CHINA GAS
中國燃氣

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 2017

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 2017, together with the comparative figures for the year ended 31 March 2016, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**Year ended 31 March 2017** ***HK$'000***	Year ended 31 March 2016 *HK$'000* (Restated)
Revenue	*3*	**31,993,323**	29,496,869
Cost of sales		**(23,616,497)**	(22,283,324)
Gross profit		**8,376,826**	7,213,545
Other income		**445,644**	486,233
Other gains and losses		**(214,653)**	(958,581)
Selling and distribution costs		**(1,229,274)**	(1,087,858)
Administrative expenses		**(1,675,472)**	(1,560,846)
Finance costs		**(705,116)**	(758,180)
Share of results of associates		**293,060**	185,462
Share of results of joint ventures		**611,187**	197,925
Profit before taxation		**5,902,202**	3,717,700
Taxation	*4*	**(1,207,506)**	(984,408)
Profit for the year	*5*	**4,694,696**	2,733,292
Other comprehensive expense			
Items that will be reclassified subsequently to profit or loss:			
Decrease in fair value on available- for-sale investments		**(21,794)**	(11,042)
Reclassification adjustment for the cumulative loss included in profit or loss upon disposal of available-for-sale investments		**—**	5,463
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**(1,240,162)**	(1,082,357)
Other comprehensive expense for the year		**(1,261,956)**	(1,087,936)
Total comprehensive income for the year		**3,432,740**	1,645,356

	Note	Year ended 31 March 2017 HK$'000	Year ended 31 March 2016 HK$'000 (Restated)
Profit for the year attributable to:			
Owners of the Company		**4,147,732**	2,273,121
Non-controlling interests		**546,964**	460,171
		4,694,696	2,733,292
Total comprehensive income attributable to:			
Owners of the Company		**3,047,451**	1,449,198
Non-controlling interests		**385,289**	196,158
		3,432,740	1,645,356
Earnings per share	*6*		
Basic		**HK84.51 cents**	HK45.79 cents
Diluted		**HK84.51 cents**	HK45.79 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Investment properties		**219,221**	190,450
Property, plant and equipment		**25,782,679**	22,849,608
Prepaid lease payments		**1,516,323**	1,493,028
Investments in associates		**4,165,789**	3,832,849
Investments in joint ventures		**5,412,087**	5,070,331
Available-for-sale investments		**324,304**	211,175
Goodwill		**3,354,612**	2,479,992
Other intangible assets		**3,003,196**	3,060,222
Deposit for acquisition of property, plant and equipment		**417,854**	485,949
Deposit for acquisition of subsidiaries, joint ventures and associates		**267,264**	46,632
Deferred tax assets		**160,617**	166,106
		44,623,946	39,886,342
Current assets			
Inventories		**1,678,888**	1,213,116
Amounts due from customers for contract work		**1,738,107**	1,136,446
Trade and other receivables	*7*	**6,066,993**	5,093,878
Amounts due from associates		**255,015**	100,540
Amounts due from joint ventures		**304,156**	271,069
Prepaid lease payments		**49,991**	47,641
Held-for-trading investments		**27,402**	11,364
Pledged bank deposits		**517,676**	275,554
Bank balances and cash		**4,724,646**	5,496,941
		15,362,874	13,646,549
Current liabilities			
Trade and other payables	*8*	**9,649,805**	8,549,457
Amounts due to associates		**100,939**	—
Amounts due to joint ventures		**797,393**	—
Amounts due to customers for contract work		**645,193**	525,157
Derivate financial instrument		**936**	4,500
Taxation		**511,844**	398,773
Amount due to a non-controlling interest of a subsidiary		**—**	509
Bank and other borrowings — due within one year		**10,873,256**	10,324,484
		22,579,366	19,802,880
Net current liabilities		**(7,216,492)**	(6,156,331)
Total assets less current liabilities		**37,407,454**	33,730,011

	2017	2016
	HK$'000	*HK$'000*
Equity		
Share capital	**49,685**	49,104
Reserves	**20,500,548**	17,803,458
Equity attributable to owners of the Company	**20,550,233**	17,852,562
Non-controlling interests	**3,377,375**	3,111,558
Total equity	**23,927,608**	20,964,120
Non-current liabilities		
Bank and other borrowings — due after one year	**12,745,179**	12,009,698
Deferred taxation	**734,667**	756,193
	13,479,846	12,765,891
	37,407,454	33,730,011

1. BASIS OF PREPARATION

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle

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

Amendments to HKAS 1 "Disclosure initiative"

The Group has applied the amendments to HKAS 1 "Disclosure initiative" for the first time in the current year.

The amendments to HKAS 1 clarify that an entity need not provide a specific disclosure required by a HKFRS if the information resulting from that disclosure is not material, and give guidance on the bases of aggregating and disaggregating information. However, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in HKFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the entity's financial position and financial performance.

As regards the structure of the financial statements, the amendments provide examples of systematic ordering or grouping of the notes.

The Group has applied these amendments retrospectively. Hence, the grouping and ordering of certain notes has been revised to give prominence to the areas of the Group's activities that management considers to be most relevant to an understanding of the Group's financial performance and financial position. Other than the above presentation changes, the application of the amendments to HKAS 1 has not resulted in any impact on the financial performance or financial position of the Group in these consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue mainly represents the net amounts received and receivable for sales of piped gas, liquefied petroleum gas ("LPG"), construction contract revenue from gas connection contracts and revenue from 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 resource 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 reviewed the results of Zhongyu Gas Holdings Limited ("Zhongyu Gas"), an associate of the Group, being shared by the Group under equity accounting separately and thus Zhongyu Gas is presented as a single operating and reportable segment.

