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 2023

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 2023, together with the comparative figures for the year ended 31 March 2022, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**Year ended 31 March 2023** *HK$'000*	Year ended 31 March 2022 *HK$'000*
Revenue	*3*	**91,988,445**	88,225,193
Cost of sales		**(79,953,770)**	(72,486,201)
Gross profit		**12,034,675**	15,738,992
Other income		**1,373,913**	1,378,291
Other gains and losses		**344,502**	(474,156)
Selling and distribution costs		**(2,950,007)**	(2,861,171)
Administrative expenses		**(3,153,578)**	(2,973,407)
Finance costs		**(1,855,358)**	(1,456,530)
Share of results of associates		**344,838**	920,714
Share of results of joint ventures		**(100,983)**	514,583
Profit before taxation		**6,038,002**	10,787,316
Taxation	*4*	**(923,578)**	(2,004,446)
Profit for the year	*5*	**5,114,424**	8,782,870

	Note	**Year ended 31 March 2023** *HK$'000*	Year ended 31 March 2022 *HK$'000*
Other comprehensive (expense) income			
Items that will not be reclassified to profit or loss:			
Exchange differences arising on translation		**(6,858,730)**	2,746,757
Decrease in fair value of investments in equity instruments at fair value through other comprehensive income		**(84,144)**	(241,836)
Gain on revaluation of properties, net of deferred tax		**73,137**	—
Other comprehensive (expense) income for the year		**(6,869,737)**	2,504,921
Total comprehensive (expense) income for the year		**(1,755,313)**	11,287,791
Profit for the year attributable to:			
Owners of the Company		**4,293,484**	7,662,036
Non-controlling interests		**820,940**	1,120,834
		5,114,424	8,782,870
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(1,890,761)**	9,845,102
Non-controlling interests		**135,448**	1,442,689
		(1,755,313)	11,287,791
Earnings per share			
Basic	*6*	**HK$0.80**	HK$1.39
Diluted		**HK$0.80**	HK$1.39

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023

	Note	**2023** **HK$'000**	2022 *HK$'000*
Non-current assets			
Investment properties		**2,881,831**	2,296,359
Property, plant and equipment		**66,891,255**	68,064,728
Right-of-use assets		**3,792,673**	4,295,717
Investments in associates		**10,245,589**	10,662,967
Investments in joint ventures		**12,045,110**	12,222,808
Equity instruments at fair value through other comprehensive income		**922,498**	738,064
Goodwill		**3,230,141**	3,473,229
Other intangible assets		**3,601,304**	4,052,676
Deposits for acquisition of property, plant and equipment		**342,457**	683,535
Deposits for acquisition of subsidiaries, joint ventures and associates and other deposits		**105,643**	527,891
Deferred tax assets		**1,012,269**	705,006
		105,070,770	107,722,980
Current assets			
Inventories		**5,655,445**	5,701,218
Contract assets		**12,706,697**	17,138,269
Trade and other receivables	*8*	**16,702,411**	16,247,196
Amounts due from associates		**474,088**	541,621
Amounts due from joint ventures		**5,959,576**	5,501,944
Held-for-trading investments		**104,536**	104,638
Pledged bank deposits		**178,696**	177,968
Cash and cash equivalents		**10,438,990**	10,010,518
		52,220,439	55,423,372

	Note	**2023**	2022
		HK$'000	*HK$'000*
Current liabilities			
Trade and other payables	*9*	**19,557,328**	21,078,723
Amounts due to associates		**72,050**	70,399
Amounts due to joint ventures		**156,108**	69,309
Contract liabilities		**9,080,132**	9,443,070
Tax payable		**806,268**	1,269,249
Lease liabilities		**200,709**	213,802
Bank and other borrowings — due within one year		**21,907,608**	22,142,596
		51,780,203	54,287,148
Net current assets		**440,236**	1,136,224
Total assets less current liabilities		**105,511,006**	108,859,204
Equity			
Share capital		**54,403**	54,403
Reserves		**57,846,181**	63,523,490
Equity attributable to owners of the Company		**57,900,584**	63,577,893
Non-controlling interests		**6,889,795**	8,491,260
Total equity		**64,790,379**	72,069,153
Non-current liabilities			
Bank and other borrowings — due after one year		**38,103,193**	33,986,493
Lease liabilities		**1,175,335**	1,356,116
Deferred tax liabilities		**1,442,099**	1,447,442
		40,720,627	36,790,051
		105,511,006	108,859,204

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 HKFRSs AND AGENDA DECISIONS OF THE IFRS INTERPRETATIONS COMMITTEE (THE "COMMITTEE")

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 2022 for the preparation of the 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

In addition, the Group applied the agenda decision of the Committee of the International Accounting Standards Board, including "Cost necessary to sell inventories (IAS 2 "**Inventories**")", which is relevant to the Group.

