CHINA GAS HOLDINGS LIMITED
中國燃氣控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 384)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

The board of directors (the "Board" or the "Directors") of China Gas Holdings Limited (the "Company") announces the condensed consolidated financial results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2021, together with the comparative figures for the six months ended 30 September 2020, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2021

	Notes	**Six months ended 30 September 2021 *HK$'000* (unaudited)**	30 September 2020 *HK$'000* (unaudited)
Revenue	*3*	**38,947,381**	27,164,988
Cost of sales		**(30,937,715)**	(18,478,599)
Gross profit		**8,009,666**	8,686,389
Other income		**586,568**	399,800
Other gains and losses		**(160,750)**	(42,497)
Selling and distribution costs		**(1,283,493)**	(1,072,226)
Administrative expenses		**(1,310,651)**	(1,181,387)
Finance costs		**(848,798)**	(756,707)
Share of results of associates		**503,518**	411,721
Share of results of joint ventures		**67,114**	437,706
Profit before taxation		**5,563,174**	6,882,799
Taxation	*4*	**(936,294)**	(1,245,286)
Profit for the period	*5*	**4,626,880**	5,637,513

	Note	Six months ended 30 September 2021 HK$'000 (unaudited)	30 September 2020 HK$'000 (unaudited)
Other comprehensive income (expense)			
Items that will be reclassified subsequently to profit or loss:			
Realised gain on swap in hedge accounting relationship		**—**	13,142
Deferred loss on swap in hedge accounting relationship		**—**	(4,834)
Items that will not be reclassified subsequently to profit or loss:			
Exchange difference arising on translation		**808,028**	2,524,434
(Decrease) increase in fair value of investments in equity instruments at fair value through other comprehensive income		**(214,328)**	9,574
Other comprehensive income for the period		**593,700**	2,542,316
Total comprehensive income for the period		**5,220,580**	8,179,829
Profit for the period attributable to:			
Owners of the Company		**4,105,140**	5,089,553
Non-controlling interests		**521,740**	547,960
		4,626,880	5,637,513
Total comprehensive income attributable to:			
Owners of the Company		**4,596,313**	7,302,323
Non-controlling interests		**624,267**	877,506
Total comprehensive income for the period		**5,220,580**	8,179,829
Earnings per share			
Basic	*6*	**HK74.35 cents**	HK97.53 cents
Diluted	*6*	**HK74.35 cents**	HK97.53 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2021

	Note	**30 September 2021** *HK$'000* **(unaudited)**	31 March 2021 *HK$'000* (audited)
Non-current assets			
Investment properties		**2,234,584**	565,377
Property, plant and equipment		**63,224,978**	56,908,879
Right-of-use assets		**4,264,966**	4,247,390
Investments in associates		**9,844,287**	8,765,178
Investments in joint ventures		**8,796,839**	9,052,185
Equity instruments at fair value through other comprehensive income		**778,236**	639,837
Goodwill		**3,451,530**	3,298,386
Other intangible assets		**3,775,777**	3,829,955
Deposit for acquisition of property, plant and equipment		**611,873**	1,835,841
Deposit for acquisition of subsidiaries, joint ventures and associates and other deposits		**524,305**	694,885
Deferred tax assets		**596,052**	488,579
		98,103,427	90,326,492
Current assets			
Inventories		**5,474,840**	5,302,266
Contract assets		**16,775,391**	16,925,010
Trade and other receivables	*7*	**16,858,310**	14,554,555
Amounts due from associates		**469,082**	504,147
Amounts due from joint ventures		**5,072,787**	3,849,924
Held-for-trading investments		**231,155**	686,629
Pledged bank deposits		**281,186**	277,899
Bank balances and cash		**11,459,909**	8,293,720
		56,622,660	50,394,150

	Note	30 September 2021 HK$'000 (unaudited)	31 March 2021 HK$'000 (audited)
Current liabilities			
Trade and other payables	8	**19,684,880**	19,409,285
Lease liabilities		**212,426**	209,606
Amounts due to associates		**46,973**	45,418
Amounts due to joint ventures		**295,312**	318,508
Contract liabilities		**8,760,266**	8,037,261
Taxation		**847,317**	1,021,290
Bank and other borrowings — due within one year		**11,367,569**	17,271,905
		41,214,743	46,313,273
Net current assets		**15,407,917**	4,080,877
Total assets less current liabilities		**113,511,344**	94,407,369
Equity			
Share capital		**55,539**	52,124
Reserves		**63,915,312**	51,884,736
Equity attributable to owners of the Company		**63,970,851**	51,936,860
Non-controlling interests		**8,470,270**	7,927,272
Total equity		**72,441,121**	59,864,132
Non-current liabilities			
Bank and other borrowings — due after one year		**38,250,771**	31,717,466
Lease liabilities		**1,439,472**	1,505,843
Deferred taxation		**1,379,980**	1,319,928
		41,070,223	34,543,237
		113,511,344	94,407,369

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain investment properties and financial instruments that are measured at revalued amounts or fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2021 are the same as those presented in the Group's annual financial statements for the year ended 31 March 2021.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

The Group's reportable and operating segments under HKFRS 8 are: sales of piped gas, gas connection, engineering design and construction, sales of liquefied petroleum gas ("LPG"), value-added services and Zhongyu Gas Holdings Limited ("Zhongyu Gas"), in which the Group's chief operating decision maker ("CODM") reviewed the result of Zhongyu Gas, which is shared by the Group under equity method of accounting.

The CODM reviews these segments individually for better resource allocation and assessment of segment performance.

Inter-segment revenue is charged at prevailing market rates.

Segment information for the six months ended 30 September 2021 and 2020 about these businesses is presented below.