During the current year, due to the expansion of the operation of the value-added services business, including the sales of gas appliances, gas corrugated pipes and gas alarms, provision of comprehensive gas insurance agency services, provision of maintenance and renovation services, the management reclassified the revenue from other income to value-added services segment and the CODM reviewed it for the purpose of resource allocation and assessment of segment performance. Accordingly, the segment information reported below for the year ended 31 March 2016 has been restated to conform with the current year presentation.

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

(i) Sales of piped gas;

(ii) Gas connection;

(iii) Sales of LPG;

(iv) Value-added services; and

(v) Zhongyu Gas

Information regarding the above segments is presented below.

Segment revenues and results

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

For the year ended 31 March 2017

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

For the year ended 31 March 2016 (restated)

	Sales of piped gas *HK$'000*	Gas connection *HK$'000*	Sales of LPG *HK$'000*	Value-added services *HK$'000*	Zhongyu Gas *HK$'000*	Segment Total *HK$'000*
Segment revenue from external customers	12,995,664	4,793,584	11,349,279	358,342	—	29,496,869
Segment profit	1,951,856	2,527,088	508,989	144,960	41,142	5,174,035
Change in fair value of investment properties						2,792
Interest and other gains						77,639
Impairment loss recognised on property, plant and equipment						(124,414)
Litigation claim						(287,310)
Unallocated corporate expenses						(269,973)
Finance costs						(758,180)
Loss on disposal of available-for-sale investments						(5,463)
Gain on deemed disposal of a joint venture						1,970
Exchange loss on translation of foreign currency monetary items into functional currency						(435,641)
Share of results of unlisted associates						144,320
Share of results of joint ventures						197,925
Profit before taxation						3,717,700

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

The accounting policies of the operating segments are the same as the Group's accounting policies. Except for segment profit of Zhongyu Gas, segment profit for remaining reportable segments represents the profit earned by each segment without allocation of bank interest income and other gains, central administration cost, change in fair value of investment properties, impairment loss recognised on property, plant and equipment, litigation claim, loss on liquidation of subsidiaries, loss on disposal of available-for-sale investments, gain on deemed disposal of a joint venture, share of results of unlisted associates, share of results of joint ventures, exchange loss on translation of foreign currency monetary items into functional currency and finance costs. The segment profit of Zhongyu Gas represents share of results of Zhongyu Gas. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

4. TAXATION

	2017	2016
	HK$'000	*HK$'000*
People's Republic of China, other than Hong Kong ("PRC") Enterprise Income Tax	**1,229,483**	1,045,206
Deferred taxation	**(21,977)**	(60,798)
	1,207,506	984,408

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 2017 (2016: 15%).

5. PROFIT FOR THE YEAR

	2017	2016
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**9,000**	9,000
Depreciation of property, plant and equipment	**872,640**	832,342
Release of prepaid lease payments	**48,362**	45,444
Amortisation of intangible assets included in cost of sales	**87,157**	81,179
Minimum lease payments for operating leases	**179,745**	161,289
(Gain) loss on disposal of property, plant and equipment	**(2,239)**	8,112
Share of tax of associates (included in share of results of associates)	**76,485**	74,808
Share of tax of joint ventures (included in share of results of joint ventures)	**172,997**	145,400
Staff costs	**1,860,899**	1,625,774
Cost of inventories recognised as expenses	**22,808,385**	20,680,601
Rental income from investment properties less outgoings	**(25,300)**	(30,857)

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:

	2017	2016
	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	**4,147,732**	2,273,121
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**4,908,043**	4,964,687

The computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise prices of those share options is higher than the average market price for the shares for both financial years.

7. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**2,407,026**	1,814,935
Less: Accumulated allowances	**(379,289)**	(394,188)
Trade receivables	**2,027,737**	1,420,747
Deposits paid for construction and other materials	**379,795**	418,902
Deposits paid for purchase of natural gas and LPG	**909,187**	763,441
Advance payments to sub-contractors	**739,990**	611,011
Rental and utilities deposits	**190,736**	174,462
Other tax recoverable	**337,174**	254,074
Other receivables and deposits	**1,077,147**	1,068,245
Prepaid operating expenses	**380,223**	350,226
Amounts due from non-controlling interests of subsidiaries	**25,004**	32,770
Total trade and other receivables	**6,066,993**	5,093,878

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:

	2017	2016
	HK$'000	*HK$'000*
0–180 days	**1,794,627**	1,191,176
181–365 days	**168,785**	148,515
Over 365 days	**64,325**	81,056
	2,027,737	1,420,747

The trade receivables with carrying amount of HK$1,794,627,000 (2016: HK$1,191,176,000) are neither past due nor impaired at the reporting date for which the Group believes that the amounts are considered recoverable.

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

During the year ended 31 March 2017, the Group made a reversal of allowance of HK$1,289,000 (2016: an allowance of HK$31,852,000) in respect of the trade receivables related to the gas pipeline construction business and LPG business, which was received during the year (2016: was past due at the reporting date with long age and slow repayments were received from respective customers since the due date. The Directors of the Company considered the related receivables may be impaired and specific allowance was made).

8. TRADE AND OTHER PAYABLES

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

	2017	2016
	HK$'000	*HK$'000*
0–90 days	**3,078,423**	2,885,375
91–180 days	**558,837**	427,899
Over 180 days	**1,368,979**	1,605,916
Trade and bill payables	**5,006,239**	4,919,190
Other payables and accrued charges	**569,243**	553,768
Consideration payable	**550,964**	—
Construction fee payables	**586,801**	514,591
Other tax payables	**84,143**	72,087
Accrued staff costs	**76,234**	105,797
Loan interest payables	**109,098**	134,332
Advance payments from customers	**2,013,342**	1,469,674
Advances received from customers for contract work that have not yet been started	**377,169**	548,345
Amounts due to non-controlling interests of subsidiaries	**276,572**	231,673
	9,649,805	8,549,457

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

DIVIDEND

The Board resolved to recommend payment of a final dividend of HK20 cents per share to shareholders whose names appear on the register of members of the Company on 18 August 2017 (the record date for determining the entitlement of the shareholders to receive the proposed final dividend). Together with the interim dividend of HK5 cents per share paid to the shareholders on 27 January 2017, the total dividend for the year ended 31 March 2017 amounts to HK25 cents per share (total dividend for the year ended 31 March 2016 amounted to HK19.46 cents per share).