The application of the amendments to HKFRSs and the Committee's agenda decision in the current year has 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 the 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**"), value-added services and other businesses 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.

In the current year, the Group reorganised its internal reporting structure which resulted in changes to the composition of its operating and reportable segment. The business division of other businesses including urban heating, integrated energy services and supply chain services has been identified as a separate operating and reportable segment for the purposes of resources allocation and assessment of segment performance by the Group's CODM. Prior year segment disclosures have been represented to conform with the current year's presentation.

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

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

(i) Sales of natural gas;

(ii) Gas connection;

(iii) Engineering design and construction;

(iv) Sales of LPG;

(v) Value-added services;

(vi) Other businesses; and

(vii) Zhongyu Energy.

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 2023

	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$'000	Other businesses HK$'000	Zhongyu Energy HK$'000	Segment Total HK$'000
Total segment revenue	57,550,916	5,686,604	6,582,647	22,499,530	3,455,031	1,706,902	—	97,481,630
Inter-segment revenue	—	—	(5,493,185)	—	—	—	—	(5,493,185)
External segment revenue	57,550,916	5,686,604	1,089,462	22,499,530	3,455,031	1,706,902	—	91,988,445
Segment profit	2,919,829	970,879	708,650	67,889	1,496,217	444,622	64,985	6,673,071
Changes in fair value of investment properties								133,850
Changes in fair value of held-for-trading investments								(102)
Gain on transfer from inventories to investment properties								254,020
Interest and other gains and losses								82,491
Unallocated corporate expenses								(481,687)
Finance costs								(980,491)
Exchange gain on translation of foreign currency monetary items into functional currency								219,706
Gain on loss of significant influence in an associate								320,217
Loss on derecognition of financial assets measured at amortised cost								(367,212)
Loss on disposal and winding up of subsidiaries								(5,370)
Gain on disposal of investment properties								10,639
Share of results of associates (other than Zhongyu Energy)								279,853
Share of results of joint ventures								(100,983)
Profit before taxation								6,038,002

For the year ended 31 March 2022 (restated)

	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$'000*	Other businesses *HK$'000*	Zhongyu Energy *HK$'000*	Segment Total *HK$'000*
Total segment revenue	50,529,353	7,227,283	8,090,159	23,080,845	4,791,036	2,007,801	—	95,726,477
Inter-segment revenue	—	—	(7,501,284)	—	—	—	—	(7,501,284)
External segment revenue	50,529,353	7,227,283	588,875	23,080,845	4,791,036	2,007,801	—	88,225,193
Segment profit	4,204,951	1,315,827	1,926,587	32,325	1,600,379	891,743	467,656	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 and losses								208,357
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
Gain on deemed disposal of partial interest in an associate								228,797
Share of results of associates (other than Zhongyu Energy)								453,058
Share of results of joint ventures								514,583
Profit before taxation								10,787,316

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 Energy, segment profit for remaining reportable segments represents the profit earned by each segment without allocation of interest and other gains and losses, corporate administration costs, changes in fair value of held-for-trading investments, changes in fair value of investment properties, gain on transfer from inventories to investment properties, gain on deemed disposal of partial interest in an associate, gain on loss of significant influence in an associate, loss on derecognition of financial assets measured at amortised cost, gain/loss on disposal and winding up of subsidiaries, gain on disposal of investment properties, share of results of associates (other than Zhongyu Energy), share of results of joint ventures, certain exchange gain on translation of foreign currency monetary items into functional currency and certain finance costs. The segment profit of Zhongyu Energy represents share of results of Zhongyu Energy. This is the measure reported to the CODM for the purpose of resources allocation and performance assessment.

4. TAXATION

	2023	2022
	HK$'000	*HK$'000*
The People's Republic of China (the "**PRC**")		
Enterprise Income Tax	**1,235,969**	2,188,817
Deferred tax credit	**(312,391)**	(184,371)
	923,578	2,004,446

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% for both years, except for certain PRC subsidiaries that are subject to 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 both years.

