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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 2022

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 2022, together with the comparative figures for the year ended 31 March 2021, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March 2022 HK\$'000	Year ended 31 March 2021 HK\$'000
	<i>Notes</i>		
Revenue	3	88,225,193	69,975,381
Cost of sales		<u>(72,486,201)</u>	<u>(51,873,223)</u>
Gross profit		15,738,992	18,102,158
Other income		1,378,291	923,333
Other gains and losses		(474,156)	64,613
Selling and distribution costs		(2,861,171)	(2,438,701)
Administrative expenses		(2,973,407)	(2,750,574)
Finance costs		(1,456,530)	(1,418,781)
Share of results of associates		920,714	892,995
Share of results of joint ventures		<u>514,583</u>	<u>715,006</u>
Profit before taxation		10,787,316	14,090,049
Taxation	4	<u>(2,004,446)</u>	<u>(2,417,766)</u>
Profit for the year	5	<u>8,782,870</u>	<u>11,672,283</u>

	Year ended 31 March 2022	Year ended 31 March 2021
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive income		
Item that may be reclassified subsequently to profit or loss:		
Deferred gain on swap in hedge accounting relationship	—	30,674
Items that will not be reclassified to profit or loss:		
Exchange differences arising on translation	2,746,757	5,128,283
(Decrease) increase in fair value of investments in equity instruments at fair value through other comprehensive income	<u>(241,836)</u>	<u>1,631</u>
Other comprehensive income for the year	<u>2,504,921</u>	<u>5,160,588</u>
Total comprehensive income for the year	<u>11,287,791</u>	<u>16,832,871</u>
Profit for the year attributable to:		
Owners of the Company	7,662,036	10,478,683
Non-controlling interests	<u>1,120,834</u>	<u>1,193,600</u>
	<u>8,782,870</u>	<u>11,672,283</u>
Total comprehensive income attributable to:		
Owners of the Company	9,845,102	14,994,160
Non-controlling interests	<u>1,442,689</u>	<u>1,838,711</u>
	<u>11,287,791</u>	<u>16,832,871</u>
Earnings per share		
Basic	6	6
	<u>HK\$1.39</u>	<u>HK\$2.01</u>
Diluted		
	<u>HK\$1.39</u>	<u>HK\$2.01</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Investment properties		2,296,359	565,377
Property, plant and equipment		68,064,728	56,908,879
Right-of-use assets		4,295,717	4,247,390
Investments in associates		10,662,967	8,765,178
Investments in joint ventures		12,222,808	9,052,185
Equity instruments at fair value through other comprehensive income		738,064	639,837
Goodwill		3,473,229	3,298,386
Other intangible assets		4,052,676	3,829,955
Deposits for acquisition of property, plant and equipment		683,535	1,835,841
Deposits for acquisition of subsidiaries, joint ventures and associates and other deposits		527,891	694,885
Deferred tax assets		705,006	488,579
		<u>107,722,980</u>	<u>90,326,492</u>
Current assets			
Inventories		5,701,218	5,302,266
Contract assets		17,138,269	16,925,010
Trade and other receivables	8	16,247,196	14,554,555
Amounts due from associates		541,621	504,147
Amounts due from joint ventures		5,501,944	3,849,924
Held-for-trading investments		104,638	686,629
Pledged bank deposits		177,968	277,899
Bank balances and cash		10,010,518	8,293,720
		<u>55,423,372</u>	<u>50,394,150</u>

	<i>Note</i>	2022 HK\$'000	2021 HK\$'000
Current liabilities			
Trade and other payables	9	21,078,723	19,409,285
Amounts due to associates		70,399	45,418
Amounts due to joint ventures		69,309	318,508
Contract liabilities		9,443,070	8,037,261
Tax payable		1,269,249	1,021,290
Lease liabilities		213,802	209,606
Bank and other borrowings — due within one year		<u>22,142,596</u>	<u>17,271,905</u>
		<u>54,287,148</u>	<u>46,313,273</u>
Net current assets		<u>1,136,224</u>	<u>4,080,877</u>
Total assets less current liabilities		<u>108,859,204</u>	<u>94,407,369</u>
Equity			
Share capital		54,403	52,124
Reserves		<u>63,523,490</u>	<u>51,884,736</u>
Equity attributable to owners of the Company		63,577,893	51,936,860
Non-controlling interests		<u>8,491,260</u>	<u>7,927,272</u>
Total equity		<u>72,069,153</u>	<u>59,864,132</u>
Non-current liabilities			
Bank and other borrowings — due after one year		33,986,493	31,717,466
Lease liabilities		1,356,116	1,505,843
Deferred tax liabilities		<u>1,447,442</u>	<u>1,319,928</u>
		<u>36,790,051</u>	<u>34,543,237</u>
		<u>108,859,204</u>	<u>94,407,369</u>

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**”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and by the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, 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 consolidated financial statements:

Amendment to HKFRS 16	COVID-19-Related Rent Concessions
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
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 year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Revenue arises from contracts with customers for the sales of natural gas, gas connection, engineering design and construction, sales of liquefied petroleum gas (“**LPG**”), and value-added services by the Group.