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 7 August 2017 (Monday) to 10 August 2017 (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 10 August 2017 (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 4 August 2017 (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 2017, the register of members of the Company will be closed from 16 August 2017 (Wednesday) to 18 August 2017 (Friday) (both days inclusive), during which no transfer of shares will be registered. Subject to the approval of the shareholders at the forthcoming annual general meeting, the final dividend will be payable to the shareholders whose names appear on the register of members of the Company on 18 August 2017 (Friday). In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 15 August 2017 (Tuesday).

MANAGEMENT DISCUSSION AND ANALYSIS

Introduction to the Company

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

Business Review

During the financial year, the growth rate of macro-economy was in an on-going downward trend and dropped to 6.7% in the PRC. The fall was due to US dollar entering an interest rate hike cycle and Renminbi facing continuous devaluation pressure, and traditional industries were still confronted with survival pressure arising from the excess manufacturing capacity, the adjustment of real estate industry, and the sluggish recovery of the price of bulk commodity, in particular the crude oil. Benefiting from the PRC government's steadfast determination to address the pollution of fog and haze, the increasingly stringent environmental protection policy, and the effective implementation of natural gas utilization policies like "replacing coal with gas" in industrial and commercial sectors and "prohibiting coal burning" in towns and villages in Northern China led to winter household natural gas heating ("replacement of coal with gas"), and the growth rate of natural gas industry stopped declining after a decline that had continued for two years. In 2016, the PRC apparent consumption of natural gas reached 205.8 billion cubic meters, representing a year-on-year growth of 6.6%, higher than that of 5.7% recorded in 2015.

To actively respond to market changes, the Group strengthened its corporate governance and safe operation, deepened its internal reforms, optimized its management, and endeavored to create a new ecosystem in which a 4G energy network composed of piped natural gas ("PNG"), CNG, LNG and LPG can be developed. In the aspect of business development, the Group firmly implemented its "3211" strategy to explore the management and development potentials of old state-owned enterprises and companies having difficulties and gas refilling stations running at low efficiency, to increase the profitability of city gas business and LPG business, to actively push ahead with the value-added business strategy in new market "blue ocean" development, and to develop "natural gas in towns and villages" and "point-to-point gas supply", as well as to speed up the market layout of and investment in emerging business.

Zhejiang Viewshine Intelligent Meter Stock Co., Ltd. ("Viewshine"), a company invested by the Group, was listed on the Shenzhen Stock Exchange of the PRC (stock code: 002849) on 17 February 2017. As at 31 March 2017, the Group holds 12.46% of the total issued share capital of Viewshine. Viewshine is a new and advanced technology enterprise engaged in the research and development, production and sales of smart life electronic system, urban public utility system integration and intelligent terminals. It is a leading provider for comprehensive intelligent solutions for gas fuels in China. The investment is a successful case achieved by the Group in extending investment in its principal business of PNG industry chain.

During the period, the Group's three major business segments (i.e. natural gas sales plus pipeline connection, LPG sales and value-added businesses) recorded considerable increase in both financial and operating results.

During the financial year, the Group's total consolidated revenue increased by 8.5% year on year to HK$31,993,323,000; consolidated gross profit amounted to HK$8,376,826,000, representing a year-on-year increase of 16.1%; profit attributable to owners of the Company increased by 82.5% to HK$4,147,732,000; and basic earnings per share was HK84.51 cents, representing a year-on-year increase of 84.6%.

New Projects Expansion

By virtue of its long-established penetrating market insight, dedicated project development strategies, excellent safety and operation management and good corporate image, the Group has maintained its outstanding performance in securing new projects in the industry. During the financial year, the Group secured 25 additional city piped gas projects and one natural gas long distance transmission pipeline project. As of 31 March 2017, the Group cumulatively secured a total of 330 piped gas projects with concession right, and owned 14 natural gas long distance transmission pipelines, 580 CNG/LNG refilling stations for vehicles, one coal bed methane development project and 92 LPG distribution projects in 25 provinces, municipalities and autonomous regions in China.

The Group secured 25 additional city piped gas projects and one natural gas long distance transmission pipeline project from 1 April 2016 to 31 March 2017 in the following locations:

Provinces	**Cities/Districts**
Anhui	Binhu New District of Hefei City
Hubei	Zigui County Huangshi Port Industrial Park
Zhejiang	Leqing City
Hebei	Zan Huang County
Liaoning	Shenyang City Jinzhou City Changhai County Jinzhou Dayou Economic Area Yingkou Bohai Tech City
Shandong	Zhangqiu City Rongcheng City Haiyang City Wendeng City Rushan City Weihai City Shandong Provincial Natural Gas Pipeline
Jilin	Jingyu County
Inner Mongolia Autonomous Region	Jinshan Economic and Technological Development Zone
Heilongjiang	Xunke County Qingan County
Fujian	Quanzhou Guanqiao Industrial Park
Jiangxi	Xinfeng Industrial Park
Henan	Guangshan County Gushi County Huiguo Town of Gongyi City

As at 31 March 2017, the number of connectable population living in the cities covered by all of the Group's gas projects increased to 117,124,880 (approximately 38,931,203 households), representing a year-on-year increase of 17.8%.

Gas Business Review

The principal business of the Group includes natural gas sales, LPG sales and value-added service, with different customer bases, profit model and marketing strategies. The performance of each segment for the year ended 31 March 2017 is discussed below.

