CHINA GAS HOLDINGS LIMITED

中國燃氣控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 384)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 MARCH 2020

The Board of Directors (the "Board") of China Gas Holdings Limited (the "Company") announces the audited consolidated financial results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2020, together with the comparative figures for the year ended 31 March 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**Year ended 31 March 2020** ***HK$'000***	Year ended 31 March 2019 *HK$'000*
Revenue	*3*	**59,539,681**	59,386,062
Cost of sales		**(42,442,633)**	(45,326,878)
Gross profit		**17,097,048**	14,059,184
Other income		**639,656**	786,459
Other gains and losses		**(179,897)**	295,444
Selling and distribution costs		**(1,973,125)**	(1,819,914)
Administrative expenses		**(2,446,689)**	(2,442,317)
Share of results of associates		**405,184**	519,575
Share of results of joint ventures		**570,798**	1,132,056
		14,112,975	12,530,487
Share-based payments		**—**	(63,137)
Finance costs		**(1,387,920)**	(1,284,304)
Profit before taxation		**12,725,055**	11,183,046
Taxation	*4*	**(2,464,389)**	(2,198,479)
Profit for the year	*5*	**10,260,666**	8,984,567

	Note	Year ended 31 March 2020 HK$'000	Year ended 31 March 2019 HK$'000
Other comprehensive expense			
Item that will be reclassified subsequently to profit or loss:			
Deferred loss on swap in hedge accounting relationship		**(8,910)**	(21,764)
Items that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**(2,790,733)**	(2,490,256)
Decrease in fair value of investments in equity instruments at fair value through other comprehensive income		**(60,316)**	(8,627)
Other comprehensive expense for the year		**(2,859,959)**	(2,520,647)
Total comprehensive income for the year		**7,400,707**	6,463,920
Profit for the year attributable to:			
Owners of the Company		**9,188,474**	8,224,382
Non-controlling interests		**1,072,192**	760,185
		10,260,666	8,984,567
Total comprehensive income attributable to:			
Owners of the Company		**6,718,691**	5,965,216
Non-controlling interests		**682,016**	498,704
		7,400,707	6,463,920
Earnings per share			
Basic	6	**HK$1.76**	HK$1.63
Diluted		**HK$1.76**	HK$1.63

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	Note	2020 HK$'000	2019 HK$'000 (restated)
Non-current assets			
Investment properties		**523,525**	555,940
Property, plant and equipment		**46,127,861**	42,964,931
Right-of-use assets		**2,458,283**	—
Prepaid lease payments		**—**	2,148,176
Investments in associates		**7,063,399**	5,746,251
Investments in joint ventures		**7,814,552**	8,021,611
Equity instruments at fair value through other comprehensive income		**787,605**	746,766
Goodwill		**3,041,977**	3,130,110
Other intangible assets		**3,548,413**	3,631,740
Deposit for acquisition of property, plant and equipment		**692,571**	524,239
Deposit for acquisition of subsidiaries, joint ventures and associates and other deposits		**239,828**	596,425
Deferred tax assets		**259,633**	229,960
		72,557,647	68,296,149
Current assets			
Inventories		**3,246,225**	3,411,922
Contract assets		**12,750,848**	7,185,220
Trade and other receivables	*7*	**9,893,026**	10,061,223
Amounts due from associates		**467,532**	45,037
Amounts due from joint ventures		**5,491,212**	7,348,607
Prepaid lease payments		**—**	67,025
Derivative financial instrument		**3,539**	—
Held-for-trading investments		**1,003**	1,780
Pledged bank deposits		**536,570**	243,381
Bank balances and cash		**7,119,206**	13,238,932
		39,509,161	41,603,127

	Note	2020 HK$'000	2019 HK$'000 (restated)
Current liabilities			
Trade and other payables	8	**17,700,374**	23,698,697
Lease liabilities		**75,054**	—
Amounts due to associates		**65,819**	40,849
Amounts due to joint ventures		**110,754**	62,022
Contract liabilities		**5,997,661**	5,167,594
Derivative financial instrument		**30,674**	22,566
Taxation		**1,245,940**	1,244,993
Bank and other borrowings — due within one year		**24,120,679**	16,407,520
		49,346,955	46,644,241
Net current liabilities		**(9,837,794)**	(5,041,114)
Total assets less current liabilities		**62,719,853**	63,255,035
Equity			
Share capital		**52,186**	52,186
Reserves		**39,552,778**	35,268,865
Equity attributable to owners of the Company		**39,604,964**	35,321,051
Non-controlling interests		**6,178,428**	5,471,537
Total equity		**45,783,392**	40,792,588
Non-current liabilities			
Bank and other borrowings — due after one year		**15,568,439**	21,491,387
Lease liabilities		**157,868**	—
Deferred taxation		**1,210,154**	971,060
		16,936,461	22,462,447
		62,719,853	63,255,035

1. BASIS OF PREPARATION

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the 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

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

HKFRS 16 "Leases" ("HKFRS 16")

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019.

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i relied on the assessment of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review; and

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities is 4.64%.

	At 1 April 2019
	HK$'000
Operating lease commitments disclosed as at 31 March 2019	280,850
Lease liabilities discounted at relevant incremental borrowing rates	249,844
Less:	
Recognition exemption — short-term leases	(28,165)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 April 2019	221,679
Analysed as	
Non-current	162,043
Current	59,636
	221,679

The carrying amount of right-of-use assets for own use as at 1 April 2019 comprises the following:

	Note	Right-of-use assets
		HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		221,679
Add: Reclassified from prepaid lease payments	*(a)*	2,215,201
		2,436,880

	HK$'000
By class:	
Leasehold land	2,215,201
Properties	211,938
Machinery and equipment	3,373
Motor vehicles	6,368
	2,436,880

Note:

(a) Upfront payments for leasehold lands in the PRC for own used properties were classified as prepaid lease payments as at 31 March 2019. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to approximately HK$67,025,000 and approximately HK$2,148,176,000 respectively were reclassified to right-of-use assets.