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

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

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

- (i) Sales of natural gas;
- (ii) Gas connection;
- (iii) Engineering design and construction;
- (iv) Sales of LPG;
- (v) Value-added services; and
- (vi) Zhongyu Gas.

Information regarding the above segments is presented below.

Segment revenues and results

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

For the year ended 31 March 2022

	Sales of natural gas <i>HK\$'000</i>	Gas connection <i>HK\$'000</i>	Engineering design and construction <i>HK\$'000</i>	Sales of LPG <i>HK\$'000</i>	Value-added services <i>HK\$'000</i>	Zhongyu Gas <i>HK\$'000</i>	Segment Total <i>HK\$'000</i>
Total segment revenue	50,529,353	7,227,283	8,090,159	23,080,845	6,798,837	—	95,726,477
Inter-segment revenue	—	—	(7,501,284)	—	—	—	(7,501,284)
External segment revenue	<u>50,529,353</u>	<u>7,227,283</u>	<u>588,875</u>	<u>23,080,845</u>	<u>6,798,837</u>	<u>—</u>	<u>88,225,193</u>
Segment profit	<u>4,204,951</u>	<u>1,315,827</u>	<u>1,926,587</u>	<u>32,325</u>	<u>2,492,122</u>	<u>467,656</u>	10,439,468
Changes in fair value of investment properties							349,682
Changes in fair value of held-for- trading investments							(581,991)
Interest and other gains							208,357
Gain on deemed disposal of partial interest in an associate							228,797
Unallocated corporate expenses							(419,953)
Finance costs							(506,368)
Exchange gain on translation of foreign currency monetary items into functional currency							59,274
Gain on disposal and winding up of subsidiaries							42,409
Share of results of associates							453,058
Share of results of joint ventures							<u>514,583</u>
Profit before taxation							<u><u>10,787,316</u></u>

For the year ended 31 March 2021

	Sales of natural gas HK\$'000	Gas connection HK\$'000	Engineering design and construction HK\$'000	Sales of LPG HK\$'000	Value-added services HK\$'000	Zhongyu Gas HK\$'000	Segment Total HK\$'000
Total segment revenue	35,935,728	12,477,418	11,390,964	13,163,822	7,720,142	—	80,688,074
Inter-segment revenue	—	—	(10,712,693)	—	—	—	(10,712,693)
External segment revenue	<u>35,935,728</u>	<u>12,477,418</u>	<u>678,271</u>	<u>13,163,822</u>	<u>7,720,142</u>	<u>—</u>	<u>69,975,381</u>
Segment profit	<u>3,959,213</u>	<u>2,824,592</u>	<u>3,334,467</u>	<u>263,071</u>	<u>2,321,088</u>	<u>422,635</u>	13,125,066
Changes in fair value of investment properties							39,202
Changes in fair value of held-for- trading investments							285,632
Interest and other gains							146,528
Unallocated corporate expenses							(374,594)
Finance costs							(316,341)
Exchange gain on translation of foreign currency monetary items into functional currency							46,949
Gain on acquisition of subsidiaries							122
Loss on disposal and winding up of subsidiaries							(47,881)
Share of results of associates							470,360
Share of results of joint ventures							<u>715,006</u>
Profit before taxation							<u><u>14,090,049</u></u>

Inter-segment revenue are charged at prevailing market rates.

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

4. TAXATION

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
The People's Republic of China (the "PRC")		
Enterprise Income Tax	2,188,817	2,602,007
Deferred taxation	<u>(184,371)</u>	<u>(184,241)</u>
	<u><u>2,004,446</u></u>	<u><u>2,417,766</u></u>

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and the Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% except for the tax relief explained below.

Certain PRC subsidiaries are entitled to the preferential tax rate pursuant to the relevant regulations applicable to enterprises situated in the western region of the PRC and high-technology enterprises. The applicable tax rate of those PRC subsidiaries is 15% for the year ended 31 March 2022 (2021: 15%).

5. PROFIT FOR THE YEAR

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	10,400	10,200
Depreciation of property, plant and equipment	2,084,222	1,682,520
Depreciation of right-of-use assets	331,486	290,237
Amortisation of intangible assets	176,835	166,290
Staff costs	4,134,311	3,424,801
Cost of inventories recognised as expenses	68,330,067	45,627,628
Rental income from investment properties less outgoings of HK\$2,187,000 (2021: HK\$1,444,000)	<u><u>(40,710)</u></u>	<u><u>(23,131)</u></u>

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Earnings		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	<u>7,662,036</u>	<u>10,478,683</u>
	2022 <i>'000</i>	2021 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>5,498,433</u>	<u>5,215,306</u>

During the years ended 31 March 2022 and 2021, 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 years ended 31 March 2022 and 2021.

