchange loss of HK$248,562,000 (2018: HK$321,905,000) and share option expenses of HK$43,802,000 (2018: HK$58,847,000), adjusted profit attributable to owners of the Company would amount to HK$722,485,000 (2018: HK$1,001,436,000). The basic and diluted earnings per share attributable to the owners of the Company were HK16.93 cents and HK16.73 cents respectively for the year ended 31st December, 2019, as compared with that of HK24.52 cents and HK24.30 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,				
	2019	**% of total**	2018	% of total	Increase/ (Decrease)
	HK$'000		*HK$'000*		
Sales of Gas	**5,805,421**	**71.3%**	4,871,134	63.9%	19.2%
Revenue from Gas Pipeline Construction	**1,581,238**	**19.4%**	2,251,268	29.5%	(29.8)%
Sales of Stoves and Other Services	**412,348**	**5.1%**	154,854	2.0%	166.3%
Operation of CNG/LNG Vehicle Filling Stations	**337,377**	**4.1%**	342,365	4.5%	(1.5)%
Sub-total	**8,136,384**	**99.9%**	7,619,621	99.9%	6.8%
Sales of Liquefied Petroleum Gas	**7,387**	**0.1%**	7,467	0.1%	(1.1)%
Total	**8,143,771**	**100%**	7,627,088	100%	6.8%

The turnover for the year ended 31st December, 2019 amounted to HK$8,143,771,000 (2018: HK$7,627,088,000). The growth in turnover was mainly attributable to (i) increase in sales of gas and sales of stoves and other services, offset by (ii) decrease in revenue from gas pipeline construction for "coal-to-gas" projects.

Sales of Gas

Sales of gas for the year ended 31st December, 2019 amounted to HK$5,805,421,000 (2018: HK$4,871,134,000), representing an increase of 19.2% over the corresponding period last year.

Sales of gas for the year ended 31st December, 2019 contributed 71.3% of the total turnover of the Group, as compared with the percentage of 63.9% 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,				
					Increase/
	2019	**% of total**	2018	% of total	(Decrease)
	HK$'000		*HK$'000*		
Industrial customers	**3,592,551**	**61.9%**	3,216,181	66.0%	11.7%
Residential households	**1,150,846**	**19.8%**	837,033	17.2%	37.5%
Commercial customers	**525,503**	**9.0%**	500,141	10.3%	5.1%
Wholesale customers	**61,728**	**1.1%**	95,962	2.0%	(35.7)%
Wholesale customers (LNG)	**474,793**	**8.2%**	221,817	4.5%	114.0%
Total	**5,805,421**	**100%**	4,871,134	100%	19.2%

Industrial customers

The sales of gas to the Group's industrial customers for the year ended 31st December, 2019 increased by 11.7% to HK$3,592,551,000 from HK$3,216,181,000 for the corresponding period last year. During the year ended 31st December, 2019, the Group connected 323 new industrial customers. The average selling price of natural gas for industrial customers for the year ended 31st December, 2019 increased by 4.3% to RMB2.89 per m^3 (2018: RMB2.77 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 environmental pollution control policy. During the year ended 31st December, 2019, the piped natural gas usage provided by the Group to its industrial customers increased by 11.4% to 1,077,641,000 m^3 (2018: 967,372,000 m^3).

The sales of gas to our industrial customers for the year ended 31st December, 2019 contributed 61.9% of the total sales of gas of the Group (2018: 66.0%) 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, 2019 increased by 37.5% to HK$1,150,846,000 from HK$837,033,000 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 and the growth in population in the Group's existing project cities in the PRC. The Group also actively acquired new projects in 2019. During the year ended 31st December, 2019, the Group provided new natural gas connections for 448,296 residential households and the piped natural gas usage provided by the Group to residential households increased by 34.6% to 430,181,000 m^3 (2018: 319,646,000 m^3). After years of promotion of clean energy heating plan, more residential households are willing to use natural gas for indoor heating in winter.

The sales of gas to our residential households for the year contributed 19.8% of the total sales of gas of the Group (2018: 17.2%).

Commercial customers

The sales of gas to our commercial customers for the year ended 31st December, 2019 increased by 5.1% to HK$525,503,000 from HK$500,141,000 for the corresponding period last year. The sales of gas to commercial customers for the year contributed 9.0% of the total sales of gas of the Group (2018: 10.3%). During the year ended 31st December, 2019, the Group connected 2,530 new commercial customers. As at 31st December, 2019, the number of commercial customers of the Group reached 13,695, representing an increase of 31.9% as compared with 10,386 commercial customers as at 31st December, 2018.

