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中裕能源控股有限公司

ZHONGYU ENERGY HOLDINGS LIMITED

(Formerly known as Zhongyu Gas Holdings Limited 中裕燃氣控股有限公司)
 (incorporated in the cayman islands with limited liability)
 (Stock Code:3633)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31ST DECEMBER, 2021

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	For the year ended 31st December,		
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	changes %
Turnover	11,344,500	8,543,710	32.8%
Gross profit	2,188,937	1,947,017	12.4%
Profit attributable to owners of the Company	1,188,997	1,056,617	12.5%
Non-HKFRS profit attributable to owners of the Company (as defined in page 42)	963,347	815,728	18.1%
Non-HKFRS EBITDA (as defined in page 42)	2,079,049	1,897,378	9.6%
Basic earnings per share (HK cents)	44.20	39.95	10.6%

	For the year ended 31st December,		
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>	changes %
Non-HKFRS basic earnings per share (HK cents) (as defined in page 43)	35.81	30.84	16.1%
Proposed final dividend (HK cents)	8.00	7.00	14.3%
Proposed special dividend (HK cents)	5.00	–	100%
Unit of natural gas sold ('000 m ³)	2,818,011	2,239,002	25.9%
New piped gas connections made (residential households under “coal-to-gas” projects)	91,074	224,927	(59.5)%
New piped gas connections made (residential households under non “coal-to-gas” projects)	290,802	236,880	22.8%
Sales volume of integrated energy (million kWh)	21.74	11.41	90.5%

CHAIRMAN'S STATEMENT

To our valued shareholders,

2021 marked the beginning of the 14th Five-Year Plan and also the turning point for the Group to fully implement smart energy transformation. Under the prolonged and repetitive COVID-19 outbreak in the PRC, frequent reoccurrence of extreme weather disasters and increasing volatility in commodity prices, the Group firmly implemented the “one body, three wings” strategy to seize opportunities among challenges and developed with innovation. Aiming at the dual carbon goals, the Group orderly developed its natural gas business and actively sought to establish a presence in the smart energy industry, so as to continuously strive to become the most valuable integrated energy service provider. Benefitting from the transformation and upgrade of the national energy structure, the sales of gas of the Group increased significantly. Asset scale, operating income and operating profit achieved steady growth during the year.

In the year of 2021, under the extremely strict national gas safety circumstances, the Group acted swiftly and firmly and adhered to the safety rules to demonstrate the Group's responsibility. Amidst the erratic fluctuation in international oil prices, the Group flexibly made plans for upstream resources and actively innovated downstream sales strategies. Not only did the Group guarantee gas supply for residents, it also further improved its price adjustments mechanism and ensured a steady increase of profit from its gas business.

As industry growth gradually stabilized, the Group focused on the expansion and development of its city gas business. In 2021, our operation regions as well as provinces included in the concession sector further expanded. In terms of energy trading, the Company focused on introducing high-quality gas sources, strengthening the demand and supply structure internally, and achieving cost reduction and efficiency enhancement to contribute considerably to maintaining the incremental supply of city gas subsidiaries and the Group's profit growth.

In 2021, building on our advanced exploration and steady progress in the smart energy industry, we established a smart energy group with greater inclination towards capital, talent, resources and management. Our smart energy business had a good start. The existing projects operated stably, and we vigorously explored new markets to accumulate drivers for the transformation and development of the Group. When dealing with the domestic and international challenges of normalization of market fluctuation, the Group has a proper understanding of the current situation, fully grasps the opportunities and manages the risks in the process of energy transformation, and strived to discover opportunities from the challenges. In 2021, a series of new energy policies and rural energy transformation policies were launched successively in various regions, creating opportunities for the smart energy group to develop diversified businesses such as distributed energy, photovoltaic rooftop and charging stations. In line with the countywide rooftop distributed photovoltaic development pilot scheme launched by the National Energy Administration, the Group's subsidiaries signed framework agreements on the promotion of countywide distributed photovoltaic with several local governments to expand its smart energy business by leveraging on its own strengths in the gas project concession sector. In terms of smart energy, the Group has promising potential and will definitely make great achievements.

2021 is the final year of the Group's three-year plan for improving management consolidation. The Company achieved remarkable improvement in its internal management. We paid much effort to enhance our internal management through a systemic, standardized, professionalized, informationalized and refined management system. As a result, our management is able to cater to the needs of corporate development, and is able to respond to external changes of the development environment with ease. In light of favorable policies and the complex and ever-changing industry dynamics, the Group has come to the intersection point where reform must be made. At the end of the year, the Group officially announced a change of its Company name, indicating its determination and confidence in self-reform and transformation. Development in both the gas and smart energy sectors was the consensus of all employees of the Group.

PROSPECTS

With the large-scale rollout of the COVID-19 vaccination program, it is expected that the global economy will undergo a fragile recovery in 2022. As the COVID-19 pandemic gradually comes under control, with the accelerating implementation of the “dual circulation” new development approach, the economy of the PRC is expected to continue its steady and progressive development trend to realize high-quality economic development. The national energy structure will constantly undergo transformation and upgrade. World energy will move towards a more diversified, clean and low-carbon approach. The PRC “30-60” dual carbon targets proves that “green and low-carbon” is the future development direction of the energy industry. With the transition to a low-carbon economy era and the clean energy transformation promoted by the industry in past few years, the northern region showed an initial effective prevention and control of air pollution, and the national demand for natural gas will grow steadily according to the national strategic planning.

In the future, “green development” and “clean, low-carbon, safe and effective” will be the national energy strategy in the long run, of which the environmental protection policy and “dual carbon goals” have become one of the key driving forces for natural gas development and provided enormous room for its development. According to the Medium- and Long-term Oil and Gas Pipelines Network Plan issued by the National Development and Reform Commission and the National Energy Administration, the domestic natural gas pipeline network will reach 163,000 km by 2025. In particular, the Guiding Opinions on 2021 Energy Tasks pointed out that the energy storage and transportation capacity will be further expanded to form a national network, the construction of the main network and the interconnection between networks will be promoted, the establishment of gas storage facility groups at “hundreds of billions” level in northeast, northern, southwest, northwest regions etc. will be actively boosted, and the significant construction projects such as construction pipelines for gas production, supply and sales system, underground gas storage facility and LNG receiving terminal will be standardized. The orderly implementation of these policies is beneficial to the steady development of the Group.

2022 symbolizes the twentieth year for the Group's entry into the gas industry. In the second decade, the natural gas industry will undergo rapid development. The Group will seize opportunities to keep up with the mainstream of the industry and continue to develop. To achieve leap-forward development in performance, the Group will consider large-scale mergers and acquisitions, expand distributed energy, and realize the transformation from a regional gas group to a national energy group. With the dedicated efforts of 5,000 employees of the Group, we advance towards the vision of becoming the most valuable integrated energy service provider by promoting the diversified "one body, three wings" synergetic development model. In the critical year of the 14th Five-Year Plan and the implementation year of the dual carbon targets, the Group will seize policy opportunities such as "comprehensively promote rural revitalization", "strengthen the construction of energy production, supply, storage and sales system", and "accelerate the promotion of energy technology innovation" to strive for high-quality development of the Group in the next decade. The Group will continue to develop the city pipeline gas business, steadily expand and increase its market share in the existing market, and continue to promote one-stop city gas services actively to improve quality of life of residents. The Group will also actively expand its business to other regions with potential to look for new opportunities and new markets, and further develop value-added services and new retail segments. The Group will accelerate growth to achieve comprehensive development and increase revenue and efficiency through business expansion. With the gradual transformation to "technology-driven success", the Group utilizes its existing huge customer base, coordinate its comprehensive information system of "1+3+N", to achieve the upgrade of digitization and intelligence of gas corporate operation and management as well as the transformation of information and resources into economies.

As for the development of clean energy, the Group will launch the development of other forms of clean energy with the support of resources accumulated in more than twenty years in the energy industry, and to establish its presence in the smart energy sector while at the same time ensure steady growth of its gas business, so as to achieve the strategic approach of gas and smart energy. In 2022, the Group will create a core platform for smart energy, focus on the development of businesses such as distributed energy, diversified energy supply, construction and operation of microgrid, supply chain of smart and clean energy, zero-carbon and smart industrial park, clean and smart transportation, clean energy microgrid and energy storage and energy saving services, advisory design and construction business. The Company will gradually establish a user-oriented, diversified and low-carbon new energy system that is smart and safe, clean and efficient to meet the needs of users, and provide the users with more efficient and stable, safe and convenient, clean and low-cost integrated energy services. In the future, the Group will increase investment in new energy construction, and strive to build a well-known domestic brand in the field of integrated energy operation services.

In terms of energy trading business, the Group will continue to strengthen its work on maintaining gas sources supply and strengthening its ability on forecasting gas volume. The Group will follow the trend of the national energy system reform and maintain city gas as its core business. With the support of its existing resources, the Group will continuously carry out vertical expansion, actively plan the retail terminal penetration in domestic natural gas trading, especially to explore the distribution agency model in pipeline gas trading. With the comprehensive risk control measures implemented, the Group will explore the LNG trading when appropriate, so as to create a resource platform with integrated competitiveness. Under the Group's "one body, three wings" overall strategic planning guidance, the energy trading segment will continue to innovate its business model in customer energy solutions, smart logistics and supply chain finance to achieve transformation and upgrade in products, operations and strategies, hence becoming the new driver of the Group's second take-off.

In terms of safe operation, the Group will unremittingly implement COVID-19 normalization, prevention and control measures, and will make plans for the rapid resumption of production and create emergency response plans to pandemic outbreaks, natural disaster or other emergencies. As always, the Group regards safety, quality, efficiency and effectiveness as its core values, of which safety has the utmost importance. Whether it is business management or daily operation, safety is a necessity to support the long-term development of the Group. The Group will strengthen internal quality control, improve the management systems of all departments, enhance risk prevention and control, intensify comprehensive supervision for all businesses as well as the prevention and control of different types of operational risks, thus fostering the overall and healthy development of the Group.