The weighted average number of ordinary shares is arrived at after deducting shares held by the share award scheme.

7. DIVIDENDS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Final dividend paid in respect of year ended 31 March 2021 of HK\$0.45 (2021: HK\$0.40 in respect of the year ended 31 March 2020) per share	2,508,870	2,087,425
Interim dividend paid in respect of six months ended 30 September 2021 of HK\$0.10 (2021: HK\$0.10 in respect of the six months ended 30 September 2020) per share	<u>553,579</u>	<u>521,237</u>
	<u>3,062,449</u>	<u>2,608,662</u>

A final dividend of HK\$0.45 in respect of the year ended 31 March 2022 (2021: final dividend of HK\$0.45 in respect of the year ended 31 March 2021) per share in an aggregate amount of HK\$2,448,151,000 (2021: HK\$2,508,870,000) has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

8. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	6,752,327	6,589,063
Less: Allowances for credit losses	<u>(1,011,363)</u>	<u>(804,695)</u>
Trade receivables	5,740,964	5,784,368
Deposits paid for construction and other materials	1,187,902	1,210,726
Deposits paid for purchase of natural gas and LPG	4,007,667	3,261,488
Advance payments to sub-contractors	870,507	742,072
Rental and utilities deposits	696,042	843,410
Other tax recoverable	1,079,361	973,822
Other receivables and deposits	1,271,164	848,791
Prepaid operating expenses	1,283,671	791,394
Amounts due from non-controlling interests of subsidiaries	<u>109,918</u>	<u>98,484</u>
Total trade and other receivables	<u><u>16,247,196</u></u>	<u><u>14,554,555</u></u>

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0–180 days	2,647,765	3,941,376
181–365 days	1,225,049	995,188
Over 365 days	<u>1,868,150</u>	<u>847,804</u>
	<u><u>5,740,964</u></u>	<u><u>5,784,368</u></u>

The Group has policies for allowance for credit loss which are based on the evaluation of collectability and aged 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.

9. 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 bills payables presented based on the invoice date at the end of the reporting period:

	2022	2021
	HK\$'000	HK\$'000
0–90 days	12,410,460	11,837,364
91–180 days	913,124	534,741
Over 180 days	2,966,486	2,656,674
Trade and bill payables	16,290,070	15,028,779
Other payables and accrued charges	897,798	823,856
Consideration payables	443,172	181,753
Construction fee payables	1,012,427	1,181,922
Retention payable and security deposits received	1,798,302	1,288,085
Accrued staff costs	159,855	209,488
Loan interest payables	165,393	271,268
Amounts due to non-controlling interests of subsidiaries (<i>Note</i>)	311,706	424,134
Total trade and other payables	21,078,723	19,409,285

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

The average credit period on trade purchases and ongoing costs is 90 to 180 days.

FINAL DIVIDEND

The Board resolved to recommend payment of a final dividend of HK45 cents per share to shareholders whose names appear on the register of members of the Company on 25 August 2022 (the record date for determining the entitlement of the shareholders to receive the proposed final dividend). Together with the interim dividend of HK10 cents per share paid to the shareholders on 28 January 2022, the total dividend for the year ended 31 March 2022 amounts to HK55 cents per share (total dividend for the year ended 31 March 2021 amounted to HK55 cents per share).

The final dividend, if approved by the shareholders at the forthcoming annual general meeting, is expected to be payable on or around 3 October 2022 (Monday).

CLOSURE OF REGISTER OF MEMBERS

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

For the purpose of determining the shareholders who are entitled to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from 15 August 2022 (Monday) to 18 August 2022 (Thursday) (both days inclusive), during which no transfer of shares of the Company will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting to be held on 18 August 2022 (Thursday), all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 12 August 2022 (Friday).

To qualify for the proposed final dividend

For the purpose of determining the shareholders who are entitled to receive the proposed final dividend for the year ended 31 March 2022, the register of members of the Company will be closed from 25 August 2022 (Thursday) to 29 August 2022 (Monday) (both days inclusive), during which no transfer of shares will be registered. Subject to the approval of the shareholders at the forthcoming annual general meeting, the final dividend will be payable to the shareholders whose names appear on the register of members of the Company on 29 August 2022 (Monday). In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 24 August 2022 (Wednesday).