	Six months ended 30 September 2021 (unaudited)						
	Sales of piped gas	**Gas connection**	**Engineering design and construction**	**Sales of LPG**	**Value-added services**	**Zhongyu Gas**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total segment revenue	**19,798,560**	**3,990,944**	**5,175,397**	**11,283,162**	**3,648,016**	**—**	**43,896,079**
Inter-segment revenue	**—**	**—**	**(4,948,698)**	**—**	**—**	**—**	**(4,948,698)**
External segment revenue	**19,798,560**	**3,990,944**	**226,699**	**11,283,162**	**3,648,016**	**—**	**38,947,381**
Segment profit	**2,293,043**	**872,611**	**848,251**	**24,992**	**1,299,927**	**257,662**	**5,596,486**
Interest and other gains							**263,512**
Unallocated corporate expenses							**(175,173)**
Change in fair value of investment properties							**269,786**
Change in fair value of held-for-trading investments							**(455,474)**
Loss on disposal of property, plant and equipment							**(6,434)**
Exchange gain on translation of monetary items into functional currency							**12,275**
Finance costs							**(280,208)**
Gain on disposal/deregistration of subsidiaries							**25,434**
Share of results of associates							**245,856**
Share of results of joint ventures							**67,114**
Profit before taxation							**5,563,174**

	Six months ended 30 September 2020 (unaudited)						
	Sales of piped gas	Gas connection	Engineering design and construction	Sales of LPG	Value-added services	Zhongyu Gas	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total segment revenue	12,467,039	5,796,909	6,393,463	4,962,833	3,380,994	—	33,001,238
Inter-segment revenue	—	—	(5,836,250)	—	—	—	(5,836,250)
External segment revenue	12,467,039	5,796,909	557,213	4,962,833	3,380,994	—	27,164,988
Segment profit	1,943,498	1,515,469	1,662,131	75,493	999,805	205,230	6,401,626
Interest and other gains							140,019
Unallocated corporate expenses							(169,853)
Change in fair value of investment properties							50,314
Change in fair value of held-for-trading investments							229
Loss on disposal of property, plant and equipment							(1,053)
Loss on disposal of an investment property							(4,354)
Gain on acquisition of a subsidiary							122
Exchange gain on translation of monetary items into functional currency							9,457
Finance costs							(148,240)
Loss on disposal/deregistration of subsidiaries							(39,665)
Share of results of associates							206,491
Share of results of joint ventures							437,706
Profit before taxation							6,882,799

4. TAXATION

	Six months ended	
	30 September	30 September
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
PRC Enterprise Income Tax	**984,292**	1,279,094
Deferred taxation	**(47,998)**	(33,808)
	936,294	1,245,286

No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Group had no assessable profit for either period in Hong Kong. Taxation arising in other jurisdiction is calculated at the rates prevailing in the relevant jurisdiction.

The taxation charge of the PRC Enterprise Income Tax for the current and prior periods have been made based on the Group's estimated assessable profits calculated at the prevailing tax rates in accordance with the relevant income tax laws applicable to the subsidiaries in the PRC.

5. PROFIT FOR THE PERIOD

	Six months ended	
	30 September	30 September
	2021	2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**1,086,513**	788,399
Depreciation of right-of-use assets	**163,033**	121,099
Amortisation of intangible assets	**88,342**	77,733
Interest income	**(261,391)**	(134,614)
Loss on disposal of property, plant and equipment	**6,434**	1,053
Loss on disposal of an investment property	**—**	4,354

6. EARNINGS PER SHARE

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

	Six months ended	
	30 September 2021	30 September 2020
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Earnings		
Earnings for the purpose of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**4,105,140**	5,089,553
Number of shares	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**5,521,074**	5,218,227

During the period ended 30 September 2021 and 2020, the computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the adjusted exercise price of those share options is higher than the average market price of the shares for the period ended 30 September 2021 and 2020.

7. TRADE AND OTHER RECEIVABLES

	30 September 2021	31 March 2021
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables	**7,680,554**	6,589,063
Less: Accumulated allowances	**(969,096)**	(804,695)
Trade receivables	**6,711,458**	5,784,368
Deposits paid for construction and other materials	**1,049,518**	1,210,726
Deposits paid for purchase of natural gas and LPG	**3,902,343**	3,261,488
Advance payments to sub-contractors	**1,132,007**	742,072
Rental and utilities deposits	**813,863**	843,410
Other tax recoverable	**1,089,487**	973,822
Other receivables and deposits	**1,247,448**	848,791
Prepaid operating expenses	**804,093**	791,394
Amounts due from non-controlling interests of subsidiaries	**108,093**	98,484
Total trade and other receivables	**16,858,310**	14,554,555

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 30–180 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:

	30 September 2021 HK$'000 (unaudited)	31 March 2021 HK$'000 (audited)
0–180 days	**3,710,424**	3,941,376
181–365 days	**1,861,976**	995,188
Over 365 days	**1,139,058**	847,804
	6,711,458	5,784,368

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

8. TRADE AND OTHER PAYABLES

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

	30 September 2021 HK$'000 (unaudited)	31 March 2021 HK$'000 (audited)
0–90 days	**9,490,396**	11,837,364
91–180 days	**2,040,118**	534,741
Over 180 days	**3,557,800**	2,656,674
Trade and bill payables	**15,088,314**	15,028,779
Other payables and accrued charges	**483,961**	585,509
Consideration payables	**449,923**	181,753
Construction fee payables	**1,009,623**	1,181,922
Retention payables and security deposits received	**1,425,605**	1,288,085
Other tax payables	**304,124**	238,347
Accrued staff costs	**189,386**	209,488
Loan interest payables	**356,451**	271,268
Amounts due to non-controlling interests of subsidiaries	**377,493**	424,134
	19,684,880	19,409,285

INTERIM DIVIDEND

The Board declared an interim dividend of HK10.0 cents per share for the six months ended 30 September 2021 (six months ended 30 September 2020: HK10.0 cents per share).

The interim dividend will be paid on or about Friday, 28 January 2022 to shareholders whose names appear on the register of members of the Company on Wednesday, 12 January 2022.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the shareholders who are entitled to the interim dividend for the six months ended 30 September 2021, the register of members of the Company will be closed from Monday, 10 January 2022 to Wednesday, 12 January 2022, both days inclusive, during which period no transfers of shares of the Company will be registered.