The Group will also further strengthen its work on sustainable development, improve ESG governance gradually and integrate the ESG ideology into the daily operation and management of the Group, so as to improve our natural environment, promote social progression, create corporate value and make due contributions.

In the upcoming year, the Group will keep pace with the times, take a proactive approach and adhere to the operating principle of "market-driven, customer-oriented, and economic efficiency-centered" to gradually establish a diversified and low-carbon new energy system that is smart, safe, clean and efficient. The Group will continue to provide high-quality and efficient integrated energy services to its customers, and is dedicated to become the most valuable integrated energy service provider by making unremitting efforts to lead the Group to a new height.

APPRECIATION

In 2021, while the global pandemic continued to evolve, the external environment became more complex, and the domestic economy continued to recover although certain regions were still unstable and unbalanced. Meanwhile, the new COVID-19 variants were found in various areas in the PRC. The determination and efforts of our staffs were indispensable for the pandemic control and recovery of the safe and stable supply of city gas. I would like to express my sincere gratitude to them. The valuable contributions made by every member of the Group to its development and their fulfillment of corporate social responsibility was deeply appreciated. Finally, I would like to express my appreciation to all shareholders and customers of the Group for their long-term support and trust to the Group. The pandemic will end and dawn will arrive eventually. The Group will also continue to make progress and contribute significantly to society and the public.

Wang Wenliang

Chairman

Hong Kong

28th March, 2022

CEO MESSAGE

To our valued shareholders,

On behalf of the board of directors and fellow staff, I am pleased to present our annual results for the year ended 31st December, 2021 (the “Year”).

In 2021, the global demand and supply patterns of natural gas were severely impacted by the lingering risk of the global outbreak of the COVID-19 pandemic and the frequent extreme weather events. While the gas price volatility has significantly intensified, it has presented both opportunities and challenges for the development of the domestic natural gas market. 2021 marked the opening year of the 14th Five-Year Plan and also the first year of “dual carbon goals” – peak in carbon emissions and carbon neutrality. Against such backdrop, the PRC government has issued a series of new policies to promote environmental protection such as “Proposal of Modifying the Mechanism of Double Control on Energy Consumption Intensity and Volume” (《完善能源消費強度和總量雙控制度方案》) and “Action Plan for Peak Carbon Emissions by 2030” (《2030年前碳達峰行動方案》), all the while promoting environmental policies such as the “coal-to-gas” conversion and the “Three-Year Action Plan for Winning the Blue Sky War” (打贏藍天保衛戰三年行動計劃) and other environmental pollution control plans. The natural gas industry has remained prosperous and also brought business opportunities to the Group. As of 31st December, 2021, the Group had 73 gas projects with concession rights across 10 provinces, and served approximately 21,242 industrial and commercial customers as well as 4.36 million residential households. The total natural gas volume sold by the Group also increased by 25.9% year-on-year to 2,818,012,000 m³ in 2021, achieving a set of record-high results.

RESULTS

For the year ended 31st December, 2021, the Group recorded a turnover of HK\$11,344,500,000, representing a growth of 32.8% year-on-year (2020: HK\$8,543,710,000). The growth in turnover was mainly driven by the increase in gas volume sold. The overall gross profit of the Group increased from HK\$1,947,017,000 in 2020 to HK\$2,188,937,000. Profit attributable to owners of the Group increased by 12.5% year-on-year to HK\$1,188,997,000 (2020: HK\$1,056,617,000).

BUSINESS REVIEW

According to the latest data released by the National Bureau of Statistics of China, the economic growth of the PRC in 2021 was 8.1%. The apparent natural gas consumption of the PRC in 2021 amounted to 372.6 billion m³, representing an increase of 12.7% year-on-year according to the National Development and Reform Commission of China. Driven by the stabilised prevention and control against the COVID-19 pandemic in general and the sustained economic recovery in the PRC, coupled with the “dual carbon goals”, extreme weather events and other factors, the domestic natural gas market demand grew rapidly and natural gas consumption maintained a high growth rate. Under these favourable operating conditions, the Group has achieved multiple milestones during the Year.

For the Year, the Group’s three major business segments, namely sales of gas, gas pipeline construction and connection, and value-added services, contributed 81.9%, 11.7% and 4.1% of the Group’s turnover in 2021, respectively.

Sales of gas remained the largest contributor to the Group in 2021, reaching HK\$9,290,532,000 in sales with a growth of 50.1% year-on-year. The growth in business was mainly contributed by the Group’s successful implementation of client diversification strategy among residential households and industrial and commercial customers. Industrial and commercial users, especially those strong market players with high gas usage, will continue to be the Group’s core focus in this segment.

Following the Group’s efforts in the past years, the penetration of gas connection in its covered area has reached a relatively high level. Accordingly, the Group has been more selective and cautious in acquiring new customers for gas connection to maintain a satisfactory level of profitability, cash flow and receivables. For the Year, the total number of users of new piped gas connections amounted to 384,298. As the Group continued to expand its coverage, the Group’s total existing intermediate and main pipelines increased from 25,456 km to 26,399 km, representing a 3.7% increase in length.

The value-added services provided by its own offline retail brand “Zhongyu Phoenix” (中裕鳳凰) and online retail platform “Zhongyu iFamille” (中裕i家) have been an effective channel for the Group to enrich the business ecology and effectively increase customer stickiness. During the Year, the Group has placed additional resources to strengthen the market share of its retail branding by expanding product portfolio and enhancing brand recognition. Turnover for the Year from value-added services amounted to HK\$464,507,000. The Group will continue to promote and enhance development of its value-added services. Its product and service offerings include sales of gas stoves, gas cooking appliances, wall hung boilers and insurance services. The Group sees enormous potentials to explore the market by leveraging the existing residential customer portfolio.

The Group has been actively expanding over the years. In 2021, the Group's city gas pipeline business covered 10 provinces, namely Henan, Shandong, Hebei, Jiangsu, Anhui, Heilongjiang, Jilin, Fujian, Zhejiang and Inner Mongolia. By capturing the opportunities arising from the energy reform in the PRC, the Group also endeavors to expand the sales of natural gas and accelerates its development of smart energy and distributed energy businesses based on customers' diversified energy needs, particularly industrial users with high energy usage. The Group believes that smart energy and distributed energy businesses would not only diversify the Group's revenue sources, but also become an important business model of its integrated energy services. During the Year, the Group selected new projects in a more cautious manner and focused on projects with better profitability and recoverability, such as projects partly sponsored by local governments.

PROSPECTS

Stepping into 2022, as the COVID-19 pandemic is gradually brought under control and the construction of the new development pattern of "dual circulation" gathers pace, the economy of the PRC is expected to maintain a steady yet progressive development in an effort to achieve high-quality economic development. With the recovery of various industries, the gas consumption will constantly increase in pursuit of the "dual carbon goals", and the outlook of gas industry is expected to be even more promising.

Moreover, the implementation of the "dual carbon goals" will usher in greater development opportunities for the domestic natural gas industry. The China Oil & Gas Piping Network Corporation has officially commenced operation after a substantial asset transfer. The formation of the "X+1+X" structure in the natural gas industry is expected to promote a multi-entity and multi-channel supply of upstream oil and gas resources and a unified pipeline network in the midstream, and to open up a flexible and efficient downstream market. Coupled with the ongoing construction of the China-Russia natural gas pipeline, it is expected that the natural gas market in the PRC will continue to grow in the upcoming years with abundant supply and at more affordable costs.

In the crucial year of the 14th Five-Year Plan and the year of implementing the “dual carbon goals”, the energy structure of the PRC will be further upgraded, while green energy has become a development trend, and natural gas reform will be gradually deepened. To embrace the opportunities arising from the energy upgrade of the PRC, and leverage its core advantages in city gas operation, the Group will capture these opportunities by implementing the following key strategies in the coming year:

- (i) seize opportunities arising from policies such as “comprehensively promoting rural revitalisation”, “strengthening the construction of energy production, supply, storage and sales systems” and “accelerating the promotion of energy technology innovation” to accelerate the transformation and development of the Group;
- (ii) intensify development in fields of smart energy and renewable energy, and promote parallel development of existing natural gas business and smart energy business;
- (iii) continue to expand the scale of urban pipeline business and deepen its penetration in covered areas to achieve greater scale of economic benefits;
- (iv) enrich the product and service portfolio of the Group’s own brand, “Zhongyu Phoenix” (中裕鳳凰), for value-added business and explore capital increase business and new retail segments for the purpose of generating revenue and increasing efficiency;
- (v) continue its businesses such as distributed energy, diversified energy supply, construction and operation of microgrid, supply chain of smart and clean energy, zero-carbon and smart industrial park, clean and smart transportation, clean energy microgrid and energy storage and energy saving service, advisory design and construction business, and optimize the energy efficiency for the purpose of reducing costs and increasing efficiency; and
- (vi) enhance the Group’s trading business to secure gas sources and expand business reach, and accelerate the transformation and upgrade of product, operation and strategy.

2022 is the second year of the 14th Five-Year Plan. Being in such momentous period, despite the uncertainties of the macro-economic environment in the future, riding on the ongoing reform of the national energy system and the continuous growth of the gas industry as well as the historical opportunities brought by the “dual carbon goals”, the Group expects to capture these significant opportunities to expand business ecology, boost operating revenue and strive to become one of the most valuable and competitive integrated smart energy service providers in the PRC.