MANAGEMENT DISCUSSION AND ANALYSIS

Company Overview

The Group is one of China's largest trans-regional, integrated energy suppliers and service providers. Focusing on China, it is primarily engaged in the investment, construction, and operation of city and township gas pipelines, gas terminals, storage and transport facilities, and gas logistics systems to deliver natural gas and LPG to residential, industrial, and commercial users. The Group also builds and operates CNG/LNG fueling stations while developing and applying natural gas and LPG technologies. In addition, it has drawn on its extensive consumer base to form a comprehensive business portfolio of value-added services, urban heating, new energy, electricity distribution and sales, and charging stations.

Business Review

Last year was extraordinary for the Group and China's city gas industry.

The world economy and energy supply landscape experienced profound adjustment amid setbacks to global economic integration, persistent COVID-19 pandemic, and energy supply and price risks that resulted from the geopolitical conflict. The irresistible trend of decarbonization worldwide fundamentally altered the global energy mix. The digital revolution triggered rapid shifts in business paradigms and consumption habits, shaking up traditional business models and philosophies.

Domestically, the city gas industry started to see dwindling growth space and slower user increase after a decade of rapid expansion and amid the sluggishness in the housing market in recent years. Internationally, tight gas supply led to price fluctuations that were inevitably passed on to the domestic market and weighed on the industry's overall dollar margin. These changes in business climate posed new challenges to the industry's development model.

During the period, the staff of the Group worked in solidarity to pursue high-quality development. The Group sought innovation and breakthroughs in transaction methods, market development and operational models of the natural gas, LPG, microgrid, and urban heating segments. It also continued to require Value-added Services, digital development, and electricity and new energy segments to utilize its channels fully and extend value chains.

Faced with higher-than-usual gas demand in both off and peak seasons, the Group undertook the social responsibility and provided stable gas supply to over 43 million residential users nationwide. It also offers a clean and warm winter to millions of rural households in North China who use natural gas for heating. Notably, the Group secured stable gas supplies for some districts in Zhangjiakou, a Beijing Winter Olympic Games host city, and contributed to the event's success. Racing against time under daunting tasks, the Group swiftly carried out main and service line engineering projects and built about 36.5 km of high and sub-high pressure pipelines, three gate stations, and four regulator stations before the Olympics kicked off. This ensured sufficient gas supplies for the event and laid a solid foundation for a "green" Olympics.

Safety Management

A serious gas explosion occurred during the financial year involving the Group's joint venture in Shiyan. The tragedy pains our hearts and has prompted us to reflect upon ourselves profoundly. To avoid similar accidents, the Group adopted multiple measures swiftly to improve safety management. First, the Group immediately carried out a three-year action plan to ensure production safety, thoroughly checking for hazards across the Group, identifying blind spots in safety management, and thus ensuring accountability. Additionally, the Group enhanced its safety management system: it accelerated the development of the HSE management system, established five Safety Supervision Centres, hired external experts to conduct independent safety reviews, assessment, training, guidance and services. Furthermore, the Group set up pipeline testing companies and pipeline technology companies to implement key safety management measures and build up employees' skills and technologies for safety control.

The Group continued to invest in digital safety management. It has built a full-fledged intelligent management system and applied advanced intelligent inspection equipment. Through technologies such as the SCADA platform, surveying systems, and the Geographic Information System (GIS), the Group can monitor business operations in real-time, caution against risks, and enhance safety throughout business processes. On such basis, the Group accelerated the development of the advanced OMP system (Operational Management Platform) that will eventually cover the entire Group. The first phase of the OMP was piloted in 40 project companies in April. Upon completing the construction of the system, the Group will become China's first nationwide gas corporation with full OMP system coverage.

During the financial year, the Group's total natural gas sales volume increased by 17.6% to 36.7 billion m³. During the period, the Group followed the steady development principle and slowed down investments and connections in rural areas strategically and significantly, resulting in a significant drop in connection revenue and profit. Total revenue increased year-on-year by 26.1% to HK\$88,225,193,000. Gross profit amounted to HK\$15,738,992,000, representing a decrease of 13.1%. Profit attributable to owners of the Company decreased by 26.9% to HK\$7,662,036,000. Basic earnings per share were HK\$1.39, representing a year-on-year decrease of 30.8%. When excluding the effects of non-operating or one-off factors such as exchange gain or loss, core profit attributable to owners of the Company would be HK\$8,052,394,000, representing a year-on-year decrease of 22.0%.