5. PROFIT FOR THE YEAR

	2023	2022
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	**10,500**	10,400
Depreciation of property, plant and equipment	**2,283,191**	2,084,222
Depreciation of right-of-use assets	**339,565**	331,486
Amortisation of intangible assets	**189,408**	176,835
Staff costs	**4,333,831**	4,134,311
Cost of inventories recognised as expenses	**78,178,611**	68,330,067
Rental income from investment properties less outgoings of HK$1,327,000 (2022: HK$2,187,000)	**(22,985)**	(40,710)

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:

	2023	2022
	HK$'000	*HK$'000*
Earnings		
Profit for the year attributable to owners of the Company for the purposes of basic and diluted earnings per share	**4,293,484**	7,662,036

	2023	2022
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**5,387,551**	5,498,433
Effect of dilutive potential ordinary shares in respect of share awards granted	**7**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**5,387,558**	5,498,433

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

During the years ended 31 March 2023 and 2022, 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 2023 and 2022.

7. DIVIDENDS

	2023	2022
	HK$'000	*HK$'000*
Final dividend paid in respect of year ended 31 March 2022 of HK$0.45 (2022: HK$0.45 in respect of the year ended 31 March 2021) per share	**2,448,151**	2,508,870
Interim dividend paid in respect of six months ended 30 September 2022 of HK$0.10 (2022: HK$0.10 in respect of the six months ended 30 September 2021) per share	**544,034**	553,579
	2,992,185	3,062,449

A final dividend of HK$0.40 in respect of the year ended 31 March 2023 (2022: final dividend of HK$0.45 in respect of the year ended 31 March 2022) per share in an aggregate amount of HK$2,176,134,000 (2022: HK$2,448,151,000) 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

	2023	2022
	HK$'000	*HK$'000*
Trade receivables from contracts with customers	**7,271,886**	6,752,327
Less: Allowance for credit losses	**(989,259)**	(1,011,363)
Trade receivables, net	**6,282,627**	5,740,964
Deposits paid for construction and other materials	**1,497,602**	1,187,902
Deposits paid for purchase of natural gas and LPG	**3,860,858**	4,007,667
Advance payments to sub-contractors	**1,071,346**	870,507
Rental and utilities deposits	**617,013**	696,042
Other tax recoverable	**562,078**	1,079,361
Other receivables and deposits	**1,450,126**	1,271,164
Prepaid operating expenses	**1,225,351**	1,283,671
Amounts due from non-controlling interests of subsidiaries	**135,410**	109,918
Total trade and other receivables	**16,702,411**	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 to 180 days to its trade customers.

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on invoice date at the end of the reporting period:

	2023	2022
	HK$'000	*HK$'000*
0–180 days	**3,229,635**	2,647,765
181–365 days	**708,738**	1,225,049
Over 365 days	**2,344,254**	1,868,150
	6,282,627	5,740,964

The Group has policies for allowance for credit losses 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 customers 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 bill payables presented based on the invoice date at the end of the reporting period:

	2023	2022
	HK$'000	*HK$'000*
0–90 days	**9,430,268**	12,410,460
91–180 days	**883,401**	913,124
Over 180 days	**4,334,203**	2,966,486
Trade and bill payables	**14,647,872**	16,290,070
Other payables and accrued charges	**1,574,410**	897,798
Consideration payables	**295,278**	443,172
Construction cost payables	**838,162**	1,012,427
Retention payables and security deposits received	**1,600,123**	1,798,302
Accrued staff costs	**150,221**	159,855
Loan interest payables	**253,297**	165,393
Amounts due to non-controlling interests of subsidiaries *(Note)*	**197,965**	311,706
Total trade and other payables	**19,557,328**	21,078,723

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 HK40 cents per share to shareholders whose names appear on the register of members of the Company on 31 August 2023 (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 3 February 2023, the total dividend for the year ended 31 March 2023 amounts to HK50 cents per share (total dividend for the year ended 31 March 2022 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 2023 (Tuesday).

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 18 August 2023 (Friday) to 23 August 2023 (Wednesday) (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 23 August 2023 (Wednesday), 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 17 August 2023 (Thursday).

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 2023, the register of members of the Company will be closed from 29 August 2023 (Tuesday) to 31 August 2023 (Thursday) (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 31 August 2023 (Thursday). 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 28 August 2023 (Monday).

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, and 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 consumer base to form a comprehensive business portfolio of value-added services, distributed PV, electricity distribution and sales, and charging stations.

Business Review

The last year was full of setbacks and extraordinary events amid such complex external environment for the Group, which was also a difficult year for China's city gas industry.

In the global arena, both political and economic landscapes experienced profound changes. The rising trend of anti-globalization lashed against the international division of labor, and the COVID-19 pandemic further disrupted the international supply chain. Meanwhile, the global economic slowdown, high inflation risks, and geopolitical conflicts all intensified volatility in the financial market. To fight inflation, the Federal Reserve had raised interest rates for the tenth consecutive time since March 2022, with a cumulative rate hike of 500 basis points. Such moves significantly escalated the depreciation pressure on non-dollar currencies, and resulted in a significant rise in financing costs, hurting the economic growth of various countries around the world. Furthermore, the global energy supply pattern drastically changed due to the huge fluctuations in energy prices caused by fierce geopolitical collisions.