Based on the assessment by the directors of the Company, there is no material impact of transition to HKFRS 16 on accumulated profits at 1 April 2019.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 April 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 April 2019. However, effective 1 April 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied under trade and other payables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. As at 1 April 2019, the relevant adjustment is considered to be insignificant.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2019. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 March 2019	Adjustments	Carrying amounts under HKFRS16 at 1 April 2019
		HK$'000	*HK$'000*	*HK$'000*
Non-current assets				
Prepaid lease payments	*(a)*	2,148,176	(2,148,176)	—
Right-of-use assets		—	2,436,880	2,436,880
Current assets				
Prepaid lease payments	*(a)*	67,025	(67,025)	—
Current liabilities				
Lease liabilities		—	(59,636)	(59,636)
Non-current liabilities				
Lease liabilities		—	(162,043)	(162,043)

Note:

(a) For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 March 2020, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 April 2019 as disclosed above.

3. REVENUE AND SEGMENT INFORMATION

Revenue mainly represents the net amounts received and receivable for sales of piped gas, gas connection, engineering design and construction, sales of liquefied petroleum gas ("LPG"), and value-added services by the Group for the year.

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

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

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

(i) Sales of piped gas;

(ii) Gas connection;

(iii) Engineering design and construction;

(iv) Sales of LPG;

(v) Value-added services; and

(vi) Zhongyu Gas

Information regarding the above segments is presented below.

Segment revenues and results

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

For the year ended 31 March 2020

	Sales of piped gas *HK$'000*	**Gas connection** *HK$'000*	**Engineering design and construction** *HK$'000*	**Sales of LPG** *HK$'000*	**Value-added services** *HK$'000*	**Zhongyu Gas** *HK$'000*	**Segment Total** *HK$'000*
Total segment revenue	27,053,131	12,319,583	12,410,770	13,774,300	5,025,292	—	70,583,076
Inter-segment revenue	—	—	(11,043,395)	—	—	—	(11,043,395)
External segment revenue	27,053,131	12,319,583	1,367,375	13,774,300	5,025,292	—	59,539,681
Segment profit	3,370,915	2,767,468	4,443,530	208,937	1,594,333	177,190	12,562,373
Change in fair value of investment properties							(17,087)
Interest and other gains							100,335
Unallocated corporate expenses							(379,168)
Finance costs							(339,882)
Exchange loss on translation of foreign currency monetary items into functional currency							(43,500)
Loss on disposal and remeasurement of associates							(10,532)
Gain on partial disposal of investment in an associate							19,057
Gain on acquisition of subsidiaries							97,533
Impairment loss on goodwill							(62,866)
Share of results of associates							227,994
Share of results of joint ventures							570,798
Profit before taxation							12,725,055

For the year ended 31 March 2019

	Sales of piped gas	Gas connection	Engineering design and construction	Sales of LPG	Value-added services	Zhongyu Gas	Segment Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total segment revenue	27,105,713	11,179,302	12,789,396	15,917,100	3,903,081	—	70,894,592
Inter-segment revenue	—	—	(11,508,530)	—	—	—	(11,508,530)
External segment revenue	27,105,713	11,179,302	1,280,866	15,917,100	3,903,081	—	59,386,062
Segment profit	2,980,679	3,442,093	2,104,120	123,515	1,144,539	259,536	10,054,482
Change in fair value of investment properties							1,281
Interest and other gains							58,151
Unallocated corporate expenses							(435,880)
Finance costs							(326,708)
Exchange loss on translation of foreign currency monetary items into functional currency							(150,334)
Gain on disposal and remeasurement of associates							341,131
Gain on partial disposal of investment in an associate							350,804
Gain on acquisition of a subsidiary							30,018
Impairment loss on goodwill							(68,857)
Share-based payments							(63,137)
Share of results of associates							260,039
Share of results of joint ventures							1,132,056
Profit before taxation							11,183,046

Inter-segment revenue are charged at prevailing market rates.

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

4. TAXATION

	2020	2019
	HK$'000	*HK$'000*
People's Republic of China (the "PRC")		
Enterprise Income Tax	**2,283,092**	2,168,241
Deferred taxation	**181,297**	30,238
	2,464,389	2,198,479

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

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

Certain PRC group entities are entitled to the preferential tax rate pursuant to the relevant regulations applicable to enterprises situated in the western region of the PRC and high-technology enterprises. The applicable tax rates of those PRC group entities is 15% for the year ended 31 March 2020 (2019: 15%).

5. PROFIT FOR THE YEAR

	2020	2019
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**10,200**	10,000
Depreciation of property, plant and equipment	**1,472,029**	1,203,130
Depreciation of right-of-use assets	**158,227**	—
Release of prepaid lease payments	**—**	66,254
Amortisation of intangible assets	**134,005**	122,652
Minimum lease payments for operating leases in respect of rented premises and equipment	**—**	252,097
Share of tax of associates (included in share of results of associates)	**148,647**	184,929
Share of tax of joint ventures (included in share of results of joint ventures)	**89,851**	372,702
Staff costs	**2,681,140**	2,790,217
Cost of inventories recognised as expenses	**36,757,571**	39,963,310
Impairment losses for financial assets and contract assets, net of reversals		
— trade and other receivables	**59,062**	19,096
— contract assets	**39,741**	67,434
	98,803	86,530
Rental income from investment properties less outgoings of HK$1,119,000 (2019: HK$484,000)	**(25,003)**	(17,354)

6. **EARNINGS PER SHARE**

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

	2020	2019
	HK$'000	*HK$'000*
Earnings for the purposes of basic and diluted earnings per share, being profit for the year attributable to owners of the Company	**9,188,474**	8,224,382

	2020	2019
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,218,563**	5,050,709
Adjustment for effect of dilutive potential ordinary shares:		
Share options	**—**	1,102
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,218,563**	5,051,811

