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 2016

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 2016, together with the comparative figures for the year ended 31 March 2015, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**Year ended 31 March 2016** *HK$'000*	Year ended 31 March 2015 *HK$'000* (Restated)
Revenue	*3*	**29,138,527**	31,666,111
Cost of sales		**(22,105,237)**	(25,210,399)
Gross profit		**7,033,290**	6,455,712
Other income		**666,488**	675,976
Other gains and losses		**(958,581)**	50,554
Selling and distribution costs		**(1,087,858)**	(1,149,980)
Administrative expenses		**(1,560,846)**	(1,435,553)
Finance costs		**(758,180)**	(554,159)
Share of results of associates		**185,462**	309,057
Share of results of joint ventures		**197,925**	458,129
Profit before taxation		**3,717,700**	4,809,736
Taxation	*4*	**(984,408)**	(940,050)
Profit for the year	*5*	**2,733,292**	3,869,686
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss:			
(Decrease) increase in fair value on available-for-sale investments		**(11,042)**	29,235
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		**(1,082,357)**	993
Other comprehensive (expense) income for the year		**(1,087,936)**	30,228
Total comprehensive income for the year		**1,645,356**	3,899,914

	Note	Year ended *31 March 2016* *HK$'000*	Year ended *31 March 2015* *HK$'000* (Restated)
Profit for the year attributable to:			
Owners of the Company		**2,273,121**	3,371,053
Non-controlling interests		**460,171**	498,633
		2,733,292	3,869,686
Total comprehensive income attributable to:			
Owners of the Company		**1,449,198**	3,398,309
Non-controlling interests		**196,158**	501,605
		1,645,356	3,899,914
Earnings per share	*6*		
Basic		**HK45.79 cents**	HK67.30 cents
Diluted		**HK45.79 cents**	HK65.48 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2016

	Notes	**2016** **HK$'000**	2015 HK$'000
Non-current assets			
Investment properties		**190,450**	262,364
Property, plant and equipment		**22,849,608**	21,115,635
Prepaid lease payments		**1,493,028**	1,373,881
Investments in associates		**3,832,849**	3,684,098
Investments in joint ventures		**5,070,331**	4,873,719
Available-for-sale investments		**211,175**	236,469
Goodwill		**2,479,992**	2,505,688
Other intangible assets		**3,060,222**	3,064,500
Deposits for acquisition of property, plant and equipment		**485,949**	275,809
Deposits for acquisition of subsidiaries, joint ventures and associates		**46,632**	104,120
Amount due from an associate		**—**	35,658
Deferred tax assets		**166,106**	124,489
		39,886,342	37,656,430
Current assets			
Inventories		**1,213,116**	1,198,879
Amounts due from customers for contract work		**1,136,446**	797,749
Trade and other receivables	*7*	**5,093,878**	5,327,853
Amounts due from associates		**100,540**	26,276
Amounts due from joint ventures		**271,069**	271,980
Prepaid lease payments		**47,641**	42,323
Held-for-trading investments		**11,364**	10,965
Pledged bank deposits		**275,554**	63,484
Bank balances and cash		**5,496,941**	5,228,497
		13,646,549	12,968,006
Current liabilities			
Trade and other payables	*8*	**8,549,457**	6,924,326
Amounts due to customers for contract work		**525,157**	427,659
Derivate financial instruments		**4,500**	—
Taxation		**398,773**	365,526
Amount due to a non-controlling interest of a subsidiary		**509**	1,077
Bank and other borrowings — due within one year		**10,324,484**	3,918,554
		19,802,880	11,637,142
Net current (liabilities) assets		**(6,156,331)**	1,330,864
Total assets less current liabilities		**33,730,011**	38,987,294

	2016	2015
	HK$'000	*HK$'000*
Equity		
Share capital	**49,104**	50,019
Reserves	**17,803,458**	18,346,298
Equity attributable to owners of the Company	**17,852,562**	18,396,317
Non-controlling interests	**3,111,558**	3,039,183
Total equity	**20,964,120**	21,435,500
Non-current liabilities		
Bank and other borrowings — due after one year	**12,009,698**	16,817,008
Deferred taxation	**756,193**	734,786
	12,765,891	17,551,794
	33,730,011	38,987,294

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 REVISED HKFRSs

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

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle

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.

3. REVENUE AND SEGMENT INFORMATION

Revenue mainly represents the net amounts received and receivable for sales of piped gas, liquefied petroleum gas ("LPG") and construction contract revenue from gas connection contracts 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 downsizing of the operation of the coke and gas appliance business, the management reclassified the revenue from the coke and gas appliance segment to other income and the CODM did not review it for the purpose of resource allocation and assessments of segment performance. Furthermore, during the current year, the CODM also reviewed the result of Fortune Gas Investment Holdings Limited, which used to be reviewed as a separate operating segment and presented as a separate reportable segment in the past, by natures of its operation together with similar operations of the Group. Accordingly, the segment information reported below for the year ended 31 March 2015 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; and

(iv) 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 2016

	Sales of piped gas *HK$'000*	Gas connection *HK$'000*	Sales of LPG *HK$'000*	Zhongyu Gas *HK$'000*	Segment Total *HK$'000*
Segment revenue from external customers	12,995,664	4,793,584	11,349,279	—	29,138,527
Segment profit	2,096,816	2,527,088	508,989	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

For the year ended 31 March 2015 (restated)