In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration no later than 4:30 p.m. on Friday, 7 January 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY INTRODUCTION

The Group is one of the largest trans-regional, integrated energy suppliers and service providers in China. Focusing on China, it is primarily engaged in investing, constructing, and operating city and township gas pipelines, gas terminals, storage and transport facilities, and gas logistics systems; transmitting natural gas and LPG to residential, industrial, and commercial users; constructing and operating CNG/LNG fueling stations; and developing and applying natural gas and LPG-related technologies. In addition, the Group has developed a comprehensive business portfolio of value-added services, heating, new energy, distribution and sale of electricity, and charging stations based on its extensive consumer base.

BUSINESS REVIEW

In 2021, global economic and social activities continued to recover steadily. Thanks to effective pandemic control, China enabled companies to return to business steadily and became one of the first to revive the economy gradually, with its GDP growing 9.8% in the first three quarters. Benefiting from the domestic economic recovery, improvement in the international economy, and stringent environmental policies, China's natural gas sector continued to grow rapidly. Statistics from the National Development and Reform Commission showed that the apparent consumption of natural gas across the country reached 265 billion m^3 in the first three quarters of 2021, up by 14.7% year-on-year.

Industry-wise, PipeChina made continued progress in operation, and industrial regulations have intensified in 2021. As the markets for the production, transportation, and sales of natural gas become increasingly separate, the sector is being reformed and shifting to the "X+1+X" market model: There will be diverse suppliers and supply channels in the upstream, a unified and efficient pipeline network in the midstream, and vigorous competition in sales in the downstream. Now China has promised to peak carbon emissions by 2030 and go carbon neutral by 2060. In addition, the 14th Five-Year Plan proposes to prioritize agriculture and rural areas and comprehensively promote rural revitalization. As a clean energy source, natural gas will play a bigger role in optimizing China's energy mix and achieving the carbon peak and neutrality goals, which will be a major boost to the sector.

However, we need to remain soberly aware that as the pandemic drags on, global economic recovery is insufficient, unstable, unbalanced, and fragile. In the second half of the year, because oil and gas suppliers were unprepared for the rapid rebound of demand, and some countries and regions had aggressively cut fossil fuel supply, the world energy market experienced gradually worsening shortages and rapid price hikes. In China, due to the rapid demand growth for natural gas and shortage of gas supply in the upstream, the Group's supply ran short in an otherwise off-season in the first half of the financial year. Considering the far-reaching impacts of national policies and the sector's profound changes, the Group pursued innovation and breakthroughs in transaction methods, terms and conditions, and operational models of natural gas, LPG, Smart MicroGrid, and Urban Heating businesses. It also required business segments such as value-added service, digital development as well as electricity & new energy businesses to utilize their channels and extend value chains.

SAFETY MANAGEMENT

Since its inception, the Group has been committed to safe production and operation. Safety is its top priority alongside premium service, market development, and cost-effectiveness. The Group has established the Safe Production Committee as the general coordinator. In addition, project companies hold general managers accountable for safety matters and assess their performance with the one-vote veto policy. Over the past three years, the Group invested substantially in digitalized safety management, supervision, training, and accident prevention. The Group has established the advanced HSE management system, expanded the supervision team, and raised safety awareness across the board. The Group has also built a sophisticated smart management system and applied advanced intelligent inspection equipment. Through technologies such as the SCADA platform, the patrol inspection system, and the Geographic Information System, the Group has been monitoring business operations in real time and cautioning against risks.

During the reporting period, a serious gas explosion occurred at the Group's joint venture in Shiyan. The casualties and damages pain our hearts. We hereby offer our condolences and apologies to the victims and their families with the deepest sincerity.

The Group will reinforce safety supervision and build an internationally advanced safety operation system at a greater pace to prevent similar accidents. During the reporting period, the Group restructured operation, production, and customer task forces, specified each sector's responsibilities, and strengthened operational safety management. Additionally, the Group established five Safety Supervision Centres (SSCs), independent of the nine regional operation management headquarters. It also set up pipeline inspection companies to conduct spot checks on project companies with state-of-the-art equipment. During the reporting period, the SSCs conducted a comprehensive safety assessment, inspecting and rating all project companies, identifying problems, eliminating risks, and providing project staff members with safety training. The Group will continue investing in digitalization and building the Operational Management Platform (OMP), aiming to become the first domestic gas group with full OMP coverage.

During the reporting period, the Group's total natural gas sales volume increased by 21.1% to 15.53 billion m^3. Total revenue increased year-on-year by 43.4% to HK$38,947,381,000. Gross profit amounted to HK$8,009,666,000, a year-on-year decrease of 7.8%. Profit attributable to owners of the Company decreased by 19.3% to HK$4,105,140,000, and basic earnings per share were HK74.35 cents, a year-on-year decrease of 23.8%.

Financial and Operational Highlights

	Six months ended 30 September		
	2021 (unaudited)	2020 (unaudited)	Increase/ (decrease)
Financial results			
Turnover *(HK$'000)*	**38,947,381**	27,164,988	43.4%
Gross profit *(HK$'000)*	**8,009,666**	8,686,389	(7.8%)
Profit attributable to owners of the Company *(HK$'000)*	**4,105,140**	5,089,553	(19.3%)
Earnings per share — basic *(HK cents)*	**74.35**	97.53	(23.8%)
Operating results			
Number of piped gas projects	**652**	636	16
Connectable residential users for city gas projects *(million household)*	**53.3**	45.8	16.4%
Penetration rate of residential users for city gas projects	**63.3%**	67.7%	–4.4 pts
Total natural gas sales volume *(million m^3)*	**15,530**	12,827	21.1%
Natural gas sold through retail business	**8,812**	7,595	16.0%
Natural gas sold through long-distance pipelines and trade	**6,718**	5,232	28.4%
Natural gas sold through retail business (customer breakdown) *(million m^3)*			
Residential	**2,267**	1,941	16.8%
Industrial	**4,757**	4,028	18.1%
Commercial	**1,327**	1,130	17.5%
CNG/LNG refilling stations	**460**	496	(7.2%)
New connections			
Residential (total number of new connections)	**1,726,518**	2,830,270	(39.0%)
Residential (city gas projects)	**1,534,451**	2,123,563	(27.7%)
Residential (township projects)	**192,067**	706,707	(72.8%)
Industrial	**1,485**	901	64.8%
Commercial	**19,302**	18,110	6.6%