In China, negative growth was firstly seen in the city gas industry, marking the most challenging year over the past two decades. The total number of new connections of the industry declined in the context of the persistently sluggish real estate industry and the COVID-19 pandemic. With rising procurement costs of city gas companies resulting from tight gas supply, the absence of a reasonable price pass-through mechanism largely depressed the industry's overall dollar margin, meaning an unusually cold winter for the city gas industry.

In response to the complex environment, the Group adhered to its core value of "intensive cultivation for integrity and innovation" to fully boost its vitality in value creation, ensure the stability of its natural gas business, and promote the innovation and growth of emerging businesses. During the period, the Group adopted a variety of promising measures to mitigate the impact of unfavorable factors. To address the soaring energy prices, the Group went all out to secure upstream resources from the three major oil suppliers in China, and signed long-term LNG contracts with resource suppliers in the United States. These moves facilitated the Group's resource pooling at home and abroad, strengthened the planning and operation of gas sources, and thus ensured its stable gas supply. As the industry's overall dollar margin was under pressure, the Group improved its overall gas price management and optimized its price management system to relieve the pressure from rising costs. The Group also powered the innovation and development of various businesses. By providing diverse services to meet customer needs, addressing customers' difficulties, and enhancing customer loyalty, the Group delivered a balanced growth across its pillar business segments of natural gas, LPG, value-added services, and digitalization services.

During the period, the Group's natural gas sales volume was 39.25 billion m^3, representing a year-on-year increase of 6.9%, of which the sales through city and township gas projects increased by 5.0% year-on-year to 23.0 billion m^3. Against the backdrop of the COVID-19 pandemic in various cities and the slowdown in real estate development, with numerous challenges in user connections, the Group newly connected 2,299,000 households during the period. During the period, the Group's revenue increased by 4.3% year-on-year to HK$91.99 billion; profit for the period decreased by 41.8% to HK$5.11 billion; basic earnings per share were HK$0.80, representing a year-on-year decrease of 42.4%. The proposed dividend for the year was HK50 cents, with a payout ratio of 62.5%.

Safety Management

During fiscal year 2022/23, the Group, being always committed to safety management enhancement and strengthened safety control, significantly improved its workplace safety. During the period, the Group invested, constructed and operated a smart gas facility project in Wuhu, Anhui Province. By driving the digitalization and intelligence of the business chain, the project tackled the two major challenges of city natural gas, namely "operation unsafety" and "energy supply instability". With the digital intelligence technology and smart equipment, the project formed a product mix composed of 1 center for 4 scenarios with a matrix of numerous smart sensors. The project was also fully connected with "Urban Lifeline", "Safety Monitoring Project", "Hazard Goods Transportation" and other systems of the municipal government to facilitate safety operation and management in the city. Featuring a groundbreaking new model in the industry, the Wuhu Smart Gas Facility was selected as a national smart gas demonstration project by the Ministry of Housing and Urban-Rural Development of the People's Republic of China. It earned high recognition from the industry experts from national ministries and commissions as well as Anhui Province.

At the same time, the Group invested, constructed and operated a smart gas project featuring intelligent emergency management in Shiyan, Hubei Province. The project created a digital platform to digitalize contingency plans, standardize information reports, and enable smart decision-making. The project created a three-way connection between the accident site, the Group and the government, and served as a new example of national smart emergency management. It boosted emergency management with improved personnel, facilities and technologies, and optimized the entire system.

As at 31 March 2023, 46 major project companies under the Group obtained the ISO 45001 international certification for their health and safety management systems, and had also advanced the comprehensive implementation and use of the OMP system throughout the Group. To date, there are 3,900 inspectors in the system, with an average daily online duration of 14,000 hours and an average daily inspection length of 128,000 km.

