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中裕燃氣控股有限公司

ZHONGYU GAS HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 3633)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2020

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	For the year ended 31st December,		
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	changes %
Breakdown of turnover			
– Sales of gas	6,184,492	5,805,421	6.5%
– Revenue from gas pipeline construction	1,488,639	1,581,238	(5.9)%
– Sales of stoves and provision of other related services	635,951	412,348	54.2%
– Operation of CNG/LNG vehicle filling stations	229,051	337,377	(32.1)%
– Sales of liquefied petroleum gas	5,577	7,387	(24.5)%
Turnover	8,543,710	8,143,771	4.9%

	For the year ended 31st December,		
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>	changes %
Gross profit (Gross margin)	1,947,017 (22.8%)	1,909,920 (23.5%)	1.9% (0.7)%
Profit attributable to owners of the Company	1,056,617	430,121	145.7%
Non-HKFRS profit attributable to owners of the Company (as defined in page 36)	815,728	713,141	14.4%
Non-HKFRS EBITDA (as defined in page 36)	1,897,378	1,804,238	5.2%
Basic earnings per share (HK cents)	39.95	16.93	136.0%
Non-HKFRS basic earnings per share (HK cents) (as defined in page 37)	30.84	28.07	9.9%
Proposed final dividend (HK cents)	7.00	5.00	40.0%
Unit of natural gas sold ('000 m ³)	2,239,002	1,943,564	15.2%
New piped gas connections made (residential households under “coal-to-gas” projects)	224,927	217,674	3.3%
New piped gas connections made (residential households under non “coal-to-gas” projects)	236,880	230,622	2.7%

CHAIRMAN'S STATEMENT

To our valued shareholders,

In face of the COVID-19 pandemic as well as the challenges in domestic and international markets in 2020, the PRC natural gas market encountered new opportunities and challenges in terms of reform, gas sources, gas storage and trading. Despite the serious impact caused by the COVID-19 pandemic on the domestic economy, the Group has timely adjusted its development strategy by actively promoting all business segments under the layout of “one body, three wings”. With the joint efforts of everyone, Zhongyu Gas Holdings Limited (the “Company”, together with its subsidiaries, collectively referred to as the “Group”) has bucked the trend in 2020 and various operating indicators stay normal.

In the year of 2020, supported by its city gas businesses, the Group focused on value-added businesses with light assets and high profit margins and implementing new retail businesses in response to the market changes during the pandemic. Under its own retail brand “Zhongyu Phoenix” (中裕鳳凰), the Group sold diversified ancillary products such as gas appliances, insurance and bellows, and provided users with safe and efficient stove equipment and services to further increase customer stickiness and promote the brand image of the Group. The online retail platform “Zhongyu iFamille” (中裕i家) has recorded good sales since its launch, which helped the sales of goods with local features and supported the resumption of work and production.

In terms of energy trading business, the Group will follow the trend of the national energy system reform and stand firm on its key business of city gas. With the support of its existing resources, the Group will continuously carry out vertical expansion, actively plan the retail terminal penetration of liquefied natural gas (“LNG”) in domestic market and explore the distribution agency model in pipeline gas trading. Under the Group’s “one body, three wings” development strategy, the energy trading segment will reform its business model in customer energy solutions, smart logistics and supply chain digitization to achieve transformation and upgrade in products, operations and strategies and become a new driver of the Group’s “second takeoff”.

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 a necessity to support the long-term development of the Group. The Group will strengthen quality control, improve the management systems of all departments, and enhance the prevention and control of different types of operational risks as well as the comprehensive supervision of all businesses to foster the overall healthy development of the Group.

PROSPECTS

2021 marks the beginning of the 14th Five-Year Plan. From a macro perspective, with the significant progress in the normalization of pandemic prevention and control, the strategy of “dual circulation” and a series of policies to stimulate consumption adopted by the PRC government, the economy of the PRC will continue to recover steadily and the national energy structure will constantly undergo transformation and upgrade. With the transition to a low-carbon economy and the promotion of the coal-to-gas policy, the domestic demand on natural gas is increasing. According to the Medium- and Long-term Oil and Gas Pipelines Network Plan issued by the National Development and Reform Commission and the National Energy Administration, the domestic natural gas pipeline network will reach 163,000 km by 2025. In particular, the Guiding Opinions on 2020 Energy Tasks also pointed out that it is necessary to accelerate the construction of pipeline network and gas storage facilities, and strengthen the interconnection of natural gas and its transmission capacity to key regions, so as to speed up the formation of a national network. The implementation of these policies has accelerated the development of the Group.

Meanwhile, the PRC will strive to create a new development approach whereby domestic and foreign markets can complement each other, and promote the target of “carbon neutrality”, which have fostered the green energy transformation. The sudden changes in both domestic and international environment have brought about a historic challenge, as well as a historic opportunity to the energy revolution of the PRC. In response to the development trend of the industry, the Group will gradually establish a user-oriented, diversified and low-carbon new energy system that is smart and safe, clean and efficient to meet the needs of users, and provide them with more efficient and stable, safe and convenient, clean and low-cost integrated energy services.

In terms of city gas business, the Group will consolidate its business while developing high-quality new projects, open up new source of income and reduce expenditure by utilizing upstream gas resources and strengthen city gas business as its core operation. In terms of value-added business and new retail business, the Group will accelerate the sales of products in value-added business and the promotion of new retail platform through various ways to maintain existing customers while promoting new businesses to them. For new retail business, the Group will carry out the integration of supply chain resources, service integration and community sales through its existing customer resources. It will also utilize the advantages brought by the Group’s industrial and commercial customers, integrate related products of downstream users and carry out crossover business cooperation. In terms of smart energy business, seizing the opportunity of which various provinces and cities coordinating the 14th Five-Year energy project development plan, the Group has commenced the smart city and energy planning in advance to develop the integrated energy project of “energy source, energy network, energy load and energy storage”. The Group also targets different types of industrial and commercial users, and expands market opportunities by providing diversified services to meet different energy needs of its customers, so as to create new sources of earnings. In terms of the energy trading business, the Group will further increase its bargaining power in resources procurement, improve the Group’s capability to supplement and maintain a balance between gas volume and gas price, and optimize the structures of gas source and related cost by purchasing high-quality and low-cost gas, LNG receiving terminal investment, third party access of LNG receiving terminal usage and oversea ISO LNG container multi-transport to build an energy trading platform and raise its overall competitiveness.

Safety, quality, efficiency and effectiveness are the Group's core values and also the necessities to support the long-term development of the Group. The success of the "one body, three wings" development strategy relies very much on the leadership and dedicated operation of the management of all companies. In 2021, the Group will keep an eye on the selection and appointment of talents, enhance supervision work of the management and establish a supervision and risk prevention and control system that separates from operating and management system so as to promote the self-enhancement of each units, comprehensively enhance management efficiency of every unit and foster the overall healthy 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" to provide high-quality and highly efficient integrated energy services to its customers. It will also utilize its advantages, seek changes and enhance its capability, as well as to strive to become the most valuable integrated energy service provider by promoting the high-quality "one body, three wings" development strategy, and to contribute to society and the public with outstanding results.

Finally, on behalf of the board of directors, I would like to express my sincere gratitude to all shareholders for their support to the Company and all my colleagues for their hard work and dedication throughout the year.

Wang Wenliang

Chairman

Hong Kong

30th March, 2021

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, 2020 (the “Year”).