Lui Siu Keung

Chief Executive Officer

28th March, 2022

The board of directors (the “Board” or the “Directors”) of the Company is pleased to announce below the audited consolidated results of the Group for the year ended 31st December, 2021, together with the comparative figures for the corresponding period in 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December, 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
Turnover	3	11,344,500	8,543,710
Cost of sales		<u>(9,155,563)</u>	<u>(6,596,693)</u>
Gross profit		2,188,937	1,947,017
Other gains and losses	5	220,525	546,449
Other income	6	148,161	107,743
Selling and distribution costs		(246,598)	(197,315)
Administrative expenses		(590,154)	(466,071)
Reversal of impairment loss (impairment loss) on financial assets and contract assets		1,178	(51,359)
Impairment loss on other intangible assets		–	(265,274)
Finance costs	7	(189,627)	(255,849)
Share of results of associates		50,441	51,558
Share of results of joint ventures		(1,361)	(1,468)
Profit before tax		1,581,502	1,415,431
Income tax expenses	8	(318,859)	(302,194)
Profit for the year	9	<u>1,262,643</u>	<u>1,113,237</u>
Profit for the year attributable to:			
Owners of the Company		1,188,997	1,056,617
Non-controlling interests		73,646	56,620
		<u>1,262,643</u>	<u>1,113,237</u>

	<i>NOTES</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit for the year		1,262,643	1,113,237
Other comprehensive income (expense)			
Items that will not be reclassified subsequently to profit or loss:			
Exchange differences on translation from functional currency to presentation currency		185,031	295,479
Fair value gain on revaluation of pipelines included in property, plant and equipment		667,836	143,903
Deferred tax arising from revaluation of pipelines included in property, plant and equipment		(166,959)	(35,976)
Other comprehensive income for the year		685,908	403,406
Total comprehensive income for the year		1,948,551	1,516,643
Profit for the year attributable to:			
Owners of the Company		1,188,997	1,056,617
Non-controlling interests		73,646	56,620
		1,262,643	1,113,237
Total comprehensive income attributable to:			
Owners of the Company		1,826,885	1,433,620
Non-controlling interests		121,666	83,023
		1,948,551	1,516,643
Proposed final dividend of HK8 cents (2020: HK7 cents) per ordinary share and special dividend of HK5 cents (2020: nil) per ordinary share	<i>10</i>	368,398	185,138
Earnings per share	<i>11</i>		
Basic		HK44.20 cents	HK39.95 cents
Diluted		HK44.14 cents	HK39.88 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2021

	<i>NOTES</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Investment properties		8,942	9,236
Property, plant and equipment		14,995,812	12,747,239
Right-of-use assets		616,721	592,421
Goodwill		468,579	437,188
Other intangible assets		1,406,259	1,379,061
Long-term deposits, prepayments and other receivables		1,247,331	1,310,467
Interests in associates		714,292	507,532
Interest in joint ventures		18,358	19,176
Financial assets at fair value through other comprehensive income		86,257	83,875
		<u>19,562,551</u>	<u>17,086,195</u>
Current assets			
Inventories		689,895	589,598
Properties under development for sale		225,809	166,150
Trade receivables	12	2,047,401	1,771,513
Deposits, prepayments and other receivables		1,748,685	1,590,247
Amount due from an associate		–	59,411
Amount due from a related party		9,173	8,912
Contract assets		515,356	609,259
Tax recoverable		4,206	4,086
Pledged bank deposits		48,924	4,753
Bank balances and cash		1,820,864	1,744,299
		<u>7,110,313</u>	<u>6,548,228</u>
Current liabilities			
Trade payables	13	1,730,216	1,882,389
Other payables and accrued charges		779,694	764,520
Amount due to an associate		1,094	1,063
Contract liabilities		1,838,540	1,466,311
Borrowings		3,948,904	7,279,315
Lease liabilities		4,670	7,265
Tax payables		125,361	63,276
		<u>8,428,479</u>	<u>11,464,139</u>
Net current liabilities		<u>(1,318,166)</u>	<u>(4,915,911)</u>
Total assets less current liabilities		<u><u>18,244,385</u></u>	<u><u>12,170,284</u></u>

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Capital and reserves		
Share capital	28,338	26,448
Reserves	8,630,659	5,989,591
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Equity attributable to owners of the Company	8,658,997	6,016,039
Non-controlling interests	858,001	715,311
	<hr/>	<hr/>
Total equity	9,516,998	6,731,350
	<hr/>	<hr/>
Non-current liabilities		
Deferred income and advance received	6,258	6,688
Borrowings	7,372,076	4,310,831
Lease liabilities	16,886	20,112
Deferred taxation	1,332,167	1,101,303
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	8,727,387	5,438,934
	<hr/>	<hr/>
	18,244,385	12,170,284
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2021

1. AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR

In the current year, the Company and its subsidiaries (collectively referred to as the “Group”) has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1st January, 2021 for the preparation of the consolidated financial statements:

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

In addition, the Group applied agenda decision of the IFRS Interpretations Committee of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realizable value of inventories.

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with HKFRSs issued by 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 (“Listing Rules”) and by the Hong Kong Companies Ordinance.

As at 31st December, 2021, the Group has net current liabilities of HK\$1,318,166,000.

The Directors have therefore given careful consideration to the future liquidity of the Group when preparing the consolidated financial statements. The Directors believe that the Group will be able to meet in full its financial obligations as and when they fall due for the foreseeable future, taking into accounts the cash flows from the profitable operations and new bank borrowings obtained by the Group amounting to approximately HK\$1,576,386,000 subsequent to 31st December, 2021 in which the borrowings are due after one year from the dates of drawdown. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

The consolidated financial statements have been prepared on the historical cost basis except for certain property, plant and equipment, financial instruments and investment properties that are measured at revalued amounts or fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. TURNOVER

Disaggregation of revenue from contracts with customers

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Types of goods or services		
Sales of gas	9,290,532	6,190,069
Gas pipeline construction	1,327,942	1,488,639
Value-added services	464,507	635,951
Sales of compressed natural gas or liquefied natural gas ("CNG/LNG") in vehicle filling stations	<u>261,519</u>	<u>229,051</u>
Total	<u>11,344,500</u>	<u>8,543,710</u>
Timing of revenue recognition		
A point in time	10,016,558	7,055,071
Over time	<u>1,327,942</u>	<u>1,488,639</u>
Total	<u>11,344,500</u>	<u>8,543,710</u>

All the revenue from contracts with customers are derived from the PRC.

4. SEGMENT INFORMATION

The Group's executive directors are the chief operating decision makers ("CODM") as they collectively make strategic decisions on resources allocation and performance assessment.

Information that is reported to the CODM for the purpose of resources allocation and assessment of performance focuses on the type of products delivered or services rendered which is also consistent with the basis of organisation of the Group.

Each type of product or service represents an unique business unit within the Group whose performance is assessed independently. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

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

- (a) sales of gas;
- (b) gas pipeline construction;
- (c) value-added services (including smart energy, sales of stoves and provision of other related services); and
- (d) operation of CNG/LNG vehicle filling stations

Segment revenue and results

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

For the year ended 31st December, 2021

	Sales of gas HK\$'000	Gas pipeline construction HK\$'000	Value-added services HK\$'000	Operation of CNG/LNG vehicle filling stations HK\$'000	Consolidated HK\$'000
Segment revenue	<u>9,290,532</u>	<u>1,327,942</u>	<u>464,507</u>	<u>261,519</u>	<u>11,344,500</u>
Segment profit	<u>655,104</u>	<u>811,500</u>	<u>183,400</u>	<u>6,883</u>	1,656,887
Unallocated other income					32,548
Unallocated other gains and losses					214,338
Unallocated central corporate expenses					(131,987)
Impairment loss on other receivables					(657)
Finance costs					<u>(189,627)</u>
Profit before tax					<u>1,581,502</u>

For the year ended 31st December, 2020

	Sales of gas HK\$'000	Gas pipeline construction HK\$'000	Value-added services HK\$'000	Operation of CNG/LNG vehicle filling stations HK\$'000	Consolidated HK\$'000
Segment revenue	<u>6,190,069</u>	<u>1,488,639</u>	<u>635,951</u>	<u>229,051</u>	<u>8,543,710</u>
Segment profit (loss)	<u>267,494</u>	<u>927,926</u>	<u>149,573</u>	<u>(69,920)</u>	1,275,073
Unallocated other income					29,084
Unallocated other gains and loss					524,670
Unallocated central corporate expenses					(144,922)
Impairment loss on other receivables					(12,625)
Finance costs					<u>(255,849)</u>
Profit before tax					<u>1,415,431</u>

The accounting policies of the operating segments are the same as the Group's accounting policies. Reportable segments represent the financial result of each segment without allocation of central administration costs, directors' emoluments, interest income, change in fair value of investment properties, foreign exchange gains or losses, certain sundry income, impairment losses on other receivables and finance costs. This is the measure reported to the CODM for the purposes of resources allocation and performance assessment.

A subsidiary of the Company also engages in the property development in the PRC and the revenue generated from this business will be included in the consolidated revenue of the Group. There was no property sold for the year ended 31st December, 2021. The operating result and other financial information of this subsidiary's business are not separately reviewed by the CODM for the purpose of resources allocation and performance assessments.

Segment assets and liabilities

Amounts of segment assets and liabilities of the Group are not reviewed by the CODM or otherwise regularly provided to the CODM, accordingly, segment assets and liabilities are not presented.