Financial Highlights
for the year ended 31 March

	2023	2022	Change
Turnover *(HK$'000)*	**91,988,445**	88,225,193	4.3%
Gross profit *(HK$'000)*	**12,034,675**	15,738,992	–23.5%
Profit attributable to owners of the Company *(HK$'000)*	**4,293,484**	7,662,036	–44.0%
Basic earnings per share *(in HK$)*	**0.80**	1.39	–42.4%
Net operating cash flow *(HK$'000)*	**10,027,284**	9,876,339	150,945
Free cash flow *(HK$'000)*	**2,519,991**	(2,328,703)	4,848,694
Operational performance			
Number of piped-gas projects	**661**	660	0.2%
Connectable residential users for city gas projects (million households)	**53.9**	53.5	0.7%
Penetration rate of residential users for city gas projects (%)	**68.6%**	65.2%	3.4 pts
Total natural gas sale volume ***(million m^3)***	**39,249.1**	36,703.2	6.9%
Natural gas sold through city and township gas projects	**23,004.3**	21,918.8	5.0%
Natural gas sold through direct-supply pipelines and trade	**16,244.8**	14,784.4	9.9%
Sales of natural gas in city and township gas projects (customer breakdown) ***(million m^3)***			
Residential	**8,382.8**	7,353.9	14.0%
Industrial	**11,211.5**	10,804.3	3.8%
Commercial	**2,887.2**	2,948.2	–2.1%
CNG/LNG stations	**522.8**	812.4	–35.6%
New connections			
Residential	**2,299,452**	2,941,421	–21.8%
City gas projects	**2,072,089**	2,668,059	–22.3%
Township gas projects	**227,363**	273,362	–16.8%
Industrial	**2,300**	2,762	–16.7%
Commercial	**31,671**	31,200	1.5%
Accumulated number of connected customers and gas stations			
Residential	**45,394,697**	43,095,245	5.3%
City gas projects	**36,970,000**	34,897,911	5.9%
Township gas projects	**8,424,697**	8,197,334	2.8%
Industrial	**22,108**	19,808	11.6%
Commercial	**329,335**	297,664	10.6%
CNG/LNG stations	**533**	533	

New Projects

During the financial year, in view of the challenging macro environment, the Group, being always committed to its prudent investment approach, acquired one new city and township piped gas project. As at 31 March 2023, the Group had obtained 661 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.

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 31 March 2023, the Group had built a gas pipeline network with a total length of 551,688 km.

Development of New Users

During the period, the weakening of the real estate sector and the frequent COVID-19 outbreaks that disrupted travel, transport and cargo logistics posed challenges for the city gas industry in expanding its network and connecting users, slowed down the pace of the Group's ability to attract new customers. Meanwhile, the Group carefully selected high-quality residential coal-to-gas projects in rural areas in Northern China, and strictly managed the investment and installation of these projects. As at 31 March 2023, the Group increased residential connections by 2,299,452 households; the accumulated number of connected residential users was 45,394,697, up by approximately 5.3% year-on-year.

During the period, the Group connected a total of 2,300 new industrial users and 31,671 new commercial users. As at 31 March 2023, the Group had cumulatively connected 22,108 industrial users and 329,335 commercial users, representing a year-on-year increase of approximately 11.6% and 10.6% respectively.

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

As at 31 March 2023, the Group had a total of 533 CNG/LNG refilling stations for vehicles and vessels. Affected by factors such as accelerated launches of new EV models, gas price hikes, and restricted movement of people due to the COVID-19 pandemic, the retail size and number of retail users of CNG refilling stations in China had been decreasing year by year. In addition, the rising LNG prices reduced the demand for the purchase of LNG heavy duty trucks by logistics companies, adding pressure to the LNG vehicle refilling business. Following such market changes, the Group increased gas sales of individual refilling stations by scaling up promotion, 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 sources and gas and hydrogen as the secondary energy sources, enhancing the operation and profitability of its CNG/LNG vehicle refilling business.

Natural Gas Sales

In fiscal year 2022/23, resurgence of COVID-19 outbreaks hampered production and consumption in China, resulting in weak growth in natural gas consumption in the industrial, commercial, and transportation sectors. In 2022, the apparent natural gas consumption in China amounted to 366.3 billion m^3, representing a year-on-year decrease of 1.7%, registering negative growth for the first time ever. The natural gas consumption in China rebounded after the easing of the pandemic prevention and control policy at the end of 2022. The national strategy on advancing new industrialization and urbanization will propel the steady growth of demand for clean energy including natural gas. In addition, as China pursues its carbon peaking and neutrality goals, it will enhance the resilience and flexibility of its industrial chain, boost the efficient use of natural gas, and foster the integrated development of natural gas and new energy.

During the period, the Group's total natural gas sales maintained stable growth and reached 39.25 billion m^3, up by 6.9% year-on-year. Natural gas was mainly sold through city and township pipelines as well as trading and direct-supply pipelines. Sales through city and township pipelines accounted for 23.0 billion m^3, up by 5.0% year-on-year, while sales through trading and direct-supply pipelines accounted for 16.24 billion m^3, up by 9.9% year-on-year.