	Six months ended 30 September		
	2021	2020	Increase/
	(unaudited)	(unaudited)	(decrease)
Accumulated number of connections and CNG/LNG refilling stations			
Residential	**41,880,342**	37,935,794	10.4%
City gas projects	**33,764,303**	30,992,646	8.9%
Township gas projects	**8,116,039**	6,943,148	16.9%
Industrial	**18,531**	15,579	18.9%
Commercial	**285,766**	251,797	13.5%
CNG/LNG refilling stations	**554**	556	(0.4%)
Average connection fees *(RMB/household)*			
Residential (city gas projects)	**2,482**	2,490	(0.3%)
Residential (township "replacement of coal with gas" projects)	**2,950**	2,930	0.7%
Average selling price (pre-tax) of natural gas *(RMB/m^3)*			
Residential	**2.58**	2.59	(0.4%)
Industrial	**2.57**	2.42	6.2%
Commercial	**2.88**	2.67	7.9%
CNG/LNG refilling stations	**3.24**	2.80	15.7%

NEW PROJECTS

During the reporting period, the Group acquired 10 additional city and township piped gas projects. As of 30 September 2021, the Group has obtained 652 piped gas projects with concession rights in 30 provinces, municipalities, and autonomous regions in China. The Group also has 32 long-distance natural gas pipeline projects, 554 CNG/LNG vehicle refilling stations, one coalbed methane development project, and 113 LPG distribution projects.

As of 30 September 2021, the size of the connectable population covered by the Group's gas projects increased to 154 million (approximately 53.32 million households, a year-on-year increase of 16.4%).

During the reporting period, through merger and acquisition, the Group indirectly held 49% equity interests in Beijing Huayou United Gas Development Co., Ltd.* (北京華油聯合燃氣開發有限公司) ("Beijing Huayou"). This company's principal businesses cover the investment and operation of city piped gas projects, natural gas refilling stations, and LNG trading. Huayou's gas projects are located in Majuqiao Town, Tongzhou District (operated from Beijing Economic and Technological Development Zone, Daxing District, and Majuqiao Town), Mentougou District (operated from Mentougou District and Tanzhe Temple Town), Changping District, Shijingshan District, Qihe County in Shandong

Province, and Suizhong County in Liaoning Province. The company has built eight natural gas processing stations, six CNG mother and refueling stations, a 43km network of high-pressure pipelines, a 95km network of sub-high pressure pipelines, and a 583km network of medium-pressure pipelines. In 2020, annual gas sales of Beijing Huayou and its subsidiaries amounted to 630 million m^3, and annual net profit attributable to the owners of the company amounted to RMB140 million (approximately HK$168 million).

NATURAL GAS

Pipeline Building and User Connection

City gas pipelines are the foundation for gas suppliers' operation. By building trunk and branch pipelines, the Group connects its gas network to residential, industrial, and commercial users, charging connection fees and gas bills.

As of 30 September 2021, the Group has built a gas pipeline network with a total length of 496,614 km.

New Users

During the period, the negative impact of the pandemic lingered on, leading to occasional new confirmed cases across China. The zero-case pandemic control policy hampered pipeline building and user connection. Real estate restrictions also limited the Group's user increase. Meanwhile, the Group slowed down investment in township connections out of investment prudence. During the period, the Group increased residential connections by 1,726,518 households, down by approximately 39.0% year-on-year. The average residential connection fees from city gas projects and township "replacement of coal with gas" projects were RMB2,482 and RMB2,950 per household, respectively.

As of 30 September 2021, the number of connected residential users was 41,880,342, a year-on-year increase of approximately 10.4%. The penetration rate of residential households of city gas projects reached 63.3%.

During the period, the Group connected 1,485 new industrial users and 19,302 new commercial users. As of 30 September 2021, the Group has cumulatively connected 18,531 industrial users and 285,766 commercial users, up by 18.9% and 13.5% year-on-year. The average connection fees for industrial and commercial users were RMB149,670 and RMB21,306.

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

The development of new energy vehicles and the pandemic posed a challenge to CNG refilling stations in China. In addition, rising LNG prices dampened logistics companies' desire to purchase LNG heavy trucks, and competition within the sector has been growing, adding to the pressure on LNG vehicle refilling businesses. The Group responded by increasing sales at the stations through better promotion, management, and services. Additionally, the Group has adjusted some stations' business portfolios to provide hydrogen in addition to gas and electricity.

At the beginning of 2020, China's four ministries and commissions issued the Plan for Remedying Salient Vessel and Port Pollution Issues in the Yangtze River Economic Belt (《長江經濟帶船舶和港口污染突出問題整治方案》), which requires the five provinces and two cities in the belt region to start operating at least one pollution-control project before the end of December 2021. Hubei, Jiangxi, and Jiangsu Provinces all launched projects before 31 December. This is a major boost to the LNG vessel refilling sector of the region. Similarly, on 19 August 2021, the Government of Guangdong Province issued the General Division of Tasks for Enhancing the Capacity and Green Development of Inland Navigation for Guangdong Province (《廣東省提升內河航運能力和推動內河航運綠色發展總體分工方案》) and the Demonstration Project Implementation Plan for Promoting Green Development of Inland Navigation of Guangdong Province (《廣東省內河航運綠色發展示範工程實施方案》). The two documents specify the plans and targets for constructing LNG refilling stations and upgrading LNG-powered ships and provide strong policy support. The Group thus foresees rapid growth for the LNG vessel refilling sector in the coming decade.

As of 30 September 2021, the Group had 554 CNG/LNG refilling stations for vehicles.