Other segment information

2021

	Sales of gas HK\$'000	Gas pipeline construction HK\$'000	Value-added services HK\$'000	Operations of CNG/LNG vehicle filling stations HK\$'000	Segment total HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment profit or loss:							
Net loss on disposal of property, plant and equipment	4,336	11	78	-	4,425	107	4,532
Gain on disposal of right-of-use assets	(1,385)	-	-	-	(1,385)	-	(1,385)
Depreciation of right-of-use assets	18,799	-	156	6,599	25,554	5,814	31,368
Depreciation of property, plant and equipment	400,942	884	3,302	11,462	416,590	9,190	425,780
Amortisation of other intangible assets	74,122	-	2,300	-	76,422	-	76,422
Impairment losses (reversal of impairment losses) on							
- contract assets	-	(1,835)	-	-	(1,835)	-	(1,835)
- other receivables	-	-	-	-	-	657	657
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

2020

	Sales of gas HK\$'000	Gas pipeline construction HK\$'000	Value-added services HK\$'000	Operations of CNG/LNG vehicle filling stations HK\$'000	Segment total HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment profit or loss:							
Net loss on disposal of property, plant and equipment	3,761	31	245	1,012	5,049	1,366	6,415
Depreciation of right-of-use assets	27,381	-	1,247	5,574	34,202	4,097	38,299
Depreciation of property, plant and equipment	324,486	848	2,034	10,530	337,898	7,905	345,803
Amortisation of other intangible assets	78,963	-	2,147	1,775	82,885	-	82,885
Impairment losses on							
- trade receivables	9,096	16,438	-	-	25,534	-	25,534
- contract assets	-	13,200	-	-	13,200	-	13,200
- other receivables	-	-	-	-	-	12,625	12,625
Impairment losses on other intangible assets	205,294	-	-	59,980	265,274	-	265,274

Geographical information

All the turnover of the Group for both years are derived from the PRC. None of the customers contributes over 10% of the total revenue of the Group.

As at 31st December, 2021, all the non-current assets of the Group (excluding financial assets) amounting to HK\$18,845,978,000 (2020: HK\$16,294,125,000) are located in the PRC.

5. OTHER GAINS AND LOSSES

	2021 HK\$'000	2020 HK\$'000
Net foreign exchange gains	224,472	557,522
Decrease in fair value of investment properties	(557)	(481)
Net losses on disposal of property, plant and equipment	(4,532)	(6,415)
Gain on disposal of right-of-use assets	1,385	-
Others	(243)	(4,177)
	<u>220,525</u>	<u>546,449</u>

6. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest income from financial assets at amortised cost		
– Bank interest income	10,138	7,819
– Interest income on amount due from an associate	3,229	3,957
– Interest income from loans to employees	23,319	24,213
	<u>36,686</u>	35,989
Government subsidies (<i>Note</i>)	67,963	45,150
Income from investments in life insurance contracts	1,897	2,802
Sundry income	41,615	23,802
	<u>148,161</u>	<u>107,743</u>

Note:

During the year ended 31st December, 2021, the Group recognised government grants of HK\$191,000 (2020: HK\$318,000) in respect of Covid-19-related subsidies, of which nil (2020: HK\$135,000) relates to Employment Support Scheme provided by the Hong Kong government.

During the year ended 31st December, 2021, the Group has received subsidies of HK\$67,772,000 (2020: HK\$44,832,000) from the relevant PRC governments for promoting the use of natural gas. There are no conditions attached to the subsidies granted to the Group.

7. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on borrowings	317,020	342,595
Interest on lease liabilities	1,300	2,529
	<u>318,320</u>	345,124
Amortisation on loan facilities fees relating to bank borrowings	51,494	50,611
	<u>369,814</u>	395,735
Total borrowing costs	369,814	395,735
Less: Amounts capitalised in construction in progress included in property, plant and equipment	(180,187)	(139,886)
	<u>189,627</u>	<u>255,849</u>

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 5.33% (2020: 5.25%) per annum to expenditure on qualifying assets.

8. INCOME TAX EXPENSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
PRC Enterprise Income Tax:		
Current tax	308,771	230,093
Overprovision in prior years	(6,662)	(11,113)
Withholding tax levied on dividends paid previously not recognised	—	7,279
	<u>302,109</u>	<u>226,259</u>
Deferred tax	<u>16,750</u>	<u>75,935</u>
	<u>318,859</u>	<u>302,194</u>

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years.

Under the EIT Law of the PRC, withholding tax is levied on the dividend declared to non-PRC tax residents in respect of profits earned by PRC subsidiaries from 1st January, 2008 onwards. During the year ended 31st December, 2020, withholding tax amounting to HK\$7,279,000 was levied by the PRC tax authority on the dividends paid to overseas group entities in previous and current years.

9. PROFIT FOR THE YEAR

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit for the year has been arrived at after charging (crediting):		
Auditor's remuneration	4,560	4,028
Amortisation of other intangible assets (included in cost of sales)	76,422	82,885
Depreciation of right-of-use assets	31,368	38,299
Depreciation of property, plant and equipment	425,780	345,803
Employee benefits expenses, other than directors' emoluments		
– Salaries and other benefits	430,626	362,514
– Contributions to retirement benefits schemes	90,991	40,820
	521,617	403,334
Cost of inventories recognised as expenses in respect of contract cost for gas pipeline construction	231,814	260,380
Cost of inventories recognised as expenses in respect of sales of gas, CNG/LNG, liquefied petroleum gas and stoves	7,898,207	5,306,240
	8,130,021	5,566,620
Impairment losses (reversal of impairment loss), net		
– Trade receivables (good and services)	–	25,534
– Other receivables	657	12,625
– Contract assets	(1,835)	13,200
	(1,178)	51,359
Gross rental income from investment properties with minimal outgoings	(1,714)	(1,518)
Gross rental income from equipment with minimal outgoings	(5,815)	(6,551)

10. DIVIDENDS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2020 final dividend of HK7 cents (2020: 2019 final dividend of HK5 cents) per ordinary share	185,159	132,242
2021 interim dividend of HK3 cents (2020: 2020 interim dividend of HK2 cents) per ordinary share	<u>85,015</u>	<u>52,897</u>
	<u><u>270,174</u></u>	<u><u>185,139</u></u>
Final dividend, proposed, of HK8 cents (2020: HK7 cents) per ordinary share	<u><u>226,707</u></u>	<u><u>185,138</u></u>
Special dividend, proposed, of HK5 cents (2020: nil) per ordinary share	<u><u>141,691</u></u>	<u><u>–</u></u>

Subsequent to the end of reporting period, a final dividend of HK8 cents per ordinary share and special dividend of HK5 cents per ordinary share in respect of the year ended 31st December, 2021 (2020: final dividend of HK7 cents per ordinary shares and no special dividend in respect of the year ended 31st December, 2020) in an aggregate amount of HK\$368,398,000 (2020: HK\$185,138,000), has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming general meeting.

11. 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Earnings		
Earnings for the purposes of basic and diluted earnings per share, being profit for the year attributable to owners of the Company	<u><u>1,188,997</u></u>	<u><u>1,056,617</u></u>
	2021 '000	2020 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,690,155	2,644,833
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	<u>3,667</u>	<u>4,381</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u><u>2,693,822</u></u>	<u><u>2,649,214</u></u>

12. TRADE RECEIVABLES

The following is an aged analysis of trade receivables from contracts with customers net of allowance for credit losses presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates for sales of gas and the respective construction contracts completion dates, as appropriate:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 30 days	784,715	744,534
31 – 90 days	161,349	127,517
91 – 180 days	162,539	94,846
181 – 360 days	481,316	523,979
Over 360 days	457,482	280,637
	<u>2,047,401</u>	<u>1,771,513</u>
Trade receivables	<u>2,047,401</u>	<u>1,771,513</u>

13. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 30 days	815,426	654,015
31 – 90 days	290,799	616,971
91 – 180 days	189,433	211,674
Over 180 days	434,558	399,729
	<u>1,730,216</u>	<u>1,882,389</u>
Trade payables	<u>1,730,216</u>	<u>1,882,389</u>

LIQUIDITY, FINANCIAL RESOURCES AND WORKING CAPITAL

Liquidity

As at 31st December, 2021, the total assets of the Group increased by HK\$3,038,441,000 or 12.9% to HK\$26,672,864,000 (2020: HK\$23,634,423,000).

As at 31st December, 2021, the Group has net current liabilities of HK\$1,318,166,000 (2020: HK\$4,915,911,000). Decrease in net current liabilities was mainly due to decrease in borrowings due within one year.

As at 31st December, 2021, the Group's current ratio, represented by a ratio of total current assets to total current liabilities, was approximately 0.8 (2020: 0.6).

As at 31st December, 2021, the total borrowings and lease liabilities decreased by HK\$274,987,000 or 2.4% to HK\$11,342,536,000 (2020: HK\$11,617,523,000).

As at 31st December, 2021, the Group had total net debts of HK\$9,472,748,000 (2020: HK\$9,868,471,000), measured as total borrowings and lease liabilities minus the bank balances and cash and pledged bank deposits. As at 31st December, 2021, the Group had net gearing ratio of approximately 1.00 (2020: 1.47), measured as total net debts to total equity of HK\$9,516,998,000 (2020: HK\$6,731,350,000).

Financial resources

During the year ended 31st December, 2021, the Group entered into several loan agreements with several banks in Hong Kong and overseas, pursuant to which loan facilities of up to US\$593,000,000 in total were made available to the Group.

During the year ended 31st December, 2021, the Group generally financed its operations with internally generated resources and bank and other borrowings. As at 31st December, 2021, all of the bank and other borrowings were secured or unsecured and on normal commercial basis.

Working capital

In view of the Group's current financial and liquidity positions and in the absence of unforeseen circumstances, the Directors are of the opinion that the Group has sufficient working capital for its requirements.

EXPOSURE TO EXCHANGE RATE FLUCTUATIONS

During the year, the Group's monetary assets and liabilities are principally denominated in either Renminbi ("RMB"), Hong Kong dollars or United States dollars and the Group conducted its business transactions principally in RMB. As a result of the appreciation of RMB since the second half of 2020, exchange gain arising from the Group's bank borrowings denominated in United States dollars and Hong Kong dollars was recognised during the year. The Group may, as it thinks fit, seek suitable financial instruments to hedge against potential depreciation of RMB. As at 31st December, 2021, the Group did not employ any financial instruments for hedging purposes.