2020 marked a year of continuous deepening reform for the natural gas industry in China. Despite the temporary impact of the COVID-19 pandemic, the PRC government has made continuous efforts to promote environmental policies such as clean energy heating plan and 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. The natural gas industry has bucked the trend and brought business opportunities to the Group. Meanwhile, the Group exploited new business opportunities under a complex and ever-changing development environment, swiftly planned the development strategy of “one body, three wings” to optimize its market layout. With the joint efforts of all staff, the Group is determined to overcome the difficulties and has achieved a win-win outcome of pandemic prevention and control as well as operation and production.

RESULTS

For the year ended 31st December, 2020, the Group recorded a turnover of HK\$8,543,710,000, representing a growth of 4.9% year-on-year (“yoy”) (2019: HK\$8,143,771,000). The growth in turnover was mainly driven by the active promotion of the “one body, three wings” development strategy by the Group. The overall gross profit of the Group increased from HK\$1,909,920,000 in 2019 to HK\$1,947,017,000 with a gross profit margin of 22.8% (2019: 23.5%). Profit attributable to owners of the Group increased by 145.7% yoy to HK\$1,056,617,000 (2019: HK\$430,121,000). Basic earnings per share and net assets per share amounted to HK39.95 cents and HK\$2.27 respectively (2019: HK16.93 cents; HK\$1.81).

BUSINESS REVIEW

The apparent natural gas consumption of the PRC in 2020 amounted to approximately 324 billion m³, representing an increase of 5.6% yoy according to the National Development and Reform Commission of the PRC. Despite the slowdown in economic growth of PRC under the impact of COVID-19 pandemic, the demand for natural gas still maintained a rapid growth, in particular the temperature in most regions of PRC in winter of 2020 was lower than that of previous years, which further boosted the demand for natural gas.

During the year ended 31st December, 2020, the Group’s three major business segments, namely the sales of gas, gas pipeline construction and connection, and the sales of stoves and provision of other related services, contributed 72.4%, 17.4% and 7.4% of the Group’s turnover in 2020, respectively.

The sales of gas is a major revenue contributor of the Group, as well as the main body of the “one body, three wings” development strategy, with sales reaching HK\$6,184,492,000 in 2020, representing a growth of 6.5% yoy. The growth in this business was mainly due to the increase in the overall number of customers driven by the success of the Group’s client diversification strategy between residential, industrial and commercial customers. Industrial and commercial users will continue to be the Group’s core focus in this segment.

In terms of gas pipeline connection, following the Group’s efforts in the past years, the penetration of gas connection in its covered area has reached a relatively high level. During the year ended 31st December, 2020, the total number of new piped gas connections of the Group amounted to 463,957. The Group’s total existing intermediate and main pipelines increased from 23,318 km to 25,456 km, representing a 9.2% increase in length.

The Group’s own retail house brand “Zhongyu Phoenix” (中裕鳳凰) has enriched the business ecology and effectively increased customer stickiness, and the online retail platform “Zhongyu iFamille” (中裕i家) has recorded good sales since its launch. During the Year, the Group has stepped up the promotion of “Zhongyu Phoenix” to strengthen its retail branding by expanding product portfolio and promote greater brand recognition. Through this new online retail platform, the Group is able to support the resumption of work and production in response to the market changes during the pandemic. For the year ended 31st December, 2020, the turnover from sales of stoves and provision of other related services recorded a 54.2% yoy increase, from HK\$412,348,000 in 2019 to HK\$635,951,000 in 2020.

In terms of smart energy and energy trading, the Group has achieved continuing progress in cost optimization after a year’s effort. Business operation efficiency has been significantly improved with all operating indicators hitting a record high and receiving recognition from the industry. The Group believes that smart energy and energy trading businesses would not only diversify the Group’s revenue sources, but also be an important business module of its integrated energy service.

Over the years, the Group has been actively expanding its businesses by seizing the opportunities arising from the energy reform in the PRC. As of 31st December, 2020, the Group’s city gas pipeline business covered 9 provinces, namely Henan, Shandong, Hebei, Jiangsu, Anhui, Heilongjiang, Jilin, Fujian and Zhejiang, with 72 exclusive gas projects and served approximately 18,777 industrial and commercial customers as well as 3.96 million residential households. The total units of natural gas sold by the Group also increased by 15.2% yoy to 2,239,002,000 m³ in 2020, achieving a set of record-high results.

PROSPECTS

Stepping into 2021, despite market volatility caused by the COVID-19 pandemic, the economy of PRC will continue to recover steadily with the normalization of domestic pandemic prevention and control, as well as the availability of COVID-19 vaccines. With the recovery of various industries, the gas consumption will constantly increase, and the outlook of gas industry is expected to be even more promising.

Meanwhile, with the targets of “peak in carbon emissions” and “carbon neutrality” proposed by the PRC, the natural gas industry will usher in greater development opportunities. China Oil & Gas Piping Network Corporation officially commenced operation in September 2020 after a substantial asset transfer, coupled with the construction of The China-Russia natural gas pipeline, it is expected that the natural gas market in PRC will continue to grow in the next few years with abundant supply and at more affordable costs.

In addition, during the 14th Five-Year Plan period, the energy structure of the PRC will be further upgraded, while green energy has become a development trend, and natural gas reform will be gradually deepened. To embrace the opportunities arisen from the energy upgrade of the PRC, and leverage its core advantages in city gas operation, the Group will capture these opportunities by implementing the following key strategies in the coming year:

- (i) Open up new source of income and reduce expenditure, lower costs and raise effectiveness by focusing on the “one body, three wings” development strategy to coordinate, develop, and target different types of industrial and commercial users. Create new source of earnings and increase profitability to strengthen overall competitiveness.
- (ii) Improve customer service quality to enhance brand image, achieve flexible operation through maintaining low cost in the long-term, create a favourable environment for the “one body, three wings” development strategy to increase customer stickiness for sustainable profitability of the Group.
- (iii) Standardize systems and implement rectification of problems, strengthen execution and consolidate management to strive for excellence and impress our customers with “Zhongyu’s quality”.
- (iv) Keep an eye on the selection and appointment of talents, enhance supervision work of the management, establish a supervision and risk prevention and control system that separates from operating and management system to comprehensively enhance management efficiency.

Despite the uncertainties of macro-economic environment in the future, riding on the ongoing reform of the national energy system and the continuous growth in the gas industry, the Group is expected to capture significant development opportunities to expand business ecology, boost operating revenue, promote high-quality development of the Group and strive to become one of the most valuable and competitive integrated smart energy service providers in the PRC.