The average selling price of natural gas for commercial customers increased by 5.6% to RMB3.22 per m^3 (2018: RMB3.05 per m^3) when compared to the corresponding period last year. The increase in gas consumption of commercial customers by 3.7% to 143,414,000 m^3 (2018: 138,271,000 m^3) for the year ended 31st December, 2019 was attributable to the increasing awareness for environmental protection.

Gas Pipeline Construction

Revenue from gas pipeline construction for the year ended 31st December, 2019 amounted to HK$1,581,238,000, representing a decrease of 29.8% 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,				
	2019	**% of total**	2018	% of total	Increase/ (Decrease)
	HK$'000		*HK$'000*		
Residential households					
– "Coal-to-gas" projects	**741,272**	**46.9%**	1,447,721	64.3%	(48.8)%
– Non "Coal-to-gas" projects	**698,894**	**44.2%**	663,678	29.5%	5.3%
Non-residential customers	**141,072**	**8.9%**	139,869	6.2%	0.9%
Total	**1,581,238**	**100%**	2,251,268	100%	(29.8)%

Started from 2017, the PRC government has determined to launch the "coal-to-gas" policy as one of its major priorities to fight against 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. In 2019, the Group selected new projects in a more cautious manner and focused on projects with better profitability and recoverability. As a result, the revenue from gas pipeline construction for residential households for "coal-to-gas" projects for the year ended 31st December, 2019 decreased by 48.8% to HK$741,272,000 from HK$1,447,721,000 for the corresponding period last year. During the year ended 31st December, 2019, the Group provided new natural gas connections for 217,674 residential households (2018: 445,324) under "coal-to-gas" projects and the average connection fee was RMB2,998 (2018: RMB2,745).

During the year ended 31st December, 2019, revenue from gas pipeline construction for residential households for non "coal-to-gas" projects increased by 5.3% to HK$698,894,000 from HK$663,678,000 for the corresponding period last year. The growth was mainly attributable to (i) the increase in construction work for gas pipeline connection completed by the Group for residential households for non "coal-to-gas" projects to 230,622 from 223,253 for the corresponding period last year and (ii) the increase in average connection fee to RMB2,666 in 2019 from RMB2,510 in 2018.

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, 2019, revenue from gas pipeline construction for non-residential customers increased by 0.9% to HK$141,072,000 from HK$139,869,000 for the corresponding period last year.

As at 31st December, 2019, the Group's penetration rates of residential pipeline connection amounted to 67.3% (2018: 64.9%) (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.

Sales of Stoves and Other Services

Sales of stoves and other services for the year ended 31st December, 2019 amounted to HK$412,348,000 (2018: HK$154,854,000), representing an increase of 166.3% over the corresponding period last year. It contributed 5.1% of the total turnover of the Group, as compared with the percentage of 2.0% during the corresponding period last year.

Since 2017, the Group placed greater efforts in value-added services such as sales of stoves and related equipment, which involves the sales of safe and reliable kitchenware, including gas water heaters, gas cooking appliances and wall hung boilers under its own brand name, "中裕鳳凰" (Zhongyu Phoenix), to residential customers. With the increasing number of connected residential customers and brand recognition built in recent years, the turnover from sales of stoves and other services kept growing.

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, 2019 amounted to HK$337,377,000, representing a mild decrease of 1.5% over the corresponding period last year. The average selling price of natural gas for CNG/LNG vehicle filling stations for the year ended 31st December, 2019 remained stable at RMB3.32 per m^3 (2018: RMB3.35 per m^3). The unit of natural gas sold to vehicles slightly increased by 3.6% to 89,461,000 m^3 for the year ended 31st December, 2019 from 86,326,000 m^3 for the corresponding period last year.

During the year ended 31st December, 2019, the turnover derived from operating CNG/LNG vehicle filling stations accounted for 4.1% (2018: 4.5%) of the total turnover of the Group. As at 31st December, 2019, the Group had 63 CNG/LNG vehicle filling stations and commenced building an additional 8 CNG/LNG vehicle filling stations in the PRC.

Gross profit margin

The overall gross profit margin for the year ended 31st December, 2019 was 23.5% (2018: 29.1%). The decline in overall gross profit margin in current year was mainly due to decrease in the proportion of revenue from pipeline construction to total turnover.