Natural Gas Business

The Group is a gas operator and service provider mainly focusing on supplying natural gas. Through its rapid development in the past 15 years, the Group has established an operation and management system which is unique of its kind in the domestic gas industry and in line with its own needs for development. With timely optimization, such system has proven itself to contribute positively towards enhancing the management efficiency and operating results of the Group.

Township "Replacement of coal with gas"

Environmental issues tie with national economy and people's livelihood. As a responsible clean energy operator, the Group responds to the blue sky engineering formulated by the PRC government by making active investment in the projects for the replacement of coal with gas for winter heating in the township-level region of Northern China through prudent investigation and study, scientific design, comprehensive layout, highly efficient construction and safe operation.

For the replacement of coal with gas in township-level regions, the Group specially sets up headquarters as well as platform companies for the replacement of coal with gas in Northern China, and conducts a scientific deployment for the organizational structure for the replacement of coal with gas. In the meantime, a task force, composed of over 300 prominent management personnels selected from different project companies, has been established for the replacement of coal with gas in township-level region of Northern China. Professional trainings including market development in township, engineering design and construction, gas supply and pricing, contract energy management, installation of wall-hanging gas heaters, safe operation and customer services, etc have been rapidly deployed and work has proceeded rapidly to ensure the rapid progress of various works related to the replacement of coal with gas in township-level regions of Northern China.

In light of effective organization and coordination, as of 10 June 2017, the Group entered into certain framework agreements on clean energy strategic cooperation with nine cities in Northern China in relation to the replacement of coal with gas in township-level regions, improvement of coal-fired boiler in urban areas, natural gas for vehicles, distributed energy, natural gas storage facilities, and construction of natural gas pipe network. Areas involved include Tianjin City, Baoding City, Langfang City, Zhangjiakou City, Cangzhou City and Xingtai City of Hebei Province, Xinle City, Gaocheng District and Luquan District of Shijiazhuang City, as well as Taiyuan City and Yangquan City of Shanxi Province. Major design, engineering and market development personnels of the Group have settled in the prefecture-level cities (including township-level regions), with which the Group has entered into agreements, to carry out the work. From 1 January to 10 June 2017, the Group had signed new agreements with 670,000 residential users (including 20,000 users in Xiongan New Area) for the replacement of coal with gas in township-level regions. In the coming years, the Group will continue to develop various businesses related to natural gas represented by the replacement of coal with natural gas in Northern China, which will bring about considerable connection fees, as well as revenue and profit from the sale of natural gas, wall-hanging gas heaters and kitchen utensils for the Group.

Construction of Piped Gas Network

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

As of 31 March 2017, the Group distributed natural gas to 236 cities and completed the construction of gas transmission pipeline networks of 95,455 kilometers and 497 storage and distribution stations (city gates) and LNG regasification stations. Those storage and distribution stations and LNG regasification stations are designed to supply 105,210,000 cubic meters of gas per day.

Natural Gas Users

Natural gas users of the Group are mainly classified into residential, industrial and commercial users, as well as CNG/LNG refilling stations for vehicles.

Residential Users

During the financial year, while connecting gas to new buildings, the Group continued to take the initiative in the vigorous development for the connection of existing residential users and achieved remarkable success. The proportion of newly connected existing residential users against the total number of newly connected residential users for the year increased annually and reached 34% during the financial year.

During the period, the Group completed connections for 2,564,943 new residential households (for the year ended 31 March 2016: 2,100,256 households), representing a year-on-year increase of approximately 22.1%. Average piped gas connection fee paid by residential users remains stable at RMB2,540/household (for the year ended 31 March 2016: RMB2,530/household).

As of 31 March 2017, the Group completed gas connections for 20,681,656 households (for the year ended 31 March 2016: 14,691,200 households) in total, representing a year-on-year increase of approximately 40.8% and accounting for 53.1% of the total number of connectable residential users of the Group.

Industrial and Commercial Users

The Group proactively responded to the challenges arising from macro-economic environment and battered oil price by making timely adjustment to its market development strategies, tapping market potentials, reinforcing the development of existing industrial and commercial users and seeking the new growth driver for gas demand. The Group took an active role in coordinating with local governments to accelerate the construction of gas-fired central heating systems and industrial and commercial "coal-to-gas" conversion projects according to the requirements of the Action Plan on Prevention and Control of Air Pollution promulgated by the State Council of the PRC in September 2013. The Group also leveraged on its natural gas logistics fleet to develop township and point-to-point natural gas supply projects in order to effectively promote and increase the Group's volume of gas sold to industrial and commercial users and winter heating sectors.

With regard to the "coal-to-gas" conversion projects for industrial and commercial users, the Group made timely adjustments to its market development and incentive policies, and reinforced the supervision on project companies for speedy progress. During the financial year, the Group entered into the "coal-to-gas" conversion contracts with a total of 1,270 new industrial and commercial customers, and retrofitted coal-fired boilers with capacities of generating over 3,065 tons of steam per hour. It is expected that the natural gas sales will be increased by 400,000,000 cubic meters every year. In the next few years, natural gas demand from industrial and commercial users implementing the "coal-to-gas" conversion projects will continue to increase, which will become one of the important drivers to support the growth in gas sales volume.

During the financial year, the Group had newly connected a total of 1,569 industrial users and 27,411 new commercial users (excluding 1,244 industrial users and 27,582 commercial users newly acquired during the period), of which industrial users implementing the project of "replacing coal with gas" accounted for 45.0% of the new industrial users. As of 31 March 2017, the Group had 7,403 industrial users, representing a year-on-year increase of approximately 61.3%; and 141,969 commercial users, representing a year-on-year increase of 63.2%. Average connection fees for each industrial user and each commercial user were RMB235,525 and RMB28,706 respectively.