LPG

As China's largest vertically integrated LPG operator and service provider, the Group has 7 LPG terminals and 106 LPG distribution projects, with wide distribution footprints across 19 provinces. The Group is committed to improving the service quality and efficiency of the LPG industry. Along with LPG's ever-growing popularity among rural and suburban residents, the LPG demand from industrial and commercial users has also been growing steadily for long. Demand for LPG as a raw material for producing petrochemical synthesis and deep processing has surged as well. As a result, the LPG demand comes with gradual growth.

To extend its value chain, the Group has been integrating industrial and commercial users, combining LPG trade with retail, and consolidating retail with Smart MicroGrid. Drawing on its LPG terminals, storage facilities, and the assets of vessel and vehicle fleets, the Group is maximizing the profit of the entire supply chain by pushing forward its value chain strategy, and will thus complete its entire industrial chain covering import, loading and unloading from trading to retail investment. In the trade segment, striving to integrate procurement with sales in cooperation models such as two-way business, the Group has boosted its resource alignment, business expansion, and sales volume. In the retail segment, the Group has been consolidating the local bottled gas markets and investing in the end-user business in core cities suitable for combining trade and end-users. Besides, the Smart MicroGrid business has been once again listed in "No. 1 Central Document" as a featured energy supply model. Seizing such an opportunity, the Group has collaborated with governments on launching demonstration projects to promote the application and development of new technologies. In the future, the Group will continue to improve the overall benefits and sustainable development of the LPG industry through industrial layout strategies, production optimization and intelligent equipment upgrades.

During the financial year, the Group's total LPG sales volume amounted to 4.13 million tons, representing a year-on-year decrease of 3.2%, of which the wholesale volume accounted for 3.40 million tons, representing a year-on-year decrease of 4.3%, while the end-user retail business accounted for 0.74 million tons, representing a year-on-year increase of 2.1%. The international energy price hikes drove up the Group's LPG procurement cost during the financial year and affected the overall profitability during the period. The LPG sales revenue totaled HK$22,499,530,000 (for the year ended 31 March 2022: HK$23,080,845,000), representing a year-on-year decrease of 2.5%. Profit before tax amounted to HK$67,889,000 (for the year ended 31 March 2022: HK$32,325,000), representing a year-on-year increase of 110.0%.

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 more than 50 million residential households and industrial and commercial users. This network has significant potential for providing added value. The value-added business operated under the "Yipin Smart Living" platform, which primarily focuses on kitchen-focused household products and services including kitchen appliances and services, safety products and services and consumables, including those offered under the platform's product brand portfolio such as GASBO and HOMNLY. Other services mainly include value-added services provided to corporate customers. The "Yipin Smart Living" platform operates value-added business through omni-distribution channels including of an extensive offline network as well as an online platform, to fully capitalize on the Group's valuable resources as well as its massive and irreplaceable customer network. Over the years, the "Yipin Smart Living" platform has deepened its presence in the market, and rapidly expanded its business to offer a wider range of premium products and services for household and enterprise users.

Besides the value-added business operated under the "Yipin Smart Living" platform, the other value-added business conducted by other members of the Group primarily focuses on customer pipeline maintenance and the sale of value-added products and services for government-led projects.

During the period, the Group's revenue from value-added services amounted to HK$3,455,031,000, representing a year-on-year decline of 27.9%; and profit before tax amounted to HK$1,496,217,000, representing a year-on-year decline of 6.5%.

Carbon Peak and Neutrality, New Energy, and Integrated Energy

Under new conditions, China's new energy industry has formed a new development pattern. It is supported by dual circulation, where domestic and overseas markets reinforce each other, and it is dominated by domestic circulation, where it strengthens its innovation and coordination.

Over the years, leveraging its extensive market and user base, the Group has expanded its share in the integrated energy market through exogenous and endogenous growth, and is dedicated to natural gas distributed energy, heating, PV power generation, electricity distribution and sales and electric-vehicle charging facilities business striving to provide users with efficient integrated energy to meet their gas, heating, electricity and cooling needs.

During the period, the Group proactively grew its new energy business. The Group developed the virtual power plant for power production through the investment, construction and operation of its newly-developed PV projects, and focused on the investment and construction of quality industrial and commercial distributed PV projects and the expansion of its PV EPC and operation and maintenance businesses in key cities including Nanjing, Hangzhou, Wuhu and Wuhan. The Group, constantly engaged in electricity sales market and the distribution network for electricity trades, further leveraging on the value of electricity users. During the period, the Group registered electricity sales of 5.5 billion kWh. Meanwhile, the Group promoted integrated energy in key areas including the Greater Bay Area and the Yangtze River Delta, prioritizing urban mega commercial complexes, public hospitals and schools, undertaking the load management services for cities. The Group continued to integrate its PV, integrated energy efficiency and charging businesses, hence creating a close business loop of power source, distribution, load management and storage.