7. **TRADE AND OTHER RECEIVABLES**

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**3,687,255**	3,554,884
Less: Accumulated allowances	**(699,559)**	(684,415)
Trade receivables	**2,987,696**	2,870,469
Deposits paid for construction and other materials	**988,852**	725,380
Deposits paid for purchase of natural gas and LPG	**2,272,033**	1,885,387
Advance payments to sub-contractors	**739,241**	1,491,572
Rental and utilities deposits	**479,620**	464,748
Other tax recoverable	**917,083**	1,245,364
Other receivables and deposits	**690,961**	806,931
Prepaid operating expenses	**707,190**	504,065
Amounts due from non-controlling interests of subsidiaries	**110,350**	67,307
Total trade and other receivables	**9,893,026**	10,061,223

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

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

	2020	2019
	HK$'000	*HK$'000*
0–180 days	**2,348,521**	2,520,722
181–365 days	**491,325**	262,870
Over 365 days	**147,850**	86,877
	2,987,696	2,870,469

The Group has policies for allowance of credit loss which are based on the evaluation of collectability and age analysis of accounts and on the management's judgment including the current creditworthiness, the past collection history of each customer as well as relevant forward-looking information.

8. TRADE AND OTHER PAYABLES

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

	2020	2019
	HK$'000	*HK$'000*
0–90 days	**10,585,817**	13,256,485
91–180 days	**1,506,466**	3,244,308
Over 180 days	**1,307,046**	1,339,618
Trade and bill payables	**13,399,329**	17,840,411
Other payables and accrued charges	**814,268**	1,084,705
Consideration payables	**183,959**	220,897
Construction fee payables	**1,108,919**	1,025,650
Retention payable and security deposits received	**1,009,592**	571,174
Other tax payables	**100,452**	99,995
Accrued staff costs	**198,387**	193,695
Loan interest payables	**282,857**	355,875
Amounts due to non-controlling interests of subsidiaries *(Note (a))*	**602,611**	589,484
Amounts due to staff *(Note (b))*	**—**	1,716,811
	17,700,374	23,698,697

Notes:

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

(b) The balance represented the amounts due to staff at 31 March 2020 which was the proceeds from sales of Company's shares after the exercise of the employees' share options and the amounts have been settled during the year ended 31 March 2020.

All of the balances were aged within 90 to 180 days based on invoice date and the average credit period is 90 to 180 days.

FINAL DIVIDEND

The Board resolved to recommend payment of a final dividend of HK40 cents per share to shareholders whose names appear on the register of members of the Company on 31 August 2020 (the record date for determining the entitlement of the shareholders to receive the proposed final dividend). Together with the interim dividend of HK10 cents per share paid to the shareholders on 31 January 2020, the total dividend for the year ended 31 March 2020 amounts to HK50 cents per share (total dividend for the year ended 31 March 2019 amounted to HK44 cents per share).

The final dividend, if approved by the shareholders at the forthcoming annual general meeting, is expected to be payable on or around 30 September 2020 (Wednesday).

CLOSURE OF REGISTER OF MEMBERS

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

For the purpose of determining the shareholders who are entitled to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from 17 August 2020 (Monday) to 20 August 2020 (Thursday) (both days inclusive), during which no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting to be held on 20 August 2020 (Thursday), all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 14 August 2020 (Friday).

To qualify for the proposed final dividend

For the purpose of determining the shareholders who are entitled to receive the proposed final dividend for the year ended 31 March 2020, the register of members of the Company will be closed from 27 August 2020 (Thursday) to 31 August 2020 (Monday) (both days inclusive), during which no transfer of shares will be registered. Subject to the approval of the shareholders at the forthcoming annual general meeting, the final dividend will be payable to the shareholders whose names appear on the register of members of the Company on 31 August 2020 (Monday). In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 26 August 2020 (Wednesday).

MANAGEMENT DISCUSSION AND ANALYSIS

Introduction to the Company

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

Business Review

In 2019, the world political and economic environment grappled with challenges. The overall economic growth appears all the more sluggish. While trade disputes between China and the United States dragged on, the China economic growth rate slowed down to 6.1%, a record low unobserved for the past 30 years. The world was ravaged by the outbreak of COVID-19 pandemic in early 2020. The lockdowns in response to the pandemic will undeniably pose substantial negative impacts on economic activities in the short run.

For the natural gas industry, encouraged by the government's determination to curb smog and haze pollution, alongside with the stringent environmental protection policies being put in place, the natural gas industry grew steadily in China. In 2019, the apparent consumption of natural gas in China reached 306.7 billion m^3, representing a year-on-year growth of 9.4%. China's natural gas market reform entered into a phase of intensified implementation, during which we saw an outpouring of emerging opportunities for further development, though with their complementary challenges brought along as well. On 9 December 2019, China Oil and Gas Pipeline Network Company* (國家石油天然氣管網集團有限公司) was officially founded, underlining a decisive step to move towards the intensified reform on the oil and gas system. On 2 December 2019, the China-Russia east-route natural gas pipeline officially launched into operation and thereafter Russia commenced to supply gas to China. The pipeline, to-date, has ramped up to an eventual transmission capacity of 38 billion m^3 and this capacity limit has been topped up with time since its inception. The supply of Russian gas to China helped root out the severe gas shortage status quo endured in Northeast China and encouraged the use of natural gas in the region, while revamping the long-time imbalanced supply and demand dynamic. Adversely impacted by COVID-19, negative growth for energy consumption kicked in for the first quarter of 2020 as energy demand derived from industrial, commercial and transportation sectors contracted noticeably.

Facing a tangled and complicated external environment, the Group applied strong-hand approach to unleash "replacement of coal with gas" campaign in industrial and commercial sectors in China, based on its management-directed focus on "cost reduction with promoted efficiency, transformation and expansion". Due to such initiatives, our Group further tapped into heating and residential sectors in townships, with stepped-up efforts to develop LPG, value-added services, integrated energy and other businesses. The Group focused on expanding its customer base, optimised its market distribution plan and actively exploited new opportunities in the "micro pipeline network" business in townships.