During the financial year, the Group's income from gas connection activities was HK$5,748,458,000, accounting for approximately 18.0% of the Group's total revenue for the year, and representing a year-on-year increase of approximately 19.9%.

CNG/LNG Refilling Stations

International oil price remained at low levels despite picking up after a nosedive in 2015. In China, there was a smaller gap between the advantage of economical efficiency of natural gas for vehicles and that of gasoline and diesel. At the same time, in light of the impact of policies like subsidizing electric vehicles, both market development and natural gas sales volume of CNG refilling stations were confronted with pressure. However, thanks to the recovery of China's logistics transportation industry and the increasing number of LNG heavy trucks, gas sales volume of LNG refilling stations secured ideal growth.

In view of the short-term difficulties faced by gas refilling stations, the Group adhered to the principle of proactively adjusting development strategy of refilling stations in accordance with market changes. With a focus on "upgrading the market development capability of refilling stations, enhancing the profitability of gas refilling stations for vehicles and vessels, tapping the potentials of refilling stations having either low efficiency or problems, and optimizing the investment strategy", the Group increased project management efficiency and strengthened investment risk control to push forward with market development, and vigorously promoted the service quality for vehicle and vessel users and pushed ahead with value-added business such as "Yikatong" smart card system and convenience stores in refilling stations to expand the source of profit, attract both new and old customers and enhance customer loyalty.

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

During the period, the Group added a total of 9 new CNG/LNG refilling stations for vehicles. As of 31 March 2017, the Group owned a total of 580 CNG/LNG refilling stations for vehicles. The sales volume of CNG/LNG for vehicles made up 14.3% of the Group's natural gas sales volume from city gas projects during the financial year.

Natural Gas Sales

During the financial year, the Group sold a total of 12,224,292,000 cubic meters of natural gas mainly through city piped gas network (retail) and through wholesale business (including natural gas long distance transmission pipelines), representing a year-on-year increase of 24.0%, of which 8,473,339,000 cubic meters were sold through retail business, representing a year-on-year increase of 16.2%, and 3,750,953,000 cubic meters were sold through the wholesale business (including long distance pipelines), representing a year-on-year increase of 46.2%.

Out of the sales volume of city gas projects, 1,929,463,000 cubic meters of gas were sold to residential users, 3,679,327,000 cubic meters were sold to industrial users, 1,661,011,000 cubic meters were sold to commercial users, and 1,203,538,000 cubic meters were sold to CNG/LNG vehicle users, accounting for approximately 22.8%, 43.4%, 19.6% and 14.2% of the Group's total natural gas sales volume of city gas projects, respectively.

During the financial year, the Group's income from natural gas sales was HK$13,778,572,000, representing a year-on-year increase of approximately 6.0% and accounting for approximately 43.1% of the Group's total revenue for the year. During the period, the price of non-residential natural gas either purchased or sold domestically has declined as compared to the same period last year. As a result, the Group's revenue from natural gas sales merely recorded insignificant growth, even the total natural gas sales volume increased by 17.6% for the period.

The core business of the Group is the development of piped natural gas. However, for projects in some areas where piped natural gas is not yet accessible, such as Fushun City of Liaoning Province, Liuzhou City of Guangxi Zhuang Autonomous Region and Mudanjiang City of Heilongjiang Province, piped coal gas or LPG blended with air is sold as a transitional fuel. During the financial year, a total of 182,380,000 cubic meters of piped coal gas and LPG blended with air were sold. Following the gradual availability of upstream natural gas supply to such cities, the sale of transitional fuels by the Group will scale down gradually.

Natural Gas Price

During the period, average selling price (pre-tax) of the Group's natural gas was RMB2.36 per cubic meter for residential users, RMB2.38 per cubic meter for industrial users, RMB2.55 per cubic meters for commercial users, and RMB2.79 per cubic meter for CNG/LNG vehicle users.

The NDRC published a notice on natural gas price adjustment which came into force on 20 November 2015. According to the notice, the maximum non-residential natural gas price at city gate would be changed from the maximum city gate price management to the benchmark city gate price management. Within an upward adjustment of 20% and unlimited downward adjustment range, the suppliers and the purchasers can determine the specific city gate price through negotiation while the city gate price is only allowed to be adjusted upward from 20 November 2016. To comply with this policy, upstream natural gas suppliers raised natural gas purchase price by up to 10-15% for certain provinces and cities on 20 November 2016. Upon communication with the governmental departments at all levels and industrial and commercial users living in the regions where the projects were located, the Group initiated price pass-through mechanism and raised natural gas sales price to maintain a reasonable price difference.

According to the Guiding Opinions on the Establishment of a Well-established Natural Gas Tier-pricing System for Residential Users (《關於建立健全居民生活用氣階梯價格制度的指導意見》) issued by the NDRC in March 2014, residential gas is categorized into three tiers and a progressive pricing rate is applied to each tier. Besides, all cities are required to establish residential gas tier-pricing systems. As at the end of this financial year, the Group obtained approvals from the local governments in 57% of the cities and established a residential gas tier-pricing system. The implementation of such policy has gradually resulted in the price differences of natural gas sold to residential customers by city gas enterprises at a more reasonable level.

LPG Business

The Group currently owns eight LPG terminals and 92 LPG distribution projects. Leveraging on its distribution network across 16 provinces in China, the Group has become the largest vertically integrated LPG business operation service provider in China.