EMPLOYEE INFORMATION

As at 31st December, 2021, the Group had a total of 4,876 employees (2020: 4,683) in Hong Kong and the PRC, and the total employee benefit expenses (other than directors) for the year was approximately HK\$592,971,000 (2020: HK\$468,032,000). The growth was mainly due to the increase in the number of headcount of the Group and increase in society security contribution made by the Group in 2021 as PRC government waived part of employers' contribution in 2020 during the COVID-19 pandemic. Around 99.8% of the Group's employees are based in the PRC.

The Group's remuneration and bonus policies are determined based on the performance of individual employees.

The emoluments of the Directors are recommended by the Remuneration Committee of the Company, having regard to the Group's operating results, the Directors' duties and responsibilities within the Group and comparable market statistics.

Share option scheme

On 24th October, 2003, the Company adopted a share option scheme ("Old Share Option Scheme") pursuant to which the Directors were authorised to grant share option to its employees (including executive directors and employees of any of its subsidiaries) or any person who has contributed or will contribute to the Group. The Old Share Option Scheme was terminated and replaced by a new share option scheme ("New Share Option Scheme") on 3rd May, 2013 by an ordinary resolution passed by the shareholders of the Company at the annual general meeting held on 3rd May, 2013.

As at 31st December, 2021, there was no share option outstanding under the Old Share Option Scheme.

The following table discloses movements of the Company's share options granted to the Directors under the Old Share Option Scheme during the year ended 31st December, 2021:

Name of Director	Date of grant	Exercise/vesting period	Exercise price HK\$	Number of share options granted under the Old Share Option Scheme				
				Outstanding at 1st January, 2021	Granted during the year under review	Exercised during the year under review	Lapsed during the year under review	Outstanding at 31st December, 2021
Xu Yongxuan (<i>Note</i>)	11th April, 2011	11th April, 2011 to 10th April, 2021	0.4827	1,005,800	-	-	(1,005,800)	-
				<u>1,005,800</u>	<u>-</u>	<u>-</u>	<u>(1,005,800)</u>	<u>-</u>
Exercisable at the end of the period								<u>-</u>
Weighted average exercise price				<u>HK\$0.4827</u>	<u>-</u>	<u>-</u>	<u>HK\$0.4827</u>	<u>-</u>

Note: Mr. Xu Yongxuan retired as a non-executive director and vice chairman of the Company with effect from 29th October, 2021.

The New Share Option Scheme shall be valid and effective for a period of ten years commencing on 3rd May, 2013 and will expire on 2nd May, 2023. Under the New Share Option Scheme, the Directors may offer to any employees or any eligible person, who has made or will make contributions to the Group, share options to subscribe for shares in the Company in accordance with the terms of the New Share Option Scheme. The exercise price is determined by the Directors, and shall not be less than the higher of (i) the closing price of the Company's shares on the date of grant which must be a business day; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

The scheme mandate limit of the New Share Option Scheme is 252,400,768. As at 31st December, 2021, 126,730,800 share options were granted, 3,023,200 share options have lapsed in accordance with the terms of the New Share Option Scheme and the number of share options outstanding was 16,092,800. The maximum number of share options which may be granted under the New Share Option Scheme is 128,693,168. The outstanding share options, if converted in full into shares of the Company, and the number of options available for future grant, if granted and converted in full, represent approximately 0.57% and 4.54% of the number of issued shares of the Company as at 31st December, 2021, respectively.

The following table discloses movements of the Company's share options granted to the eligible participants (including Directors) under the New Share Option Scheme during the year ended 31st December, 2021:

Name of participants who are Directors and category of other participants	Date of grant	Exercise/ vesting period	Exercise price HK\$	Number of share options granted under the New Share Option Scheme				Outstanding as at 31st December, 2021
				Outstanding as at 1st January, 2021	Granted during the year under review	Exercised during the year under review	Forfeited during the year under review	
Lui Siu Keung	5th January, 2018	5th January, 2018 to 4th January, 2028	5.468	7,543,500	-	-	-	7,543,500
Lu Zhaoheng	5th January, 2018	5th January, 2018 to 4th January, 2028	5.468	3,017,400	-	-	-	3,017,400
Xu Yongxuan (Note)	5th January, 2018	5th January, 2018 to 4th January, 2028	5.468	502,900	-	-	-	502,900
Li Chunyan	5th January, 2018	5th January, 2018 to 4th January, 2028	5.468	502,900	-	-	-	502,900
Luo Yongtai	5th January, 2018	5th January, 2018 to 4th January, 2028	5.468	502,900	-	-	-	502,900
Liu Yu Jie	5th January, 2018	5th January, 2018 to 4th January, 2028	5.468	502,900	-	-	-	502,900
				12,572,500	-	-	-	12,572,500
Employees	5th January, 2018	5th January, 2018 to 4th January, 2028	5.468	3,017,400	-	(1,000,000)	(5,800)	2,011,600
Employees	5th January, 2018	17th December, 2019 to 4th January, 2028	5.468	1,508,700	-	-	-	1,508,700
				17,098,600	-	(1,000,000)	(5,800)	16,092,800
Exercisable at the end of the period								16,092,800
Weighted average exercise price				HK\$5.468	-	HK\$5.468	HK\$5.468	HK\$5.468

Note: Mr. Xu Yongxuan retired as a non-executive director and vice chairman of the Company with effect from 29th October, 2021.

Save as disclosed above, (i) at no time during the year under review was the Company, its subsidiaries, its ultimate holding company or any subsidiaries of its ultimate holding company a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company; and (ii) no other equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year under review or subsisted at the end of the year under review.

CHARGE ON THE GROUP'S ASSETS

As at 31st December, 2021, pledged bank deposits of RMB40,000,000 (equivalent to HK\$48,924,000) (2020: RMB4,000,000) were used to secure the short-term general banking facilities granted to the Group.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES

During the year under review, the Group did not conduct any significant investments, or material acquisitions or disposal of subsidiaries.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

As at 31st December, 2021, the Board did not have any specific plans for material investment or capital assets.

CAPITAL AND OTHER COMMITMENTS

As at 31st December, 2021, the capital expenditure in respect of the acquisition of property, plant and equipment and right-of-use assets contracted for but not provided in the consolidated financial statements is HK\$149,021,000 (2020: HK\$281,354,000).

CONTINGENT LIABILITIES

As at 31st December, 2021, the Group did not have any contingent liabilities (2020: nil).

BUSINESS REVIEW

During the year ended 31st December, 2021, the Group was principally engaged in (i) the investment, operation and management of city gas pipeline infrastructure, and the distribution of piped gas to residential, industrial and commercial users; (ii) development of smart energy; (iii) sales of stoves and provision of other related value-added services; and (iv) the operation of CNG/LNG vehicle filling stations in the PRC.

New Downstream Piped Gas Distribution Projects

As at 31st December, 2021, the Group had 73 gas projects with exclusive rights in the PRC. During the year, the Group obtained concession right to operate 2 additional natural gas projects in Jilin Province and Inner Mongolia.

New CNG/LNG Vehicle Filling Stations Expansion

During the financial year ended 31st December, 2021, no new CNG vehicle filling station was put into operation.

SMART ENERGY BUSINESS DEVELOPMENT

With the reform of the domestic energy market and the national strategy emphasizing “green development” and “clean and low-carbon, safety and efficiency”, environmental protection policies and “dual carbon goals (carbon peak and neutrality)” have become one of the biggest driving forces for the Group to develop clean energy projects. The Group has established the “one body, three wings” business layout strategy in early 2020, with “city gas” as the “body” and “value-added business and new retail”, “smart energy” and “energy trading” as its “wings”, and strives to become the most valuable integrated energy service provider in the PRC. In 2021, a series of new energy policies and rural energy transformation policies were launched successively in various regions, creating opportunities for the smart energy group to develop diversified businesses such as distributed energy, photovoltaic rooftop and charging stations. In line with the countywide rooftop distributed photovoltaic development pilot work issued by the National Energy Administration, the Group’s subsidiaries signed framework agreements on the promotion of countywide rooftop distributed photovoltaic with several local governments to expand the smart energy business map relying on its own advantages in the gas project concession area. During the year, the Group steadily promoted the development of integrated energy business and the cumulative number of projects in operation reached 43. The Group also actively sought to increase its market share in the clean transportation energy market. The sale of electricity throughout the year increased by 90.5% to 21.74 million kWh as compared with the same period of last year.

Major Operational Data

The downstream natural gas distribution business of the Group primarily comprises sales of gas, gas pipeline construction and sales of natural gas from CNG/LNG vehicle filling stations.