Financial Highlights

for the year ended 31 March

	2022	2021	Change
Turnover (HK\$'000)	88,225,193	69,975,381	26.1%
Gross profit (HK\$'000)	15,738,992	18,102,158	-13.1%
Profit attributable to owners of the Company (HK\$'000)	7,662,036	10,478,683	-26.9%
Core profit attributable to owners of the Company (HK\$'000)	8,052,394	10,317,718	-22.0%
Basic earnings per share (in HK\$)	1.39	2.01	-30.8%
Annual dividend per share (in HK\$)	0.55	0.55	—
Operational performance			
Number of piped-gas projects	660	642	18
Connectable residential users for city gas projects (million households)	53.5	53.0	1.0%
Penetration rate of residential users for city gas projects (%)	65.2%	60.8%	4.4 pts
Total natural gas sale volume (million m³)	36,703.2	31,210.7	17.6%
Natural gas sold through city and township gas projects	21,918.8	18,699.2	17.2%
Natural gas sold through direct-supply pipelines and trade	14,784.4	12,511.5	18.2%
Sales of natural gas in city and township gas projects (customer breakdown) (million m³)			
Residential	7,353.9	6,107.4	20.4%
Industrial	10,804.3	9,018.3	19.8%
Commercial	2,948.2	2,549.2	15.7%
CNG/LNG stations	<u>812.4</u>	<u>1,024.3</u>	<u>-20.7%</u>
New connections			
Residential	2,941,421	5,048,300	-41.7%
City gas projects	2,668,059	3,360,769	-20.6%
Township gas projects	273,362	1,687,531	-83.8%
Industrial	2,762	2,368	16.6%
Commercial	<u>31,200</u>	<u>32,777</u>	<u>-4.8%</u>
Accumulated number of connected customers and gas stations			
Residential	43,095,245	40,153,824	7.3%
City gas projects	34,897,911	32,229,852	8.3%
Township gas projects	8,197,334	7,923,972	3.5%
Industrial	19,808	17,046	16.2%
Commercial	297,664	266,464	11.7%
CNG/LNG stations	<u>533</u>	<u>557</u>	<u>-4.3%</u>

New Projects

During the financial year, the Group acquired 18 additional city and township piped gas projects. As at 31 March 2022, the Group had obtained 660 piped gas projects with concession rights in 30 provinces, municipalities and autonomous regions in China. The Group also had 32 long-distance natural gas pipeline projects, 533 CNG/LNG vehicle refilling stations, one coalbed methane development project, and 106 LPG distribution projects.

During the financial year, the Group indirectly held a 49% equity interest in Beijing Huayou United Gas Development Co., Ltd.* (北京華油聯合燃氣開發有限公司) (“**Beijing Huayou**”) through acquisition. This company’s principal businesses cover the investment and operation of city piped gas projects, natural gas refilling stations and LNG trading. Its 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 and Shijingshan District of Beijing Municipality, Qihe County in Shandong Province and Suizhong County in Liaoning Province. In addition, the company has built eight natural gas processing stations, six CNG mother and refueling stations, a 43 km network of high-pressure pipelines, a 95 km network of sub-high pressure pipelines, and a 583 km network of medium-pressure pipelines. During the period, annual gas sales of Beijing Huayou and its subsidiaries amounted to 670 million m³.

Natural Gas

Pipeline Building and Connections

City gas pipelines are the foundation for gas suppliers’ operations. By building main and service lines, the Group connects its gas network to residential, industrial and commercial users, charging connection fees and gas bills.

As at 31 March 2022, the Group had built a gas pipeline network with a total length of 525,461 km.

Development of New Users

After examining the macro environment and studying future development trends, the Group adjusted its investment and development strategies. It significantly slowed down its investment and installation business of residential coal-to-gas projects in rural areas in Northern China. Meanwhile, persistent downward pressure in the real estate industry also created challenges for the Group to acquire new users. In addition, since the first quarter of 2022, the frequent outbreaks of the COVID-19 pandemic across China have hindered traveling, transport and cargo logistics, thus hampering pipeline building and user connections. As a result, during the financial year, the Group increased residential connections by 2,941,421 households, down by approximately 41.7% year-on-year.

As at 31 March 2022, the accumulated number of connected residential users of the Group was 43,095,245, representing a year-on-year increase of approximately 7.3%. The penetration rate of residential households of city gas projects reached 65.2%.

During the financial year, the Group connected a total of 2,762 new industrial users and 31,200 new commercial users. As at 31 March 2022, the Group had cumulatively connected 19,808 industrial users and 297,664 commercial users, representing a year-on-year increase of approximately 16.2% and 11.7%.

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

As at 31 March 2022, the Group had a total of 533 CNG/LNG refilling stations for vehicles and vessels. The rise of new energy vehicles, gas price hikes and COVID control measures continued to undermine the development of CNG refilling stations in China. In addition, the rising LNG prices discouraged logistics companies from purchasing LNG heavy trucks, adding pressure to LNG vehicle refilling business. Following market changes, the Group proactively applied strategies to increase gas sales through individual refilling stations by scaling up promotion, strengthening management and enhancing services. Meanwhile, the Group adjusted business strategies based on continuous research and gradually converted some gas refilling stations into integrated stations that provide oil and electricity as the primary energy source and gas and hydrogen as the secondary energy source.