Lui Siu Keung
Chief Executive Officer

30th March, 2021

The board of directors (the “Board” or the “Directors”) of the Company is pleased to announce the audited consolidated results of the Group for the year ended 31st December, 2020, together with the comparative figures for the corresponding period in 2019, which are set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December, 2020

	NOTES	2020 HK\$'000	2019 HK\$'000
Turnover	3	8,543,710	8,143,771
Cost of sales		<u>(6,596,693)</u>	<u>(6,233,851)</u>
Gross profit		1,947,017	1,909,920
Other gains and losses	5	546,449	(230,304)
Other income	6	107,743	53,493
Selling and distribution costs		(197,315)	(183,041)
Administrative expenses		(466,071)	(451,878)
(Impairment losses) reversal of impairment on financial assets and contract assets		(51,359)	9,344
Impairment losses on other intangible assets		(265,274)	–
Share-based payments		–	(43,802)
Finance costs	7	(255,849)	(344,248)
Share of results of associates		51,558	45,052
Share of results of joint ventures		<u>(1,468)</u>	<u>(117)</u>
Profit before tax		1,415,431	764,419
Income tax expenses	8	<u>(302,194)</u>	<u>(280,770)</u>
Profit for the year	9	<u>1,113,237</u>	<u>483,649</u>
Profit for the year attributable to:			
Owners of the Company		1,056,617	430,121
Non-controlling interests		<u>56,620</u>	<u>53,528</u>
		<u>1,113,237</u>	<u>483,649</u>

	<i>NOTES</i>	2020 HK\$'000	2019 HK\$'000
Profit for the year		1,113,237	483,649
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		295,479	(57,763)
Fair value gain on revaluation of pipelines included in property, plant and equipment and right-of-use assets		143,903	92,099
Deferred tax arising from revaluation of pipelines included in property, plant and equipment and right-of-use assets		(35,976)	(23,025)
Other comprehensive income for the year		403,406	11,311
Total comprehensive income for the year		1,516,643	494,960
Profit for the year attributable to:			
Owners of the Company		1,056,617	430,121
Non-controlling interests		56,620	53,528
		1,113,237	483,649
Total comprehensive income attributable to:			
Owners of the Company		1,433,620	438,027
Non-controlling interests		83,023	56,933
		1,516,643	494,960
Proposed final dividend of HK7 cents (2019: HK5 cents) per ordinary share	<i>10</i>	185,138	132,242
Earnings per share	<i>11</i>		
Basic		HK39.95 cents	HK16.93 cents
Diluted		HK39.88 cents	HK16.73 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2020

	<i>NOTES</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Investment properties		9,236	9,180
Property, plant and equipment		12,747,239	9,937,008
Right-of-use assets		592,421	1,022,284
Goodwill		437,188	411,885
Other intangible assets		1,379,061	1,646,932
Long-term deposits, prepayments and other receivables		1,310,467	1,114,217
Interests in associates		507,532	426,832
Interest in joint ventures		19,176	9,453
Financial assets at fair value through other comprehensive income		83,875	78,898
		17,086,195	14,656,689
Current assets			
Inventories		589,598	473,657
Properties under development for sale		166,150	110,871
Trade receivables	<i>12</i>	1,771,513	1,331,588
Deposits, prepayments and other receivables		1,590,247	1,219,926
Amount due from an associate		59,411	55,972
Amount due from a related party		8,912	8,396
Contract assets		609,259	509,321
Tax recoverable		4,086	19,366
Pledged bank deposits		4,753	–
Bank balances and cash		1,744,299	1,903,313
		6,548,228	5,632,410
Current liabilities			
Trade payables	<i>13</i>	1,882,389	1,219,726
Other payables and accrued charges		764,520	417,460
Amount due to an associate		1,063	1,001
Contract liabilities		1,466,311	1,097,362
Borrowings		7,279,315	4,308,237
Lease liabilities		7,265	68,744
Tax payables		63,276	78,750
		11,464,139	7,191,280
Net current liabilities		(4,915,911)	(1,558,870)
Total assets less current liabilities		12,170,284	13,097,819

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Capital and reserves		
Share capital	26,448	26,448
Reserves	<u>5,989,591</u>	<u>4,748,921</u>
Equity attributable to owners of the Company	6,016,039	4,775,369
Non-controlling interests	<u>715,311</u>	<u>660,704</u>
Total equity	<u>6,731,350</u>	<u>5,436,073</u>
Non-current liabilities		
Deferred income and advance received	6,688	6,874
Borrowings	4,310,831	6,712,973
Lease liabilities	20,112	12,678
Deferred taxation	<u>1,101,303</u>	<u>929,221</u>
	<u>5,438,934</u>	<u>7,661,746</u>
	<u>12,170,284</u>	<u>13,097,819</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2020

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

In the current year, the Group has applied the “Amendments to References to the Conceptual Framework in HKFRS Standards” and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1st January, 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain property, plant and equipment, right-of-use assets, 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

	2020 HK\$'000	2019 HK\$'000
Types of goods or services		
Sales of gas	6,184,492	5,805,421
Revenue from gas pipeline construction	1,488,639	1,581,238
Sales of stoves and provision of other related services	635,951	412,348
Sales of compressed natural gas or liquefied natural gas (“CNG/LNG”) in vehicle filling stations	229,051	337,377
Sales of liquefied petroleum gas	5,577	7,387
Total	8,543,710	8,143,771
Timing of revenue recognition		
A point in time	7,055,071	6,562,533
Over time	1,488,639	1,581,238
Total	8,543,710	8,143,771

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. Nearly all identifiable assets of the Group are located in the PRC.

Information that is reported to the CODM for the purpose of resources allocation and assessment of performance focuses on the type of products 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 provision of other related 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 segments.

For the year ended 31st December, 2020

	Sales of gas HK\$'000	Gas pipeline construction HK\$'000	Sales of stoves and provision of other related services HK\$'000	Operation of CNG/LNG vehicle filling stations HK\$'000	Sales of liquefied petroleum gas HK\$'000	Consolidated HK\$'000
Segment revenue	<u>6,184,492</u>	<u>1,488,639</u>	<u>635,951</u>	<u>229,051</u>	<u>5,577</u>	<u>8,543,710</u>
Segment profit (loss)	<u>267,441</u>	<u>927,926</u>	<u>149,573</u>	<u>(69,920)</u>	<u>53</u>	<u>1,275,073</u>
Unallocated other income						29,084
Unallocated other gains and losses						524,670
Unallocated central corporate expenses						(144,922)
Impairment losses on other receivables						(12,625)
Finance costs						(255,849)
Profit before tax						<u>1,415,431</u>

For the year ended 31st December, 2019

	Sales of gas <i>HK\$'000</i>	Gas pipeline construction <i>HK\$'000</i>	Sales of stoves and provision of other related services <i>HK\$'000</i>	Operation of CNG/LNG vehicle filling stations <i>HK\$'000</i>	Sales of liquefied petroleum gas <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	<u>5,805,421</u>	<u>1,581,238</u>	<u>412,348</u>	<u>337,377</u>	<u>7,387</u>	<u>8,143,771</u>
Segment profit	<u>407,773</u>	<u>932,381</u>	<u>91,255</u>	<u>24,596</u>	<u>61</u>	<u>1,456,066</u>
Unallocated other income						13,634
Unallocated other gains and losses						(219,548)
Unallocated central corporate expenses						(140,701)
Impairment losses on other receivables						(784)
Finance costs						<u>(344,248)</u>
Profit before tax						<u>764,419</u>

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, impairment losses on other receivables and finance costs. 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, 2020. The operating result and other financial information of this subsidiary's business are not separately 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

2020

	Sales of gas HK\$'000	Gas pipeline construction HK\$'000	Sales of stoves and provision of other related 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 on disposal of property, plant and equipment	3,761	31	245	1,012	–	5,049	1,366	6,415
Depreciation of right-of-use assets	27,381	–	1,247	5,574	–	34,202	4,097	38,299
Depreciation of property, plant and equipment	324,486	848	2,034	10,530	–	337,898	7,905	345,803
Amortisation of other intangible assets	78,963	–	2,147	1,775	–	82,885	–	82,885
Impairment losses on - trade receivables	9,096	16,438	–	–	–	25,534	–	25,534
- contract assets	–	13,200	–	–	–	13,200	–	13,200
- other receivables	–	–	–	–	–	–	12,625	12,625
Impairment losses on other intangible assets	205,294	–	–	59,980	–	265,274	–	265,274

2019

	Sales of gas HK\$'000	Gas pipeline construction HK\$'000	Sales of stoves and provision of other related 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
Impairment losses (reversal of impairment) on - trade receivables	–	(739)	–	–	–	(739)	–	(739)
- contract assets	–	(9,389)	–	–	–	(9,389)	–	(9,389)
- other receivables	–	–	–	–	–	–	784	784

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, 2020, all the non-current assets of the Group (excluding financial assets) amounting to HK\$16,294,125,000 (2019: HK\$13,896,989,000) are located in the PRC.

