

China Gas Delivered FY2021/2022 Full-year Results in Line with Expectations

Total Gas Sales Volume Increased by 17.6% to 36.7 Billion m³

Secured 18 New City Gas Projects, Totaling 660

Core Profit Attributable to the Owners of the Company Beats Expectations and Reached HK\$8.1 Billion

Accelerated New “Dual-Carbon” Business Development

Expanded Low-Carbon Ecosystem and Developed Green Finance Market

Continued to Invest in Digital Safety Management and Became the First Nationwide Gas Corporation in China with Full OMP System Coverage

- Benefited from solid operating performance, net operating cash flow recorded an increase of 19.3% to HK\$9.9 billion
- Value-added services business maintained considerable growth for seven consecutive years, establishing a value-added services business model and a new retail platform better-suited to the gas industry, and continued to boost the growth in the medium-to-long run
- Accumulated totals of residential, industrial and commercial users were 43,095,245, 19,808 and 297,664 respectively
- Financial position remains healthy, with a cash-on-hand balance of HK\$10.2 billion and abundant financial resources, inclusive of bank credit and approved RMB bond reserve line of about HK\$124.6 billion

Financial Highlights

	For the Year Ended 31 March		
	2022	2021	Change
	HK\$ million	HK\$ million	
Revenue	88,225.2	69,975.4	26.1%
Natural Gas Sales	50,529.4	35,935.7	40.6%
Connection Fees	7,227.3	12,477.4	-42.1%
Engineering Design and Construction	588.9	678.3	-13.2%
LPG Sales	23,080.8	13,163.8	75.3%
Value-added Services	6,798.8	7,720.1	-11.9%
Gross Profit	15,739.0	18,102.2	-13.1%
Profit for the Year	8,782.9	11,672.3	-24.8%
Profit Attributable to the Owners of the Company	7,662.0	10,478.7	-26.9%
Excluding One-off or Non-operating Foreign Exchange Gain or Loss	390.4	-161.0	-
Core Profit Attributable to the Owners of the Company	8,052.4	10,317.7	-22.0%
Basic Earnings per Share (HK cents)	139	201	-30.8%
Total Dividend per Share (HK cents)	55	55	-
Dividend Payout Ratio	39.5%	27.4%	12.1 pp
	2022	2021	
	31 March	31 March	Change
	HK\$ million	HK\$ million (Restated)	
Total Assets	163,146.4	140,720.6	15.9%
Total Equity	72,069.2	59,864.1	20.4%
Bank Balance and Cash	10,188.5	8,571.6	18.9%

(Hong Kong, 24 June 2022) - **China Gas Holdings Limited** ("China Gas" or the "Group"; stock code: 384), a leading piped-gas operator in China, has announced its annual results for the year ended 31 March 2022. During the financial year, the natural gas industry maintained a steady growth by virtue of the global trends of sustainability and de-carbonization and China's long-term development goals of "Carbon Peaking" and "Carbon Neutrality". However, amid disruption of the project construction and industrial and commercial operations due to the COVID-19 pandemic, energy supply and price risks as a result of international geopolitical conflicts, and the sluggishness in the housing market, the city gas industry faced a number of challenges. Firmly adhering to a proactive and prudent development strategy, the Group significantly reduced its investment in and connection of pipelines in rural areas. Despite impact on revenue and profit from the connections in the period, it enabled the Group to realize healthy long-term development. During the period, the Group achieved total gas sales volume of 36.7 billion m³, representing a significant year-on-year increase of 17.6%. Total revenue increased by 26.1% to HK\$88.2 billion, with core profit attributable to owners of the Company at HK\$8.1 billion, meeting the Group's expectation for the year.

The Board of Directors declared payment of an annual dividend of 55 HK cents per share, representing a dividend payout ratio of 39.5% (FY2020/21 dividend payout ratio for the year: 27.4%), to reward shareholders for their long-term support to the Group.