Natural Gas Sales

Despite occasional resurgences in 2021, China's pandemic control measures have been effective, enabling industries to remain relatively active and sustaining the increase in the industrial demand for natural gas. However, commercial activities rebounded slower than industries, and ad hoc travel restrictions during new pandemic waves further restricted commercial activities. Thus, gas consumption by the Group's commercial customers was hampered. Nevertheless, during the period, the Group's natural gas sales reached 15.53 billion m^3, a relatively fast growth, up by 21.1% year-on-year. The sales mainly took place through city and township pipelines, trading, and direct-supply pipelines. Sales through city and township pipelines accounted for 8.81 billion m^3, up by 16.0% year-on-year, and the figure for trading and direct-supply pipelines was 6.72 billion m^3, up by 28.4% year-on-year.

LPG

The Group currently has seven LPG terminals and 113 LPG distribution projects. With distribution footprints across 21 provinces, the Group is the country's largest vertically integrated LPG service provider.

LPG is increasingly used among suburban residents, and demand from industrial and commercial users has been growing steadily for a long time. In particular, the use of LPG as raw material for petrochemical synthesis and deep processing has been rising fast, heralding a steady demand growth in China in the future. The Group has been harnessing its excellent LPG terminals, storage facilities, vessels and vehicle fleets, and well-connected networks to extend the value chain. It continues to integrate commercial and industrial businesses, combine retail and trade, and consolidate retail with MicroGrids, thus maximizing overall benefits for the supply chain. For LPG trade, the Group boosts sales by diversifying gas sources and promoting grid trading. For retail, the Group has been integrating local bottled gas markets, investing in LPG terminals in core cities where trade and retail are ready to be integrated. In respect of Smart MicroGrid, the Group has harnessed the "Central Document No. 1", proactively interacted with governments at all levels, and launched exemplary projects, thus speeding up contract signing, designs, and construction of MicroGrid projects.

Smart MicroGrid is a small, independent, local network that relies on LPG. It provides centralized piped gas to small communities and towns across the country with great flexibility and is particularly suitable for villages in southern and coastal areas of China, because these regions are usually mountainous, hilly, or crisscrossed by rivers. Building traditional pipelines in such topography would be costly and promise little return, so gas companies have been hard-pressed to find efficient and cost-effective solutions to supply clean gas to these regions in the past decades. In comparison, Smart MicroGrid is less costly to invest and easier to build, promising quicker investment recovery and higher geographical adaptability. As the creator of Smart MicroGrid in China, the Group has spent years researching the technology and has accumulated a wealth of know-how, operational experience, and first-mover advantages. Besides, as China's largest vertically integrated LPG operator, the Group can harness its own LPG networks to develop the Smart MicroGrid business. The Group has adopted the strategy of integrating industrial and commercial businesses, combining trade and retail, and consolidating retail with Smart MicroGrid for its LPG business. Furthermore, the Group has continued to reform from the inside during the period by establishing an LPG holding group. This holding group has taken over the Smart MicroGrid business to centrally manage the business and integrate it better with the LPG business.

Since the Group launched the marketing campaign for Smart MicroGrid, it has signed strategic agreements with Qinghai, Hainan, Yunnan, and Guangdong Provinces; with 15 cities in Hubei, Hunan, and Anhui Provinces; and with 26 counties in Fujian, Jiangsu, and Zhejiang Provinces. Now, the Group has signed contracts with more than 2.5 million residential users, and over 25 million households in the contracted areas meet the investment criteria. Local governments' preferential financial policies will ease rural clients' budget pressure and stimulate the market, but some local governments have not yet implemented these policies this year. As prudence is our strategy, the Group will continue to promote the new business but will slow down the investment until favorable local policies are implemented.

During the period, the Group's total LPG sales volume increased by 13.9% year-on-year to 2,217,400 tons. Specifically, wholesale accounted for 1,862,157 tons, a year-on-year increase of 16.7%; retail accounted for 355,200 tons, a year-on-year increase of 1.4%. As global energy prices surged, so did the Group's LPG procurement cost. As a result, profitability was contained. The LPG sales revenue increased to HK$11,283,162,000 (for the six months ended 30 September 2020: HK$4,962,833,000), a year-on-year increase of 127.4%. Operating profit amounted to HK$24,992,000 (for the six months ended 30 September 2020: HK$75,493,000).

VALUE-ADDED SERVICES

With an ever-increasing penetration rate, the Group's customer base has been rapidly expanding. Currently, the Group provides natural gas and LPG services to more than 47 million residential, industrial, and commercial users. Our extensive customer network has provided us with enormous potential for releasing value-added products. The Group's value-added service business covers sales of wall-mounted heaters and kitchen appliances under the Group's private brand of Gasbo (中燃寶), smart home product line, integrated gas insurance broker service, corrugated pipes, gas alarms, and bottled water. After six years of fast growth, the Group has established a business model and a retail platform that match the gas industry and has been upgrading the business model to ensure rapid growth in the medium and long run. After detailed discussions, the Group has specified the direction for developing the business and adopted a long-term vision — creating a unique new retail model and becoming China's leading integrated service platform for kitchen products and services. Dedicated to building trust with clients and becoming a one-stop kitchen manager, the Group has adopted a top-down design for the business model that revolves around providing carefree B2C kitchen products and services all the way from sale and installation to safety inspection and maintenance.

During the period, the Group's revenue from value-added service business amounted to HK$3,648,016,000 (six months ended 30 September 2020: HK$3,380,994,000), a year-on-year increase of 7.9%; and operating profit amounted to HK$1,299,927,000 (six months ended 30 September 2020: HK$999,805,000), a year-on-year increase of 30.0%.

CARBON PEAK AND NEUTRALITY, NEW ENERGY AND INTEGRATED ENERGY

Over the years, the Group has harnessed its extensive markets and consumer base to expand its market share of the new integrated energy business through external expansion and organic growth, as well as promote natural gas-fired distributed energy, centralized heating, PV power generation, electricity distribution and sale, and electric-vehicle charging facilities in China, in order to provide customers with highly efficient integrated energy and meet consumer needs for gas, heating, electricity, and cooling.

Facilitated by new environmental policies, upgrades in energy consumption structure, and adjustments in consumption habits, the global energy industry, including China, is undergoing an unprecedented shift to clean energy, diversified usage, and integrated supply.