Meanwhile, in response to COVID-19, the Group swiftly launched the "Battling the Pandemic and Safeguarding People's Livelihood" campaign to enable the comprehensive implementation of the grid-based operation model for its value-added services.

During the financial year, the Group recorded steady growth in both financial and operating results. The Group's total natural gas sales volume increased by 2.9% to 25.37 billion m^3. The number of new residential connections amounted to 5,427,367 households, representing a year-on-year increase of 6.3%. Total revenue increased by 0.3% to HK$59,539,681,000. Gross profit amounted to HK$17,097,048,000, representing a year-on-year increase of 21.6%. Profit attributable to owners of the Company increased by 11.7% to HK$9,188,474,000, and basic earnings per share were HK$1.76, representing a considerable year-on-year increase of 8.0%.

Financial Highlights
for the year ended 31 March

	2020	2019	Change
Turnover *(HK$'000)*	**59,539,681**	59,386,062	0.3%
Gross profit *(HK$'000)*	**17,097,048**	14,059,184	21.6%
Profit attributable to owners of the Company *(HK$'000)*	**9,188,474**	8,224,382	11.7%
Basic earnings per share *(in HK dollars)*	**1.76**	1.63	8.0%
Operational performance			
Number of piped-gas projects	**604**	542	62
Number of integrated energy projects (In operation)	**102**	68	34
Connectable residential users for city gas projects (household)	**44,473,478**	43,049,175	3.3%
Penetration rate of residential users for city gas projects (%)	**64.9%**	60.7%	4.2 pts
Total natural gas sale volume ***(million m^3)***	**25,372.4**	24,656.4	2.9%
Natural gas sold through city and township gas projects	**15,631.3**	14,744.4	6.0%
Natural gas sold through direct pipelines and trade	**9,741.1**	9,912.0	–1.7%
Sales of natural gas in city and township gas projects (customer breakdown) ***(million m^3)***			
Residential	**4,926.7**	3,984.7	23.6%
Industrial	**7,417.8**	7,050.0	5.2%
Commercial	**2,286.2**	2,516.2	–9.1%
CNG/LNG stations	**1,000.5**	1,193.5	–16.2%

	2020	2019	Change
New Connections			
Residential	**5,427,367**	5,107,836	6.3%
City gas projects	**2,731,672**	2,716,223	0.6%
Township gas projects	**2,695,695**	2,391,613	12.7%
Industrial	**2,271**	2,686	–15.5%
Commercial	**34,050**	30,673	11.0%
The accumulated number of connected customers and gas stations			
Residential	**35,105,524**	29,678,157	18.3%
City gas projects	**28,869,083**	26,137,411	10.5%
Township gas projects	**6,236,441**	3,540,746	76.1%
Industrial	**14,678**	12,407	18.3%
Commercial	**233,687**	199,637	17.1%
CNG/LNG stations	**556**	575	–3.3%
Average connection fees ***(RMB)***			
City gas projects	**2,494**	2,508	–0.6%
Township gas projects	**2,952**	3,010	–1.9%
Average gas tariffs (ex-tax) ***(RMB/m^3)***			
Residential	**2.53**	2.52	0.4%
Industrial	**2.68**	2.65	1.1%
Commercial	**2.77**	2.79	–0.7%
CNG/LNG stations	**3.18**	2.93	8.5%

New Projects Expansion

During the financial year, the Group secured 26 additional cities' piped gas projects. As at 31 March 2020, the Group cumulatively secured a total of 604 piped gas projects with concession rights (including 391 cities piped gas projects, 213 townships "replacement of coal with gas" projects at county or district levels) in 29 provinces, municipalities and autonomous regions in China. The Group also owns 17 natural gas long-distance transmission pipeline projects, 556 CNG/LNG refilling stations for vehicles and vessels, one coal bed methane development project, 113 LPG distribution projects and 102 integrated energy projects, with multi-energy complementation.

The Group secured 26 additional cities piped gas projects from 1 April 2019 to 31 March 2020 in the following locations:

Provinces	**Cities/Districts**
Liaoning Province	Dandong City
Hunan Province	Anhua County
	Zhijiang Dong Autonomous County, Baojing County
	Huishang Industrial Zone, Taojiang County
Heilongjiang Province	Yilan Economic Development Zone
Inner Mongolia Autonomous Region	Jining District, Ulanqab City
Shandong Province	Weifang Free Trade Zone, Jiaxiang County
Jilin Province	Zhenlai County, Gongzhuling City National Agricultural Science and Technology Park
Henan Province	Mengzhou City, Wen County, Puyang County, Puyang Industrial Zone, Tangyin County, Suiping County, Shangcheng County
Hebei Province	Yu County Economic Development Zone, Nanhe County, Julu County, Linxi County, Xian County, Guangping County
Shaanxi Province	Heyang County
Guangdong Province	Ruyuan County

As at 31 March 2020, the number of connectable urban population covered by all the Group's gas projects increased to 137 million (approximately 44.47 million households), representing a year-on-year increase of 3.3%.

In response to the BlueSky Project rolled out by the Chinese government, the Group actively invested in gas supply projects for winter heating in townships, i.e. township "replacement of coal with gas" projects, subsequent to prudent investigation and study, scientific design, comprehensive planning, efficient construction and safe operation. To date, the Group has established strategic partnerships with Tianjin municipality and Hebei, Shandong, Shanxi, Henan, Shaanxi, Anhui, Yunnan, Hainan, Heilongjiang, Hubei, Jilin, Guizhou, Sichuan and Hunan provinces to invest in projects such as township "replacement of coal with gas", conversion of coal boilers to natural gas boilers, natural gas for vehicles, distributed energy, gas storage facilities, gas pipeline network and "beautiful villages" in 213 counties and districts in China.

Up to 31 March 2020, the Group have signed agreements with more than 9 million users for the township "replacement of coal with gas" and "beautiful villages" projects.

Natural Gas Business Review

Natural Gas Pipeline Network Construction and User Connection

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

As of 31 March 2020, the Group completed the construction of a gas transmission pipeline network with a total length of 402,381 km.