During the financial year, the Group sold 3,699,000 tons of LPG, representing a year-on-year increase of 19.2%, of which, wholesale sales volume amounted to 2,534,300 tons, representing a year-on-year increase of 17.5%; retail terminal sales volume was 1,164,700 tons, representing a year-on-year increase of 23.0%. Total revenue amounted to HK$11,654,633,000 (for the year ended 31 March 2016: HK$11,349,279,000), representing a year-on-year increase of 2.7%. The operating profit was HK$545,218,000 (for the year ended 31 March 2016: HK$508,989,000), while the net profit was HK$320,635,000 (for the year ended 31 March 2016: HK$152,956,000), which was net of exchange loss for the period of HK$42,299,000 and one-off loss from the suspension of operations for two projects of HK$77,454,000. If excluding the effect of exchange loss and losses from the suspension of operations for two project, the core net profit of LPG should be HK$440,388,000 (for the year ended 31 March 2016: HK$417,763,000), representing a year-on-year increase of 5.4%.

With the popularity of LPG among residents in township and villages, the long-term and steady growth in LPG utilization in industrial and commercial markets, and especially the rapid development of LPG as a chemical raw material in petrochemical synthesis and deep-processing sector, LPG industry has confronted with a rare development opportunity since the end of 2014. The Group made full use of its existing LPG terminals, storage facilities and fleets of vessels and vehicles to boost international and domestic purchases of LPG, and in turn gradually increased the utilization rate of LPG assets. The Group capitalized the advantage of its vertical integrated business chain by putting in place a central procurement system of LPG resources for its downstream terminal business, so as to deploy its gas sources, storage resources and market coverage appropriately to reach an effective integration between the wholesale segment and retail terminal segment of LPG business, so as to maximize the overall profit of the supply chain. The Group also capitalized on its extensive urban natural gas network and resources across the country to assist in the expansion of the LPG distribution business from southern China to provinces and cities nationwide, thereby significantly raising the sales volume of LPG and realizing economies of scale. In addition, the Group's logistics management of LPG business has also shown its initial effectiveness, with the sales management effectively enhanced through the optimization of sales management and control system and the construction of a sales information sharing platform to upgrade the level of sales management.

Value-added Services for End Users

Our customer base has been rapidly expanding in line with the continuous increase in connection rate. Currently, the Group provides natural gas and LPG services to more than 25,000,000 residential, industrial and commercial users with enormous value-added potentials in the customer network. Accordingly, the Group will strive to gradually increase the percentage of its income from value-added businesses in its overall operating income by enriching its value-added services and edging up its marketing efforts. In this way, the Group is transforming itself from a mere gas product provider to a provider of comprehensive energy and customer services so as to further enhance the profitability and overall competitiveness of the Group. To actively develop various emerging businesses centering around its primary gas sales business, the Group established Value-added Business Department, Gasbo Electrical & Gas Appliances Company Limited (中燃寶電氣(深圳)有限公司) and Zhongran Smart Living E-commerce Company Limited (中燃慧生活電子商務有限公司). Such new business includes value-added services, the scope of which is the sale of gas appliances under the brand of "Gasbo (中燃寶)", provision of comprehensive gas insurance agency services, provision of maintenance and renovation services, and the sale of gas corrugated pipes and gas alarms. During the period, various value-added services recorded significant growth. The sales of gas appliances under "Gasbo" series reached approximately 400,000 units, making it one of the leading gas appliance brands in China.

The Group is making use of its advantages in piped gas market to push forward with the extensive deployment of its natural gas distributed energy projects in China. With years of cumulative experiences in market research and technology reform, the Group launched the utilization of natural gas in a comprehensive manner to provide large-scale customers with highly efficient distributed energy solutions and satisfy their various needs for heating, electricity and cooling.

During the period, revenue from value-added businesses amounted to HK$811,660,000, representing a year-on-year growth of 126.5%; gross profit amounted to HK$376,175,000, representing a year-on-year growth of 108.7%; and operating profit amounted to HK$295,992,000, representing a year-on-year growth of 104.2%.

Human Resources

A team of excellent employees is vital to the success of an enterprise. The Group has been adhering to the management concept of "people come first". With regard to personnel training and team building, the Group has established a sound mechanism for recruiting talents and training employees internally based on the concept of "cultivating potential talents within the Group and recruiting talents from outside".

The Group constantly upgrades the professionalism and competence of its staff at all levels. It also proactively creates platforms for exchanging knowledge and sharing experiences among its staff, to recruit and retain outstanding personnel by enhancing their job satisfaction and providing optimal remuneration and welfare systems.

As of 31 March 2017, the Group had approximately 41,000 employees in total with more than 99.9% of them based in China. Employee remuneration is determined with reference to the qualification and experience of employees and the prevailing general industry practice in the local places of operation. Apart from the basic salary and pension fund contribution, discretionary bonuses, merit payments and certain quantity of share options will be awarded to eligible employees according to the Group's financial results and their individual performance.

Corporate Management and Corporate Governance

It has been a long-standing tradition of the Group to adhere to the principle of "normalized, standardized and systematic" management to continuously enhance its level of corporate management and operations. Meanwhile, along with its growing scale, expanding operational region, and changing staff structure as well as the gradually maturing gas industry, the Group keeps on optimizing its management policies to achieve the scientific corporate management. During the financial year, the Group continued to implement the management and control model of "decentralizing the operational focus and moving the management platform to the front" to implement and continuously optimize regional coordination and management. Hence, the number of regional management centres was reduced from 14 to 8, and the organizational structure of the Group, the organizational structure and management function of the regional management centres were updated accordingly. Through such adjustments, the Group accelerated the pace of the transformation of the headquarters from "a manager" to "a service provider", so as to arouse the maximum creativity and vitality of front-line staff, pair the management mechanism with the high speed development, further optimize the integrated management system featuring "the headquarters as the strategic guidance body, regional management centres as the management and project companies as the implementation entities", and achieved the goal of "refining the headquarters, consolidating regional management centres and strengthening project companies".

The Group has also been actively pushing forward with and optimizing the scheme of reform of project companies which are classified as either "old state-owned enterprises" or "enterprises having difficulties". It streamlined corporate governance structure, established a market-oriented incentive mechanism and a performance appraisal system, accelerated market development, and practically solved the problems confronted by old state-owned enterprises in the course of development.