	Sales of piped gas *HK$'000*	Gas connection *HK$'000*	Sales of LPG *HK$'000*	Zhongyu Gas *HK$'000*	Segment Total *HK$'000*
Segment revenue from external customers	12,929,203	4,658,842	14,078,066	—	31,666,111
Segment profit	1,924,007	2,345,723	387,072	142,890	4,799,692
Change in fair value of investment properties					7,296
Interest and other gains					94,961
Allowance for amount due from an associate					(145,646)
Unallocated corporate expenses					(222,266)
Finance costs					(554,159)
Gain on deemed disposal of a join venture					205,562
Share of results of unlisted associates					166,167
Share of results of joint ventures					458,129
Profit before taxation					4,809,736

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, allowance for an amount due from an associate, 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

	2016	2015
	HK$'000	*HK$'000*
People's Republic of China, other than Hong Kong ("PRC")		
Enterprise Income Tax	**1,045,206**	970,271
Deferred taxation	**(60,798)**	(30,221)
	984,408	940,050

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 regions of the PRC. The applicable tax rates of those PRC group entities is 15% for the year ended 31 March 2016 (2015: 15%).

5. PROFIT FOR THE YEAR

	2016	2015
	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	**832,342**	811,874
Release of prepaid lease payments	**45,444**	47,976
Amortisation of intangible assets included in cost of sales	**81,179**	71,544
Minimum lease payments for operating leases	**161,289**	152,679
Loss on disposal of property, plant and equipment	**8,112**	14,643
Share of tax of associates (included in share of results of associates)	**74,808**	126,887
Share of tax of joint ventures (included in share of results of joint ventures)	**145,400**	137,140
Staff costs	**1,625,774**	1,481,587
Cost of inventories recognised as expenses	**20,680,601**	24,154,115
Rental income from investment properties less outgoings	**(30,857)**	(37,520)

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:

	2016	2015
	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	**2,273,121**	3,371,053

	2016	2015
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,964,687**	5,009,233
Adjustment for effect of dilutive potential ordinary shares:		
Share options	**—**	138,902
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,964,687**	5,148,135

7. TRADE AND OTHER RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**1,814,935**	1,716,337
Less: Accumulated allowances	**(394,188)**	(375,685)
Trade receivables	**1,420,747**	1,340,652
Deposits paid for construction and other materials	**418,902**	796,171
Deposits paid for purchase of natural gas and LPG	**763,441**	641,747
Advance payments to sub-contractors	**611,011**	525,896
Rental and utilities deposits	**174,462**	233,709
Other tax recoverable	**254,074**	242,742
Other receivables and deposits	**1,068,245**	1,247,221
Prepaid operating expenses	**350,226**	265,078
Amounts due from non-controlling interests of subsidiaries	**32,770**	34,637
Total trade and other receivables	**5,093,878**	5,327,853

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:

	2016	2015
	HK$'000	*HK$'000*
0–180 days	**1,191,176**	1,124,493
181–365 days	**148,515**	155,878
Over 365 days	**81,056**	60,281
	1,420,747	1,340,652

The trade receivables with carrying amount of HK$1,191,176,000 (2015: HK$1,124,493,000) 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 credit creditworthiness and the past collection history of each customer.

During the year ended 31 March 2016, the Group made an allowance of HK$31,852,000 (2015: HK$57,072,000) in respect of the trade receivables related to the gas pipeline construction business and LPG business, which 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 is 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:

	2016	2015
	HK$'000	*HK$'000*
0–90 days	**2,885,375**	1,379,846
91–180 days	**427,899**	477,489
Over 180 days	**1,605,916**	1,360,640
Trade and bill payables	**4,919,190**	3,217,975
Other payables and accrued charges	**553,768**	642,893
Construction fee payables	**514,591**	528,918
Other tax payables	**72,087**	60,792
Accrued staff costs	**105,797**	86,397
Loan interest payables	**134,332**	76,827
Deposits received from customers	**—**	45,939
Advance payments from customers	**1,469,674**	1,486,290
Advances received from customers for contract work that have not yet been started	**548,345**	606,971
Amounts due to non-controlling interests of subsidiaries	**231,673**	171,324
	8,549,457	6,924,326

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

FINAL DIVIDEND

The Board recommended to pay a final dividend of HK14.46 cents per share to shareholders whose names appear on the register of members of the Company on 24 August 2016 (Wednesday) (the record date for determining the entitlement of the shareholders to receive the proposed final dividend). Together with the interim dividend of HK5.0 cents per share paid to the shareholders on 29 January 2016, total dividend for the year 2016 amounts to HK19.46 cents per share (total dividend for the year 2015 amounted to HK16.15 cents per share).

The final dividend, if approved by the shareholders, is expected to be payable on or about 30 September 2016.

CLOSURE OF REGISTER OF MEMBERS

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

The register of members of the Company will be closed from 12 August 2016 (Friday) to 16 August 2016 (Tuesday) (both days inclusive), during which period no transfer of shares in the Company will be registered, for the purpose of determining the shareholders who are entitled to attend and vote at the forthcoming annual general meeting of the Company ("2016 AGM"). In order to qualify for attending and voting at the 2016 AGM to be held on 16 August 2016 (Tuesday), 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 of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 11 August 2016 (Thursday).

To qualify for the proposed final dividend

The register of members of the Company will be closed from 22 August 2016 (Monday) to 24 August 2016 (Wednesday) (both days inclusive), during which period no transfer of shares in the Company will be registered, for the purpose of determining the shareholders who are entitled to receive the proposed final dividend for the year ended 31 March 2016. Subject to approval of the shareholders at the 2016 AGM, the proposed final dividend will be payable to the shareholders whose names appear on the register of members of the Company on 24 August 2016 (Wednesday). 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 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 19 August 2016 (Friday).