The gross profit margin for the sales of piped natural gas increased to 9.9% (2018: 8.1%) because of average selling price increment in 2019. The gross profit margin for the operation of CNG/LNG vehicle filling stations reduced to 6.7% (2018: 9.3%) as a result of keen competition. The gross profit margin for the gas pipeline construction remained stable at 75.5% for the year under review (2018: 77.3%). The gross profit margin for sales of stoves and other services reduced to 43.0% (2018: 63.8%) because there was an increment in sales of wall hung boilers in 2019, which had lower gross profit margin than sales of other equipment and other services.

Other gains and losses

The Group recognised other net loss of HK$230,304,000 in 2019 (2018: HK$332,787,000). The amount mainly represented (i) net foreign exchange loss of HK$248,562,000 (2018: HK$321,905,000) 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 in 2019; offset by (ii) net gain on disposal of property, plant and equipment of HK$18,926,000 (2018: loss of HK$37,805,000). In 2018, there was one-off recovery of bad debts previously written off of HK$29,109,000.

Other income

Other income reduced to HK$53,493,000 in 2019 from HK$60,930,000 in 2018. The balance in 2019 represented the bank interest income of HK$11,282,000 (2018: HK$9,412,000), interest income on amount due from an associate of HK$2,946,000 (2018: HK$3,072,000), government subsidies of HK$5,160,000 (2018: HK$6,264,000), income from investments in life insurance contracts of HK$2,771,000 (2018: HK$2,702,000) and sundry income of HK$31,334,000 (2018: HK$39,480,000).

Selling and distribution costs and administrative expenses

Selling and distribution costs increased by 25.2% to HK$183,041,000 in 2019 from HK$146,145,000 in 2018. Administrative expenses increased by 20.2% to HK$451,878,000 in 2019 from HK$375,792,000 in 2018. The increase was mainly attributable to (i) ascending staff costs and related expenses as a result of increased number of headcount; (ii) increasing commission expenses for sales of stoves and other services; (iii) escalating advertising expenses for brand building; and (iv) additional depreciation expenses arisen from the revaluation of pipelines in prior year. In 2019, the Group also recognised equity-settled share option expenses of HK$43,802,000 (2018: HK$58,847,000) arising from share options granted on 5th January, 2018.

Finance costs

Finance costs increased by 26.2% to HK$344,248,000 in 2019 from HK$272,747,000 in 2018. 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% 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, 2019, withholding tax amounting to HK$7,361,000 (2018: HK$9,402,000) was charged by the PRC tax authority which levied on the dividends paid to overseas group entities in the previous and current years.

Accordingly, the income tax expenses in 2019 amounted to HK$280,770,000 (2018: HK$406,686,000).

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

The Group's EBITDA was approximately HK$1,813,582,000 in 2019, representing a decrease of 14.0% as compared with that of approximately HK$2,107,648,000 in 2018.

Profit attributable to owners of the Company

As a result of the above, profit attributable to owners of the Company was HK$430,121,000 in 2019, representing a decrease of 30.7% as compared with that of HK$620,684,000 in 2018.

Excluding the net foreign exchange loss of HK$248,562,000 (2018: HK$321,905,000) and share option expenses of HK$43,802,000 (2018: HK$58,847,000), adjusted profit attributable to owners of the Company would amount to HK$722,485,000 (2018: HK$1,001,436,000).

Net profit margin

For the year ended 31st December, 2019, the net profit margin, representing a ratio of profit attributable to owners of the Company to turnover, was 5.3% (2018: 8.1%).

Earnings per share

The basic and diluted earnings per share attributable to the owners of the Company were HK16.93 cents and HK16.73 cents respectively in 2019, as compared with that of HK24.52 cents and HK24.30 cents respectively in 2018.

Net assets value per share

The net assets value per share attributable to the owners of the Company was HK$1.81 as at 31st December, 2019, representing an increase of 16.8% as compared with that of HK$1.55 as at 31st December, 2018.

The net assets value represents total assets minus total liabilities.

DIVIDENDS FOR THE YEARS ENDED 31ST DECEMBER, 2018 AND 2019

The Board recommended the payment of an interim dividend of HK2 cents (2018: nil) per ordinary share for the year ended 31st December, 2019 to shareholders whose names appear on the register of members of the Company on 21st October, 2019 and the interim dividend was paid on 15th November, 2019.