Residential Users

While connecting pipelines to new buildings, the Group makes vigorous efforts in connecting pipeline to existing residential users in a continuous manner, and has achieved remarkable success. During the financial year, the proportion of newly connected existing urban residential users against the total number of newly connected urban residential users has reached 36%.

The Group's municipal pipeline construction and the installation works of pipelines for residential, industrial and commercial users were disrupted by the COVID-19 pandemic, as engineering and construction activities across the country were delayed for more than one month. While we proceeded with the conscientious obligation to fight against the pandemic, our Group also made careful planning in advance to help speed up the resumption of work and production. Applying its highly efficient management expertise in the area of engineering and construction, the Group successfully realized its whole-year project target. During the financial year, the Group completed natural gas connection for 5,427,367 (for the year ended 31 March 2019: 5,107,836) new residential households (of which 2,731,672 were connected in city gas projects, and 2,695,695 were connected in the township "replacement of coal with gas" projects), representing a year-on-year increase of approximately 6.3% as compared with the corresponding period in the previous year. The average connection fee paid by residential users connected in city gas projects and that paid by township "replacement of coal with gas" projects were RMB2,494 per household and RMB2,952 per household respectively.

As at 31 March 2020, the accumulated number of connected residential users of the Group was 35,105,524 (of which 28,869,083 were users connected in city gas projects, and 6,236,441 were users connected in the township "replacement of coal with gas" projects), representing a year-on-year increase of approximately 18.3%. The penetration rate of residential households of city gas projects reached 64.9%.

Industrial and Commercial Users

The Group has hundreds of natural gas projects with footprints widely spread across the country. Many of them are located in the industrially developed regions in northern and central China, including Beijing-Tianjin-Hebei, Shandong Province, Jiangsu Province, Hubei Province, Shaanxi Province, Inner Mongolia Autonomous Region, Northeast, Henan Province, Anhui Province and other regions. These regions are key regions of national air pollution prevention and control with natural gas demand and its consumption growth rate both above the national average. Fueled by the twin benefits brought along by China's economic restructuring and upgrade, together with the stringent environmental protection policies, the Group has played an active role in coordinating all levels of governments to facilitate the construction of the natural gas-fired central heating system and "replacement of coal with gas" projects in industrial and commercial sectors, based on the requirements as set out in the Action Plan on the Prevention and Control of Air Pollution promulgated by the State Council of the PRC. The Group will also leverage its natural gas logistics fleet to develop township and point-to-point natural gas supply projects, thereby effectively increasing its industrial and commercial gas sales volume.

During the financial year, the Group connected a total of 2,271 new industrial users and 34,050 new commercial users. As at 31 March 2020, the Group cumulatively connected 14,678 industrial users, representing a year-on-year increase of approximately 18.3% as compared with the corresponding period in the previous year; and 233,687 commercial users, representing a year-on-year increase of 17.1% as compared with the corresponding period in the previous year. The average connection fees for each industrial user and each commercial user were RMB173,720 and RMB18,890 respectively.

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

During the financial year, due to the sudden outbreak of COVID-19 pandemic, transportation facilities across the country came to a halt. Natural gas consumption in gas refilling stations plummeted in the first quarter of 2020. Upon gradual reopening in China in March, the transportation industry also gradually resumed to normal. Always observant to market changes, the Group proactively applied strategies to increase the sales volume of individual stations, while various measures included scale-up promotion, strengthened management and enhanced services.

On 17 January 2020, the Ministry of Transport, the National Development and Reform Commission, the Ministry of Ecology and Environment and the Ministry of Housing and Urban-Rural Development jointly published the Plan for the Rectification of Prominent Pollution Issues Related to Vessels and Ports in the Yangtze River Economic Belt (《長江經濟帶船舶和港口污染突出問題整治方案》) (the "Rectification Plan") to set out the requirements for pollution prevention and control capabilities of vessels and ports in the Yangtze River Economic Belt to foster the green development in the shipping sector. The Group has been committed to playing a lead role in the industry to promote the utilization of natural gas in the waterway transportation sector in China. Having previously acquired patents and intellectual property rights for engine conversion for LNG vessel, the Group successfully converted the first LNG-powered vessel in China and completed the construction of the first shore-based refilling wharf along Yangtze River's in Chongqing City. The publication and implementation of the Rectification Plan help boost the Group's LNG refilling services for vessels. The Group will also continue to build LNG refilling stations for vessels along the Yangtze River, the Xijiang River and the Beijing-Hangzhou Grand Canal to accelerate the development of LNG refilling market for vehicles and vessels, based on the Group's construction and development plan, themed with "Green Waterway Transportation, Low Carbon Ports".

As of 31 March 2020, the Group had a total of 556 CNG/LNG refilling stations for vehicles and vessels.

Township "Replacement of Coal with Gas"

During the financial year, the Group unswervingly expanded its market presence by leveraging the merits brought about by the township "replacement of coal with gas" campaign, adhered to its well-defined strategy and was resolute to carry through the campaign till the end. Our Group was overwhelmingly keen to implement the township "replacement of coal with gas" campaign in northern China. We managed to bring forth premium quality and highly efficient facilities as well as guaranteed energy supply to allow the rural residents in northern China to have convenient access to natural gas. Upon completion of pipeline installation and gas supply for users, the Group works meticulously to collect receivables by actively coordinating with local governments to check and confirm the project in accordance with the subsidy payment policy laid down by the State and local governments for the township "replacement of coal with gas" investment projects.

As at the end of the financial year, the Group accumulatively contracted residential users under the township "replacement of coal with gas" campaign amounted to more than 9 million households in total, and completed gas pipeline connections for 6,236,441 township households. During the financial year, the Group provided about 1 billion m^3 of natural gas to rural residents for winter heating consumption.