The major operational data of the Group for the year ended 31st December, 2021 together with the comparative figures for the corresponding period last year are as follows:

	2021	2020	Increase/ (Decrease)
Number of operational locations (<i>Note a</i>)	73	72	1
– Henan Province	28	28	–
– Hebei Province	21	21	–
– Jiangsu Province	7	7	–
– Shandong Province	4	4	–
– Jilin Province	4	3	1
– Fujian Province	1	1	–
– Heilongjiang Province	2	2	–
– Zhejiang Province (<i>Note e</i>)	2	3	(1)
– Anhui Province	3	3	–
– Inner Mongolia	1	–	1
Connectable population ('000) (<i>Note b</i>)	22,007	20,368	8.0%
Connectable residential households ('000)	6,274	5,806	8.1%
New piped gas connections by the Group made during the year			
– Residential households	381,876	461,807	(17.3)%
(i) “Coal-to-gas” projects	91,074	224,927	(59.5)%
(ii) Non “Coal-to-gas” projects	290,802	236,880	22.8%
– Industrial customers	312	275	13.5%
– Commercial customers	2,110	1,875	12.5%
Accumulated number of connected piped gas customers			
– Residential households	4,357,324	3,956,342	10.1%
– Industrial customers	3,519	3,207	9.7%
– Commercial customers	17,723	15,570	13.8%
Penetration rate of residential pipeline connection (<i>Note c</i>)	69.5%	68.1%	1.4%
Unit of piped natural gas sold ('000 m ³)	2,518,128	2,024,914	24.4%
– Residential households	649,115	602,455	7.7%
– Industrial customers	1,442,913	1,188,152	21.4%
– Commercial customers	145,802	128,209	13.7%
– Wholesale customers	280,298	106,098	164.2%

	2021	2020	Increase/ (Decrease)
Unit of LNG sold ('000 m ³)			
– Wholesale customers	231,653	140,169	65.3%
Number of CNG/LNG vehicle filling stations			
– Accumulated	64	64	–
– Under construction	7	7	–
Unit of natural gas sold to vehicles ('000 m ³)	68,230	73,919	(7.7)%
Total length of existing intermediate and main pipelines (km)	26,399	25,456	3.7%
Average selling price of natural gas (pre-tax) (RMB per m ³)			
– Residential households	2.49	2.44	2.0%
– Industrial customers	2.95	2.58	14.3%
– Commercial customers	3.34	3.08	8.4%
– Wholesale customers	2.19	2.12	3.3%
– Wholesale customers (LNG)	3.07	2.22	38.3%
– CNG/LNG vehicle filling stations	3.18	2.76	15.2%
Average purchase cost of natural gas (RMB per m ³) (Note d)	2.33	2.06	13.1%
Average connection fee for residential households (RMB)			
– “Coal-to-gas” projects	2,945	2,690	9.5%
– Non “Coal-to-gas” projects	2,495	2,555	(2.3)%
Accumulated number of integrated energy projects in operation	43	17	152.9%
Sales volume of integrated energy (million kWh)	21.74	11.41	90.5%

Note a: The number of operational locations represents the gas projects with exclusive rights which are operated by the Group in different cities and regions in the PRC.

Note b: The information is quoted from the website of the PRC government.

Note c: The penetration rates of residential pipeline connection refers to the accumulated number of the Group’s connected residential households to the estimated aggregate number of connectable residential households in its operation regions expressed in percentages.

Note d: The amounts do not include the average distribution costs of natural gas, which is RMB0.17 per m³ (2020: RMB0.21 per m³).

Note e: Decrease in 1 concession right in Zhejiang Province due to the combination of existing concession rights into one during the year.

FINANCIAL REVIEW

Overall

The Group's turnover for the year ended 31st December, 2021 increased by 32.8% to HK\$11,344,500,000 (2020: HK\$8,543,710,000). The gross profit increased to HK\$2,188,937,000 (2020: HK\$1,947,017,000) as a result of increased contribution from sales of gas. The Group's profit attributable to owners of the Company increased by 12.5% to HK\$1,188,997,000 (2020: HK\$1,056,617,000). The basic and diluted earnings per share attributable to the owners of the Company were HK44.20 cents and HK44.14 cents respectively for the year ended 31st December, 2021, as compared with that of HK39.95 cents and HK39.88 cents respectively for the corresponding period last year.

Non-HKFRS profit attributable to owners of the Company amounted to HK\$963,347,000 (2020: HK\$815,728,000). Non-HKFRS basic and diluted earnings per share attributable to the owners of the Company for the period under review were HK35.81 cents (2020: HK30.84 cents) and HK35.76 cents (2020: HK30.79 cents) respectively.

Turnover

An analysis of the Group's turnover by products and services for the year, together with the comparative figures for the corresponding period last year, are as follows:

	Year ended 31st December,				
	2021	%	2020	%	Increase/ (Decrease)
	HK\$'000	of total	HK\$'000	of total	
Sales of Gas	9,290,532	81.9%	6,190,069	72.5%	50.1%
Revenue from Gas Pipeline					
Construction	1,327,942	11.7%	1,488,639	17.4%	(10.8)%
Value-added Services	464,507	4.1%	635,951	7.4%	(27.0)%
Sales of CNG/LNG in Vehicle					
Filling Stations	261,519	2.3%	229,051	2.7%	14.2%
Total	<u>11,344,500</u>	<u>100%</u>	<u>8,543,710</u>	<u>100%</u>	<u>32.8%</u>

The turnover for the year ended 31st December, 2021 amounted to HK\$11,344,500,000 (2020: HK\$8,543,710,000). The increase in revenue from sales of gas was partially offset by the decline in revenue from gas pipeline construction and valued-added services.

Sales of gas

Sales of gas for the year ended 31st December, 2021 amounted to HK\$9,290,532,000 (2020: HK\$6,190,069,000), representing an increase of 50.1% over the corresponding period last year.

Sales of gas for the year ended 31st December, 2021 contributed 81.9% of the total turnover of the Group, as compared with 72.5% during the corresponding period last year. Sales of gas continued to be the major source of turnover for the Group. The following table set forth the breakdown of revenue from sales of gas by customers.

Sales of gas by customers:

	Year ended 31st December,				Increase/ (Decrease)
	2021 HK\$'000	% of total	2020 HK\$'000	% of total	
Industrial customers	5,155,944	55.5%	3,483,170	56.3%	48.0%
Residential households	1,950,373	21.0%	1,660,387	26.8%	17.5%
Commercial customers	587,074	6.3%	444,477	7.2%	32.1%
Wholesale customers	1,597,141	17.2%	602,035	9.7%	165.3%
Total	<u>9,290,532</u>	<u>100%</u>	<u>6,190,069</u>	<u>100%</u>	<u>50.1%</u>

Industrial customers

The sales of gas to the Group's industrial customers for the year ended 31st December, 2021 increased by 48.0% to HK\$5,155,944,000 from HK\$3,483,170,000 for the corresponding period last year. During the year ended 31st December, 2021, the Group connected 312 new industrial customers. In 2021, global economy gradually recovered and certain social distancing measures were relaxed after COVID-19 vaccine worldwide rollout. Benefiting from effective pandemic prevention and control, domestic consumption in the PRC rebounded and the demand for natural gas boosted. During the year under review, the piped natural gas usage provided by the Group to its industrial customers increased by 21.4% to 1,442,913,000 m³ (2020: 1,188,152,000 m³).

The sales of gas to our industrial customers for the year ended 31st December, 2021 contributed 55.5% of the total sales of gas of the Group (2020: 56.3%) and continues to be the major source of sales of gas of the Group.

Residential households

The sales of gas to our residential households for the year ended 31st December, 2021 increased by 17.5% to HK\$1,950,373,000 from HK\$1,660,387,000 for the corresponding period last year. The growth in sales of gas to residential households was supported by the increase in construction work for gas pipeline connection and the growth in population in the Group's existing project cities in the PRC. Since the outbreak of the COVID-19 pandemic, people developed new lifestyle and spent more time at home both working and learning. Furthermore, China experienced an extremely cold winter in 2021, which increased the gas consumption of residential households for indoor heating as well. During the year under review, the Group provided new natural gas connections for 381,876 residential households and the piped natural gas usage provided by the Group to residential households increased by 7.7% to 649,115,000 m³ (2020: 602,455,000 m³). After years of promotion of clean energy heating plan, more residential households are willing to use natural gas for indoor heating in the winter.

The sales of gas to our residential households for the year contributed 21% of the total sales of gas of the Group (2020: 26.8%).

Commercial customers

The sales of gas to our commercial customers for the year ended 31st December, 2021 increased by 32.1% to HK\$587,074,000 from HK\$444,447,000 for the corresponding period last year. The sales of gas to commercial customers for the year contributed 6.3% of the total sales of gas of the Group (2020: 7.2%). During the year ended 31st December, 2021, the Group connected 2,110 new commercial customers. As at 31st December, 2021, the number of commercial customers of the Group reached 17,723, representing an increase of 13.8% as compared with 15,570 commercial customers as at 31st December, 2020.

The demand for gas from commercial customers were adversely impacted during the COVID-19 pandemic in 2020. But such demand rebounded in 2021 in the wake of the re-opening of restaurants, schools and recreational facilities. The gas consumption of commercial customers increased by 13.7% to 145,802,000 m³ (2020: 128,209,000 m³) for the year under review.

Wholesale Customer

The sales of gas to our wholesale customers for the year end 31st December, 2021 increased by 165.3% to HK\$1,597,141,000 from HK\$602,035,000 for the corresponding period last year. The sales of gas to wholesale customers for the year contributed 17.2% of the total sales of gas of the Group (2020: 9.7%).

During the period under review, piped natural gas usage provided by the Group to its wholesale customers increased by 164.2% to 280,298,000 m³ (2020: 106,098,000 m³), benefiting from the Group's good reputation and stable gas supply records.

During the period under review, the LNG provided by the Group to its wholesale customers increased by 65.3% to 231,653,000 m³ (2020: 140,169,000 m³).

Gas Pipeline Construction

Revenue from gas pipeline construction for the year ended 31st December, 2021 amounted to HK\$1,327,942,000, representing a decrease of 10.8% over the corresponding period last year. The following table set forth the breakdown of revenue from gas pipeline construction by customers.

Revenue from gas pipeline construction by customers

	Year ended 31st December,				Increase/ (Decrease)
	2021 HK\$'000	% of total	2020 HK\$'000	% of total	
Residential households					
– “Coal-to-gas” projects	323,099	24.3%	680,442	45.7%	(52.5)%
– Non “Coal-to-gas” projects	874,040	65.8%	680,603	45.7%	28.4%
Non-residential customers	130,803	9.9%	127,594	8.6%	2.5%
Total	<u>1,327,942</u>	<u>100%</u>	<u>1,488,639</u>	<u>100%</u>	<u>(10.8)%</u>

In 2017, the PRC government launched the “coal-to-gas” policy as one of its major priorities to fight against air pollution. The Group has followed the “coal-to-gas” conversion policy and carried out a number of conversion projects in different regions of the PRC. The Group carefully selected new projects and focused on projects with better profitability and recoverability, such as projects partly sponsored by local governments. In 2021, the decline in government-sponsored projects available caused a drop in connections made by the Group. The revenue from gas pipeline construction for residential households for “coal-to-gas” projects for the year ended 31st December, 2021 decreased by 52.5% to HK\$323,099,000 from HK\$680,442,000 for the corresponding period last year. During the year ended 31st December, 2021, the Group provided new natural gas connections for 91,074 residential households (2020: 224,927) under “coal-to-gas” projects and the average connection fee was RMB2,945 (2020: RMB2,690).