In terms of operations management, the Group has been proactively refining operations management, making continuous investment in information technology and playing an active role in encouraging innovation to increase operational management standard while shifting its focus from standardizing the management of operation system to the application of information technology in management system, thereby enhancing the consolidated operational standards of the Group on an ongoing basis. The Group continued to take the lead among its peers in terms of gas pipeline transmission losses management, an important indicator measuring a gas company's integrated management standard. This achievement has significantly reduced its operating costs and also upgraded the safety standard of operations.

In terms of engineering construction management, the Group has established a normalized standard system which emphasizes on categorization and classification management of engineering construction and tender invitation for construction to give full play to the functions of on-site coordination, supervision and services of the regional management centre. While speeding up its engineering construction, the Group continuously strengthened the management of its construction investment in compliance with the principle of "setting strict standards on efficiency to enhance investment returns" to achieve rational control over the investment scale of construction projects which are not essential to production, thereby efficiently utilizing its core assets to create maximum returns.

In the course of development, the Group has commended efforts to improve corporate governance and internal control on an ongoing basis. Through internal review and adoption of professional opinions provided by independent third parties, the Group has undertaken to incorporate effective and sustainable corporate governance and internal control measures into its corporate development strategies and risk management system, with an aim to ensuring higher standard of corporate governance and internal control.

Financial Review

For the year ended 31 March 2017, the Group's sales revenue amounted to HK$31,993,323,000 (for the year ended 31 March 2016: HK$29,496,869,000), representing a year-on-year increase of 8.5%. Gross profit amounted to HK$8,376,826,000 (for the year ended 31 March 2016: HK$7,213,545,000), representing a year-on-year increase of 16.1%. Overall gross profit margin was 26.2% (for the year ended 31 March 2016: 24.5%). Profit for this year attributable to the owners amounted to HK$4,147,732,000 (for the year ended 31 March 2016: HK$2,273,121,000), representing a year-on-year increase of 82.5%.

Operating Expenses

Operating expenses (including sales and distribution costs and administrative expenses) increased by 9.7% to HK$2,904,746,000 from HK$2,648,704,000 in the same period last year.

Finance Costs

For the year ended 31 March 2017, finance costs decreased by 7.0% to HK$705,116,000 from HK$758,180,000 in the same period last year.

Share of results of associates

For the year ended 31 March 2017, share of results of associates was HK$293,060,000 (for the year ended 31 March 2016: HK$185,462,000), representing a year-on-year increase of 58.0%.

Share of results of joint ventures

For the year ended 31 March 2017, share of results of joint ventures was approximately HK$611,187,000 (for the year ended 31 March 2016: HK$197,925,000), representing a year-on-year increase of 208.8%. The significant increase was mainly due to impairment loss of asset made for the shut down of relevant equipments of coke business amounted to HK$269,404,000 for the year ended 31 March 2016.

Income Tax Expenses

For the year ended 31 March 2017, the income tax expenses amounted to HK$1,207,506,000 (for the year ended 31 March 2016: HK$984,408,000). The increase in the income tax expenses was mainly due to the growth in the business, which resulted in the increase in assessable profits.

Liquidity

The principal business of the Group featured a steadily growing cash flow. Coupled with an effective and optimal capital management system, the Group has been able to maintain stable and healthy operations despite uncertainties in the macro-economy development and capital market operation.

As of 31 March 2017, the total assets of the Group were HK$59,986,820,000, representing an increase of approximately 12.1% as compared with 31 March 2016. The cash on hand was HK$5,242,322,000 (31 March 2016: HK$5,772,495,000). The Group had a current ratio of 0.68 (31 March 2016: 0.69). Net gearing ratio was 0.77 (31 March 2016: 0.79), which was calculated on the basis of net borrowings of HK$18,376,113,000 (the total borrowings of HK$23,618,435,000 deduct the bank balance and cash of HK$5,242,322,000) and net assets of HK$23,927,608,000 as at 31 March 2017.

The Group has always adopted a prudent financial management policy, with most of the available cash deposited in reputable banks as demand and time deposits.

Financial Resources

The Group has long-standing cooperation relationships with Chinese (including Hong Kong) and foreign capital banks. As the Group's principal cooperating bank, China Development Bank has provided the Group with a long-term credit facility of RMB20 billion under a maximum term of 15 years, giving a strong capital support to the Group's project investments and stable operations. In addition, the Group also received long-term credit support from major domestic and foreign banks such as Asian Development Bank (ADB), Industrial and Commercial Bank of China, Bank of Communications, Bank of China, Agricultural Bank of China, and China Merchants Bank. As of March 2017, over 20 banks have extended syndicated loans and standby credit facilities to the Group with an average maturity of five years. In general, the bank loans have been applied to fund the working capital requirements and project investments of the Group.

RMB bonds market in China has achieved significant development since 2015. There has been a sharp rise in the size of bond issuance. Subsidiaries wholly-owned by the Group in China actively participated in China's interbank bond market and issued mid-term RMB notes and short-term RMB financing bonds in the amount of RMB6.6 billion so far. The Group has also successfully issued ultra short-term financing bonds with raised funds with aggregate amount of RMB3 billion. The interest rates of such issued bonds are all lower than the benchmark rates required by the People's Bank of China for loans of the same term, thus effectively reduced the finance costs of the Group. Meanwhile, as an overseas issuer, the Company has been actively participating in financing activities through issuing RMB panda bonds in the bond market of the stock exchanges in China. Following the issuance of corporate private bonds in an aggregate principal amount of RMB1 billion with a term of three years on 13 January 2016, the Group successfully registered the public offering bonds with an amount of RMB7 billion and issued the corporate bonds in an aggregate principal amount of RMB2 billion with the Shanghai Stock Exchange with a term of five years at a fixed coupon rate of 3.05% on 27 October 2016. In addition, the Group successfully registered the short-term financing bonds and mid-term notes with an amount of RMB4.8 billion and RMB4.8 billion respectively, with the National Association of Financial Market Institutional Investors. The Group believes that RMB panda bond market has offered very good liquidity to the Group's financing status, diversified the Group's financing channels and brought more financial flexibilities to the Group. The proceeds from the issuance of RMB bonds have mainly been used for replacing original foreign currency and short-term debts to reduce the Group's foreign exchange risk exposure and continuously optimize its debt structure.