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 liquefied petroleum gas to residential, industrial and commercial users, construction and operation of compressed natural gas/liquefied natural gas refilling stations as well as development and application of technologies relating to natural gas and LPG in China.

Business Review

During the financial year, plagued by the complicated international political and economic environment, Chinese economy saw further slowdown in the financial year as evidenced by the overcapacity in manufacturing sector, the inventory increase in real estate sector, the continued downturn in the price of bulk commodities, particularly crude oil, and the changes in exchange gains or losses of enterprises brought about by the reform of RMB exchange rate regime. A lot of traditional industries entered into a period of "freezing winter". The domestic gas industry experienced a rare decline in growth rate. China's apparent consumption for natural gas was merely 193.2 billion cubic meters in 2015, representing a year-on-year increase of 5.7%. As city-gate prices of non-residential natural gas were reduced twice in 2015, natural gas has regained some ground against alternative energy sources in terms of economic benefits. In addition, with the continuous promotion of policies such as the Action Plan on Prevention and Control of Air Pollution (《大氣污染防治行動計劃》), it is expected that in 2016, the growth of market demand for natural gas will start to rebound.

Notwithstanding the grim situation resulting from insufficient downstream demand for natural gas, the Group has taken a confident step forward by proactively overcoming the challenges brought about by changes in economic environment. While promoting the organic growth of the existing projects, we continued to obtain new projects through external expansion. Through stringent management, proactive reform and innovation, flexible adjustment to our marketing strategies, the Group succeeded in maintaining the robust development of traditional businesses such as city gas, LPG and gas for vehicles and vessels. Besides, the Group was dedicated to establishing a "4G" (namely piped natural gas (PNG), compressed natural gas (CNG), liquefied natural gas (LNG) and liquefied petroleum gas (LPG)) network for the gas industry and to developing projects such as "natural gas in towns" and "point-to-point gas supply". With the timely and orderly launch of various innovative strategic development, such as LNG trading, value-added business, distributed energy, gas appliances under Gasbo (中燃寶) brand and e-commerce business of Zhongran Smart Living E-commerce Company Limited (中燃慧生活), China Gas was given strong impetus to develop into a truly outstanding market enterprise.

During the period, despite the impact of domestic economic slowdown and continuous low levels of oil prices, the financial and operational performance of the Group's two major business segments, natural gas and liquefied petroleum gas (LPG), recorded encouraging improvement. During the period, the core net profit for LPG business recorded a significant surge of 78.5%; however, LPG unit selling price and sales revenue declined significantly due to the drastic drop of international oil prices, pushing the Group's total consolidated revenue down by 8.0% year-on-year to HK$29,138,527,000. During the period, the Group's consolidated gross profit was HK$7,033,290,000, representing a year-on-year increase of 8.9%; the profit attributable to owners of the Company was HK$2,273,121,000, representing a year-on-year decrease of 32.6%; and basic earnings per share was HK45.79 cents, representing a year-on-year decrease of 32.0%. The decrease in profit attributable to owners of the Company and basic earnings per share was mainly due to the combined effect of one-off or non-operational factors with a total amount of HK$1,443,217,000 (namely the exchange loss of subsidiaries of the Group brought by the depreciation of RMB against US dollars in the amount of HK$513,170,000; share of exchange loss attributable to Zhongyu Gas, an associate company, and the provision for its assets of HK$95,553,000; increase in one-off front end fee of HK$119,679,000 due to the replacement of US dollar loans; the provision attributable to a share option litigation of HK$287,310,000, the provision made for the close down of coking methanol project of a joint venture company of HK$269,404,000, the provision made for the closure of dimethyl ether production facilities of HK$124,414,000 and other one-off factors of HK$33,687,000). If these factors were excluded, core profit attributable to owners of the Company during the period was HK$3,716,338,000 (31 March 2015: HK$3,320,151,000), representing a year-on-year increase of 11.9%; and basic core profit per share was HK74.86 cents, representing a year-on-year increase of 12.9%.

New Projects Expansion

The Group has long been leveraging on its penetrating market insight, dedicated project development strategies, excellent safety and operation management and good corporate image to maintain a leading performance in securing new projects in China's city gas industry. During the financial year, the Group secured 32 additional city piped gas projects. As of 31 March 2016, the Group secured a total of 305 piped gas projects with exclusive concession rights, 13 long distance natural gas transmission pipeline projects, 571 CNG/LNG refilling stations for vehicles, 1 coal bed methane development projects and 98 LPG distribution projects in 25 provinces, municipalities and autonomous regions in China.

The Group secured 32 additional city piped gas projects from 1 April 2015 to 31 March 2016, which are located as follows:

Provinces/Autonomous Regions/ Municipalities	Cities/Districts
Anhui Province	Susong City, Taihu County
Hubei Province	Honghu City, Songzi City, Xinzhou district in Wuhan City, Wuxue City, Yingshan County, Tuanfeng County, Longganhu district in Huangmei County, Huanggang City, Xishui County, Meichuan Town in Wuxue City, Huangmei County, Shiyan City
Jiangsu Province	Nanjing ChangLu Industrial Park
Hebei Province	Kangbao County
Guangxi Zhuang Autonomous Region	Tianlin County
Shaanxi Province	Shangnan County
Guangdong Province	Mei County, Jieyang Industrial Park
Shanxi Province	Xiangning County in Linfen City
Tianjin City	Baodi district in Tianjin City
Inner Mongolia Autonomous Region	Liangcheng County
Heilongjiang Province	Lingdong district in Shuangyashan City, Heihe City, Nongken Hongxinglong district, Wudalianchi City
Fujian Province	Taining County, Qingliu County
Henan Province	Huangchuan County
Yunnan Province	Baoshan City, Luchun County

As at 31 March 2016, the total connectable urban population covered by the Group's gas projects increased to 99,439,021 (approximately 30,529,434 households), representing a year-on-year increase of 8.3%.