In new landscapes, the Group has made a swift response after careful consideration. Leveraging its well-accumulated market and technologies, the Group has developed and applied smart cloud platforms, big data, and the Internet of Things to build an internet-based energy portal, shifting to a high-tech, intelligent, and unmanned operational mode. The latest digital platform system for carbon peak and neutrality applied by the Group can tap into user needs by conducting "carbon asset" management including carbon emission accounting, carbon emission analysis, and planning on carbon emission reduction pathways and measures, provide solutions for carbon neutrality, and develop rooftop distributed photovoltaics, household photovoltaics, and building-integrated photovoltaics (BIPV) in cities and parks. In view of the above strategic plans, the Group has also adjusted its concept of the Urban Heating business. While making full use of its advantages in project locations nationwide, the Group has changed its fuel solutions of the Urban Heating business to combine various energy sources such as green power, photovoltaics, and natural gas instead of providing electricity in addition to gas. The Urban Heating business has been integrated into the carbon peak and neutrality and new energy business of the Group, which will continuously creates business breakthroughs and improving the overall project profitability.

In light of China's latest efforts to the "carbon peak and neutrality" strategy, the Group seized the opportunity with proactive planning. It entered into strategic cooperation agreements with each of Yangtze Three Gorges Investment Management Co., Ltd. (長江三峽投資管理有限公司), a subsidiary under China Three Gorges Corporation, Shanghai Environment and Energy Exchange, and Dongfeng Motor Corporation, aiming to jointly create a cohesive low-carbon ecosystem. With an extensive gas network across the country, the Group can exert its location and user advantages, establish mutual trust through high-frequency interaction, understand the multi-dimensional energy needs of users, and establish an unique energy standard database and carbon standard database. At the same time, advanced methodological technology is adopted to create a leading data accounting and verification system with a full coverage of life cycle in China. During the period, started from the "digital platform system for carbon peak and neutrality" the Group deployed the system in various fields and various links along the industrial chain. By introducing carbon resources, building a pool of carbon resources, and simulating the pathway to achieve carbon peaks, the Group achieved the effective consolidation and targeted allocation of resources, and took the lead in low-carbon development and implementation in the region, which supported the steady development of the "zero-carbon parks", "zero-carbon car cities", and green transportation system projects.

HUMAN RESOURCES

The philosophy of "Putting People First" prevails in the Group, because we believe competent staff is vital to a company's success. Therefore, we have been enhancing our talent scheme by providing on-job training and recruiting excellent professionals.

The Group constantly fosters the staff's professionalism and expertise and creates numerous opportunities for vocational training, knowledge exchange, and experience sharing. In addition, the Group attracts talents and retains outstanding employees by enhancing their job satisfaction and optimizing the remuneration and welfare system.

Employees' remuneration is determined by their qualifications and experience based on the common practices of the local sector. Apart from basic salary and pension fund contributions, eligible employees may be awarded discretionary bonuses, stock options, and share awards, based on the Group's financial results and their performances.

FINANCIAL REVIEW

For the six months ended 30 September 2021, the Group's turnover amounted to HK$38,947,381,000 (six months ended 30 September 2020: HK$27,164,988,000), representing a year-on-year increase of 43.4%. Gross profit amounted to HK$8,009,666,000 (six months ended 30 September 2020: HK$8,686,389,000), representing a year-on-year decrease of 7.8%. Overall gross profit margin was 20.6% (six months ended 30 September 2020: 32.0%). Profit attributable to owners of the Company amounted to HK$4,105,140,000 (six months ended 30 September 2020: HK$5,089,553,000), representing a year-on-year decrease of 19.3%.

Basic earnings per share amounted to HK74.35 cents (six months ended 30 September 2020: HK97.53 cents), representing a year-on-year decrease of 23.8%.

Finance Costs

For the six months ended 30 September 2021, finance costs increased by 12.2% to approximately HK$848,798,000 from approximately HK$756,707,000 for the same period last year. The increase in finance costs for the period was mainly due to the increase in total average outstanding debt balances.

Share of Results of Associates

For the six months ended 30 September 2021, share of results of associates amounted to HK$503,518,000 (six months ended 30 September 2020: HK$411,721,000).

Share of Results of Joint Ventures

For the six months ended 30 September 2021, share of results of joint ventures amounted to approximately HK$67,114,000 (six months ended 30 September 2020: HK$437,706,000).

Income Tax Expenses

For the six months ended 30 September 2021, income tax expenses decreased by 24.8% to HK$936,294,000 (six months ended 30 September 2020: HK$1,245,286,000), mainly due to a decrease in taxable profit.

Liquidity

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

As of 30 September 2021, the Group's total assets amounted to HK$154,726,087,000 (31 March 2021: HK$140,720,642,000). Bank balances and cash amounted to HK$11,741,095,000 (31 March 2021: HK$8,571,619,000). The Group had a current ratio of 1.37 (31 March 2021: 1.09). Net gearing ratio was 0.52 (31 March 2021: 0.65), as calculated on the basis of net borrowings of HK$37,807,831,000 (total borrowings of HK$49,618,340,000 less trade facility relating to short-term import letters of credit of the LPG business of HK$69,414,000 and bank balance and cash of HK$11,741,095,000) and net assets of HK$72,441,121,000 as at 30 September 2021.

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

Financial Resources

The Group has been actively building up long-standing cooperation relationships with Chinese (including Hong Kong) and overseas banks. As the principal cooperating banks of the Group, China Development Bank, Industrial and Commercial Bank of China, Bank of Communications as well as Agricultural Bank of China have provided the Group with long-term credit facilities of over RMB60 billion under a maximum term of 15 years, which has given strong financial support to the Group's project investments and stable operations. Other major domestic and overseas banks such as Asian Development Bank, Bank of China, China Merchants Bank, HSBC, Mitsubishi UFJ Financial Group, Sumitomo Mitsui Banking Corporation as well as Australia and New Zealand Banking Group have also granted long-term credits to the Group. As at 30 September 2021, over 20 banks offered syndicated loans and standby credit facilities to the Group. Such bank loans are generally used to fund the Group's operations and project investments.