Secured 18 new projects, and steadily boosted the gas business

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

The Group indirectly held 49% equity interest in Beijing Huayou United Gas Development Co., Ltd.* (北京華油聯合燃氣開發有限公司) ("Beijing Huayou") through acquisition. The company's principal businesses cover investment in and operation of city piped gas projects, natural gas refilling stations, and LNG trading. It has gas projects in Majuqiao Town in Tongzhou District (operated from Beijing Economic and Technological Development Zone, part of Daxing District, and Majuqiao Town), Mentougou District (operated from Mentougou District and Tanzhe Temple Town), Changping District, and Shijingshan District of Beijing Municipality, Qihe County in Shandong Province, and Suizhong County in Liaoning Province. Beijing Huayou has built eight natural gas processing stations, six CNG mother and refueling stations, a 43 km high-pressure pipeline, a 95 km network of sub-high pressure pipelines, and a 583 km network of medium-pressure pipelines. In 2021, annual gas sales of Beijing Huayou and its subsidiaries amounted to 670 million m³.

Optimized value-added services business model; gross profit up 13.2% to HK\$3.3 billion

With an ever-increasing connection penetration rate, the Group's customer base expanded quickly. Currently, it provides natural gas and LPG services to nearly 50 million residential, industrial and commercial users. The Group has significant potential to grow its value-added service business with its extensive user network. During the period, although product sales were severely affected by the pandemic, the business segment recorded a 13.2% growth in gross profit year-on-year to HK\$3.3 billion and its operational profit rose by 7.4% year-on-year to HK\$2.5 billion.

After seven years of development, the Group has established a value-added services (VAS) business

model and a new retail platform well-suited to the gas industry. It has also actively improved the organizational structure of the value-added services business and optimized sales strategies for value-added services on e-commerce platforms, offline markets, and via city gas companies. By further increasing its stakes in Smart Living, the Group's one-stop smart living e-commerce platform, China Gas strives to explore and create customer value to the fullest extent.

The Group is confident that the Smart Living System will further enhance consumer experience on the basis of gas-related value-added services. From solely providing gas services, the VAS has been upgraded to provide users with integrated smart household services centered around integrated kitchen scenarios. Horizontally, Smart Living has been extending to essential utility services; while vertically, it has been expanding into the life convenience market. By forming a 3x3x3 grid-based service business model known as GaaS (Grid as a Service), the value-added services will be able to develop sustainably in the long term and maximize China Gas's opportunities and market share with advantages in channels and markets.

Sees huge LPG demand, expanded value chain to enhance supply chain benefits

As China's largest vertically integrated LPG operator and service provider, the Group has seven LPG terminals and 106 LPG distribution projects, with a wide distribution footprint across 19 provinces. The Group's total LPG sales volume increased by 0.5% year-on-year to 4.3 million tons. Total LPG sales revenue reached HK\$23.1 billion, representing a year-on-year increase of 75.3%. As a result of the price hike in international energy, LPG procurement cost substantially rose and weighed on overall profitability of the LPG business. Through effective operations management and the adoption of risk management measures, the Group's LPG business managed to achieve a core net profit of HK\$142.8 million.

The Group has made full use of its strong asset and network advantages in LPG terminals, storage facilities, vessel and vehicle fleet to capture the huge opportunities brought by China's increasing LPG demand. Centering around its new "value chain extension" strategy, the Group has also continued to integrate industrial and commercial businesses, combine trade and retail, and consolidate retail with the Smart MicroGrid for its LPG business, to maximize supply chain benefits. For trade operation, the Group has rapidly boosted sales volume by diversifying sourcing channels and promoting grid-based trading. For retail operations, it has facilitated integration of local bottled gas markets and promoted investment in core cities where trade and retail integration is readily available. Regarding the Smart MicroGrid operation, the Group has taken advantage of the "Central Document No. 1" and other state policies with regard to rural infrastructure enhancement, collaborated with all levels of governments and achieved steady progress in the construction of pilot projects.