Gas Business Review

The principal business segments of the Group are natural gas and LPG, the customer bases and the adopted marketing strategies of which are different from each other. The performance of each segment for the year ended 31 March 2016 is discussed below.

Natural Gas Business

As an operator and service provider mainly focusing on supplying natural gas, the Group has, through its efforts in the past 14 years, established a unique operating and management system that suits it best in China's gas industry. With timely optimisation, such system has proven to contribute positively towards the management efficiency and operating results of the Group.

Construction of Piped Gas Networks

City gas pipeline networks are the foundation of the operation of gas suppliers. By constructing city gas trunk and branch pipeline networks, the Group connects natural gas pipelines with its residential as well as industrial and commercial users, and charges connection fees and gas usage fees from them.

As at 31 March 2016, of all the city piped gas projects owned by the Group, 216 projects were in the operation phase by supplying piped natural gas. The Group completed the construction of gas transmission pipeline networks of 74,105 kilometres and 287 storage and distribution stations (city gates) and LNG regasification stations. Those storage and distribution stations and LNG regasification stations are designed to supply 81,210,000 cubic meters of gas per day.

Natural Gas Users

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

Residential Users

In recent years, China's new housing market continued to weaken, posing challenges to residential gas connection for gas companies. Since FY2013, the Group has taken the lead in putting a great deal of effort in developing the connection of existing residential users through marketing strategies for existing residential users and achieved significant results. The proportion of newly connected existing residential users against the total number of newly connected residential users increased continuously and reached 34% in this financial year.

During the financial year, the Group completed connections for 2,100,256 new residential households (for the year ended 31 March 2015: 1,920,790 households), representing a year-on-year increase of approximately 9.3%. The average piped gas connection fee for residential customers during the financial year remains stable at RMB2,530/household (for the year ended 31 March 2015: RMB2,568/household).

As at 31 March 2016, the Group completed gas connections for 14,691,200 households (for the year ended 31 March 2015: 12,590,944 households) in total, representing a year-on-year increase of approximately 16.7% and accounting for 48.1% of the total number of connectable residential users of the Group.

Industrial and Commercial Users

Impacted by general slowdown in economic growth in China this year, industries like real estate, construction and transportation were faced with a recession situation. Operational capacity of the factories of industrial users fell while downstream users with greater demand for natural gas, such as glassworks, ceramics and steel industries, was negatively affected. Besides, as oil prices hovered at low level this year, natural gas price lacked competitive advantages when compared with alternative energy, presenting enormous challenges to natural gas demand in industrial sector.

The Group proactively responded to the challenges arising from macro-economic environment and low oil price by making timely adjustment to marketing strategies, fully exploiting market potential, enhancing the development of existing industrial and commercial users and seeking new growth driver for gas demand. The Group also assumed an active role in coordinating and cooperating with local governments at various levels; it accelerated the construction of gas-fired central heating systems and "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 China in September 2013. Meanwhile, the Group leveraged on its natural gas logistics fleet to develop rural and point-to-point natural gas supply projects in order to promote and drive up the Group's natural gas sales to industrial and commercial users and for winter heating consumption.

To push "coal-to-gas" projects forward rapidly, the Group made timely adjustments to its marketing and incentive policies with increased supervision measurements on project companies. During the financial year, the Group added 23 project companies which had obtained "coal-to-gas" approvals from the local governments. As of the end of the financial year, a total of 67 project companies obtained "coal-to-gas" approvals; "coal-to-gas" contracts were signed with a total of 950 industrial and commercial customers; and coal-fired boilers with a capacity of 3,067 tons of steam were newly renovated. The Group sold 430,000,000 cubic meters of natural gas through "coal-to-gas" projects in the financial year. In the next few years, natural gas demand from industrial and commercial users implementing "coal-to-gas" projects will continue to increase, which will become one of the important drivers of the growth in gas sales volume.

During the financial year, the Group added 922 industrial users and 15,169 commercial users, of which the industrial users implementing "coal-to-gas" projects accounted for 46.1% of the new industrial users. As at 31 March 2016, the Group had 4,590 industrial users, representing a year-on-year increase of approximately 25.1%; and 86,976 commercial users, representing a year-on-year increase of 21.1%. Average connection fees for industrial users and commercial users were RMB296,266 per user and RMB37,823 per user respectively.

During the financial year, the Group's income from gas connection activities was HK$4,793,584,000, representing a year-on-year increase of approximately 2.9% and accounting for approximately 16.5% of the Group's total revenue for the year.

Compressed Natural Gas Refilling Station/Liquefied Natural Gas Refilling Stations

Since 2015, international oil price has remained at low levels after a nosedive and prices of gasoline and diesel in China have been on a downward trajectory. The economic benefits of natural gas for vehicles were diminishing, especially for LNG refilling business, As a result, sales of LNG passenger cars and LNG heavy trucks saw year-on-year decline simultaneously for the first time. Similarly, price difference between CNG and gasoline shrank with the slumping gasoline price, having a negative impact on the business of CNG stations, which mainly engaged in providing services to taxies, buses and private cars.

