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CHINAGAS
中國燃氣

CHINA GAS HOLDINGS LIMITED

中國燃氣控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 384)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

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 2022, together with the comparative figures for the six months ended 30 September 2021, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 September 2022

		Six months ended	
		30 September 2022	30 September 2021
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**42,976,485**	38,947,381
Cost of sales		**(36,004,625)**	(30,937,715)
Gross profit		**6,971,860**	8,009,666
Other income		**820,735**	586,568
Other gains and losses		**104,950**	(160,750)
Selling and distribution costs		**(1,482,102)**	(1,283,493)
Administrative expenses		**(1,423,972)**	(1,310,651)
Finance costs		**(815,111)**	(848,798)
Share of results of associates		**287,938**	503,518
Share of results of joint ventures		**(80,239)**	67,114
Profit before taxation		**4,384,059**	5,563,174
Taxation	*4*	**(532,753)**	(936,294)
Profit for the period	*5*	**3,851,306**	4,626,880

	Note	Six months ended 30 September 2022 HK$'000 (unaudited)	30 September 2021 HK$'000 (unaudited)
Other comprehensive (expense) income			
Items that will be reclassified subsequently to profit or loss		—	—
Items that will not be reclassified subsequently to profit or loss:			
Exchange difference arising on translation		**(9,658,854)**	808,028
Decrease in fair value of investments in equity instruments at fair value through other comprehensive income		**(34,557)**	(214,328)
Other comprehensive (expense) income for the period		**(9,693,411)**	593,700
Total comprehensive (expense) income for the period		**(5,842,105)**	5,220,580
Profit for the period attributable to:			
Owners of the Company		**3,260,039**	4,105,140
Non-controlling interests		**591,267**	521,740
		3,851,306	4,626,880
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(5,414,433)**	4,596,313
Non-controlling interests		**(427,672)**	624,267
Total comprehensive (expense) income for the period		**(5,842,105)**	5,220,580
Earnings per share			
Basic	6	**HK59.92 cents**	HK74.35 cents
Diluted	6	**HK59.92 cents**	HK74.35 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2022

	Note	**30 September 2022**	31 March 2022
		HK$'000	*HK$'000*
		(unaudited)	(audited)
Non-current assets			
Investment properties		**2,301,247**	2,296,359
Property, plant and equipment		**61,993,489**	68,064,728
Right-of-use assets		**3,882,328**	4,295,717
Investments in associates		**10,168,573**	10,662,967
Investments in joint ventures		**10,993,377**	12,222,808
Equity instruments at fair value through other comprehensive income		**496,019**	738,064
Goodwill		**3,149,629**	3,473,229
Other intangible assets		**3,533,238**	4,052,676
Deposit for acquisition of property, plant and equipment		**425,330**	683,535
Deposit for acquisition of subsidiaries, joint ventures and associates and other deposits		**2,073,792**	527,891
Deferred tax assets		**1,111,008**	705,006
		100,128,030	107,722,980
Current assets			
Inventories		**5,479,181**	5,701,218
Contract assets		**14,528,254**	17,138,269
Trade and other receivables	7	**16,323,787**	16,247,196
Amounts due from associates		**470,004**	541,621
Amounts due from joint ventures		**5,757,734**	5,501,944
Held-for-trading investments		**104,774**	104,638
Pledged bank deposits		**210,815**	177,968
Bank balances and cash		**13,807,999**	10,010,518
		56,682,548	55,423,372

	Note	30 September 2022 HK$'000 (unaudited)	31 March 2022 HK$'000 (audited)
Current liabilities			
Trade and other payables	*8*	**20,053,596**	21,078,723
Amounts due to associates		**65,099**	70,399
Amounts due to joint ventures		**48,911**	69,309
Contract liabilities		**8,338,147**	9,443,070
Tax payable		**956,338**	1,269,249
Lease liabilities		**195,928**	213,802
Bank and other borrowings — due within one year		**22,667,834**	22,142,596
		52,325,853	54,287,148
Net current assets		**4,356,695**	1,136,224
Total assets less current liabilities		**104,484,725**	108,859,204
Equity			
Share capital		**54,403**	54,403
Reserves		**58,022,536**	63,523,490
Equity attributable to owners of the Company		**58,076,939**	63,577,893
Non-controlling interests		**7,837,864**	8,491,260
Total equity		**65,914,803**	72,069,153
Non-current liabilities			
Bank and other borrowings — due after one year		**35,967,825**	33,986,493
Lease liabilities		**1,249,167**	1,356,116
Deferred taxation		**1,352,930**	1,447,442
		38,569,922	36,790,051
		104,484,725	108,859,204

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 2022 are the same as those presented in the Group's annual financial statements for the year ended 31 March 2022.