The Group attaches great importance to issues relating to green and sustainable development. In April 2021, the Group obtained a four-year sustainability-linked loan of RMB1 billion from Sumitomo Mitsui Banking Corporation. In August 2021, the Group obtained a sustainability-linked loan of USD900 million granted by HSBC and Mitsubishi UFJ Financial Group as mandated lead arrangers, and received the sustainability assessment and certification from sustainability assessment expert Vigeo Eiris as well as Hong Kong Quality Assurance Agency. The Company, acting as an overseas issuer, and the Group's wholly-owned subsidiaries incorporated in China all actively participated in the issuance of RMB bonds on stock exchanges and interbank bond market in China. As at 30 September 2021, the remaining balance of the bonds issued by the Group amounted to RMB7.11 billion.

As at 30 September 2021, the Group's total bank loans and other loans amounted to HK$49,618,340,000 of which HK$69,414,000 was trade facility relating to short-term import letters of credit of the LPG business.

In April 2021, the Company completed the placing of shares, and the net proceeds amounted to approximately HK$11,602,791,000. The Company intends to use the net proceeds for the following purposes: acquisition of city gas projects in China; expansion of LPG Smart MicroGrid business; development of Urban Heating business; and as general working capital of the Group. The financing will further optimize the Group's capital structure, lower debt ratio, and provide financial support for the Group's long-term sustainable development.

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

Foreign Exchange and Interest Rate

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

Cash flows, contract assets/liabilities, trade receivables and trade and bill payables

As at 30 September 2021, the Group had contract assets of HK$16,775,391,000 (31 March 2021: HK$16,925,010,000), contract liabilities of HK$8,760,266,000 (31 March 2021: HK$8,037,261,000), trade receivables of HK$6,711,458,000 (31 March 2021: HK$5,784,368,000), and trade and bill payables of HK$15,088,314,000 (31 March 2021: HK$15,028,779,000).

During the period, the Group further managed investments with prudence and controlled the growth of contract assets and trade receivables while managing its operating cash flows and free cash flows in a highly effective manner, striving to achieve the goal of positive free cash flow throughout the year.

Charge on assets

As at 30 September 2021, the Group pledged other deposits of HK$66,265,000 (31 March 2021: HK$65,476,000) and pledged bank deposits of HK$281,186,000 (31 March 2021: HK$277,899,000), and certain subsidiaries pledged their equity investments to banks to secure loan facilities.

Capital Commitments

As at 30 September 2021, the Group had capital commitments amounting to HK$256,674,000 (31 March 2021: HK$1,630,321,000) and HK$191,417,000 (31 March 2021: HK$284,944,000) respectively, in respect of the acquisition of property, plant and equipment, and construction materials contracted but not provided for in the condensed consolidated financial statements, which would require the utilization of the Group's cash on hand and external financing. The Group has undertaken to acquire shares of certain Chinese enterprises and set up joint ventures in China.

Contingent Liabilities

As at 30 September 2021, the Group did not have any material contingent liabilities (31 March 2021: nil).

PROSPECTS

In 2021, with the gradual containment of the global pandemic, the world economy has been picking up. Despite numerous challenges, China's economy has been growing steadily. After adopting a portfolio of industrial restructuring and energy reform measures, the country has bolstered economic resilience and accelerated the transition to clean and low-carbon energy. Driven by increased market demand and the "carbon peak and neutrality" policy, natural gas consumption climbed steadily as a primary energy source. As the international energy market experienced adverse conditions such as shortage and price volatility, China continued to encourage oil and gas exploration, diversify upstream developers, and enhance pipelines and gas storage facilities to build the national pipeline network. In addition, the country has been introducing market mechanisms and price regulations to manage the sector more efficiently.

In 2021, the Group drew on national clean energy and environment policies and achieved steady development across the business segments. For the city and township gas business, the Group reformed the management system for safety, engineering, operation, and customer services, prioritizing safety, reinforcing project performance assessment criteria, and diversifying growth strategies. Meanwhile, the Group harnessed market opportunities to advance the urban heating project. It also utilized various markets' resources and price advantages, diversified gas sources and supply channels, and promoted comprehensive and clean energy supply projects, such as distributed energy, heating, and PV power generation. The Group optimized the operation and management of the rural gas business with its experience from "rural coal to gas" and the "Beautiful Countryside" projects. In line with the industrial plan laid out in the "14th Five-Year Plan", the Group has been steadily experimenting with PV power generation and hydrogen refueling stations. For LPG, the Group continued to integrate industrial with commercial businesses, combine trade and retail, and consolidate retail with Smart MicroGrid. To achieve strategic visions, cement business foundation, extend value chain, and achieve high-quality development, the Group continued to reform from the inside by promoting corporate-oriented operational models in the LPG holding groups. In addition, following local governments' market supervision and service standardization policies, the Group developed high-quality terminal projects in existing markets. For the value-added business, it digitalized the operation and increased sales through "Smart Life" and "Gasbo", fully harnessing its massive pipeline and LPG network and the premium customer base of over 47 million.

2021 is critical for the Group's growth. In the first half of the financial year, the tragic accident in Shiyan, Hubei, exposed the Group's management loopholes. After profoundly reflecting on ourselves and learning from this heart-wrenching accident, we comprehensively enhanced our management system, increased the use of advanced grid inspection equipment, enhanced intelligent management, strengthened safety training, and reinforced emergency response. We resolve to improve project management and operation and exert utmost endeavor to provide safe, stable, and clean energy.

2021 witnessed the Group's high-quality development. The Group has restructured its management system to innovate and balance growth in response to new trends and policies. With the three information and digital platforms — ERP, CRM, and OMP (currently under construction), the Group strove to enhance project operation, increase investment returns, and hit high-quality development targets. Faced with market changes, the Group is confident of its innovation and growth capacity and will continue to integrate natural gas with clean energy, extend the value chain, enhance safety, and improve service to keep abreast with the world's energy revolution and the trend of AI.