Launching the township "replacement of coal with gas" and "fighting for the blue sky" campaigns are regarded as more than an occasional game, in fact, they are a series of enduring battles. Since our Group has identified the township "replacement of coal with gas" campaign as one of its key strategic targets, we are relentless to carry it through till the end, to contribute to the betterment of environmental protection, along with improving the overall livelihood of residents in China.

Natural Gas Sales

From January to March 2020, the growth of natural gas consumption of non-resident users declined year on year due to the COVID-19 pandemic, dampening the Group's total sales volume of natural gas for the year. During the financial year, the Group's total natural gas sales volume increased by 2.9% year on year to 25.37 billion m^3. Natural gas was mainly sold through networks of gas pipelines laid in cities and townships, trading business and direct-supply pipelines. Gas sales volume attributable by city gas pipelines recorded 15.63 billion m^3, representing a year-on-year increase of 6.0%. Trading segment and direct-supply pipeline business recorded 9.74 billion m^3 in gas sale volume, representing a year-on-year decrease of 1.7%.

During the financial year, the Group recorded natural gas sales revenue of HK$27,053,131,000, accounting for 45.4% of its total turnover for the year, and representing a year-on-year slightly decrease of 0.2%.

Liquefied Petroleum Gas Business

The Group currently has seven LPG terminals and 113 LPG distribution projects. With wide distributive footprints across 21 provinces, municipalities and autonomous regions in China, it is poised as the largest vertically integrated LPG service provider in the country.

With LPG becoming popular among rural and suburban residents, with industrial and commercial LPG demand growing steadily over the long term, and with LPG rapidly developed and applied as a form of raw material primary fed into the production of petrochemical synthesis and deep-processing sectors. LPG also serves as the primary input to produce alkylate, methyl tert-butyl ether (MTBE) and propylene. LPG industry has exhibited continuous and rapid development since late 2014. The Group makes full use of the strengths yielded from its LPG terminals, storage facilities, vessel and vehicle fleets and networks to boost procurement of LPG from both international and local markets, thereby continuously increasing the utilization rate of its LPG assets. The Group adopts unified and centralized standard on LPG procurement for its downstream retail business, to draw on the advantages generated by the integration of trading and sales to end-users, realize rational placement of gas procurement, storage and distribution of resources and market coverage, and effectively integrate wholesale segment and retail segment, and thus profit-maximization along the entire supply chain achieved.

During the financial year, the international LPG trading business was crippled by the serious fall in crude oil prices in June 2019 and February and March 2020. The Group closely tracked the changes in LPG prices, triggered by the dynamic changes in demand and supply situation and promptly took effective measures such as international re-export trade, spot purchase quantity control, and signing cost-plus contracts with users. As such, and the Group's international procurement business was sheltered to the greatest extent from the adverse impact brought about by the slump in oil prices. Meanwhile, the spread of the pandemic and lockdowns elbowed in great hardship for the transportation and distribution of LPG. To this end, the Group applied its best effort and strategically deployed all LPG resources, vehicles and vessels to protect and secure user's demand, including the demand from the residents in Wuhan and the pandemic-fighting hospitals, namely, Leishenshan Hospital and Huoshenshan Hospital.

During the financial year, the Group's total LPG sales volume decreased by 4.2% year on year to 3,826,764 tons, of which 2,728,739 tons were sold through wholesale business, representing a year-on-year decrease of 2.0%, and 1,098,025 tons were sold through retail business, representing a year-on-year decrease 9.1%. Total sales revenue amounted to HK$13,774,300,000 (for the year ended 31 March 2019: HK$15,917,100,000), representing a year-on-year decrease of 13.5%. When excluding the impacts of non-core factors such as exchange gain or loss, core net profit for the year attributable to the owners of the Company amounted to HK$179,323,000 (for the year ended 31 March 2019: HK$101,766,000), representing a year-on-year increase of 76.2%.

Today, the prices of international crude oil and LPG are still at a relatively low level in history, and the domestic floor price policy applicable to refined oil backs up the selling price of LPG to a certain extent and presents an attractive prospect for the LPG business. By exercising prudent risk control measures to safeguard any LPG price fluctuation, the Group can safely increase the volume of international LPG imports, as well as to boast LPG sales, and thus improve the overall profitability of LPG on an ongoing basis. Meanwhile, on account of the opportunities brought about by the national rural revitalization strategy, the Group presses forward with the construction of LPG micro pipeline network, expand the penetration ratio of end-users, and continuously strengthen its core competence through integrating LPG trading and sales to end-users.

Value-Added Services

With ever increasing penetration rate, the Group's customer base has been rapidly expanding. Currently, the Group provides natural gas and LPG services to more than 40 million residential, industrial and commercial users, and therefore, such favourable prerequisite has provided us with an amazing potential for enlisting value-added products. Accordingly, it will strive to gradually increase the percentage of its income derived from a value-added business in its overall revenue by diversifying its value-added services and edging up its marketing efforts, with the prime aim of increasing the profitability and competitiveness of its service network. The Group's value-added business, including sales of wall-mounted gas heaters and kitchen appliances under the brand of "Gasbo (中燃寶)", smart home product line, provision of comprehensive gas insurance agency services, and sales of corrugated pipes, gas alarms and other products such as bottled water, recorded significant growth during the financial year despite the impact of COVID-19. Sales volume of wall-mounted gas heaters and kitchen appliances series under the brand of "Gasbo" reached 1,240,000 units, representing a year-on-year increase of 49.4%, making the Group a leading manufacturer and distributor of wall-mounted gas heaters and kitchen appliances in China. The penetration rate of major value-added products among the overall users of the Group was approximately 3% only, so there was a huge room for future development. Meanwhile, through the innovative grid-type market layout and application of new retail platform, the Group has established a business model for value-added services which matches the characteristics of the natural gas industry and will keep optimizing the model in practice to continuously facilitate the rapid development of value-added services in medium to long-run.

During the period, the Group's revenue from value-added business amounted to HK$5,025,292,000, representing year-on-year growth of 28.8%; gross profit amounted to HK$1,950,384,000, representing year-on-year growth of 37.3%; and operating profit amounted to HK$1,594,333,000, representing year-on-year growth of 39.3%.