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 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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 natural gas, gas connection, engineering design and construction, sales of liquefied petroleum gas ("LPG"), value-added services and Zhongyu Energy Holdings Limited ("Zhongyu Energy"), in which the Group's chief operating decision maker ("CODM") reviewed the result of Zhongyu Energy, 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 2022 and 2021 about these businesses is presented below.

	Six months ended 30 September 2022 (unaudited)						
	Sales of natural gas	Gas connection	Engineering design and construction	Sales of LPG	Value-added services	Zhongyu Energy	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total segment revenue	**24,675,655**	**3,610,231**	**3,879,164**	**11,776,299**	**2,548,908**	**—**	**46,490,257**
Inter-segment revenue	**—**	**—**	**(3,513,772)**	**—**	**—**	**—**	**(3,513,772)**
External segment revenue	**24,675,655**	**3,610,231**	**365,392**	**11,776,299**	**2,548,908**	**—**	**42,976,485**
Segment profit	**2,062,736**	**386,702**	**555,541**	**81,535**	**1,203,092**	**79,882**	**4,369,488**
Interest and other gains							**137,090**
Unallocated corporate expenses							**(262,303)**
Change in fair value of investment properties							**227,706**
Gain on disposal of an investment property							**10,639**
Change in fair value of held-for-trading investments							**136**
Loss on disposal of property, plant and equipment							**(6,594)**
Exchange gain on translation of monetary items into functional currency							**20,237**
Finance costs							**(237,920)**
Loss on disposal/deregistration of subsidiaries							**(2,237)**
Share of results of associates							**208,056**
Share of results of joint ventures							**(80,239)**
Profit before taxation							**4,384,059**

	Six months ended 30 September 2021 (unaudited)						
	Sales of natural gas	Gas connection	Engineering design and construction	Sales of LPG	Value-added services	Zhongyu Energy	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

4. TAXATION

	Six months ended	
	30 September	30 September
	2022	2021
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
PRC Enterprise Income Tax	**844,243**	984,292
Deferred taxation	**(311,490)**	(47,998)
	532,753	936,294

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
	2022	2021
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**1,126,043**	1,086,513
Depreciation of right-of-use assets	**161,112**	163,033
Amortisation of intangible assets	**94,019**	88,342
Interest income	**(124,627)**	(261,391)
Loss on disposal of property, plant and equipment	**6,594**	6,434
Gain on disposal of an investment property	**(10,639)**	—

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 2022	30 September 2021
	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)	**3,260,039**	4,105,140
Number of shares	***'000***	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**5,440,336**	5,521,074

During the period ended 30 September 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 period ended 30 September 2022 and 2021.

7. TRADE AND OTHER RECEIVABLES

	30 September 2022	31 March 2022
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables	**7,596,662**	6,752,327
Less: Accumulated allowances	**(849,428)**	(1,011,363)
Trade receivables	**6,747,234**	5,740,964
Deposits paid for construction and other materials	**825,307**	1,187,902
Deposits paid for purchase of natural gas and LPG	**4,042,852**	4,007,667
Advance payments to sub-contractors	**963,349**	870,507
Rental and utilities deposits	**659,778**	696,042
Other tax recoverable	**314,353**	1,079,361
Other receivables and deposits	**1,393,651**	1,271,164
Prepaid operating expenses	**1,164,318**	1,283,671
Amounts due from non-controlling interests of subsidiaries	**212,945**	109,918
Total trade and other receivables	**16,323,787**	16,247,196

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 2022	31 March 2022
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0–180 days	**3,602,701**	2,647,765
181–365 days	**764,832**	1,225,049
Over 365 days	**2,379,701**	1,868,150
	6,747,234	5,740,964

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 2022	31 March 2022
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0–90 days	**11,125,326**	12,410,460
91–180 days	**1,034,663**	913,124
Over 180 days	**3,213,836**	2,966,486
Trade and bill payables	**15,373,825**	16,290,070
Other payables and accrued charges	**618,605**	591,616
Consideration payables	**422,218**	443,172
Construction fee payables	**821,295**	1,012,427
Retention payables and security deposits received	**1,598,748**	1,798,302
Other tax payables	**510,381**	306,182
Accrued staff costs	**125,764**	159,855
Loan interest payables	**285,835**	165,393
Amounts due to non-controlling interests of subsidiaries	**296,925**	311,706
	20,053,596	21,078,723

INTERIM DIVIDEND

The Board declared an interim dividend of HK10.0 cents per share for the six months ended 30 September 2022 (six months ended 30 September 2021: HK10.0 cents per share).