Natural Gas Sales

Although the pandemic control measures reduced gas demand from industrial and commercial users, these negative impacts were mostly offset by the new demand induced by environmental protection policies and the low-carbon transition. During the financial year, the Group's total natural gas sales maintained relatively rapid growth and reached 36.7 billion m³, up by 17.6% year-on-year. The gas was mainly sold through city and township pipelines, trading and direct-supply pipelines. Sales through city and township pipelines accounted for 21.92 billion m³, up by 17.2% year-on-year, and the amount for trading and direct-supply pipelines was 14.78 billion m³, up by 18.2% year-on-year.

LPG

The Group has seven LPG terminals and 106 LPG distribution projects. With wide distribution footprints across 19 provinces, it is China's largest vertically integrated LPG operator and service provider.

Now LPG is increasingly popular among rural and suburban residents, and LPG demand from industrial and commercial users has been growing steadily for a long time. Notably, demand for LPG as a raw material for producing petrochemical synthesis and deep processing has surged. As a result, China's LPG demand has been growing steadily. The Group has been drawing on its LPG terminals, storage facilities and the assets and networks of vessel and vehicle fleets to extend the value chain. It has been integrating sales for industrial users, trade, retail and Smart MicroGrid to maximize the profit of the entire supply chain. In trade, the Group has boosted sales by diversifying gas sources and building trading grids. In retail, the Group has been consolidating local bottled gas markets and investing in the end-user business in core cities suitable for combining trade and end-users. In Smart MicroGrid, the Group has fully utilized "Central Document No. 1" and other state policies on rural-area infrastructure development and collaborated with governments on launching demonstration projects. The Group has

been promoting new businesses actively and has remained strategically prudent about making additional investments. It will reduce investment in Smart MicroGrid until local government subsidies have materialized.

During the financial year, the Group's total LPG sales volume increased by 0.5% year-on-year to 4.27 million tons, of which wholesale business accounted for 3.55 million tons, representing a year-on-year increase of 0.6%. The end-user retail business accounted for 0.72 million tons, representing a year-on-year decrease of 0.3%. The international energy price hikes increased the Group's LPG procurement cost during the financial year and affected the overall profitability. The LPG sales revenue increased to HK\$23,080,845,000 (for the year ended 31 March 2021: HK\$13,163,822,000), representing a year-on-year increase of 75.3%. Core net profit for the year attributable to the owners of the Company accounted for HK\$142,791,000 (for the year ended 31 March 2021: HK\$417,801,000), representing a year-on-year decrease of 65.8%.

Value-added Services

With an ever-increasing penetration rate of connections, the Group's customer base has rapidly expanded. Currently, the Group provides natural gas and LPG services to approximately 50 million residential, industrial and commercial users. This network has significant potential for providing added value. The Group's value-added services (VAS) include sales of gas heaters and kitchen appliances under Gasbo (China Gas's proprietary brand), smart household products, comprehensive gas insurance broker services, corrugated pipes, gas alarms, and high-frequency products. After seven years of rapid development, the Group has established a VAS business model and a new retail platform well-suited to the gas industry. The business model has been evolving to continuously boost the VAS in the medium to long run.

The management is confident that the Smart Living System will further enhance consumer experience based on gas-related value-added services. While the previous business model revolved around gas services, the upgraded one centers around kitchen scenarios to provide users with integrated smart household services. Horizontally, Smart Living has been extending to essential utility services, and vertically it has been expanding into the life convenience market, thus forming a 3×3×3 grid-based service business model known as GaaS (Grid as a Service). This model will enable value-added services to develop sustainably in the long term and maximize business opportunities and market shares. During the reporting period, the Group continued to improve the organizational structure of its value-added services business and optimized the sales strategies for e-commerce platforms, offline markets, and city gas companies. The Group increased its shareholding ratio in Smart Living, thereby enabling the Group to explore and create customer value to the fullest extent.

During the financial year, the Group's revenue from value-added services amounted to HK\$6,798,837,000, representing a year-on-year decline of 11.9%; gross profit amounted to HK\$3,301,635,000, representing a year-on-year growth of 13.2%; and operating profit amounted to HK\$2,492,122,000, representing a year-on-year growth of 7.4%.

Carbon Peak and Neutrality, New Energy, and Integrated Energy

Over the years, the Group has expanded the market share of the integrated energy business by utilizing its extensive market and user base and promoting exogenous and endogenous growth. It has developed natural gas distributed energy, centralized heating, PV power generation, electricity distribution and sales and electric vehicle charging piles across China. This business provides users with efficient integrated energy to meet their gas, heating, electricity and cooling needs. During the financial year, the Group achieved the sales of integrated energy of 7.6 billion kWh.