Continued to invest in digital safety management; Set to become China's first nationwide gas corporation with full OMP system coverage

The Group has strictly formulated a three-year action plan to improve production safety, including conducting thorough checks on potential safety hazards and taking corresponding remedies, actively reinventing its safety systems, establishing the five Safety Supervision Centers, hiring external safety experts to conduct independent safety reviews, as well as conducting comprehensive monitoring, assessment, and providing training, guidance and services to all business units. Moreover, the Group

has set up pipeline inspection and technology companies and implemented key safety management measures to prevent safety hazards by enhancing employees' safety skills and relevant technologies.

The Group has stepped up investment in digital safety management by building a sophisticated smart management system and introducing advanced intelligent surveying equipment. Leveraging technologies such as the SCADA platform, surveying system and the Geographic Information System (GIS), the Group is able to track and monitor business operations in real-time, take cautionary measures against risks and enhance safety throughout its business processes. In addition, the Group has facilitated development of the advanced OMP (Operation Management Platform) system covering the entire Group, while the first phase of the OMP system was piloted in 40 project companies in April. Upon completion of the system, the Group will be China's first nationwide gas corporation with full OMP system coverage.

Builds a unique low-carbon ecosystem and taps the green finance market

The national "dual-carbon" strategy presented new opportunities in the market. Drawing on its nationwide operation network and user resources, as well as solid advantages in market development and technological innovation accumulated over many years, the Group actively develops various new low-carbon and carbon-reduction businesses to drive long-term and sustainable development. The Group has built a "dual-carbon" and energy-efficiency management platform resting on technologies such as the digital twins, cloud computing and big data as well as artificial intelligence, to provide integrated energy services to local governments, parks and landmark buildings. Currently, the Group is building a demonstration park with integration of power production, distribution, load management and storage in the Greater Bay Area. It will realize production-transportation-sales integration of cooling, heating, electricity and gas within the park, assisting in-park enterprises to save energy and achieve carbon reduction and carbon neutrality. The Group completed sales of integrated energy services totalling 7,600 million kilowatt-hours during the year.

During the period, the Group signed strategic cooperation agreements with China Three Gorges Corporation, Shanghai Environment and Energy Exchange, Dongfeng Motor Corporation and State Power Investment Corporation to jointly develop carbon emissions estimation standards and carbon asset management services, enabling China Gas to create its unique low-carbon business ecosystem. The Group also entered into cooperation agreements with local governments, including Xujiahui District in Shanghai, Luohu District in Shenzhen and Conghua District in Guangzhou to set up carbon management services centers in the Greater Bay Area and Yangtze River Delta region. The parties will, through bringing in renewable energy such as green power, develop and invest in green buildings, green transportation, distributed PV, Smart MicroGrid, low-carbon parks, construction energy efficiency management, and integration of power-production, distribution, load management and storage. In doing so, it can continue to provide holistic energy and carbon solutions to customers, facilitate the upgrade of the smart city and enable companies in the industries to achieve carbon peaking ahead of schedule.

Looking ahead, the Group will continue to expand its low-carbon ecosystem. By adopting energy management systems and digital twin 3D technology, the Group is building its zero-carbon product and services portfolio comprising renewable energy, carbon asset management, low-carbon building energy-saving, green transportation and the Smart MicroGrid to leverage the synergies generated and

tap the green finance market. The Group will continue to provide customers with comprehensive energy and carbon solutions.

Healthy Financial Position

As at 31 March 2022, the Group's total assets amounted to HK163.2 billion. Its bank balances and cash amounted to HK\$10.2 billion. Its standby credit facilities secured from the banks and approved RMB bonds amounted to approximately HK\$124.6 billion. The Group has been actively building up long-standing cooperation relationships with Chinese (including Hong Kong) and overseas banks. Its principal partnering banks include China Development Bank, Industrial and Commercial Bank of China, Bank of Communications and Agricultural Bank of China, which altogether have provided long-term credit facilities under a maximum term of 15 years to the Group. Also, over 20 banks offered syndicated loans and standby credit facilities to the Group for funding operations and project investments.