In view of the short-term difficulties faced by gas refilling stations, the Group adhered to the principle of proactively adjusting its development strategy of refilling stations in accordance with the changing market. Through enhancing project management, strengthening investment risk control and promoting market development, the Group achieved the expected growth in number of gas refilling station projects and gas sales notwithstanding the sluggish economy and the relative diminishing economic benefits of gas for vehicles.

Regarding gas refilling business for vessels, the Group owns the patents and intellectual property rights in LNG vessel engine modifications and advanced "oil-to-gas" conversion technology for vessels as well as the experience in development. Banking on 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 laid down the implementation principles of "innovative planning, detailed analysis, prudent development" for vessel projects to actively boost the LNG refilling business for vessels.

Besides, with a view to expanding the source of profit, attracting both new and old customers and enhancing customer loyalty, the Group also made great efforts to promote value-added businesses such as "Yikatong" smart card system and convenience stores in refilling stations by improving service quality for vehicle and vessel users.

During the period, the Group added a total of 38 new CNG refilling stations and 13 LNG refilling stations for vehicles. As at 31 March 2016, the Group owned a total of 398 CNG refilling stations and 173 LNG refilling stations for vehicles. The total number of gas refilling stations was 571, representing a year-on-year increase of 9.8%. Sales volume of CNG/LNG for vehicles made up 15.8% of the Group's total natural gas sales volume from city gas projects during the financial year.

Sale of Natural Gas

During the financial year, the Group sold a total of 9,860,016,000 cubic meters of natural gas mainly through city piped gas network (retail) and wholesale business (including long distance natural gas transmission pipelines), representing a year-on-year increase of 9.9%, of which 7,294,760,000 cubic meters were sold through city retail pipeline networks, representing a year-on-year increase of 8.0%, and 2,565,256,000 cubic meters were sold through wholesale business (including long distance pipelines), representing a year-on-year increase of 15.5%.

With respect to the sales volume of city gas projects, 1,544,593,000 cubic meters of gas were sold to residential users, accounting for approximately 21.2% of the Group's total natural gas sales volume of city gas projects; 3,167,147,000 cubic meters were sold to industrial users, accounting for approximately 43.4% of the Group's total natural gas sales volume of city gas projects; 1,429,774,000 cubic meters were sold to commercial users, accounting for approximately 19.6% of the Group's total natural gas sales volume of city gas projects; and 1,153,246,000 cubic meters were sold to CNG/LNG vehicle users, accounting for approximately 15.8% of the Group's total natural gas sales volume of city gas projects.

During the financial year, the Group's income from natural gas sales was HK$12,995,664,000, representing a year-on-year increase of approximately 0.5% and accounting for approximately 44.6% of the Group's total revenue for the year. During the period, China has twice reduced the natural gas purchase price of urban non-residential users. The Group has timely initiated the price pass through mechanism to reduce the selling price of non-residential users. As a result, even the total sales volume of natural gas has increased by 9.9% for the period, the sales income from natural gas merely recorded insignificant increase.

The core business of the Group is to supply 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 162,667,000 cubic meters of piped coal gas and LPG blended with air were sold. With the availability of upstream natural gas supply to such cities, the sale of transitional fuels by the Group is likely to scale down gradually.

Selling Price of Natural Gas

During the period, the average selling price (pre-tax) of the Group's natural gas was RMB2.29 per cubic meter for residential users, RMB2.59 per cubic meter for industrial users, RMB2.68 per cubic meters for commercial users, and RMB3.01 per cubic meter for CNG/LNG vehicle users.

Since 2015, international oil price has remained at low levels after a nosedive; the prices of alternative energy sources such as fuel oil and LPG followed the downward trend. Reasonable price difference between natural gas and alternative energy sources was wiped out, bringing enormous pressure on the promotion of natural gas usage. On 28 February 2015, the NRDC announced that existing gas price at city-gate for non-residential users would become in line with the incremental gas price with effect from 1 April 2015, making downward adjustment on incremental gas price by RMB0.44 per cubic meter and upward adjustment on existing gas price by RMB0.04 per cubic meter. However, the slight decrease in natural gas price is insufficient to alter the disadvantaged position of natural gas against alternative energies like fuel oil in terms of prices, hence it will still limit the growth of natural gas application.

On 18 November 2015, NDRC published a notice on price adjustment of natural gas again. According to the notice with effective from 20 November 2015, the maximum non-residential natural gas price at city gate stations would be reduced by RMB0.7 per cubic meter. Besides, the existing maximum gate station price management would be replaced by benchmark gate station price management and the reduced gate station price would become the benchmark gate station price. Within an upward adjustment of 20% and unlimited downward adjustment range, the suppliers and the purchasers can determine the specific gate station price through negotiation while the gate station price is only allowed to be adjusted upward from 20 November 2016. The Group communicated with the governmental departments at various levels as well as industrial and commercial users in places where its projects were located, and initiated the price pass-through mechanism. Under the principle of guaranteeing a reasonable price difference, the Group lowered its natural gas selling price, which would be beneficial to stimulating natural gas usage in the last 3 months of the financial year. As of the end of the financial year, the Group completed the price reduction of the affected city gas projects, which immediately relieved the burden of downstream corporate gas users, pushed forward the use of natural gas in various industries, such as industrial and commercial sectors, transportation, power generation and central heating, and effectively facilitated the long-term and healthy development of natural gas as a clean energy in China.