5. OTHER GAINS AND LOSSES

	2020 HK\$'000	2019 HK\$'000
Net foreign exchange gains (losses)	557,522	(248,562)
Decrease in fair value of investment properties	(481)	(1,579)
Net (loss) gain on disposal of property, plant and equipment	(6,415)	18,926
Others	(4,177)	911
	<u>546,449</u>	<u>(230,304)</u>

6. OTHER INCOME

	2020 HK\$'000	2019 HK\$'000
Interest income from financial assets at amortised cost		
– Bank interest income	7,819	11,282
– Interest income on amount due from an associate	3,957	2,946
– Interest income from loans to employees	24,213	–
	<u>35,989</u>	<u>14,228</u>
Government subsidies (<i>Note</i>)	45,150	5,160
Income from investments in life insurance contracts	2,802	2,771
Sundry income	23,802	31,334
	<u>107,743</u>	<u>53,493</u>

Note:

During the year ended 31st December, 2020, the Group recognised government grants of HK\$318,000 in respect of Covid-19-related subsidies, of which HK\$135,000 relates to Employment Support Scheme provided by the Hong Kong government.

During the year ended 31st December, 2020, the Group has received subsidies of HK\$44,832,000 (2019: HK\$5,160,000) from the 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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interest on borrowings	342,595	357,915
Interest on lease liabilities	<u>2,529</u>	<u>12,408</u>
	345,124	370,323
Amortisation on loan facilities fees relating to bank borrowings	<u>50,611</u>	<u>53,167</u>
Total borrowing costs	395,735	423,490
Less: Amounts capitalised in construction in progress included in property, plant and equipment	<u>(139,886)</u>	<u>(79,242)</u>
	<u><u>255,849</u></u>	<u><u>344,248</u></u>

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.25% (2019: 4.66%) per annum to expenditure on qualifying assets.

8. INCOME TAX EXPENSES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
PRC Enterprise Income Tax:		
Current tax	230,093	173,144
Overprovision in prior years	(11,113)	(3,736)
Withholding tax levied on dividends paid previously not recognised	<u>7,279</u>	<u>7,361</u>
	<u>226,259</u>	<u>176,769</u>
Deferred tax	<u>75,935</u>	<u>104,001</u>
	<u><u>302,194</u></u>	<u><u>280,770</u></u>

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, 2020, withholding tax amounting to HK\$7,279,000 (2019: HK\$7,361,000) 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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	4,028	4,145
Amortisation of other intangible assets (included in cost of sales)	82,885	69,718
Depreciation of right-of-use assets	38,299	51,187
Depreciation of property, plant and equipment	345,803	291,646
Employee benefits expenses, other than directors' emoluments		
– Salaries and other benefits	362,514	345,317
– Share-based payments	–	43,802
– Contributions to retirement benefits schemes	40,820	69,387
	403,334	458,506
Cost of inventories recognised as expenses in respect of contract cost for gas pipeline construction	260,380	276,759
Cost of inventories recognised as expenses in respect of sales of gas, CNG/LNG, liquefied petroleum gas and stoves	5,306,240	5,268,305
	5,566,620	5,545,064
Impairment losses (reversal of impairment)		
– Trade receivables (good and services)	25,534	(739)
– Other receivables	12,625	784
– Contract assets	13,200	(9,389)
	51,359	(9,344)
Gross rental income from investment properties with minimal outgoings	(1,518)	(1,265)
Gross rental income from equipment with minimal outgoings	(6,551)	(6,579)

10. DIVIDENDS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2019 final dividend of HK5 cents (2019: 2018 final dividend of HK7 cents) per ordinary share	132,242	177,675
2020 interim dividend of HK2 cents (2019: 2019 interim dividend of HK2 cents) per ordinary share	<u>52,897</u>	<u>50,764</u>
	<u>185,139</u>	<u>228,439</u>
Final dividend, proposed, of HK7 cents (2019: HK5 cents) per ordinary share	<u>185,138</u>	<u>132,242</u>

Subsequent to the end of reporting period, a final dividend in respect of the year ended 31st December, 2020 of HK7 cents (2019: final dividend in respect of the year ended 31st December, 2019 of HK5 cents) per ordinary share, in an aggregate amount of HK\$185,138,000 (2019: HK\$132,242,000), 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Earnings		
Earnings for the purposes of basic and diluted earnings per share, being profit for the year attributable to owners of the Company	<u>1,056,617</u>	<u>430,121</u>
	2020 '000	2019 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,644,833	2,540,405
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	<u>4,381</u>	<u>29,852</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>2,649,214</u>	<u>2,570,257</u>

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:

	2020 HK\$'000	2019 HK\$'000
0 – 30 days	744,534	724,759
31 – 90 days	127,517	45,579
91 – 180 days	94,846	73,442
181 – 360 days	523,979	318,699
Over 360 days	280,637	169,109
	<hr/>	<hr/>
Trade receivables	<u>1,771,513</u>	<u>1,331,588</u>

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:

	2020 HK\$'000	2019 HK\$'000
0 – 30 days	654,015	592,132
31 – 90 days	616,971	228,734
91 – 180 days	211,674	120,080
Over 180 days	399,729	278,780
	<hr/>	<hr/>
Trade payables	<u>1,882,389</u>	<u>1,219,726</u>

LIQUIDITY, FINANCIAL RESOURCES AND WORKING CAPITAL

Liquidity

As at 31st December, 2020, the total assets of the Group increased by HK\$3,345,324,000 or 16.5% to HK\$23,634,423,000 (2019: HK\$20,289,099,000).

As at 31st December, 2020, the Group has net current liabilities of HK\$4,915,911,000 (2019: HK\$1,558,870,000). Increase in net current liabilities was mainly due to increase in borrowings due within one year.

As at 31st December, 2020, the Group's current ratio, represented by a ratio of total current assets to total current liabilities, was approximately 0.6 (2019: 0.8).

As at 31st December, 2020, the total borrowings and lease liabilities increased by HK\$514,891,000 or 4.6% to HK\$11,617,523,000 (2019: HK\$11,102,632,000).

As at 31st December, 2020, the Group had total net debts of HK\$9,868,471,000 (2019: HK\$9,199,319,000), measured as total borrowings and lease liabilities minus the bank balances and cash and pledged bank deposits. As at 31st December, 2020, the Group had net gearing ratio of approximately 1.47 (2019: 1.69), measured as total net debts to total equity of HK\$6,731,350,000 (2019: HK\$5,436,073,000).