The interim dividend will be paid on or about Friday, 3 February 2023 to shareholders whose names appear on the register of members of the Company on Wednesday, 11 January 2023.

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 2022, the register of members of the Company will be closed from Monday, 9 January 2023 to Wednesday, 11 January 2023, 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, 6 January 2023.

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 logistics systems, delivering 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 gas user base to form a comprehensive business portfolio of value-added services, urban heating, new energy, electricity distribution and sales, and charging stations.

BUSINESS REVIEW

In 2022, the global natural gas industry experienced profound changes. Due to intensified geopolitical conflicts, the supply shortages in certain regions of Europe led to price hikes that spilled over to other major gas-consuming regions worldwide, triggering the largest energy crisis over the decades. Meanwhile, the world economic recovery remained sluggish under the impact of the pandemic while major economies tightened monetary policies and shrank liquidity supply in light of high inflation rates, dampening production, investment and consumption and increasing the risk of global economic downturn. At the same time, riding on the irresistible trend of de-carbonization, new energy and integrated energy sectors embraced rapid development and upgraded towards a low-carbon and green direction. Under the new consumption model, user needs have driven market changes, and the evolving consumption scenarios have encouraged industry chain extension.

In China, natural gas demand declined as end users saw higher prices that resulted from significant upstream price hikes and the pandemic continued. As a result, in the first half of the year, China's apparent natural gas consumption decreased year on year, showing weak demand and posing new challenges to city gas companies.

Despite the macroeconomic growth slowdown, natural gas price increase, and gas demand reduction, the Group pressed ahead in solidarity against all odds. Adhering to its business philosophy of "starting a new journey of development with strategic empowerment, reform, and innovation" and aiming at high-quality development, the Group consolidated the foundation for safety and effectively managed gas sales dollar margin and residential user price pass-through. It also created innovative marketing models and sales channels, accelerated digitalization, and incubated new businesses, thus extending its value chain.

During the period, the Group firmly seized development opportunities and focused on increasing the volume and profit of natural gas sales, its core business. It also leveraged its foothold in the LPG upstream, midstream, and downstream sectors to boost synergy and steadily enhance business performance. Additionally, it developed value-added services and expanded its user base by enriching the supply chain and enhancing sales channels. Furthermore, in line with national policies, the Group accelerated pipeline renovation while building and operating an intelligent gas management platform for city gas projects to ensure production and operational safety. In the first half of the fiscal year, the Group also signed strategic cooperation agreements with the People's Government of Hohhot City and the People's Government of Baoshan District in Shanghai on promoting carbon peak and neutrality business, such as carbon asset management and de-carbonization services. The collaboration marks a steady step towards becoming an integrated green energy service provider.

During the period, the Group's total revenue increased year-on-year by 10.3% to HK$42,976,485,000. Gross profit amounted to HK$6,971,860,000, representing a year-on-year decrease of 13.0%. Profit attributable to owners of the Company decreased by 20.6% to HK$3,260,039,000. Basic earnings per share were HK59.92 cents, representing a year-on-year decrease of 19.4%.

Financial and Operational Highlights

	Six months ended 30 September		
	2022	2021	Increase/
	(unaudited)	(unaudited)	(decrease)
Financial results			
Turnover *(HK$'000)*	**42,976,485**	38,947,381	10.3%
Gross profit *(HK$'000)*	**6,971,860**	8,009,666	(13.0%)
Profit attributable to owners of the Company *(HK$'000)*	**3,260,039**	4,105,140	(20.6%)
Earnings per share — basic *(HK cents)*	**59.92**	74.35	(19.4%)
Net cash flow from operating activities *(HK$'000)*	**4,736,177**	4,143,685	14.3%
Free cash flow *(HK$'000)*	**840,828**	(3,096,221)	3,937,049
Operating results			
Number of piped gas projects	**661**	652	9
Connectable residential users for city gas projects *(million household)*	**53.6**	53.3	0.6%
Penetration rate of residential users for city gas projects	**67.7%**	63.3%	4.4 pts
Total natural gas sales volume *(million m^3)*	**16,683**	15,530	7.4%
Natural gas sold through retail business	**9,378**	8,812	6.4%
Natural gas sold through long-distance pipelines and trade	**7,305**	6,718	8.7%
Natural gas sold through retail business (customer breakdown) *(million m^3)*			
Residential	**2,495**	2,267	10.0%
Industrial	**5,118**	4,757	7.6%
Commercial	**1,409**	1,327	6.2%
CNG/LNG refilling stations	**356**	460	(22.6%)
New connections			
Residential	**1,529,352**	1,726,518	(11.4%)
City gas projects	**1,343,709**	1,534,451	(12.4%)
Township "replacement of coal with gas" projects	**185,643**	192,067	(3.3%)
Industrial	**1,632**	1,485	9.9%
Commercial	**16,145**	19,302	(16.4%)