Industry Development and Prospects

Shifting to cleaner, more diversified and integrated energy supplies, major changes in the industry development have brought about new opportunities. It is believed that in the next three years, China will fully implement its "dual-carbon" strategy and advance the "14th Five-Year" plan, with major domestic energy companies enacting their strategies to comply with the carbon peak and neutrality policy and carry out strategic transformation.

Looking forward, the Group will closely follow changes in the national policies and implement various initiatives to take its gas business to new heights. On that foundation, it will vigorously develop an asset-light value-added services business, actively nurture its dual-carbon and new energy businesses, continue to drive innovation and sustainable development of new businesses and develop projects such as the "Zero-Carbon Industry Park" and "Urban Green Pilot Zone" to help the country achieve its "dual-carbon" goals.

Mr. Liu Ming Hui, Chairman, Managing Director and President of the Group, said, "This year marks the 20th anniversary of China Gas. Looking back, all of us at China Gas have always worked hard and forged ahead with determination. Facing challenges brought by the turbulence of the pandemic-stricken environment globally and the transforming and restructuring of the energy industry, we have actively explored new growth drivers while strengthening existing businesses. In the past year, the Group has further expanded its gas supply footprint, with total volume sold up by 17.6% year-on-year to 36.7 billion m³, and value-added service business realizing satisfactory growth. In addition, given the strong policy support from the "No. 1 Central Document", among others, we have actively developed our LPG business and promoted stable long-term development of the Group's businesses.

"Moreover, safety management is our top priority. In the past year, we have increased related investment, formulated and strictly implemented the production safety plan to develop China Gas into the first nationwide gas corporation with full OMP system coverage in China. We have laid a solid foundation for safe project operation and gas use, and such efforts have been recognized by local governments. During the Beijing Winter Olympics, the Group secured stable gas supply for certain districts in Zhangjiakou City, facilitating a safe, smooth and 'green' Winter Olympics."

“Since the State Council has clearly stated the need to integrate ‘dual-carbon’ goals with social and economic development, we believe that related businesses have huge development potential, and will bring continuous and rapid growth to the Group. In the future, China Gas will continue to pursue innovation and breakthroughs in the natural gas business, LPG business, value-added services, and urban heating, among other businesses. Furthermore, we will continue to promote comprehensive business digitalization. Capitalizing on our channel advantages, we will quickly extend our industrial chain, actively grow our ‘dual-carbon’ and new energy businesses to forge the Group into a leading green and low-carbon integrated energy service provider, creating greater value for society, shareholders, customers and employees.”

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About China Gas

China Gas Holdings Limited (“China Gas”, stock code: 384. HK) is a leading gas service provider in China, principally engaged in the investment, construction and management of city gas pipeline infrastructure, distribution of natural gas and LPG to residential, industrial and commercial users, and gas refilling stations for vehicles and vessels. China Gas owns a total of 660 city and township gas projects with concession rights, 32 natural gas long-distance pipeline transmission projects, 533 CNG/LNG refilling stations for vehicles, as well as the license to import and export LNG and other fuel products in China, in addition to 106 LPG distribution projects.

For more information, visit www.chinagasholdings.com.hk

For media enquiries:

Strategic Financial Relations Limited

sprg_chinagas@sprg.com.hk or:

Ingrid Cheng	Tel: (852) 2864 4836	ingrid.cheng@sprg.com.hk
Sophie Du	Tel: (852) 2864 4815	sophie.du@sprg.com.hk
Phoenix Fung	Tel: (852) 2114 4939	phoenix.fung@sprg.com.hk
Aggie Fang	Tel: (852) 2114 4987	aggie.fang@sprg.com.hk
Chloe Chen	Tel: (852) 2864 4806	chloe.chen@sprg.com.hk