Following the enforcement of environmental protection policies, energy mix upgrading and consumption habit changes, major economies worldwide have announced their decarbonizing targets. As a result, the global energy industry, including in China, is undergoing an unprecedented shift to clean, diversified and integrated energy supplies.

China will fully implement its carbon peak and neutrality policy and the 14th Five-Year Plan in the next three years. Chinese major energy companies will enact strategies to comply with the carbon policy and carry out strategic transformation. Seizing new opportunities, the Group leveraged its well-accumulated market experience and technological innovations swiftly to prepare for various low-carbon and decarbonizing businesses and facilitate long-term and sustainable development.

During the financial year, the Group entered into strategic cooperation agreements with industry leaders such as China Three Gorges Corporation, Shanghai Environment and Energy Exchange, Dongfeng Motor Corporation, and State Power Investment Corporation to jointly develop carbon emission estimation standards and carbon asset management services, enabling China Gas to create its unique low-carbon business ecosystem. At the same time, the Group has entered into cooperation agreements with multiple local governments, including the Xujiahui District of Shanghai, the Luohu District of Shenzhen, and the Conghua District of Guangzhou, to build carbon management service centres. By introducing renewable energy such as green power, the partnerships will develop and invest in green transport, Smart MicroGrid, building energy efficiency management, the integration of power production, distribution, load management, and storage, thus enabling the cities and industries to achieve carbon peaking ahead of their peers.

In the future, the Group will closely follow changes in national policies and continue to expand the low-carbon business ecosystem. The Group has formed a portfolio of zero-carbon products and services, including renewable energy, carbon asset management services, low-carbon building energy saving, green transport and Smart MicroGrid. In the future, it will provide clients with holistic energy and carbon solutions.

Human Resources

Convinced of well-trained professionals' significance to business success, our Group adheres to the philosophy of putting people first. Therefore, we have enhanced our talent scheme by providing better on-the-job training for existing staff and recruiting excellent professionals from the market. In addition, the Group has also started to optimize the workforce's age structure by assigning more and more young people to important positions.

The Group continues to improve the employees' professional expertise and competence by encouraging them to obtain widely recognized certificates and initiating internal accreditation schemes. Meanwhile, the Group has created platforms for vocational training, knowledge exchange and experience sharing. Furthermore, it strives to attract and retain outstanding professionals by enhancing their job satisfaction and developing optimal remuneration policies.

When determining the employees' remunerations, the Group primarily considers their qualifications and experience while factoring in standard practices in the local industry. Apart from basic salaries and pension fund contributions, eligible employees may be awarded bonuses, share options or share awards based on the Group's financial results and the employees' performance.

Financial Review

For the year ended 31 March 2022, the Group's sales revenue amounted to HK\$88,225,193,000 (for the year ended 31 March 2021: HK\$69,975,381,000), representing a year-on-year increase of 26.1%. Gross profit amounted to HK\$15,738,992,000 (for the year ended 31 March 2021: HK\$18,102,158,000), representing a year-on-year decrease of 13.1%. The overall gross profit margin was 17.8% (for the year ended 31 March 2021: 25.9%). Profit attributable to owners of the Company amounted to HK\$7,662,036,000 (for the year ended 31 March 2021: HK\$10,478,683,000), representing a year-on-year decrease of 26.9%. When excluding the effects of non-operating or one-off factors such as exchange gain or loss, core profit attributable to owners of the Company would be HK\$8,052,394,000, representing a year-on-year decrease of 22.0%.

Basic earnings per share amounted to HK\$1.39 (for the year ended 31 March 2021: HK\$2.01), representing a year-on-year decrease of 30.8%.

Finance Costs

For the year ended 31 March 2022, the Group's finance costs increased by 2.7% to approximately HK\$1,456,530,000 from approximately HK\$1,418,781,000 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 year ended 31 March 2022, the Group's share of results of associates amounted to HK\$920,714,000 (for the year ended 31 March 2021: HK\$892,995,000).

Share of Results of Joint Ventures

For the year ended 31 March 2022, the Group's share of results of joint ventures amounted to approximately HK\$514,583,000 (for the year ended 31 March 2021: HK\$715,006,000).

Income Tax Expenses

For the year ended 31 March 2022, the Group's income tax expenses decreased by 17.1% to HK\$2,004,446,000 (for the year ended 31 March 2021: HK\$2,417,766,000).

Liquidity

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

As at 31 March 2022, the Group's total assets amounted to HK\$163,146,352,000 (31 March 2021: HK\$140,720,642,000). Bank balances and cash amounted to HK\$10,188,486,000 (31 March 2021: HK\$8,571,619,000). The Group had a current ratio of 1.02 (31 March 2021: 1.09). The net gearing ratio was 0.64 (31 March 2021: 0.65), as calculated based on net borrowings of HK\$45,940,603,000 (total borrowings of HK\$56,129,089,000 less bank balance and cash of HK\$10,188,486,000) and net assets of HK\$72,069,153,000 as at 31 March 2022.