	Six months ended 30 September 2022 (unaudited)	2021 (unaudited)	Increase/ (decrease)
Accumulated number of connections and CNG/LNG refilling stations			
Residential	**44,673,026**	41,880,342	6.7%
City gas projects	**36,290,049**	33,764,303	7.5%
Township gas projects	**8,382,977**	8,116,039	3.3%
Industrial	**21,440**	18,531	15.7%
Commercial	**313,810**	285,766	9.8%
CNG/LNG refilling stations	**533**	554	(3.8%)
Average connection fees *(RMB/household)*			
City gas projects	**2,496**	2,482	0.6%
Township "replacement of coal with gas" projects	**2,945**	2,950	(0.2%)

SAFETY MANAGEMENT

In the first half of the fiscal year, the Group set out 24 key targets for safety management in seven categories, continued to promote the construction of the safety management system, occupational health and safety management system, and environmental management system, increased safety training, carried out the Safety Alert program, fully implemented the HSE review and rating over project companies, established a professional pipeline leak detection company, introduced internationally leading equipment for pipeline leak detection, and improved safety control. The Group also steadily pushed forward the Three-year Action Plan for Production Safety and the Special Mitigation Plan for Gas Safety to strengthen the foundation of operational safety. Additionally, following national regulations, the Group carried out a 100-day gas safety operation, in which it comprehensively investigated and mitigated safety risks and major hidden hazards in public places such as restaurants, gas pipeline regulating stations in old residential complexes, gas risers, and building penetration pipes. In this 100-day operation, the Group also made a comprehensive study and archive of the gas facilities and pipelines while comprehensively assessing the conditions of grey cast-iron pipes more than 15 years old and including them in the pipeline renovation plan. Furthermore, the Group stepped up efforts to mitigate hidden dangers by fully mitigating hazards such as residential user level-one hazards, pipeline occupation, confined spaces, and insufficient pipeline spacing. This practice marks an improvement in gas facilities construction and operational management standards. At the same time, the Group re-shuffled the safety, operation, and engineering systems and upgraded technical standards for production and operational safety to ensure accountability for safety control. Besides, the Group accelerated the development of the HSE management system, established Five Safety Supervision Centers, and hired external safety experts to conduct independent safety reviews and participate in drawing up the national standards for addressing gas safety hazards.

The Group continued to invest in digitalized safety management. In the first half of the fiscal year, the Group introduced the System for Managing Production Safety Performance, and completed the Shiyan Intelligent Gas Emergency Management Platform and the Wuhu Intelligent Gas Facilities Project. On such basis, the Group launched a platform for intelligent emergency response and auxiliary decision-making to enhance the ability to handle urgent incidents on-site and manage gas facilities. At the same time, the Group accelerated the deployment of intelligent inspection equipment and intelligent management systems such as SCADA, GIS, and OMP (Operational Management Platform). These digital tools have enabled the Group to achieve real-time tracking, monitoring, and early warning of operation scenarios such as pipeline inspection, construction supervision, hazard handling, and pipeline investigation, thus enhancing safety throughout the business lifecycle. In the first half of the fiscal year, the first phase of the OMP system has been applied to all city and township gas projects of the Group. Upon completing the construction of the OMP system, the Group will become China's first nationwide gas corporation with full OMP system coverage.

NEW PROJECTS

In the first half of the fiscal year, the Group acquired one additional city piped gas project. As at 30 September 2022, the Group had obtained 661 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, 533 CNG/LNG vehicle refilling stations, one coalbed methane development project and 106 LPG distribution projects.