In the future, the Group will closely follow changes in national policies and properly develop its new energy and integrated energy businesses in order to fuel its new value growth.

Human Resources

Well-trained professionals are a key pillar for business success. Hence, the Group is always in line with the philosophy of putting people first. In respect of talent cultivation and team building, the Group has forged a comprehensive talent introduction and internal training system, focusing on optimizing the workforce's age structure by assigning more young people to important positions. The Group continues to improve its employees' professional expertise and competence by encouraging them to obtain widely recognized certificates and initiating internal accreditation schemes. Meanwhile, the Group also provides its employees with platforms for vocational training, knowhow and experience exchange, to attract and retain professionals of competency by enhancing their career fulfillment and contentment.

In respect of remuneration policies, the Group takes into consideration of the personal qualification and professional experience of its employees, as well as the remuneration systems of industry peers and the local job market. In addition to basic salaries and pension fund contributions, there are also benefits such as discretionary bonuses, rewards, share options or share awards for eligible employees based on the Group's financial results and their performance.

The Group always regards outstanding employees as an integral part of its sustainable growth. Therefore, it will continue to honor employees' development and establish more exchange platforms, incentive mechanisms and training programs to empower employees in achieving personal growth and improvement, contributing yet more power and wisdom for its growth.

Financial Review

For the year ended 31 March 2023, the Group's revenue amounted to HK$91,988,445,000 (for the year ended 31 March 2022: HK$88,225,193,000), representing a year-on-year increase of 4.3%. Gross profit amounted to HK$12,034,675,000 (for the year ended 31 March 2022: HK$15,738,992,000), representing a year-on-year decrease of 23.5%. The overall gross profit margin was 13.1% (for the year ended 31 March 2022: 17.8%). Profit attributable to owners of the Company amounted to HK$4,293,484,000 (for the year ended 31 March 2022: HK$7,662,036,000), representing a year-on-year decrease of 44.0%.

Earnings per share amounted to HK80 cents (for the year ended 31 March 2022: HK$1.39), representing a year-on-year decrease of 42.4%.

Finance Costs

For the year ended 31 March 2023, the Group's finance costs increased by 27.4% to approximately HK$1,855,358,000 from approximately HK$1,456,530,000 for the same period last year. The increase in finance costs for the period was mainly due to the increases in average costs for debts denominated in foreign currencies for the period and total average outstanding debt balances.

Share of Results of Associates

For the year ended 31 March 2023, the Group's share of results of associates amounted to HK$344,838,000 (for the year ended 31 March 2022: HK$920,714,000).

Share of Results of Joint Ventures

For the year ended 31 March 2023, the Group's loss from share of results of joint ventures amounted to approximately HK$100,983,000 (for the year ended 31 March 2022: profit of approximately HK$514,583,000). Loss from share of results of joint ventures was mainly due to the decrease in gas sales dollar margin and number of new connections of joint ventures.

Income Tax Expenses

For the year ended 31 March 2023, the Group's income tax expenses decreased by 53.9% to HK$923,578,000 (for the year ended 31 March 2022: HK$2,004,446,000).

Free Cash Flow

During the period, the Group had a net operating cash flow of HK$10,027,284,000 (for the year ended 31 March 2022: HK$9,876,339,000) and a free cash flow of HK$2,519,991,000 (for the year ended 31 March 2022: HK$–2,328,703,000), by effectively controlling CAPEX and boosting capital recovery.

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 a healthy cash flow, despite macroeconomic and capital market uncertainties.

As at 31 March 2023, the Group's total assets amounted to HK$157,291,209,000 (31 March 2022: HK$163,146,352,000). Bank balances and cash amounted to HK$10,617,686,000 (31 March 2022: HK$10,188,486,000). The Group had a current ratio of 1.01 (31 March 2022: 1.02). The net gearing ratio was 0.76 (31 March 2022: 0.64), as calculated on the basis of net borrowings of HK$49,393,115,000 (total borrowings of HK$60,010,801,000 less bank balances and cash of HK$10,617,686,000) and net assets of HK$64,790,379,000 as at 31 March 2023.