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》) as issued by the NDRC in March 2014, residential gas is categorised 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 approval from local governments in 43.8% of the cities and established a residential gas tier-pricing system. The implementation of such policy gradually brings the price differences of natural gas sold to residential customers by city gas enterprises to a more reasonable level.

Liquefied Petroleum Gas (LPG) Business

The Group currently owns 8 LPG terminals and 98 LPG distribution projects. The Group has developed into the largest vertically integrated LPG business operation service provider in China.

During the financial year, the Group sold 3,103,404 tons of LPG, representing a year-on-year increase of 28.6%, of which, wholesale sales volume amounted to 2,156,543 tons, representing a year-on-year increase of 38.3%; retail sales volume was 946,861 tons, representing a year-on-year increase of 10.9%. Total revenue amounted to HK$11,349,279,000 (for the year ended 31 March 2015: HK$14,078,066,000), representing a year-on-year decrease of 19.4%; the decrease in revenue was attributed to the corresponding decline in LPG sales price brought about by the plunge of international oil price during the period notwithstanding the significant decrease in procurement costs of LPG at the same time. During the period, gross profit was HK$1,379,340,000 (for the year ended 31 March 2015: HK$1,089,230,000), representing a year-on-year growth of 26.6%. Operating profit was HK$508,989,000 (for the year ended 31 March 2015: HK$387,072,000), while net profit was HK$152,956,000 (for the year ended 31 March 2015: HK$171,048,000), which was net of exchange loss for the period and one-off provision made for the production suspension of dimethyl ether facilities; if exchange loss and the provision for dimethyl ether were excluded, core net profit of LPG will be HK$417,763,000 (for the year ended 31 March 2015: HK$234,090,000), representing a substantial increase of 78.5%.

With the increasing popularity of LPG in townships and villages and its long-term and stable growth in utilisation amongst industrial and commercial markets, China's LPG industry meets a rare development opportunity, especially in the rapid growth of the petrochemical synthesis and deep-processing sector where LPG is being used as a raw material. The Group fully utilised its existing LPG terminals, storage facilities and fleets of vehicles and vessels to boost overseas and domestic purchases of LPG, and in turn gradually increased the utilisation rate of LPG assets. The Group capitalised the advantage of its integrated business chain by putting in place a central procurement system of LPG resources for its downstream retail business, so as to lay out a proper deployment over its gas sources, storage resources and market coverage and reach an effective synergy between the wholesale segment and retail segment of LPG business, which will maximise the profit of the whole value chain. The Group will leverage its extensive urban natural gas network and resources across the country to expand the LPG distribution business from the existing 10 provinces in Southern China to provinces, cities, villages and towns nationwide, thereby significantly raising the volume of LPG sold and realising economies of scale. In addition, the Group's logistics management of LPG business has also shown initial success, and sales management was effectively enhanced through the optimization of sales management and control system and the construction of a sales information sharing platform. Meanwhile, we proactively strengthened brand building and marketing and comprehensively pushed forward the registration and launch of 95007 and "China Gas Panva" trademarks.

Value-Added Services for End Users

With the continuous increase in connection rate, our customer base has been rapidly expanding. Currently, the Group provides natural gas and LPG services to more than 20,000,000 residential, industrial and commercial users. There is an enormous potential for value-added services in the customer network. Accordingly, the Group will strive to increase the percentage of its income from value-added services in the Group's 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 improve the profitability and overall competitiveness of the Group's operational and service network. The Group established departments of value-added business, 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) successively to actively expand various emerging businesses revolving around its primary business of sales of gas, including value-added services such as promotion of gas appliances under the brand of Gasbo (中燃寶), comprehensive gas insurance and agency, maintenance and equipment conversion, gas corrugated pipes and gas alarms.

The Group is making use of its advantages in piped gas market to develop distributed energy projects progressively. With its years of experience in market research and technology innovation, the Group will start to utilise natural gas in a comprehensive manner with the aim of providing large scale customers with highly efficient comprehensive energy and satisfying their various needs for heating, electricity and cooling.

During the period, gross profit from value-added business amounted to HK$245,135,000, representing a year-on-year growth of 48.3%. Sales of gas insurance, alarm system, corrugated pipe and gas appliances also increased substantially.

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 clings to the philosophy of "cultivating potential talents within the Group while recruiting talents from outside" to establish a healthy system of recruitment and internal training.

The Group constantly upgrades the professionalism and competence of its staff at all levels. It also proactively creates platforms for exchanging knowledge and sharing experience among its staff, and recruits and retains capable personnel by enhancing job satisfaction and providing attractive remuneration packages.

As at 31 March 2016, the Group had approximately 38,500 employees in total. More than 99.9% of the Group's employees are based in China. Employee remuneration is determined with reference to the qualification and experience of individual staff concerned and the prevailing industry practice in the respective places of operation. Apart from basic salary and pension fund contribution, discretionary bonuses, merit payments and certain number of share options will be awarded to selected employees according to the Group's financial results and the performance of such employees.