NATURAL GAS

Pipeline Building and Connections

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

As at 30 September 2022, the Group had built a gas pipeline network with a total length of 547,887 km.

Development of New Users

In the first half of the fiscal year, persistent downward pressure in the real estate industry also created challenges for the Group to acquire new users. Furthermore, travel and logistics restrictions under pandemic control impeded pipeline construction and indoor installation and thus delayed new connection engineering. As a result, the Group increased residential connections by 1,529,352 households during the period, down by approximately 11.4% year-on-year.

As at 30 September 2022, the accumulated number of connected residential users of the Group was 44,673,026, representing a year-on-year increase of approximately 6.7%. Penetration rate of residential households of city gas projects reached 67.7%.

During the first half of the fiscal year, the Group connected a total of 1,632 new industrial users and 16,145 new commercial users. As at 30 September 2022, the Group had cumulatively connected 21,440 industrial users and 313,810 commercial users, representing a year-on-year increase of approximately 15.7% and 9.8%, respectively.

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

As at 30 September 2022, the Group had a total of 533 CNG/LNG refilling stations for vehicles and vessels. The accelerated development of new energy vehicles and supporting infrastructure means a smaller CNG vehicle market. This trend and rising gas prices posed a challenge to CNG refilling stations. The LNG vehicle refilling business also came under pressure because, in addition to logistics restrictions during the pandemic, LNG price hikes lowered the demands from logistics companies in purchasing LNG heavy trucks. In response to market changes, the Group increased gas sales of individual refilling stations by scaling up promotional activities, strengthening management, and enhancing services. Meanwhile, the Group continuously evolved its business strategies and gradually repositioned some refilling stations as integrated stations to provide oil and electricity as the primary energy source and gas and hydrogen as the secondary energy source, thereby improving and enhancing the operational level of refilling station projects.

Natural Gas Sales

In the first half of the fiscal year, industrial and commercial gas demand declined due to macroeconomic downturn, pandemic-induced production disruptions, and upstream price hikes. But China's environmental protection and de-carbonization efforts spurred natural gas demand, generally offsetting the pandemic's negative impacts on natural gas sales. As a result, in the first half of the fiscal year, the Group's total natural gas sales maintained relatively rapid growth and reached 16.68 billion m^3, up by 7.4% year-on-year. Natural gas was mainly sold through city and township pipelines, trading, and direct-supply pipelines. Sales through city and township pipelines was 9.38 billion m^3, up by 6.4% year-on-year. Sales through trading and direct-supply pipelines was 7.31 billion m^3, up by 8.7% 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.

The Group has been drawing on its LPG terminals, storage facilities, and vessel and vehicle fleets to extend the value chain. In addition, it has been integrating industrial and commercial users, combining LPG trade with retail, and consolidating retail with Smart MicroGrid. Furthermore, it has diversified channels for LPG sourcing, constructed and operated LPG terminals and storage facilities, and optimized resource allocation and the retail network. In the trade segment, the Group strives to integrate procurement with sales to boost synergies and sales volume. In the retail segment, it continuously expands asset-light end-user projects and improves LPG facilities to reinforce storage, transport, and sales capacities.

During the period, the Group's total LPG sales volume amounted to 1.804 million tons, representing a year-on-year decrease of 18.6%, of which the wholesale business accounted for 1.454 million tons, representing a year-on-year decrease of 21.9%, while the end-user retail business accounted for 350,000 tons, representing a year-on-year decrease of 1.6%. During the period, seeing persistently high global energy prices, the Group restricted LPG imports, shortened the inventory cycle, and passed on price increases in the spirit of prudence, thus substantially reducing price risks. The LPG sales revenue amounted to HK$11,776,299,000 (for the six months ended 30 September 2021: HK$11,283,162,000), representing a year-on-year increase of 4.4%. The profit before tax for the period amounted to HK$81,535,000 (for the six months ended 30 September 2021: HK$24,992,000), representing a year-on-year increase of 226.2%.

VALUE-ADDED SERVICES

Drawing on the Group's extensive base of more than 50 million users and thanks to the advantageous online and offline channels, the value-added business has maintained long-term stable growth. Under the new consumption scenario, the Group adheres to a customer-oriented approach. It has developed a diversified, differentiated, and intelligent product matrix focusing on kitchen and safety scenarios to provide customers with a full range of products and services. Its proprietary brands — Gasbo, HOMNLY, and KIVILY — have expanded their foothold in the market. It also effectively expanded into the regions outside of its concession areas by leveraging its unique brand value. The production-sales integration and smart-home Internet of Things (IoT) products have become the value-added services' cutting-edge advantages. In addition, the Group has upgraded and renovated its offline service centres while building new 4S business halls to attract customers offline and manage user grids. This practice increased its user penetration rate, expanded its user base, and improved user experience.