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 been building lasting ties with Chinese (including Hong Kong) and overseas banks. As the principal cooperative banks of the Group, China Development Bank, Industrial and Commercial Bank of China, Bank of Communications, Agricultural Bank of China, Postal Savings Bank of China, and Bank of China have provided the Group with long-term credit facilities of nearly RMB68 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 overseas banks such as Asian Development Bank (ADB), HSBC, Sumitomo Mitsui Banking Corporation, Mitsubishi UFJ Financial Group as well as Australia and New Zealand Banking Group have also granted long-term credits to the Group. As at 31 March 2023, over 30 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 much prioritizes green and sustainable development. In October 2022, its wholly-owned subsidiary incorporated in China successfully issued the first green medium-term notes of RMB1 billion with a term of 3+2 years of the gas industry in the interbank bond market in China. In December 2022, the Group obtained the first sustainability-linked syndicated loan of the gas industry in China and the first energy supply assurance sustainability-linked syndicated loan in China granted by Agricultural Bank of China and Postal Savings Bank of China as the mandated lead arrangers. In addition, in the offshore capital markets, the Group completed the projects for the 3-year social responsibility syndicated loan at an equivalent amount of USD500 million and the 3-year social responsibility goal-linked club loan at an equivalent amount of USD500 million in June and December 2022 respectively. In particular, the innovative social responsibility syndicated loan project completed in June, as the first social responsibility syndicated loan in the Greater China region, has combined the Group's rural coal-to-gas projects in Northern China and the UN SDGs. It incorporated compliance and performance clauses of social responsibility loans based on the international "Green Finance Loan Framework" principles. The project has won the Outstanding Award for Green and Sustainable Loan Issuer — Visionary Social Responsibility Framework Award and the Pioneering Organization in

Climate Disclosure Planning granted by Hong Kong Quality Assurance Agency, along with the Annual Award for Best Social Responsibility Loan granted by The Asset Hong Kong. Moreover, the Group, acting as an overseas issuer, and the Group's wholly-owned subsidiaries incorporated in China all participated in the issuance of RMB bonds on stock exchanges and interbank bond markets in China. As at 31 March 2023, the remaining balance of the RMB corporate bonds, medium-term RMB notes and short-term and super & short-term RMB commercial paper issued by the Group amounted to RMB5.933 billion.

As at 31 March 2023, the Group's total bank loans and other loans amounted to HK$60.0 billion.

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 fulfill its future capital expenditure and working capital needs.

Foreign Exchange and Interest Rate

With a focus well placed on risk management and control, the Group closely monitors the trends of market interest rates and foreign exchange rates, adjusting its debt structure in a timely and reasonable manner to avoid risks effectively. In particular, the Group, under strict exchange rate policies, adjusts domestic (RMB) and foreign currency debt structures flexibly and leverages currency and interest rate hedging and other derivatives to offset risks from a small portion of foreign currency loans. Furthermore, the Group implements rigorous foreign currency debt control measures, which significantly mitigated the effect of exchange rates on its performance. These measures have ensured the Group's steady development under exchange rate fluctuations and promoted its risk management competitiveness.

Cash flows, Contract Assets/Liabilities, Trade Receivables, and Trade and Bill Payables

As at 31 March 2023, the Group had contract assets of HK$12,706,697,000 (31 March 2022: HK$17,138,269,000), contract liabilities of HK$9,080,132,000 (31 March 2022: HK$9,443,070,000), trade receivables of HK$6,282,627,000 (31 March 2022: HK$5,740,964,000), and trade and bill payables of HK$14,647,872,000 (31 March 2022: HK$16,290,070,000).

During the period, the Group further managed investments with prudence and controlled the growth of contract assets and trade receivables while managing its operating and free cash flows effectively. The Group has achieved the goal of turning free cash flows to positive throughout the financial year.

Charge on assets

As at 31 March 2023, the Group pledged other deposits of HK$nil (31 March 2022: HK$67,902,000) and pledged bank deposits of HK$178,696,000 (31 March 2022: HK$177,968,000), pledged property, plant and equipment and investment properties of HK$5,907,983,000 (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 31 March 2023, the Group had capital commitments in respect of the acquisition of property, plant and equipment, construction materials for property, plant and equipment and properties under development contracted for but not provided in the consolidated financial statements amounting to HK$179,574,000 (31 March 2022: HK$284,911,000), HK$134,206,000 (31 March 2022: HK$243,323,000) and HK$235,176,000 (31 March 2022: HK$671,940,000), respectively, which would require the utilization of the Group's cash on hand and external financing. The Group had undertaken to acquire shares of certain Chinese enterprises and set up joint ventures in China.

Contingent Liabilities

As at 31 March 2023, the Group did not have any material contingent liabilities (31 March 2022: 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 financial year ended 31 March 2023, except for the deviations for the following:

Code Provision C.2.1

Under the Code Provision C.2.1, the roles of chairman and chief executive should be separate and performed by different individuals. Under the current 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 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 2023.

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 2023.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year ended 31 March 2023, neither the Company nor any of its subsidiaries purchased, 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 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 2023 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 and President

Hong Kong, 26 June 2023

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*