Corporate Management and Corporate Governance

It has been a long-standing tradition of the Group to adhere to a "systematic, standardised and institutionalised" management philosophy in continuously enhancing its level of corporate management and operation. Meanwhile, along with its growing scale, expanding operational region, changing staff structure as well as a gradually maturing gas industry, the Group keeps on optimizing its management policies to achieve a scientific corporate management. During the financial year, the Group continued to implement the management and control model of "shifting the operational focus to a lower level and moving the management platform to the frontend" to promote and continuously improve regional coordination and management. Delegating the specific functions of the functional departments of the Group's headquarters, which are supervising, guiding and providing services to the project companies, to the regional management centre, each department of the Group's headquarters then transforms and focuses on overall budget management, standardised management, assessed target responsibilities management and management of future development strategies, thereby forming a highly efficient service-oriented headquarters and enhancing management efficiency. By giving more power to regional offices through streamlining policies and delegating authority, the regional management centre has a backbone in respect of management to efficiently foster and achieve vertical management of the Group. Management reform which "empowered" project companies was carried out to procure such companies to increase their autonomous operating capability, respond more flexibly to the market and substantially increase the profitability of various businesses. The ultimate goal is to achieve an integrated management system featuring "the headquarters as the strategic guidance body, regional centers as the management and undertaking body and project companies as the implementation entities". The implementation of regional management centre plan is an important reform of the Group's management model, which is essential for it to achieve more standardised, more efficient and safer development, and effectively enhance the efficiency of the Group in making decisions.

In terms of operation management, the Group actively refines its operating system, continues to invest in its information technology system, and actively encourages innovation. In addition to continuously improving the standards of operation management, the Group is also gradually shifting its focus from standardising the management of the operation system to the application of information technology in its management system, thereby strengthening the overall operational standards of the Group on an ongoing basis. The Group remains as one of the leaders in the industry in terms of gas loss management, which is an important indicator gauging a gas company's overall management standard. This achievement has significantly reduced our operating costs and enhanced the safety standard of our operations, with no major accident happened during this financial year.

The Group is also actively promoting the reform plan of optimising project companies which are "old state-owned enterprises", rationalising the management structure, establishing a market-oriented incentive mechanism and performance appraisal system, and accelerating operational development in order to practically solve various problems which they faced during the process of the development of old state-owned enterprises.

In terms of construction management, the Group has established a standardised system which emphasises on the categorisation and classification management of construction and construction tenders to make full use of the functions of on-site coordination, supervision and service of the regional management centres. While speeding up its construction progress, the Group continuously strengthens its management of construction investment in compliance with the principle of "setting strict standards on efficiency to improve investment returns" with a view to achieving rational control over the size of the investment in construction projects which are not essential to production, thereby efficiently utilising its core assets and maximising the returns.

Over the course of development, the Group is also committed to improving its corporate governance and internal control on an ongoing basis. Through internal review and adoption of professional opinions provided by independent third parties, the Group undertakes 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 2016, the Group's revenue amounted to HK$29,138,527,000 (for the year ended 31 March 2015: HK$31,666,111,000), representing a year-on-year decrease of 8.0%. Gross profit amounted to HK$7,033,290,000 (for the year ended 31 March 2015: HK$6,455,712,000), representing a year-on-year increase of 8.9%. Overall gross profit margin was 24.1% (for the year ended 31 March 2015: 20.4%). Profit for this year amounted to HK$2,733,292,000 (for the year ended 31 March 2015: HK$3,869,686,000), representing a year-on-year decrease of 29.4%.

Operating Expenses

Operating expenses (including selling and distribution costs and administrative expenses) increased by 2.4% to HK$2,648,704,000 from HK$2,585,533,000 in the same period last year.

Finance Costs

For the year ended 31 March 2016, finance costs increased by 36.8% to HK$758,180,000 from HK$554,159,000 in the same period last year. During the period, in order to reduce potential foreign exchange risk, the Group actively adjusted the structure of debt in domestic currency (RMB) and foreign currencies and replaced the existing debts denominated in US dollars with those denominated in RMB, resulting in a substantial increase in finance costs for the period, of which HK$119,679,000 was one-off cost generated from the replacement of debts in US dollars. All US dollar debts replaced were long-term bank loans and in accordance with Hong Kong Financial Reporting Standards, the front end fee of the loans shall be amortised over the term of the loan. As a substantial amount of US dollar bank loans were repaid early, all unamortised front end fee was recognised as finance costs for the period immediately.

Share of results of associates

For the year ended 31 March 2016, share of results of associates was HK$185,462,000 (for the year ended 31 March 2015: HK$309,057,000). The decrease in share of profit of associates was mainly due to the exchange loss incurred by Zhongyu Gas and the provision for its assets, which resulted in a decrease in share of profit of Zhongyu Gas to HK$41,142,000 (31 March 2015: HK$142,890,000).

Share of results of joint ventures

For the year ended 31 March 2016, share of results of joint ventures was approximately HK$197,925,000 (for the year ended 31 March 2015: HK$458,129,000). The decrease in share of profit of joint ventures was mainly due to the impairment of asset made for the shut down of relevant equipment of coke business under Hohhot Zhongran City Gas Development Company Limited amounted to HK$269,404,000.

Income Tax Expenses

For the year ended 31 March 2016, income tax expenses amounted to HK$984,408,000 (for the year ended 31 March 2015: HK$940,050,000).

Liquidity

The principal business of the Group is featured with a strongly growing cash flow. Coupled with an effective and well-established capital management system, the Group is able to maintain stable and healthy operations amidst uncertainties in the macro-economy development and capital market operation.