Financial resources

During the year ended 31st December, 2020, the Group entered into several loan agreements with several banks in Hong Kong and overseas, pursuant to which loan facilities of up to US\$484,000,000 in total were made available to the Group.

During the year ended 31st December, 2020, the Group generally financed its operations with internally generated resources and bank and other borrowings. As at 31st December, 2020, 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 United States dollars and the Group conducted its business transactions principally in RMB. As a result of the appreciation of RMB in the second half of 2020, exchange gain arising from the Group's bank borrowings denominated in United States dollars and Hong Kong dollars was recognised during the year. The Group may, as it thinks fit, seek suitable financial instruments to hedge against potential depreciation of RMB. As at 31st December, 2020, the Group did not employ any financial instruments for hedging purposes.

EMPLOYEE INFORMATION

As at 31st December, 2020, the Group had a total of 4,683 employees (2019: 4,388) in Hong Kong and the PRC, and the total employee benefit expenses (other than directors) for the year was approximately HK\$468,032,000 (2019: HK\$512,635,000, which included equity-settled share option expenses of HK\$43,802,000). No share option expense was recognised in 2020. The impact of the increase in the number of headcount of the Group was offset by the reduction in society security contribution made by the Group as PRC government waived part of employers' contribution during the COVID-19 pandemic. Around 99.8% of the Group's employees are based 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, 2019: 1,005,800) 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, 2019 over the number of issued shares of the Company as at that date: 0.04%).

The following table discloses movements of the Company's share options granted to the Directors under the Old Share Option Scheme during the year ended 31st December, 2020:

Name of Director	Date of grant	Exercise/vesting period	Exercise price HK\$	Number of share options granted under the Old Share Option Scheme				
				Outstanding at 1st January, 2020	Granted during the year under review	Exercised during the year under review	Lapsed/ Cancelled during the year under review	Outstanding at 31st December, 2020
Xu Yongxuan	11th April, 2011	11th April, 2011 to 10th April, 2021	0.4872	1,005,800	–	–	–	1,005,800
				<u>1,005,800</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,005,800</u>
Exercisable at the end of the period								<u>1,005,800</u>
Weighted average exercise price				<u>HK\$0.4872</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>HK\$0.4872</u>

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.

The scheme mandate limit of the New Share Option Scheme is 252,400,768. As at the date of this announcement, 126,730,800 share options were granted, 3,017,400 share options have lapsed in accordance with the terms of the New Share Option Scheme and the number of share options outstanding was 17,098,600. The maximum number of share options which may be granted under the New Share Option Scheme is 128,687,368. The outstanding share options, if converted in full into shares of the Company, and the number of options available for future grant, if granted and converted in full, represent approximately 0.65% and 4.87% 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 during the year ended 31st December, 2020:

Number of share options granted
under the New Share Option Scheme

Name of participants who are Directors and category of other participants	Date of grant	Exercise/ vesting period	Exercise price HK\$	Outstanding	Granted	Exercised	Lapsed/ Cancelled	Outstanding
				as at 1st January, 2020	during the year under review	during the year under review	during the year under review	as at 31st December, 2020
Lui Siu Keung	5th January, 2018	5th January, 2018 to 4th January, 2028	5.468	7,543,500	–	–	–	7,543,500
Lu Zhaocheng	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	5.468	1,508,700	–	–	–	1,508,700
				17,098,600	–	–	–	17,098,600
Exercisable at the end of the period								17,098,600
Weighted average exercise price				HK\$5.468	–	–	–	HK\$5.468

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, 2020, pledged bank deposits of RMB4,000,000 (equivalent to HK\$4,753,000) (2019: nil) were used to secure the short-term general banking facilities granted to the Group.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES

During the year under review, 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, 2020, the Board did not have any specific plans for material investment or capital assets.

CAPITAL AND OTHER COMMITMENTS

As at 31st December, 2020, the capital expenditure in respect of the acquisition of property, plant and equipment and right-of-use assets contracted for but not provided in the consolidated financial statements is HK\$281,354,000 (2019: HK\$94,110,000).

CONTINGENT LIABILITIES

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

BUSINESS REVIEW

During the year ended 31st December, 2020, 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; (ii) sales of stoves and provision of other related services; and (iii) the operation of CNG/LNG vehicle filling stations in the PRC.

New Downstream Piped Gas Distribution Projects

As at 31st December, 2020, the Group had 72 gas projects with exclusive rights in the PRC. During the year, the Group obtained concession right to operate 4 additional natural gas projects in Jiangsu Province, Jilin Province, Zhejiang Province and Anhui Province. 1 loss-making natural gas project in Hebei Province was disposed of.

New CNG/LNG Vehicle Filling Stations Expansion

During the financial year ended 31st December, 2020, 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, 2020 together with the comparative figures for the corresponding period last year are as follows:

	2020	2019	Increase/ (Decrease)
Number of operational locations (<i>Note a</i>)	72	69	3
– Henan Province	28	28	–
– Hebei Province	21	22	(1)
– Jiangsu Province	7	6	1
– Shandong Province	4	4	–
– Jilin Province	3	2	1
– Fujian Province	1	1	–
– Heilongjiang Province	2	2	–
– Zhejiang Province	3	2	1
– Anhui Province	3	2	1
Connectable population ('000) (<i>Note b</i>)	20,368	18,196	11.9%
Connectable residential households ('000)	5,806	5,182	12.0%
New piped gas connections by the Group made during the year			
– Residential households	461,807	448,296	3.0%
(i) “Coal-to-gas” projects	224,927	217,674	3.3%
(ii) Non “Coal-to-gas” projects	236,880	230,622	2.7%
– Industrial customers	275	323	(14.9)%
– Commercial customers	1,875	2,530	(25.9)%
Accumulated number of connected piped gas customers			
– Residential households	3,956,342	3,485,127	13.5%
– Industrial customers	3,207	2,932	9.4%
– Commercial customers	15,570	13,695	13.7%

	2020	2019	Increase/ (Decrease)
Penetration rate of residential pipeline connection (<i>Note c</i>)	68.1%	67.3%	0.8%
Unit of piped natural gas sold ('000 m ³)	2,024,914	1,673,599	21.0%
– Residential households	602,455	430,181	40.0%
– Industrial customers	1,188,152	1,077,641	10.3%
– Commercial customers	128,209	143,414	(10.6)%
– Wholesale customers	106,098	22,363	374.4%
Unit of LNG sold ('000 m ³)			
– Wholesale customers	140,169	180,504	(22.3)%
Number of CNG/LNG vehicle filling stations			
– Accumulated	64	63	1
– Under construction	7	8	(1)
Unit of natural gas sold to vehicles ('000 m ³)	73,919	89,461	(17.4)%
Total length of existing intermediate and main pipelines (km)	25,456	23,318	9.2%
Average selling price of natural gas (pre-tax) (RMB per m ³)			
– Residential households	2.44	2.36	3.4%
– Industrial customers	2.58	2.89	(10.7)%
– Commercial customers	3.08	3.22	(4.3)%
– Wholesale customers	2.12	2.43	(12.8)%
– Wholesale customers (LNG)	2.22	2.32	(4.3)%
– CNG/LNG vehicle filling stations	2.76	3.32	(16.9)%
Average purchase cost of natural gas (RMB per m ³) (<i>Note d</i>)	2.06	2.26	(8.8)%
Average connection fee for residential households (RMB)			
– “Coal-to-gas” projects	2,690	2,998	(10.3)%
– Non “Coal-to-gas” projects	2,555	2,666	(4.2)%

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 RMB0.21 per m³ (2019: RMB0.22 per m³).