On 26 October 2016, the Group and China Insurance Investment Fund L.P. (中國保險投資基金(有限合夥)) established the China Insurance Investment China Gas (Shenzhen) Clean Energy Development Fund (L.P.) (中保投中燃(深圳)清潔能源發展基金(有限合夥)). The Fund is expected to have an aggregate capital commitment of up to RMB10,020,000,000. On 9 June 2017, the Group cooperated with BOCOM International Trust Company Limited (交銀國際信託有限公司) to establish China Gas BOCOM (Shenzhen) Clean Energy Equity Investment Fund L.P. (中燃交銀(深圳)清潔能源股權投資基金合夥企業(有限合夥)). The Fund is expected to have an amount up to RMB10,001,000,000 in total. Two Funds will provide capital support for investment in the Group's 4G (PNG, LNG, CNG, LPG) projects.

As at 31 March 2017, the Group's portfolio of bank loans and other bonds was as follows:

	2017	2016
	HK$'000	*HK$'000*
Less than one year	**10,873,256**	10,324,484
More than one year but not more than two years	**4,739,895**	2,093,984
More than two years but not more than five years	**4,486,561**	8,188,859
After five years	**3,518,723**	1,726,855
	23,618,435	22,334,182

As at 31 March 2017, bank loans and other loans of the Group amounted to HK$23,618,435,000 in aggregate, representing a year-on-year increase of 5.8%. There was no trade facility relating to the short-term import letters of credit of LPG Business.

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

Foreign Exchange and Interest Rate

Most of the income of the Group has been 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 have been denominated in currencies other than the relevant functional currency (RMB) of the entities of the Group. The appreciation or depreciation of RMB against foreign currencies will give rise to exchange gain or loss. Although most of such gain or loss is non-operating in nature, it can make a positive or negative impact on the results of the Group.

On 11 August 2015, the People's Bank of China announced a reform of the central parity quotation mechanism of RMB against US dollars, which increased the uncertainty of the exchange rate between US dollars and RMB, thereby having a noticeable impact on the results of the Group. In view of this change of foreign exchange policy, the Board revised its exchange rate risks management and control policies, closely monitored the trends of market rates and foreign exchange rates and adjusted its debt structure in a timely and reasonable manner to avoid risks effectively. In accordance with such exchange rate risks management and control policies, the Group actively adjusted the structure of debt in domestic currency (RMB) and foreign currencies by replacing the existing debts denominated in US dollars with those denominated in RMB, and adopted currency hedging derivatives to hedge the currency risk of a small portion of existing foreign currency loans, which significantly lowered the potential exchange rate risks. As of 31 March 2017, the proportion of foreign currency debts out of all debts of the Group was 8.7%. The reasonable adjustment of the aforesaid debt structure will immensely decrease the impact of future exchange profit and loss to the Group's results.

Pledge of Assets

As of 31 March 2017, the Group pledged certain properties, plants and equipment and prepaid lease payment with the net carrying values of HK$31,267,000 (31 March 2016: HK$68,536,000), investment properties with net carrying value of HK$72,200,000 (31 March 2016: HK$64,000,000), and pledged bank deposit of HK$517,676,000 (31 March 2016: HK$275,554,000) and certain subsidiaries pledged their equity investments in other subsidiaries to banks to secure loan facilities.

Capital Commitments

The Group had capital commitments in respect of the acquisition of property, plant and equipment and construction materials under contract but not provided for in the financial statements as at 31 March 2017 amounting to HK$121,324,000 (31 March 2016: HK$226,399,000) and HK$81,825,000 (31 March 2016: HK$83,379,000) respectively, 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 the PRC.

Contingent Liabilities

As at 31 March 2017, the Group did not have any material contingent liabilities (31 March 2016: nil).

CORPORATE GOVERNANCE

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

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules and all the Directors confirmed that they have complied with the required standards set out in the Model Code throughout the financial year ended 31 March 2017.

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 2017.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the financial year ended 31 March 2017, the Company repurchased a total of 52,688,000 Shares on the Stock Exchange at an aggregate consideration of HK$539,087,705.39. Details of the repurchases are as follows:

Month	**Total number of Shares repurchased**	**Price per Share**		**Aggregate consideration**
		Highest	**Lowest**	
		HK$	*HK$*	*HK$*
November 2016	3,264,000	10.28	10.12	33,416,072.53
December 2016	47,192,000	10.54	9.97	481,816,732.28
January 2017	2,232,000	11.38	10.52	23,854,900.58
Total	52,688,000			539,087,705.39

Up to the date of this announcement, all of the above repurchased Shares were cancelled.

The repurchases were made for the purpose of enhancing the net asset value per Share and earnings per Share and were pursuant to the repurchase mandate granted to the Board at the 2016 annual general meeting of the Company.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is required to be published on the websites of the Stock Exchange at www.hkex.com.hk and the Company at www.chinagasholdings.com.hk respectively. The annual report of the Company for the year ended 31 March 2017 will be dispatched to the shareholders and published on the aforesaid websites in due course.

On Behalf of the Board of
CHINA GAS HOLDINGS LIMITED
Zhou Si
Chairman

Hong Kong, 21 June 2017

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

* *for identification purpose only*