2021 is also the year of sustainable development for the Group. The Group adheres to the green development principle, follows national clean energy development strategies, and is dedicated to the carbon peaking and neutrality goals. By signing a memorandum of understanding with the United Nations Environment Program (UNEP), the Group joined the Oil and Gas Methane Partnership (OGMP) and aligned multiple targets related to its overseas financing with the UN's Sustainable Development Goals. Such targets include but are not limited to energy intensity, GHG emission intensity, employees' training hours, and gender issues, an endeavor that contributes to the world's green energy transition. Furthermore, as China's largest cross-regional city gas enterprise, the Group proactively undertakes its mission to ensure stable gas supply, provide optimal services, and maintain low-carbon operation, while working towards a future with greater safety, quality, efficiency, equality, and sustainability.

Going ahead, as the country rolls out new environmental policies, works towards the carbon peaking and neutrality goals, and introduces market-oriented reforms and standardization policies in the energy sector, energy production and consumption will become diverse, clean, low-carbon, efficient, safe, and intelligent. As a leading cross-regional, comprehensive energy supplier and service provider in China, the Group will seize the opportunities from the policies and market changes, meet consumer needs, enhance operation and management, promote digitalization, strengthen operational safety, manage risks, and improve performance. In addition, it will pursue innovative, balanced, green, open, and inclusive growth and closely follow issues such as climate change, biodiversity, employee safety and health, and the green supply chain. The Group will fulfill its duties for the economy, environment, and society, provide premium clean energy, and promote the low-carbon transition. It will generate greater value for the shareholders, clients, employees, partners, and social stakeholders and contribute more to China's clean energy development.

CORPORATE GOVERNANCE AND ESG MANAGEMENT

The Group highly values the application of environmental, social and governance (ESG) management in corporate development. It adheres to core values of sustainable development and uses it as a principle for investment decision-making and business operation. It operates its business in a responsible and transparent manner, and strives to continuously enhance its core competitiveness and sustainable development capabilities to create maximum value for shareholders, customers, employees, partners and society. Thanks to the relentless dedication of all staff members over the years, the Group has continued to make improvements in all ESG aspects. The Group is proud of being admitted into the Hang Seng ESG 50 Index and the Hang Seng Corporate Sustainability Benchmark Index in 2020. Furthermore, the ESG rating of the Company remained as BBB by MSCI ESG Ratings in its annual assessment for 2021.

CORPORATE GOVERNANCE CODE

In the opinion of the directors, the Company has complied with all the code provisions ("Code Provisions") of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 September 2021 except for deviation of the following:

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

Code Provision A.4.1, as none of the non-executive directors or independent non-executive directors of the Company is appointed for a specific term. However, in accordance with Bye-law 87(1) of the Company's Bye-laws, at each annual general meeting, one third of the number of directors for the time being shall retire from the office by rotation and be eligible for re-election. All non-executive directors and independent non-executive directors of the Company have retired from the office by rotation and have been re-elected in the past three years. The Board considers that the Company complied with these procedures on terms no less exacting than the requirements of Code Provision A.4.1.

Code Provision A.6.7, all independent non-executive directors and non-executive directors of the Company should attend general meetings but two of non-executive directors did not attend the annual general meeting of the Company held on 18 August 2021 ("2021 AGM") due to pre-arranged business engagements.

Following the appointment of Mr. ZHAO Kun as a Director on 19 August 2021, the Company has not been able to comply with Rule 3.10A of the Listing Rules, which sets out that the Company must appoint independent non-executive directors representing at least one-third of the Board. Pursuant to Rule 3.11 of the Listing Rules, the Company should appoint an additional independent non-executive Director within three months after failing to meet the requirements under Rule 3.10 of the Listing Rules. However, the Company was unable to identify and appoint a suitable candidate for such position within three months after the appointment of Mr. ZHAO. The Company has been endeavouring to identify a suitable candidate for such position as soon as practicable.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the model code for securities transactions by directors of the listed issuers set out in Appendix 10 to the Listing Rules (the "Model Code"). Specific enquiry has been made with all directors of the Company and all directors of the Company confirmed that they have complied with the required standard set out in the Model Code throughout the six months ended 30 September 2021.

REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the interim results for the six months ended 30 September 2021.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

For the six months ended 30 September 2021, the Company or its any subsidiaries repurchased a total of 50,449,000 Shares of the Company at a total consideration of HK$1,265,948,733.

Details of the repurchase are set out below:

Month	**Total number of Shares repurchased**	**Price per Share**		**Total consideration**
		Highest	**Lowest**	
		HK$	*HK$*	*HK$*
May 2021	21,072,000	29.65	27.05	598,160,192
June 2021	1,537,000	23.98	23.75	36,769,385
July 2021	6,493,800	24.60	23.25	155,769,047
August 2021	8,832,400	24.95	21.70	202,201,417
September 2021	12,513,800	23.05	20.70	273,048,692
Total	50,449,000			1,265,948,733

As at the date of this announcement, all of the above repurchased shares had been cancelled. In accordance with the repurchase mandate granted to the Board at the 2021 AGM, such repurchase aimed to increase the net assets per share and earnings per share.

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

The results announcement is required to be published on the websites of The Hong Kong Exchanges and Clearing Limited ("HKEX") at www.hkex.com.hk under "Latest Listed Company Information" and the Company at www.chinagasholdings.com.hk under "Announcements" respectively. The interim report of the Company for the six months ended 30 September 2021 will be dispatched to the shareholders as soon as possible and will be published on the websites of HKEX and the Company accordingly.

By order of the Board
China Gas Holdings Limited
LIU Ming Hui
Chairman, Managing Director and President

Hong Kong, 29 November 2021

As at the date of this announcement, Mr. LIU Ming Hui, Mr. HUANG Yong, Mr. ZHU Weiwei, Ms. LI Ching, Ms. LIU Chang and Mr. ZHAO Kun are the executive directors of the Company; Mr. LIU Mingxing, Mr. JIANG Xinhao and Mr. Mahesh Vishwanathan IYER are the non-executive directors of the Company; and Mr. ZHAO Yuhua, Dr. MAO Erwan, Ms. CHEN Yanyan and Mr. ZHANG Ling are the independent non-executive directors of the Company.

* *For identification purpose only*