During the year ended 31st December, 2021, revenue from gas pipeline construction for residential households for non “coal-to-gas” projects increased by 28.4% to HK\$874,040,000 from HK\$680,603,000 for the corresponding period last year. The growth was mainly attributable to the increase in construction work for gas pipeline connection completed by the Group for residential households for non “coal-to-gas” projects to 290,802 from 236,880 for the corresponding period last year. The average connection fee slightly dropped to RMB2,495 in 2021 from RMB2,555 in 2020.

Despite the reduction in average connection fee for residential households in 2021, the gross profit margin for gas pipeline construction remained relatively stable at 72.3%.

The connection fee charged to industrial/commercial customers by the Group was significantly higher than that charged to residential households and was determined on a case-by-case basis. During the year ended 31st December, 2021, revenue from gas pipeline construction for non-residential customers increased by 2.5% to HK\$130,803,000 from HK\$127,594,000 for the corresponding period last year.

As at 31st December, 2021, the Group's penetration rates of residential pipeline connection amounted to 69.5% (2020: 68.1%) (calculated by the accumulated number of the Group's connected residential households over the estimated aggregate number of connectable residential households in regions it operates in and expressed in percentages). In view of the favourable energy policies in the PRC, the Group is aiming to continue to increase its market coverage by acquisitions when suitable opportunities arise.

Value-added Services

Value-added services represents smart energy business and sales of stoves and provision of other related services. Revenue from value-added services for the year ended 31st December, 2021 amounted to HK\$464,507,000 (2020: HK\$635,951,000), representing a decrease of 27.0% over the corresponding period last year. It contributed 4.1% of the total turnover of the Group, as compared with the percentage of 7.4% during the corresponding period last year. The following table set forth the breakdown of revenue from value-added services by type.

	Year ended 31st December,				Increase/ (Decrease)
	2021 <i>HK\$'000</i>	% of total	2020	% of total	
Smart Energy	38,442	8.3%	36,534	5.7%	5.2%
Sales of stoves and provision of other related services	426,065	91.7%	599,417	94.3%	(28.9)%
Total	464,507	100%	635,951	100%	(27.0)%

Smart energy

Revenue from smart energy for the year ended 31st December, 2021 increased by 5.2% to HK\$38,442,000 from HK\$36,534,000 for the corresponding period last year. Taking on the advantages of huge market and customer base of its gas projects, the Group is currently establishing an extensive network of new businesses in China, including natural gas-fired distributed energy, photovoltaic power generation and charging stations. It seeks to comprehensively utilise energy with years of cumulative experience in market development and technical innovation, in an effort to provide customers with highly efficient integrated energy that addresses their needs for gas, heating, electricity and cooling. The smart energy business contributed 8.3% (2020: 5.7%) of the total revenue from value-added services of the Group for the year ended 31st December, 2021. The Group will continuously explore the operation model of energy business, and promote the expansion of energy projects to meet the diversified energy demand of customers.

Sales of stoves and provision of other related services

Since 2017, the Group placed greater efforts in value-added services such as sales of stoves and related equipment, which involves the sales of safe and reliable kitchenware, including gas water heaters, gas cooking appliances and wall-hang boilers under its own brand name, “Zhongyu Phoenix” (中裕鳳凰), to residential customers. Revenue from sales of stoves and provision of other related services for the year ended 31st December, 2021 decreased by 28.9% to HK\$426,065,000 from HK\$599,417,000 for the corresponding period last year. The decrease was mainly due to a decrease in the sales of wall-hang boilers and radiators by 52.2% to HK\$159,683,000 from HK\$334,025,000 for the corresponding period last year, as a result of reduced number of “coal-to-gas” projects. During the year ended 31st December, 2021, other than sales of wall-hang boilers and radiators, revenue from sales of stoves and provision of other related services amounted to HK\$266,382,000 (2020: HK\$265,392,000), representing a growth of 0.4% as compared to the corresponding period last year. With the increasing number of connected residential customers and brand recognition built in recent years, as well as the establishment of the online shopping platform “Zhongyu iFamille” (中裕i家), the independent supply platform, customer service platform and customer online community, the value-added services is expected to contribute stable revenue to the Group.

The sales of stove and provision of other related services for the year ended 31st December, 2021, contributed 91.7% (2020: 94.3%) of the total revenue from value-added services of the Group.

Sales of CNG/LNG in Vehicle Filling Stations

Revenue from operating CNG/LNG vehicle filling stations for the year ended 31st December, 2021 amounted to HK\$261,519,000, representing an increase of 14.2% compared to the corresponding period last year. The unit of natural gas sold to vehicles declined by 7.7% to 68,230,000 m³ (2020: 73,919,000 m³) for the year ended 31st December, 2021.

During the year ended 31st December, 2021, the turnover derived from operating CNG/LNG vehicle filling stations accounted for 2.3% (2020: 2.7%) of the total turnover of the Group. As at 31st December, 2021, the Group had 64 CNG/LNG vehicle filling stations and 7 CNG/LNG vehicle filling stations under construction in the PRC.

Gross profit margin

The overall gross profit margin for the year ended 31st December, 2021 was 19.3% (2020: 22.8%). The decline in overall gross profit margin for the year ended 31st December, 2021 was mainly due to decrease in the proportion of revenue from pipeline construction to total turnover.

The gross profit margin for the sales of piped natural gas increased to 11.4% (2020: 10.4%) as the increment of average selling price of natural gas for industrial and commercial customers outweighed the increment of average purchase cost of natural gas. The Group's energy trading business has been strengthened to secure stable gas supply from different sources and contracts have been signed with suppliers to secure more piped gas supply with lower average cost. The gross profit margin for gas pipeline construction remained stable at 72.3% for the year under review (2020: 75.6%). The gross profit margin for value-added services increased to 64.3% (2020: 37.6%) due to a reduction in the sales of low-gross-profit-margin wall-hang boilers and an increase in the value added services fee and selling price of other gas applicants. The gross profit margin for the sales of CNG/LNG in vehicle filling stations increased to 3.4% (2020: -0.6%) as a result of increase in average selling price of CNG/LNG sold in vehicle refilling station.

Other gains and losses

The Group recognised other net gains of HK\$220,525,000 in 2021 (2020: other net gains of HK\$546,449,000). The amount mainly derived from net foreign exchange gain of HK\$224,472 (2020: gain of HK\$557,522,000) mainly arising from the Group's bank borrowings denominated in United States dollars and Hong Kong dollars as a result of the appreciation of RMB in 2021.

Every year, the Group performs impairment assessment under expected credit loss model according to HKFRS 9 on trade receivables and contract assets based on provision matrix except for the debtors with credit-impaired balances which are assessed individually. During the year ended 31st December, 2021, the Group made a reversal of HK\$1,835,000 on contract assets (2020: an impairment of HK\$13,200,000 and HK\$25,534,000 on contract assets and trade receivables respectively) in consideration of the likelihood of recovery of those aged receivables. In addition, the Group recognised HK\$657,000 (2020: HK\$12,625,000) impairment loss allowance on other receivables, based on the individual assessment of the recoverability of the relevant receivables. The amount was considered as credit-impaired and full provision has been made.

Other income

Other income increased to HK\$148,161,000 in 2021 from HK\$107,743,000 in 2020. The balance in 2021 represented the bank interest income of HK\$10,138,000 (2020: HK\$7,819,000), interest income on amount due from an associate of HK\$3,229,000 (2020: HK\$3,957,000), interest income from loans to employees of HK\$23,319,000 (2020: HK\$24,213,000), government subsidies of HK\$67,963,000 (2020: HK\$45,150,000), income from investments in life insurance contracts of HK\$1,897,000 (2020: HK\$2,802,000) and sundry income of HK\$41,615,000 (2020: HK\$23,802,000).

Selling and distribution costs and administrative expenses

Selling and distribution costs increased by 25% to HK\$246,598,000 in 2021 from HK\$197,315,000 in 2020. Administrative expenses increased by 26.6% to HK\$590,154,000 in 2021 from HK\$466,071,000 in 2020. The increase was mainly attributable to (i) increased staff costs and related expenses as a result of increased number of headcount and increased social security contribution; (ii) increased commission expenses for value-added services; (iii) consultancy fee paid for system updates and integration of new IT systems; and (iv) additional depreciation expenses arisen from the revaluation of pipelines in 2020.

Finance costs

Finance costs decreased by 25.9% to HK\$189,627,000 in 2021 from HK\$255,849,000 in 2020. The decrease was mainly attributable to reduction of effective interest rate.

Income tax expenses

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries of the Company is 25% for both years.

Under the EIT Law of the PRC, withholding tax is imposed on the dividend declared to non-PRC tax residents in respect of profits earned by PRC subsidiaries from 1st January, 2008 onwards. During the year ended 31st December, 2020, withholding tax amounting to HK\$7,279,000 was charged by the PRC tax authority which levied on the dividends paid to overseas group entities in the previous and current years.

Accordingly, the income tax expenses in 2021 amounted to HK\$318,859,000 (2020: HK\$302,194,000).

Non-HKFRS EBITDA

For the purposes of this announcement, non-HKFRS EBITDA is defined as earnings from continuing operations before finance costs, taxation, depreciation, amortisation, foreign exchange gain/loss, impairment losses/reversal of impairment losses and share option expenses. Non-HKFRS EBITDA is a non-HKFRS measure used by the management for monitoring the core business performance of the Group. The Company considers that the non-HKFRS EBITDA can provide shareholders and potential investors of the Company with useful supplementary information on the performance of the Group's core operations. Foreign exchange gain/loss and share option expenses are considered not directly resulting from the actual business activities of the Group. They, together with the impairment losses/reversal of impairment losses, are non-cash items which we do not believe are reflective of the core operating performance of the Group. The non-HKFRS EBITDA may not be comparable to similar measures presented by other companies.