As at 31 March 2016, the total assets of the Group were HK$53,532,891,000, representing an increase of approximately 5.8% as compared with 31 March 2015. Cash on hand was HK$5,772,495,000 (31 March 2015: HK$5,291,981,000). The Group had a current ratio of 0.69 (31 March 2015: 1.11). Net gearing ratio was 0.79 (31 March 2015: 0.66), which was calculated on the basis of net borrowings of HK$16,561,687,000 (total borrowings of HK$22,334,182,000 and bank balance and cash of HK$5,772,495,000) and net assets of HK$20,964,120,000 as at 31 March 2016.

The Group has always adopted a prudent financial management policy. Most of the available cash is deposited with credible banks as demand and time deposits.

Financial Resources

The Group has long-standing relationships with Chinese (including Hong Kong) and foreign capital banks. As the Group's principal cooperating bank, China Development Bank provided the Group with a long-term credit facility of RMB20 billion under a term of up to 15 years, giving a strong financial 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 capital 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 at March 2016, over 20 banks have extended syndicated loans and credit facilities to the Group with an average maturity of five years. Bank loans are generally used to fund the working capital requirements and project investments of the Group.

China's RMB bonds market has achieved significant development in 2015 with a sharp rise in the size of bond issuance. Domestic subsidiaries wholly-owned by the Group 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 during this financial year. The interest rates of such issued notes and bonds are all lower than the benchmark rates required by the People's Bank of China for loans of same terms. At the same time, the Company has been actively participating in financing channels for issuing RMB bonds in the bonds market of the stock exchange in China, and has completed the issuance of corporate bonds in an aggregate principal amount of RMB1 billion with a term of three years on 13 January 2016. As one of the first Hong Kong-listed companies to issue corporate bonds which are traded on the Shanghai Stock Exchange Comprehensive Electronic Platform of Fixed Income Securities, the Group believes that RMB bond market offers deep liquidity to the Group, diversifies the funding channels of the Group and brings more financial flexibility. Proceeds from the issuance of RMB bonds are mainly used for replacing foreign currency debts to reduce the Group's foreign exchange risk exposure.

As at 31 March 2016, the Group's portfolio of bank loans and other debentures was as follows:

	2016	2015
	HK$'000	*HK$'000*
Less than one year	**10,324,484**	3,918,554
More than one year but not more than two years	**2,093,984**	5,242,474
More than two years but not more than five years	**8,188,859**	9,509,517
After five years	**1,726,855**	2,065,017
	22,334,182	20,735,562

* Of these, the acceptance bills and trust receipts related to the Group's LPG business amounted to HK$Nil. (31 March 2015: HK$1,337,240,000).

As at 31 March 2016, bank loans and other loans of the Group amounted to HK$22,334,182,000 in aggregate, representing a year-on-year increase of 7.7%.

The operating and capital expenditures of the Group are financed by operating cash income, indebtedness and financing of share capital. The Group has sufficient funding to satisfy its future capital expenditures and working capital requirements.

Foreign Exchange and Interest Rate

Most of the revenue of the Group is received in RMB while most of the expenses and capital expense are also denominated in RMB. However, certain bank loans and other borrowings and bank balances of the Group are denominated in currencies other than the functional currencies of the relevant 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 Renminbi. Upon the introduction of such policy, as of the end of this financial year, RMB recorded a depreciation of over 5%, which significantly affected the final results of the Group for this year. In view of this milestone change of foreign exchange policy, the Board revised its exchange rate risks management 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 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. The proportion of foreign currency debts to all debts of the Group significantly decreased from 83% in the beginning of this financial year to 7.1% at the end of this financial year. The reasonable adjustment of the aforesaid debt structure will immensely decrease the impact of future exchange loss and profit to the Group's results.

Charge on Assets

As at 31 March 2016, the Group pledged certain properties, plants and equipment and prepaid lease payments with net carrying values of HK$68,536,000 (31 March 2015: HK$321,475,000) and HK$Nil (31 March 2015: HK$23,508,000) respectively, investment properties with net carrying value of HK$64,000,000 (31 March 2015: HK$60,600,000), and pledged bank deposits of HK$275,554,000 (31 March 2015: HK$63,484,000) 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 contracted but not provided for in the financial statements as at 31 March 2016 amounting to HK$226,399,000 (31 March 2015: HK$172,378,000) and HK$83,379,000 (31 March 2015: HK$148,358,000) respectively, and such commitments would require the utilisation of the Group's cash on hand and external borrowings. The Group has undertaken to acquire shares in certain Chinese enterprises and set up Sino-foreign joint ventures in China.

Contingent Liabilities

As at 31 March 2016, the Group did not have any material contingent liabilities (31 March 2015: 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 2016.

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 2016.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, the Company repurchased a total of 91,454,000 Shares on the Stock Exchange at an aggregate consideration of HK$946,097,529.40. Details of the repurchases are as follows:

Month	Total number of Shares repurchased	Price per Share		Aggregate consideration
		Highest	Lowest	
		HK$	*HK$*	*HK$*
July 2015	27,934,000	12.00	10.74	313,432,851.60
August 2015	7,438,000	11.88	10.36	81,534,295.60
September 2015	1,628,000	10.64	10.36	17,064,880.00
October 2015	174,000	10.98	10.44	1,870,552.20
December 2015	6,722,000	10.42	10.06	68,876,990.00
January 2016	38,984,000	10.22	9.15	383,311,720.00
February 2016	8,574,000	9.47	9.11	80,006,240.00
Total	91,454,000			946,097,529.40

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 2015 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 2016 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, 28 June 2016

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*