The Group has always followed 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 substantial 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, MUFJ Bank, Sumitomo Mitsui Banking Corporation as well as Australia and New Zealand Banking Group have also granted long-term credits to the Group. As of 31 March 2022, 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 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 MUFJ Bank as the mandated lead arrangers, and received the sustainability assessment and certification from Vigeo Eiris, a French sustainability assessment expert, and 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 the interbank bond market in China. As at 31 March 2022, the remaining balance of the RMB corporate bonds and medium-term RMB notes issued by the Group amounted to RMB3.33 billion.

As at 31 March 2022, the Group's total bank loans and other loans amounted to HK\$56,129,089,000.

In April 2021, the Company completed the placing of shares, and the net proceeds amounted to approximately HK\$11.6 billion. The Company intended 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 has further optimized the Group's capital structure, lowered the debt ratio, and provided financial support for the Group's long-term sustainable development.

The Group's operating and capital expenditure has been financed by the 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 31 March 2022, the Group had contract assets of HK\$17,138,269,000 (31 March 2021: HK\$16,925,010,000), contract liabilities of HK\$9,443,070,000 (31 March 2021: HK\$8,037,261,000), trade and bill receivables of HK\$5,740,964,000 (31 March 2021: HK\$5,784,368,000), and trade and bill payables of HK\$16,290,070,000 (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. At the same time, the Group managed its operating cash flow efficiently.

Charge on Assets

As at 31 March 2022, the Group pledged other deposits of HK\$67,902,000 (31 March 2021: HK\$65,476,000), pledged bank deposits of HK\$177,968,000 (31 March 2021: HK\$277,899,000), pledged property, plant and equipment and investment properties of HK\$2,992,542,000 (31 March 2021: nil) and certain subsidiaries pledged their equity investments to banks to secure loan facilities.

Capital Commitments

As at 31 March 2022, the Group had capital commitments amounting to HK\$284,911,000 (31 March 2021: HK\$1,630,321,000) and HK\$243,323,000 (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 31 March 2022, the Group did not have any material contingent liabilities (31 March 2021: nil).

CORPORATE GOVERNANCE

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

Code Provision A.2.1

Under the Code Provision A.2.1 (which has been re-numbered as Code Provision C.2.1 since 1 January 2022), the roles of chairman and chief executive should be separate and performed by different individuals. Under the current organizations of the Company, the functions of chief executive officer are performed by the 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.

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 to 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 2022.

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 2022.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 March 2022, the Company or its any of its subsidiaries repurchased a total of 164,033,200 shares of the Company at a consideration of HK\$2,847,105,305.

Details of the repurchase are set out below:

Month	Total number of shares repurchased	Price per share		Total consideration HK\$
		Highest	Lowest	
		HK\$	HK\$	
May 2021	21,072,000	29.65	27.05	598,311,362
June 2021	1,537,000	23.98	23.75	36,845,963
July 2021	6,493,800	24.60	23.25	155,923,960
August 2021	8,832,400	24.95	21.70	202,424,275
September 2021	12,513,800	23.05	20.70	272,465,936
October 2021	18,125,600	23.00	18.46	370,869,710
November 2021	3,580,000	14.12	13.96	50,349,944
December 2021	3,429,000	13.70	13.00	45,907,947
January 2022	18,136,800	14.40	13.02	244,608,908
February 2022	24,291,200	14.08	12.42	313,136,582
March 2022	<u>46,021,600</u>	12.74	11.36	<u>556,260,718</u>
Total	<u><u>164,033,200</u></u>	29.65	11.36	<u><u>2,847,105,305</u></u>

As at the date of this announcement, all of the above repurchased shares had been cancelled.

The repurchases were made for the purpose of enhancing the net asset value per share and earnings per share and were made pursuant to the repurchase mandate granted to the Board at the 2021 annual general meeting of the Company.

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

The results announcement is required to be published on the websites of Hong Kong Exchanges and Clearing Limited (“**HKEX**”) at www.hkex.com.hk under “Latest Listed Company Information” and the Company at www.chinagasholdings.com.hk under “Announcements” respectively. The annual report of the Company for the year ended 31 March 2022 will be dispatched to the shareholders and published on the websites of HKEX and the Company in due course.

On behalf of the Board
China Gas Holdings Limited
LIU MING HUI

Chairman, Managing Director and President

Hong Kong, 24 June 2022

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. XIONG Bin, 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, Mr. ZHANG Ling and Dr. MA Weihua are the independent non-executive directors of the Company.

* *For identification purpose only*