The management is confident that Smart Living will further enhance consumer experience based on gas and gas-related value-added services. Building upon gas-related services, it will focus on addressing users' needs for kitchens by adopting the New Retail model and engaging with potential shop owners in its grids. Smart Living has created an innovative 3×3×3 omni-channel retail operational model of GaaS (Grid as a Service). The model is being rolled out in cities such as Hangzhou and Nanjing in full swing. It will enable value-added services to develop sustainably in the long term and maximize China Gas's business opportunities and market shares. During the period, following the path of comprehensive market-oriented development, the Group's value-added business continued to innovate on the existing operational model, develop the market outside its existing user base, and strengthen the proprietary brands' bargaining power, explore the path to export modular growth models, and unleash the value of clients outside the conventional domain to achieve rapid growth over the mid and long-term.

During the first half of the fiscal year, the Group's revenue from value-added services amounted to HK$2,548,908,000, representing year-on-year decline of 30.1%; gross profit amounted to HK$1,681,358,000, representing year-on-year growth of 0.3%; and operating profit amounted to

HK$1,203,092,000, representing year-on-year decline of 7.4%. Thanks to the implementation of the New Retail model, Smart Living started to grow rapidly and unleash its own business value. Its gross profit grew 105% to HK$767 million, and its profit before tax grew 106% to HK$586 million.

CARBON PEAK AND NEUTRALITY, NEW ENERGY, AND INTEGRATED ENERGY

In light of China's endeavor to achieve carbon peak and neutrality goals, low-carbon new energy plays a crucial role and faces greater development opportunities. The Group has seized various opportunities from energy transition, clean energy, and low-carbon trends. Relying on its existing user base, the Group has expanded its share in the integrated energy market through exogenous and endogenous growth. It has utilized these new markets to promote distributed energy, centralized heating, PV power generation, electricity distribution and sale, and electric-vehicle charging facilities business in China. As a result, it has provided highly efficient integrated energy to meet customers' different needs for gas, heating, electricity, and cooling.

2022 saw the Group starting green-city operation and identifying the first batch of regions for launching green-city operation demonstration projects: the Yangtze River Delta and the Pearl River Delta. To better implement the projects, the Group pushed forward the "near-zero carbon emission" projects, which involve renovating two hospitals and a school in Luohu District, Shenzhen, and are expected to kick off within the fiscal year. The Group also accelerated the projects involving Hubei Huanggang Hospital of Traditional Chinese Medicine and Unilever's "carbon neutrality" energy demonstration base. In addition, after seeing the market's needs for carbon accounting, carbon management, and carbon asset development, the Group has developed an energy-carbon management platform to provide end users with green, economical energy solutions and become their "integrated energy service manager."

During the period, the Group signed strategic cooperation agreements with the People's Government of Baoshan District in Shanghai and the People's Government of Hohhot City on developing carbon peak and neutrality businesses such as carbon asset management and de-carbonization services, creating industrial clusters that fit carbon peak and neutrality goals, and building high-quality and sustainable industrial complexes, thus enabling the cities and industries to peak carbon emissions ahead of their peers.

HUMAN RESOURCES

Convinced of a well-trained workforce's 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 vocational training, knowledge exchange, and experience-sharing platforms. 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 six months ended 30 September 2022, the Group's turnover amounted to HK$42,976,485,000 (six months ended 30 September 2021: HK$38,947,381,000), representing a year-on-year increase of 10.3%. The gross profit amounted to HK$6,971,860,000 (six months ended 30 September 2021: HK$8,009,666,000), representing a year-on-year decrease of 13.0%. The overall gross profit margin was 16.2% (six months ended 30 September 2021: 20.6%). Profit attributable to owners of the Company amounted to HK$3,260,039,000 (six months ended 30 September 2021: HK$4,105,140,000), representing a year-on-year decrease of 20.6%.

Earnings per share amounted to HK59.92 cents (six months ended 30 September 2021: HK74.35 cents), representing a year-on-year decrease of 19.4%.

Finance Costs

For the six months ended 30 September 2022, finance costs decreased by 4.0% to HK$815,111,000 from HK$848,798,000 for the same period last year.