Integrated Energy Business

Facilitated by the unveiling of environmental protection policies, changes taken place in energy consumption structure and the adjustments in consumption patterns, China's energy industry is undergoing an unprecedented transformation phase towards clean energy application, diversified energy consumption and integrated energy supply. Over the years, the Group has been committed to leap forward with extensive penetration into new business sectors, including natural gas-fired distributed energy, photovoltaic power generation, distribution and sale of electricity, centralized heating and electric-vehicle charging facilities in China, on account of the comparative advantages reaped from the respective massive market potential and the extensive customer base accumulated from its gas projects. The Group leverages the accumulated experience earned from market development and technical innovation to undertake integrated energy utilization projects, with the prime aim to provide customers with highly efficient integrated energy such that their various demand for gas, heating, electricity and cooling are met. By virtue of the synergy effect unleashed from the Group's extensive gas distribution network, application of new technology and new products, the Group has scale-up investment on distributed heating supply market, especially the distributed heating service for newly built properties.

During the financial year, the Group signed 46 new contracts for industrial park integrated energy projects. As at 31 March 2020, the Group had a total of 102 integrated energy projects in operation.

In the future, the Group will expand its market share of the integrated energy business through external expansion and organic growth, and continue to source for new projects, based on the guiding principle set out as "heating supply as the core and thermoelectric as a complementary pillar". The Group will stride forward with research and development, as well as applying smart cloud platform, big data and Internet of Things technologies, to build an internet-based energy portal and gradually evolves into "high-tech, intelligent and unmanned" operation mode, providing users with an integrated clean energy solutions. Meanwhile, our Group will continue to improve its capability in project management and profitability performance.

Human Resources

The Group always adheres to "People come first" as our management motif as we believe that a team of highly competent staff members are vital to the successful operation of an enterprise. In terms of personnel training and team building, our Group follows the of the sound guidelines set out as "cultivating potential talents within the Group and recruiting talents from outside" and based on such mechanism, the Group has established a comprehensive system for talent recruitment and in-house training programme.

The Group constantly upgrades the professional expertise and competence of its staff at all levels while proactively creating platforms for its staff to exchange knowledge and share experience, to attract talents and retain outstanding staff by enhancing their job satisfaction and developing optimal remuneration and welfare system.

As at 31 March 2020, the Group had 59,462 employees. Employees' remuneration is determined with reference to their qualification, experience and prevailing local industry practice. Apart from basic salary and pension fund contribution, eligible employees may be awarded bonuses or share options, based on the Group's financial results and their performance.

Corporate Management and Corporate Governance

It has been a long-standing tradition of the Group to adhere to the "normalized, standardized and systematic" management principle to achieve continuous improvement in operational management. Along with its growing scale, expanding service region, developing new businesses, changing staff structure and the gradually maturing gas industry, the Group keeps on optimizing management policies to achieve scientific corporate management, while progressively establishing strategy implementation mechanism, improving smart information system and facilitating smart transformation to become a strategically-empowering enterprise.

In terms of operational management, the Group vigorously pushes ahead with meticulous operational management, continuously increases investment in the construction of IT-based operating system, and actively encourages innovation, to improve operational management and to achieve a shift of operating system from standardized management to IT-based management, thereby raising its overall operational management level on an ongoing basis.

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

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

Financial Review

For the year ended 31 March 2020, the Group's sales revenue amounted to HK$59,539,681,000 (for the year ended 31 March 2019: HK$59,386,062,000), representing a year-on-year increase of 0.3%. Gross profit amounted to HK$17,097,048,000 (for the year ended 31 March 2019: HK$14,059,184,000), representing a year-on-year increase of 21.6%. The overall gross profit margin was 28.7% (for the year ended 31 March 2019: 23.7%). Profit for the year attributable to owners amounted to HK$9,188,474,000 (for the year ended 31 March 2019: HK$8,224,382,000), representing a year-on-year increase of 11.7%. Basic earnings per share amounted to HK$1.76 (for the year ended 31 March 2019: HK$1.63), representing a year-on-year increase of 8.0%.

Operating Expenses

Operating expenses (including sales and distribution costs and administrative expenses) increased by 3.7% to HK$4,419,814,000 from HK$4,262,231,000 in the same period last year.

Finance Costs

For the year ended 31 March 2020, financial costs increased by 8.1% to HK$1,387,920,000 from HK$1,284,304,000 in the same period last year.

Share of Results of Associates

For the year ended 31 March 2020, the share of results of associates amounted to HK$405,184,000 (for the year ended 31 March 2019: HK$519,575,000), representing a year-on-year decrease of 22.0%.

Share of Results of Joint Ventures

For the year ended 31 March 2020, the share of results of joint ventures was approximately HK$570,798,000 (for the year ended 31 March 2019: HK$1,132,056,000), representing a year-on-year decrease of 49.6%.

Income Tax Expenses

For the year ended 31 March 2020, income tax expenses amounted to HK$2,464,389,000 (for the year ended 31 March 2019: HK$2,198,479,000), which was mainly due to an increase in taxable profit as a result of business growth.

Liquidity

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

As at 31 March 2020, the Group's total assets amounted to HK$112,066,808,000, representing a year-on-year increase of approximately 2.0%. Bank balance and cash (including pledged bank deposits) amounted to HK$7,655,776,000 (31 March 2019: HK$13,482,313,000). Current ratio was 0.80 (31 March 2019: 0.89). The net gearing ratio was 0.64 (31 March 2019: 0.54), as calculated on the basis of net borrowings of HK$29,455,976,000 (total borrowings of HK$39,689,118,000 less trade facility relating to short-term import letters of credit of the LPG business of HK$2,577,366,000 and bank balance and cash (including pledged bank deposits) of HK$7,655,776,000) and net assets of HK$45,783,392,000 as at 31 March 2020.