FINANCIAL REVIEW

Overall

The Group's turnover for the year ended 31st December, 2020 increased by 4.9% to HK\$8,543,710,000 (2019: HK\$8,143,771,000). The gross profit increased to HK\$1,947,017,000 (2019: HK\$1,909,920,000) as a result of increased contribution from sales of stoves and provision of other related services. The Group's profit attributable to owners of the Company increased by 145.7% to HK\$1,056,617,000 (2019: HK\$430,121,000). The basic and diluted earnings per share attributable to the owners of the Company were HK39.95 cents and HK39.88 cents respectively for the year ended 31st December, 2020, as compared with that of HK16.93 cents and HK16.73 cents respectively for the corresponding period last year.

Non-HKFRS profit attributable to owners of the Company amounted to HK\$815,728,000 (2019: HK\$713,141,000). Non-HKFRS basic and diluted earnings per share attributable to the owners of the Company for the period under review were HK30.84 cents (2019: HK28.07 cents) and HK30.79 cents (2019: HK27.75 cents) respectively.

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,				
	2020	%	2019	%	Increase/
	HK\$'000	of total	HK\$'000	of total	(Decrease)
Sales of Gas	6,184,492	72.4%	5,805,421	71.3%	6.5%
Revenue from Gas Pipeline Construction	1,488,639	17.4%	1,581,238	19.4%	(5.9)%
Sales of Stoves and Provision of Other Related Services	635,951	7.4%	412,348	5.1%	54.2%
Operation of CNG/LNG Vehicle Filling Stations	229,051	2.7%	337,377	4.1%	(32.1)%
Sub-total	8,538,133	99.9%	8,136,384	99.9%	4.9%
Sales of Liquefied Petroleum Gas	5,577	0.1%	7,387	0.1%	(24.5)%
Total	8,543,710	100%	8,143,771	100%	4.9%

The turnover for the year ended 31st December, 2020 amounted to HK\$8,543,710,000 (2019: HK\$8,143,771,000). The increase in revenue from sales of gas and sales of stoves and provision of other related services was offset by decline in revenue from gas pipeline construction and operation of CNG/LNG vehicle filling stations.

Sales of Gas

Sales of gas for the year ended 31st December, 2020 amounted to HK\$6,184,492,000 (2019: HK\$5,805,421,000), representing an increase of 6.5% over the corresponding period last year.

Sales of gas for the year ended 31st December, 2020 contributed 72.4% of the total turnover of the Group, as compared with the percentage of 71.3% 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,				
	2020 HK\$'000	% of total	2019 HK\$'000	% of total	Increase/ (Decrease)
Industrial customers	3,483,170	56.3%	3,592,551	61.9%	(3.0)%
Residential households	1,655,466	26.8%	1,150,846	19.8%	43.8%
Commercial customers	443,821	7.2%	525,503	9.0%	(15.5)%
Wholesale customers	252,427	4.1%	61,728	1.1%	308.9%
Wholesale customers (LNG)	349,608	5.6%	474,793	8.2%	(26.4)%
Total	<u>6,184,492</u>	<u>100%</u>	<u>5,805,421</u>	<u>100%</u>	<u>6.5%</u>

Industrial customers

The sales of gas to the Group's industrial customers for the year ended 31st December, 2020 slightly decreased by 3.0% to HK\$3,483,170,000 from HK\$3,592,551,000 for the corresponding period last year. During the year ended 31st December, 2020, the Group connected 275 new industrial customers. The outbreak of the COVID-19 pandemic did not have severe impact on sales of gas to industrial customers. Factories resumed production quickly in the second quarter of 2020 after the quarantine measures were lifted in the PRC. During the year under review, the piped natural gas usage provided by the Group to its industrial customers increased by 10.3% to 1,188,152,000 m³ (2019: 1,077,641,000 m³). However, in response to lower cost of natural gas from suppliers, the average selling price of natural gas for industrial customers for the year under review was adjusted downward by 10.7% to RMB2.58 per m³ (2019: RMB2.89 per m³) when compared to the corresponding period last year.

The sales of gas to our industrial customers for the year ended 31st December, 2020 contributed 56.3% of the total sales of gas of the Group (2019: 61.9%) 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, 2020 increased by 43.8% to HK\$1,655,466,000 from HK\$1,150,846,000 for the corresponding period last year. The growth in sales of gas to residential households was supported by the increase in construction work for gas pipeline connection and the growth in population in the Group's existing project cities in the PRC. Having been our customers for the full year in 2020, the new residential households obtained in 2019 also contributed to the growth in sales of gas during the year under review. Since the outbreak of the COVID-19 pandemic, the government has strongly urged the public to stay at home as much as possible, which boosted the gas consumption of residential households as well. During the year under review, the Group provided new natural gas connections for 461,807 residential households and the piped natural gas usage provided by the Group to residential households was increased by 40.0% to 602,455,000 m³ (2019: 430,181,000 m³). After years of promotion of clean energy heating plan, more residential households are willing to use natural gas for indoor heating in the winter. The average selling price of natural gas for residential customers increased by 3.4% to RMB2.44 per m³ (2019: RMB2.36 per m³).

The sales of gas to our residential households for the year contributed 26.8% of the total sales of gas of the Group (2019: 19.8%).

Commercial customers

The sales of gas to our commercial customers for the year ended 31st December, 2020 decreased by 15.5% to HK\$443,821,000 from HK\$525,503,000 for the corresponding period last year. The sales of gas to commercial customers for the year contributed 7.2% of the total sales of gas of the Group (2019: 9.0%). During the year ended 31st December, 2020, the Group connected 1,875 new commercial customers. As at 31st December, 2020, the number of commercial customers of the Group reached 15,570, representing an increase of 13.7% as compared with 13,695 commercial customers as at 31st December, 2019.

The demand for gas from commercial customers were adversely impacted during the COVID-19 pandemic. Restaurants, schools and recreational facilities were temporarily closed. The gas consumption of commercial customers decreased by 10.6% to 128,209,000 m³ (2019: 143,414,000 m³) for the year under review. In response to the lower cost of natural gas from suppliers, the average selling price of natural gas for commercial customers was adjusted downward by 4.3% to RMB3.08 per m³ (2019: RMB3.22 per m³) when compared to the corresponding period last year.

Gas Pipeline Construction

Revenue from gas pipeline construction for the year ended 31st December, 2020 amounted to HK\$1,488,639,000, representing a decrease of 5.9% 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,				Increase/ (Decrease)
	2020 HK\$'000	% of total	2019 HK\$'000	% of total	
Residential households					
– “Coal-to-gas” projects	680,442	45.7%	741,272	46.9%	(8.2)%
– Non “Coal-to-gas” projects	680,603	45.7%	698,894	44.2%	(2.6)%
Non-residential customers	127,594	8.6%	141,072	8.9%	(9.6)%
Total	<u>1,488,639</u>	<u>100%</u>	<u>1,581,238</u>	<u>100%</u>	<u>(5.9)%</u>

Started from 2017, the PRC government has determined to launch the “coal-to-gas” policy as one of its major priorities to fight with air pollution. The Group has followed the “coal-to-gas” conversion policy and carried out a number of conversion projects in different regions of the PRC. In 2020, the Group selected new projects in a more cautious manner and focused on projects with better profitability and recoverability, such as projects partly sponsored by local governments. The revenue from gas pipeline construction for residential households for “coal-to-gas” projects for the year ended 31st December, 2020 decreased by 8.2% to HK\$680,442,000 from HK\$741,272,000 for the corresponding period last year. During the year ended 31st December, 2020, the Group provided new natural gas connections for 224,927 residential households (2019: 217,674) under “coal-to-gas” projects and the average connection fee was RMB2,690 (2019: RMB2,998).