Share of Results of Associates

For the six months ended 30 September 2022, the share of results of associates amounted to HK$287,938,000 (six months ended 30 September 2021: HK$503,518,000).

Share of Results of Joint Ventures

For the six months ended 30 September 2022, the share of losses of joint ventures amounted to HK$80,239,000 (six months ended 30 September 2021: profits of HK$67,114,000).

Income Tax Expenses

For the six months ended 30 September 2022, income tax expenses decreased by 43.1% to HK$532,753,000 (six months ended 30 September 2021: HK$936,294,000).

Liquidity

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

As of 30 September 2022, the Group's total assets amounted to HK$156,810,578,000 (31 March 2022: HK$163,146,352,000). Bank balances and cash amounted to HK$14,018,814,000 (31 March 2022: HK$10,188,486,000). The Group had a current ratio of 1.08 (31 March 2022: 1.02). The net gearing ratio was 0.67 (31 March 2022: 0.64), as calculated on the basis of net borrowings of HK$44,474,004,000 (total borrowings of HK$58,635,659,000 less trade facility relating to short-term import letters of credit of the LPG business of HK$142,841,000 and bank balance and cash of HK$14,018,814,000) and net assets of HK$65,914,803,000 as at 30 September 2022.

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

Financial Resources

The Group has built lasting ties 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, and 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 (ADB), 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 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. Building upon the successful signing of two sustainability-linked loan facilities in the previous fiscal year, the Group entered into another three-year social responsibility syndicated loan agreement at an equivalent amount of USD500 million during the period. As the first social responsibility syndicated loan in the Greater China region, it is the first to combine China Gas's rural coal-to-gas projects in northern China and the UN SDGs. It incorporates compliance and performance clauses of social responsibility loans based on the principles of the international "Green Finance Loan Framework". The Company, acting as an overseas issuer, and the Group's wholly-owned subsidiaries incorporated in China all participated in issuing RMB bonds on stock exchanges and interbank bond markets in China. As at 30 September 2022, the remaining balance of the RMB corporate bonds and medium-term RMB notes issued by the Group amounted to RMB6.03 billion.

As at 30 September 2022, the Group's total bank loans and other loans amounted to HK$58,635,659,000, of which HK$142,841,000 was trade facilities 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$11.6 billion. The Company intends to use the net proceeds for the following purposes: acquiring city gas projects in China, expanding LPG Smart MicroGrid, developing Urban Heating, and as general working capital of the Group. The financing will further optimize the Group's capital structure, 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. It closely monitors interest and exchange rates and adjusts the debt structure promptly and reasonably to avoid risks. Following the exchange rate risk management and control policies, the Group adjusts domestic (RMB) and foreign currency debt structures flexibly and has adopted currency and interest rate hedging derivatives to offset risks from a small portion of foreign currency loans. This practice significantly lowered the potential exchange rate risks. The rigorous foreign currency debt control measures have immensely mitigated the effect of exchange rates on the Group's performance.

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

As at 30 September 2022, the Group had contract assets of HK$14,528,254,000 (31 March 2022: HK$17,138,269,000), contract liabilities of HK$8,338,147,000 (31 March 2022: HK$9,443,070,000), trade receivables of HK$6,747,234,000 (31 March 2022: HK$5,740,964,000), and trade and bill payables of HK$15,373,825,000 (31 March 2022: HK$16,290,070,000).

During the period, the Group further managed investments with prudence. It controlled the growth of contract assets and trade receivables while managing its operating and free cash flows effectively.

Charge on assets

As at 30 September 2022, the Group pledged other deposits of HK$60,773,000 (31 March 2022: HK$67,902,000) and pledged bank deposits of HK$210,815,000 (31 March 2022: HK$177,968,000), pledged property, plant and equipment and investment properties of HK$2,700,921,000 (31 March 2022: HK$2,992,542,000) and certain subsidiaries pledged their equity investments to banks to secure loan facilities.

Capital Commitments

As at 30 September 2022, the Group had capital commitments amounting to HK$251,578,000 (31 March 2022: HK$284,911,000) and HK$265,674,000 (31 March 2022: HK$243,323,000), 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 2022, the Group did not have any material contingent liabilities (31 March 2022: nil).