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

Financial Resources

The Group has been actively building up long-standing cooperation relationships with Chinese (including Hong Kong) and overseas banks. As the principal cooperating banks of the Group, China Development Bank, Industrial and Commercial Bank of China, Bank of Communications and Agricultural Bank of China have provided the Group with long-term credit facilities of over RMB60 billion under a maximum term of 15 years, which has given strong financial support to the Group's project investments and stable operations. Other major domestic and foreign banks such as Asian Development Bank, Bank of China, China Construction Bank, China Merchants Bank, Hong Kong and Shanghai Banking Corporation, Mitsubishi UFJ Financial Group, Australia and New Zealand Banking

Group have also granted long-term credit to the Group. As at 31 March 2020, over 30 banks offered long-term loans and standby credit facilities to the Group. Such bank loans are generally used to fund the Group's operations and project investments.

Both the Company acting as an overseas issuer and the Group's wholly-owned subsidiaries incorporated in China actively participate in the issuance of RMB bonds on stock exchanges and interbank bond market in China. As at 31 March 2020, the remaining balance of the RMB corporate bonds and medium-term RMB notes issued by the Group amounted to RMB10.9 billion.

As at 31 March 2020, the Group's bank and other loans portfolios were as follows:

	2020	2019
	HK$'000	*HK$'000*
Within one year	**24,120,679**	16,407,520
More than one year, but not more than two years	**2,749,850**	9,833,244
More than two years, but not more than five years	**11,938,323**	10,018,833
More than five years	**880,266**	1,639,310
	39,689,118	37,898,907

As at 31 March 2020, the Group's bank loans and other loans amounted to HK$39,689,118,000 in aggregate, representing a year-on-year increase of 4.7%, among which trade facility relating to short-term import letters of credit of LPG business amounted to HK$2,577,366,000.

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

Foreign Exchange and Interest Rate

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

Based on the principle of prudence, the Board of the Group has formulated strict exchange rate risk management and control policies to closely monitor the trends of market interest rates and foreign exchange rates and adjust its debt structure in a timely and reasonable manner to avoid risks effectively. In accordance with such exchange rate risk management and control policies, the Group actively adjusted the structure of debt in domestic currency (RMB) and foreign currencies and adopted currency hedging derivatives to hedge the currency risk and interest risk of a small portion of existing foreign currency loans, which significantly lowered the potential exchange rate risks. As at 31 March 2020, the proportion of foreign currency debts out of all debts of the Group was 19.7%. The strict control measures on debt in foreign currencies immensely mitigated the effect of exchange gain or loss on the Group's results.

Pledge of Assets

As at 31 March 2020, the Group pledged bank deposits amounting to HK$536,570,000 (31 March 2019: HK$243,381,000), other deposits amounting to HK$60,109,000 (31 March 2019: HK$63,953,000), and certain subsidiaries have pledged their equity investments in other subsidiaries to banks to secure loan facilities.

Capital Commitments

As at 31 March 2020, the Group had capital commitments amounting to HK$2,159,013,000 (31 March 2019: HK$133,916,000) and HK$67,678,000 (31 March 2019: HK$81,404,000) respectively in respect of the acquisition of property, plant and equipment and construction materials of property, plant and equipment contracted but not provided for in the financial statements, which would require the utilization of the Group's cash on hand and external financing. The Group has undertaken to acquire shares of certain Chinese enterprises and set up Sino-foreign joint ventures in China.

Contingent Liabilities

As at 31 March 2020, the Group did not have any material contingent liabilities (31 March 2019: nil).

CORPORATE GOVERNANCE

The Company complied with the code provisions set out in the Corporate Governance Code (the "Code") contained in Appendix 14 of the Listing Rules throughout the year, except for the deviations for the following:

Code Provision A.2.1

Under the Code Provision A.2.1, the roles of chairman and chief executive should be separate and performed by different individuals. Under the current organizations of the Company, the functions of chief executive officer are performed by the Executive Chairman Mr. LIU Ming Hui. Mr. LIU provides leadership for the Board and undertakes the management of the group's business and overall operation, with the support from other executive directors, vice presidents and senior management. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company, and has been effective in discharging its functions satisfactorily. The Board will review the reasonableness and effectiveness of the structure from time to time.

Code Provision A.4.1

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

Code Provision A.6.7

Under the Code Provision A.6.7, all independent non-executive directors and non-executive directors of the Company should attend general meeting but one of the non-executive directors did not attend the annual general meeting of the Company held on 21 August 2019 due to overseas business commitment or pre-arranged business engagements.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, and all the Directors confirmed that they have complied with the required standards set out in the Model Code throughout the financial year ended 31 March 2020.

REVIEW OF ANNUAL RESULTS

The Audit Committee of the Board has reviewed the accounting principles and practices adopted by the Group and the annual results for the year ended 31 March 2020.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 March 2020, neither the Company nor its any of its subsidiaries repurchased, sold or redeemed any of the Company's shares.

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

The results announcement is required to be published on the websites of Hong Kong Exchanges and Clearing Limited (“HKEX”) at www.hkex.com.hk under “Latest Listed Company Information” and the Company at www.chinagasholdings.com.hk under “Announcements” respectively. The annual report of the Company for the year ended 31 March 2020 will be dispatched to the shareholders and published on the websites of HKEX and the Company in due course.

On behalf of the Board
China Gas Holdings Limited
LIU MING HUI
Executive Chairman, Managing Director and President

Hong Kong, 26 June 2020

As at the date of this announcement, Mr. LIU Ming Hui, Mr. HUANG Yong, Mr. ZHU Weiwei, Ms. LI Ching and Ms. LIU Chang are the executive directors of the Company; Mr. LIU Mingxing, Mr. JIANG Xinhao and Mr. Rajeev Kumar MATHUR are the non-executive directors of the Company; and Mr. ZHAO Yuhua, Dr. MAO Erwan, Ms. WONG Sin Yue Cynthia, Ms. CHEN Yanyan and Mr. ZHANG Ling are the independent non-executive directors of the Company.

* *for identification purpose only*