During the year ended 31st December, 2020, revenue from gas pipeline construction for residential households for non “coal-to-gas” projects decreased by 2.6% to HK\$680,603,000 from HK\$698,894,000 for the corresponding period last year. The impact of slight increase in construction work for gas pipeline connection completed by the Group for residential households for non “coal-to-gas” projects to 236,880 from 230,622 for the corresponding period last year was offset by the decrease in average connection fee to RMB2,555 in 2020 from RMB2,666 in 2019.

Despite the reduction in average connection fee for residential households in 2020, the gross profit margin for gas pipeline construction remained relatively stable at 75.6%.

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, 2020, revenue from gas pipeline construction for non-residential customers decreased by 9.6% to HK\$127,594,000 from HK\$141,072,000 for the corresponding period last year.

As at 31st December, 2020, the Group’s penetration rates of residential pipeline connection amounted to 68.1% (2019: 67.3%) (calculated by the percentage of the accumulated number of the Group’s connected residential households over 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 Provision of Other Related Services

Sales of stoves and provision of other related services for the year ended 31st December, 2020 amounted to HK\$635,951,000 (2019: HK\$412,348,000), representing an increase of 54.2% over the corresponding period last year. It contributed 7.4% of the total turnover of the Group, as compared with the percentage of 5.1% 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 provision of other related services kept growing. It is expected to be a growth driver for the Group in the coming years. In April 2020, the Group established a new online shopping platform, Zhongyu iFamille (中裕i家), for gas-related services and products as well as home grocery for its residential customers to enhance user convenience.

Operation of CNG/LNG Vehicle Filling Stations

The operation of CNG/LNG vehicle filling stations is facing keen competition. During the pandemic, the domestic transport activities were substantially reduced. Revenue from operating CNG/LNG vehicle filling stations for the year ended 31st December, 2020 amounted to HK\$229,051,000, representing a decrease of 32.1% over the corresponding period last year. The unit of natural gas sold to vehicles declined by 17.4% to 73,919,000 m³ (2019: 89,461,000 m³) for the year ended 31st December, 2020. In view of the keen competition, the average selling price of natural gas for CNG/LNG vehicle filling stations for the year under review also dropped by 16.9% to RMB2.76 per m³ (2019: RMB3.32 per m³) when compared to the corresponding period last year. Moreover, if the international crude oil prices remain at a low level, it will bring uncertainties to the operation of CNG/LNG vehicle filling stations.

During the year ended 31st December, 2020, the turnover derived from operating CNG/LNG vehicle filling stations accounted for 2.7% (2019: 4.1%) of the total turnover of the Group. As at 31st December, 2020, the Group had 64 CNG/LNG vehicle filling stations and 7 CNG/LNG vehicle filling stations under construction in the PRC.

Gross profit margin

The overall gross profit margin for the year ended 31st December, 2020 was 22.8% (2019: 23.5%). 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 10.4% (2019: 9.9%) as a result of lower average cost of piped natural gas from suppliers. The Group's energy trading business has been strengthened to secure stable gas supply from different sources, which also helped to reduce average cost of natural gas. The gross profit margin for the gas pipeline construction remained stable at 75.6% for the year under review (2019: 75.5%). The gross profit margin for sales of stoves and provision of other related services dropped to 37.6% (2019: 43.0%) because of reduction in selling prices of wall hung boilers in 2020 to relieve residents' burden during the pandemic. The gross profit margin for the operation of CNG/LNG vehicle filling stations reduced to -0.6% (2019: 6.7%) as a result of decline in average selling price primarily due to the keen competition in the operating area of these stations and temporary closure of certain vehicle filling stations due to COVID-19.

Other gains and losses

The Group recognised other net gains of HK\$546,449,000 in 2020 (2019: other net losses of HK\$230,304,000). The amount mainly derived from (i) net foreign exchange gain of HK\$557,522,000 (2019: loss of HK\$248,562,000) mainly arising from the Group's bank borrowings denominated in United States dollars and Hong Kong dollars as a result of the appreciation of RMB in the second half of 2020; which was offset by (ii) net loss on disposal of property, plant and equipment of HK\$6,415,000 (2019: gain of HK\$18,926,000).

In 2020, the Group recognised impairment loss on other intangible assets of HK\$265,274,000 (2019: nil) in relation to certain subsidiaries engaged in the operation of CNG vehicle filling stations and sales and distribution of piped gas. In view of the keen competition and adverse impact of COVID-19 pandemic, the operation of CNG/LNG vehicle filling stations had recorded unsatisfactory results as mentioned above and the Group does not foresee the situation may improve in near future. Impairment loss of HK\$59,980,000 was recognised for the operating rights to operate certain CNG vehicle filling stations in Jiyuan City, Luohe City and Sanmenxia City (all in Henan Province). Furthermore, in 2020, the city planning of Jingqiao Town, Nanjing City, Jiangsu Province saw a major change from the development of industrial zone to a focus on health and well-being industry. Therefore, it is expected that the number of industrial customers and the annual gas consumption by industrial customers in the project area will be significantly worse than our expectation when obtaining the concession right to operate natural gas project in such area. Thus, impairment loss of HK\$117,037,000 was recognised for such sales and distribution of piped gas project. In addition, due to the delay in construction of main pipeline by the local government in Chengguan Town, Tieli City, Heilongjiang Province, the gas supply in Chengguan Town obtained by the Group was substantially limited and as a result, the unit of natural gas sold by us in Chengguan Town was limited. The gas project has been making losses in past years and the expected total return from such gas project is substantially reduced. Therefore, impairment loss of HK\$88,257,000 was recognized.

Every year, the Group performs impairment assessment under expected credit loss model according to HKFRS 9 on trade receivables and contract assets based on provision matrix except for the debtors with credit-impaired balances which are assessed individually. During the year ended 31st December, 2020, the Group made an allowance of HK\$25,534,000 (2019: reversal of HK\$739,000) and HK\$13,200,000 (2019: reversal of HK\$9,389,000) on trade receivables and contract assets respectively in relation to those aged receivables whose likelihood of recovery is considered to be low. In addition, the Group recognized HK\$12,625,000 (2019: HK\$784,000) impairment loss allowance on other receivables, based on the individual assessment of the recoverability of the relevant receivables. The amount was considered as credit-impaired and full provision has been made.

Other income

Other income increased to HK\$107,743,000 in 2020 from HK\$53,493,000 in 2019. The balance in 2020 represented the bank interest income of HK\$7,819,000 (2019: HK\$11,282,000), interest income on amount due from an associate of HK\$3,957,000 (2019: HK\$2,946,000), interest income from loans to employees of HK\$24,213,000 (2019: nil), government subsidies of HK\$45,150,000 (2019: HK\$5,160,000), income from investments in life insurance contracts of HK\$2,802,000 (2019: HK\$2,771,000) and sundry income of HK\$23,802,000 (2019: HK\$31,334,000).