PROSPECTS

Currently, the international landscape is undergoing profound changes. Continuous pandemic control measures, geopolitical conflicts, and financial market fluctuations have posed multiple challenges to the world economy. Closely intertwined with other parts of the world as the second largest economy, China inevitably faces new economic challenges. Against this backdrop, China's natural gas industry has seen slower growth in user connection and gas consumption because of international energy price fluctuations, the sluggish housing market, and pandemic control measures. As one of the China's largest trans-regional, integrated energy supplier and service providers, the Group has risen to these changes and challenges by leveraging its business advantages and market resources. After witnessing the profound policy impacts and unfavorable changes in the industry, the Group launched improvement measures in the spirit of 'guiding with strategies and empowering through reform' to break down growth barriers, strengthen the enterprise, and achieve high-quality, sustainable development. The reform involved a portfolio of measures including adopting market-oriented management models, enhancing organizational capability, and upgrading performance assessment schemes, thus building more systematic, digitalized, and market-oriented management and operational models.

Committed to production and operational safety, the Group has been developing and applying digitalized safety management systems, speeding up pipeline renovation, restructuring the HSE management system in project companies, and upgrading the "Safety Alert" program. By continuously investing in safety control, the Group strives to ensure a stable and safe gas supply and enhance emergency response capacities, thus safeguarding the people's well-being.

Devoted to high-quality development, the Group has been focusing on improving the management of business operations, gas sales dollar margin, and receivable collection. Additionally, it has been building a management system that is more oriented towards users and the market demand to create greater value. Furthermore, the Group has been integrating and applying the three core digital systems (CRM, ERP, and OMP), enhancing upstream gas sourcing capacity, and leveraging the headquarters' strategic guidance to optimize the primary business growth model. It has also been exploring new growth drivers for different regions, whether asset-light or asset-heavy. Besides, centring around the goal of improving performance in safety management, government supervision, and smart gas management, the Group has also been teaming up with other actors in the ecosystem, sharing user traffic and building "product alliances". The Group has been building the "China Gas Digital Ecosystem" to meet market demands, incubate businesses related to carbon peak and neutrality and new retail, explore new high-quality development models, and further tap into market potential.

The Group is committed to green development and seeks to build a low-carbon value chain in line with national clean energy strategies and the carbon peaking and neutrality goals. Following the MoU with the United Nations Environment Program, the Group has formulated a specific, evidence-based, and practical mid- to long-term strategy for methane emission reduction after estimating and reporting its methane emissions for the first time. In addition, while raising funds overseas, the Group aligned its targets with UN SDGs on prominent issues such as energy use, emission control, employee training, and gender equality. By fulfilling compliance requirements such as building infrastructure and creating jobs in rural areas, the Group structured the first social responsibility syndicated loan in Greater China, setting an example of social responsibility performance and finance innovation for other enterprises in the region. As China's largest trans-regional city gas enterprise, the Group takes it upon itself to ensure a stable gas supply, provide optimal services, and maintain low-carbon operations while working towards a future with greater safety, quality, efficiency, equality, and sustainability.

As China implements environmental protection and carbon peaking and neutrality policies and pushes forward the market-oriented reform and regulation schemes in the energy sector, the country's energy production and consumption models will become diverse, clean, low-carbon, efficient, safe, and intelligent. The Group will take the opportunities from the policies and market changes, meet market needs, enhance operational efficiency, deepen management reform, promote digitalization, and strengthen operational safety and risk management to sustain steady business growth. In addition, the Group will remain committed to achieving economic and social benefits simultaneously and continue contributing to social advancement by paying close attention to issues such as climate change, biodiversity, employee safety and health, green supply chain, and green finance. The Group will fulfill its economic, environmental, and social duties by providing the public with smart energy, driving economic growth with green energy, and generating greater value for the shareholders, clients, employees, partners, and social stakeholders. The Group will continue striving to become a trustworthy, respectable, well-managed, and valuable gas enterprise while contributing 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. The Group has made significant efforts in environmental, social and governance aspects during the period, and has launched the China Gas Carbon Neutrality Roadmap, with the goal of achieving peak carbon emissions in 2030, carbon neutrality in 2050 and reducing greenhouse gas (GHGs) emission intensity by 50% in 2030, compared to 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 2022 except for deviation of the following:

Code Provision C.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.

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 2022.

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 2022.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

For the six months ended 30 September 2022, neither the Company nor its subsidiaries repurchased, sold or redeemed any shares 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 The Hong Kong Exchanges and Clearing Limited ("HKEX") at www.hkexnews.hk under "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 2022 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 and President

Hong Kong, 25 November 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*