The Board has recommended the payment of a final dividend of HK5 cents (2018: HK7 cents) per ordinary share for the year ended 31st December, 2019 to shareholders whose names appear on the register of members of the Company on 15th July, 2020 and the proposed final dividend is expected to be paid in cash on 3rd August, 2020. 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, 2019, 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 shareholding interest as disclosed under the SFO**
Mr. Wang Wenliang	*1*	759,714,206	Beneficial/Interest in controlled corporation/Interest of spouse	28.72%
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 Yan	*5*	14,013,063	Beneficial	0.55%
Mr. Jia Kun	*6*	7,055,031	Beneficial	0.28%
Mr. Li Chunyan	*7*	1,510,761	Beneficial	0.06%
Dr. Luo Yongtai	*8*	1,508,700	Beneficial	0.06%
Ms. Liu Yu Jie	*9*	502,900	Beneficial	0.02%

Notes:

1. Among these shares and/or underlying shares, 730,451,289 shares were held by Hezhong Investment Holding Company Limited ("Hezhong"). Mr. Wang Wenliang was beneficially interested in 100% of the issued share capital of Hezhong. The remaining 18,824,616 shares and 10,438,301 shares were directly held by Mr. Wang Wenliang and his spouse respectively.

2. These underlying shares issuable 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 issuable 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 issuable 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 shares were directly held by Mr. Li Yan.

6. These shares were directly held by Mr. Jia Kun.

7. These comprise 1,007,861 shares directly held by Mr. Li Chunyan and 502,900 underlying shares issuable 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. These comprise 1,005,800 shares directly held by Dr. Luo Yongtai and 502,900 underlying shares issuable 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.

9. These underlying shares are issuable 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.

10. As at 31st December, 2019, the total number of issued shares of the Company was 2,644,832,157. Had this number been used as the denominator for calculation of directors' interests, the shareholding interests of Mr. Lui Siu Keung, Mr. Lu Zhaoheng, Mr. Li Yan and Mr. Jia Kun as at 31st December, 2019 would have been slightly different in percentage ratio (namely 0.82%, 0.23%, 0.53% and 0.27%, respectively), while the percentage ratio for the other Directors remains the same.

Save as disclosed above, as at 31st December, 2019, 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, 2019, 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 shareholding interest as disclosed under the SFO *(Note 4)*
China Gas Holdings Limited	*1*	Interest of controlled corporation	1,057,905,071	40.00%
Hezhong	*2*	Beneficial	730,451,289	27.62%
Ms. Feng Haiyan	*3*	Beneficial/Interest of spouse	759,714,206	28.72%

Notes:

1. According to the disclosure of interests pages as shown in the website of the Stock Exchange as at 31st December, 2019, 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 1,057,905,071 shares held by Rich Legend.

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

3. Ms. Feng Haiyan directly held 10,438,301 shares and was 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, 2019, the total number of issued shares of the Company was 2,644,832,157.

Save as disclosed above, as at 31st December, 2019, 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.

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, 2019.

REVIEW OF UNAUDITED ANNUAL RESULTS

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 unaudited annual results of the Group for the year ended 31st December, 2019. There were no disagreements within the Audit Committee in relation to the accounting treatment adopted by the Company.

Due to the outbreak of the novel coronavirus disease (COVID-19) epidemic, the audit process has been delayed, additional time is required for the auditors of the Company to finalise the audited consolidated financial statements of the Group for the year ended 31st December, 2019. As a result, the unaudited annual results contained herein have not been agreed with the Company's auditors as required under Rule 13.49(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Following the completion of the audit process, the Company will issue further announcement in relation to the audited results for the year ended 31st December, 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the annual results contained herein. The Company expects the auditing process will be completed not later than 7th April, 2020.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31st December, 2019.

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, 2019 will be despatched to the shareholders in April 2019 and will be published on the websites of the HKEX and the Company accordingly.

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the Company's register of members on Wednesday, 3rd June, 2020 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 Friday, 29th May 2020 to Wednesday, 3rd June, 2020 (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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Thursday, 28th May, 2020.

Shareholders whose names appear on the Company's register of members on Wednesday, 15th July, 2020 will qualify for the proposed final dividend. The Company's transfer books and register of members will be closed from Tuesday, 14th July 2020 to Wednesday, 15th July, 2020 (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 Monday, 13th July, 2020. 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 Monday, 3rd August, 2020 to shareholders whose names appear on the register of members of the Company on Wednesday, 15th July, 2020.

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, 30th March, 2020