Selling and distribution costs and administrative expenses

Selling and distribution costs increased by 7.8% to HK\$197,315,000 in 2020 from HK\$183,041,000 in 2019. Administrative expenses increased by 3.1% to HK\$466,071,000 in 2020 from HK\$451,878,000 in 2019. The increase was mainly attributable to (i) increasing commission expenses for sales of stoves and provision of other related services; (ii) consultancy fee paid for system updates and integration of new IT systems; and (iii) additional depreciation expenses. In 2019, the Group recognised share option expenses of HK\$43,802,000 arising from share options granted on 5th January, 2018. No Share option expense was recognised in 2020.

Finance costs

Finance costs decreased by 25.7% to HK\$255,849,000 in 2020 from HK\$344,248,000 in 2019. The decrease was mainly attributable to (i) reduction of effective interest rate; and (ii) the increase in finance costs capitalised in property, plant and equipment; but partly offset by (iii) the increase in average 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, 2020, withholding tax amounting to HK\$7,279,000 (2019: HK\$7,361,000) 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 2020 amounted to HK\$302,194,000 (2019: HK\$280,770,000).

Non-HKFRS EBITDA

For the purposes of this announcement, non-HKFRS EBITDA is defined as earnings from continuing operations before finance costs, taxation, depreciation, amortisation, foreign exchange gain/loss, impairment losses/reversal of impairment and share option expenses. Non-HKFRS EBITDA is a non-HKFRS measure used by the management for monitoring the core business performance of the Group. The Company considers that the non-HKFRS EBITDA can provide shareholders and potential investors of the Company with useful supplementary information on the performance of the Group's core operations. Foreign exchange gain/loss and share option expenses are considered not directly resulting from the actual business activities of the Group. They, together with the impairment losses/reversal of impairment, are non-cash items which we do not believe are reflective of the core operating performance of the Group. The non-HKFRS EBITDA may not be comparable to similar measures presented by other companies.

The Group's non-HKFRS EBITDA was approximately HK\$1,897,378,000 for the year ended 31st December, 2020, representing an increase of 5.2% as compared with that of approximately HK\$1,804,238,000 for the corresponding period last year.

Profit attributable to owners of the Company

As a result of the above, profit attributable to owners of the Company was HK\$1,056,617,000 in 2020, representing an increase of 145.7% as compared with that of HK\$430,121,000 in 2019.

Excluding the net foreign exchange gain of HK\$557,522,000 (2019: loss of HK\$248,562,000), impairment losses of HK\$316,633,000 (2019: reversal of impairment of HK\$9,344,000) and share option expenses of nil (2019: HK\$43,802,000), non-HKFRS profit attributable to owners of the Company would amount to HK\$815,728,000 (2019: HK\$713,141,000). Similar to the non-HKFRS EBITDA, the non-HKFRS profit attributable to owners of the Company is a non-HKFRS measure used by the management for monitoring the actual operating performance of the Group and may not be comparable to similar measures presented by other companies.

Net profit margin

For the year ended 31st December, 2020, the net profit margin, representing a ratio of profit attributable to owners of the Company to turnover, was 12.4% (2019: 5.3%).

Earnings per share

The basic and diluted earnings per share attributable to the owners of the Company were HK39.95 cents and HK39.88 cents respectively in 2020, as compared with that of HK16.93 cents and HK16.73 cents respectively in 2019.

The non-HKFRS basic and diluted earnings per share attributable to the owners of the Company (calculated by reference to the non-HKFRS profit attributable to owners of the Company which excludes the net foreign exchange gain/loss, impairment losses/reversal of impairment and share option expenses, if any, as the numerator) for the year ended 31st December, 2020 were HK30.84 cents (2019: HK28.07 cents) and HK30.79 cents (2019: HK27.75 cents) respectively. Similar to the non-HKFRS EBITDA, the non-HKFRS basic and diluted earnings per share attributable to the owners of the Company are non-HKFRS measures used by the management for monitoring the actual operating performance of the Group and may not be comparable to similar measures presented by other companies.

Net assets value per share

The net assets value per share attributable to the owners of the Company was HK\$2.27 as at 31st December, 2020, representing an increase of 25.4% as compared with that of HK\$1.81 as at 31st December, 2019.

DIVIDENDS FOR THE YEARS ENDED 31ST DECEMBER, 2019 AND 2020

The Board recommended the payment of an interim dividend of HK2 cents (2019: HK2 cents) per ordinary share for the year ended 31st December, 2020 to shareholders whose names appear on the register of members of the Company on 20th October, 2020 and the interim dividend was paid on 16th November, 2020.

The Board has recommended the payment of a final dividend of HK7 cents (2019: HK5 cents) per ordinary share for the year ended 31st December, 2020 to shareholders whose names appear on the register of members of the Company on 14th July, 2021 and the proposed final dividend is expected to be paid in cash on 3rd August, 2021. 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, 2020, 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 of Hong Kong Limited (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	761,399,206	Beneficial/Interest in controlled corporation/Interest of spouse	28.79%
Mr. Xu Yongxuan	2	1,508,700	Beneficial	0.06%
Mr. Lui Siu Keung	3	19,930,179	Beneficial	0.75%
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, 731,636,289 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 19,324,616 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 12,386,679 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, 2020, 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. Lu Zhaoheng, Mr. Li Yan and Mr. Jia Kun as at 31st December, 2020 would have been slightly different in percentage ratio (namely 0.23%, 0.53% and 0.27%, respectively), while the percentage ratios for the other Directors remain the same.

Save as disclosed above, as at 31st December, 2020, 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, 2020, 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	731,636,289	27.66%
Ms. Feng Haiyan	3	Beneficial/Interest of spouse	761,399,206	28.79%

Notes:

1. According to the disclosure of interests filings as shown in the website of the Stock Exchange as at 31st December, 2020, 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 731,636,289 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 750,960,905 shares under the SFO as she is the spouse of Mr. Wang Wenliang.
4. As at 31st December, 2020, the total number of issued shares of the Company was 2,644,832,157.

Save as disclosed above, as at 31st December, 2020, 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, 2020.

AUDIT COMMITTEE

The Company’s Audit Committee, comprising Mr. Li Chunyan, Dr. Luo Yongtai and Ms. Liu Yu Jie, as the independent non-executive Directors, has reviewed with the Company’s management the accounting principles and practices adopted by the Group and financial reporting matters including a review of the annual results of the Group for the year ended 31st December, 2020. There were no disagreements within the Audit Committee in relation to the accounting treatment adopted by the Company.

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

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, 2020.

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, 2020 will be despatched to the shareholders in April 2021 and will be published on the websites of the HKEX and the Company accordingly.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31st December, 2020 as set out in this announcement (the "Preliminary Announcement") have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the Preliminary Announcement.

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the Company's register of members on Thursday, 3rd June, 2021 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 Monday, 31st May, 2021 to Thursday, 3rd June, 2021 (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 Friday, 28th May, 2021.

Shareholders whose names appear on the Company's register of members on Wednesday, 14th July, 2021 will qualify for the proposed final dividend. The Company's transfer books and register of members will be closed from Tuesday, 13th July, 2021 to Wednesday, 14th July, 2021 (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, 12th July, 2021. 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 Tuesday, 3rd August, 2021 to shareholders whose names appear on the register of members of the Company on Wednesday, 14th July, 2021.

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 Zhaocheng, 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, 2021