The Group's non-HKFRS EBITDA was approximately HK\$2,079,049,000 for the year ended 31st December, 2021, representing an increase of 9.6% as compared with that of approximately HK\$1,897,378,000 for the corresponding period last year.

Profit attributable to owners of the Company

As a result of the above, profit attributable to owners of the Company was HK\$1,188,997,000 in 2021, representing an increase of 12.5% as compared with that of HK\$1,056,617,000 in 2020.

Excluding the net foreign exchange gain of HK\$224,472,000 (2020: gain of HK\$557,522,000) and reversal of impairment loss of HK\$1,178,000 (2020: impairment losses of HK\$316,633,000), non-HKFRS profit attributable to owners of the Company would amount to HK\$963,347,000 (2020: HK\$815,728,000). Similar to the non-HKFRS EBITDA, the non-HKFRS profit attributable to owners of the Company is a non-HKFRS measure used by the management for monitoring the actual operating performance of the Group and may not be comparable to similar measures presented by other companies.

Net profit margin

For the year ended 31st December, 2021, the net profit margin, representing a ratio of profit attributable to owners of the Company to turnover, was 10.5% (2020: 12.4%).

Earnings per share

The basic and diluted earnings per share attributable to the owners of the Company were HK44.20 cents and HK44.14 cents respectively in 2021, as compared with that of HK39.95 cents and HK39.88 cents respectively in 2020.

The non-HKFRS basic and diluted earnings per share attributable to the owners of the Company (calculated by reference to the non-HKFRS profit attributable to owners of the Company which excludes the net foreign exchange gain/loss, impairment losses/reversal of impairment losses and share option expenses, if any, as the numerator) for the year ended 31st December, 2021 were HK35.81 cents (2020: HK30.84 cents) and HK35.76 cents (2020: HK30.79 cents) respectively. Similar to the non-HKFRS EBITDA, the non-HKFRS basic and diluted earnings per share attributable to the owners of the Company are non-HKFRS measures used by the management for monitoring the actual operating performance of the Group and may not be comparable to similar measures presented by other companies.

Net assets value per share

The net assets value per share attributable to the owners of the Company was HK\$3.22 as at 31st December, 2021, representing an increase of 41.9% as compared with that of HK\$2.27 as at 31st December, 2020.

DIVIDENDS FOR THE YEARS ENDED 31ST DECEMBER, 2020 AND 2021

The Board recommended the payment of an interim dividend of HK3 cents (2020: HK2 cents) per ordinary share in the year ended 31st December, 2021 to shareholders whose names appear on the register of members of the Company on 20th October, 2021 and the interim dividend was paid on 15th November, 2021.

The Board has recommended the payment of a final dividend of HK8 cents (2020: HK7 cents) per ordinary share and a special dividend of HK5 cents (2020: nil) per ordinary shares for the year ended 31st December, 2021. The special dividend was proposed to commemorate the 20th anniversary of the establishment of the Group. Final dividend and special dividend are proposed to be paid to shareholders whose names appear on the register of members of the Company on 10th June, 2022 and expected to be paid in cash on or about 15th July, 2022. The payment of dividends shall be subject to the approval of the shareholders at the forthcoming annual general meeting of the Company.

DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at 31st December, 2021, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) (a) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in the Listing Rules were as follows:

Long positions in the shares/underlying shares of the Company

Name of Directors	Notes	Number of shares and/or underlying shares	Type of interests	Approximate shareholding interest as disclosed under the SFO
Mr. Wang Wenliang	1	796,125,206	Beneficial/Interest in controlled corporation/Interest of spouse	28.09%
Mr. Yiu Chi Shing	2	188,000,000	Interest in controlled corporation	6.63%
Mr. Lui Siu Keung	3	19,665,179	Beneficial	0.69%
Mr. Jia Kun	4	7,055,031	Beneficial	0.25%
Mr. Lu Zhaoheng	5	6,040,984	Beneficial	0.21%
Mr. Li Yan	6	9,013,063	Beneficial	0.32%
Mr. Li Chunyan	7	1,510,761	Beneficial	0.05%
Dr. Luo Yongtai	8	502,900	Beneficial	0.02%
Ms. Liu Yu Jie	9	502,900	Beneficial	0.02%

Notes:

1. Among these shares and/or underlying shares, 763,862,289 shares were held by Hezhong Investment Holding Company Limited (“Hezhong”). Mr. Wang Wenliang was beneficially interested in 100% of the issued share capital of Hezhong. The remaining 21,324,616 shares and 10,938,301 shares were directly held by Mr. Wang Wenliang and his spouse respectively.
2. These shares were held by Fundway International Investment Limited (“Fundway”). Mr. Yiu Chi Shing was beneficially interested in 100% of the issued share capital of Fundway.
3. These comprise 12,121,679 shares directly held by Mr. Lui Siu Keung and 7,543,500 underlying shares issuable upon exercise of the rights attaching to the 7,543,500 share options at an exercise price of HK\$5.468 per share granted under the New Share Option Scheme.

4. These shares were directly held by Mr. Jia Kun.
5. These comprise 3,023,584 shares directly held by Mr. Lu Zhaoheng and 3,017,400 underlying shares issuable upon exercise of the rights attaching to the 3,017,400 share options at an exercise price of HK\$5.468 per share granted under the New Share Option Scheme.
6. These shares were directly held by Mr. Li Yan.
7. These comprise 1,007,861 shares directly held by Mr. Li Chunyan and 502,900 underlying shares issuable upon exercise of the rights attaching to the 502,900 share options at an exercise price of HK\$5.468 per share granted under the New Share Option Scheme.
8. These represent underlying shares issuable upon exercise of the rights attaching to the 502,900 share options at an exercise price of HK\$5.468 per share granted under the New Share Option Scheme.
9. These represent underlying shares issuable upon exercise of the rights attaching to the 502,900 share options at an exercise price of HK\$5.468 per share granted under the New Share Option Scheme.

Save as disclosed above, as at 31st December, 2021, none of the Directors and chief executive of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Interests of substantial shareholders of the Company

So far as is known to the Directors, as at 31st December, 2021, the following entities (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in the shares of the Company

Name of shareholder	Notes	Type of interests	Number of Shares	Approximate shareholding interest as disclosed under the SFO (Note 4)
China Gas Holdings Limited	1	Interest of controlled corporation	1,057,905,071	37.33%
Hezhong	2	Beneficial	763,862,289	26.96%
Ms. Feng Haiyan	3	Beneficial/Interest of spouse	761,899,206	28.80%
Fundway	4	Beneficial	188,000,000	6.63%

Notes:

1. According to the disclosure of interests filings as shown in the website of the Stock Exchange as at 31st December, 2021, China Gas Holdings Limited held these shares through Rich Legend International Limited (“Rich Legend”), its wholly-owned subsidiary, and is therefore deemed to be interested in the 1,057,905,071 shares held by Rich Legend.
2. Hezhong was beneficially interested in 763,862,289 shares. Mr. Wang Wenliang was beneficially interested in 100% of the issued share capital of Hezhong.
3. Ms. Feng Haiyan directly held 10,938,301 shares and was deemed to be interested in 750,960,905 shares under the SFO as she is the spouse of Mr. Wang Wenliang.
4. Fundway was beneficially interested in 188,000,000 shares. Mr. Yiu Chi Shing was beneficially interested in 100% of the issued share capital of Fundway.
5. As at 31st December, 2021, the total number of issued shares of the Company was 2,833,832,157.

Save as disclosed above, as at 31st December, 2021, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Listing Rules. During the year under review, the Company has complied with all the applicable code provisions under the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted and complied with the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry of all Directors, they have all confirmed their compliance with the required standard of dealings and the Model Code regarding securities transactions by Directors adopted by the Company during the year ended 31st December, 2021.

AUDIT COMMITTEE

The Company’s Audit Committee, comprising Mr. Li Chunyan, Dr. Luo Yongtai and Ms. Liu Yu Jie, all being independent non-executive Directors, has reviewed with the Company’s management the accounting principles and practices adopted by the Group and financial reporting matters including a review of the annual results of the Group for the year ended 31st December, 2021. There were no disagreements within the Audit Committee in relation to the accounting treatment adopted by the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the year ended 31st December, 2021.

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

This announcement is required to be published on the website of The Hong Kong Exchanges and Clearing Limited (“HKEX”) at www.hkex.com.hk under “Latest Listed Company Information” and the Company at www.zhongyuenergy.com under “Announcement” respectively. The annual report of the Company for the year ended 31st December, 2021 will be despatched to the shareholders in April 2022 and will be published on the websites of the HKEX and the Company accordingly.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31st December, 2021 as set out in this announcement (the "Preliminary Announcement") have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the Preliminary Announcement.

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the Company's register of members on Thursday, 2nd June, 2022 will be eligible to attend and vote at the forthcoming annual general meeting of the Company. The Company's transfer books and register of members will be closed from Monday, 30th May, 2022 to Thursday, 2nd June, 2022 (both days inclusive) during which period no transfer of shares will be registered. In order to attend and vote at the forthcoming annual general meeting of the Company, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Friday, 27th May, 2022.

Shareholders whose names appear on the Company's register of members on Friday, 10th June, 2022 will qualify for the proposed final dividend and special dividend. The Company's transfer books and register of members will be closed from Thursday, 9th June, 2022 to Friday, 10th June, 2022 (both days inclusive) for the purpose of ascertaining shareholders' entitlement to the proposed final dividend and special dividend. In order to qualify for the proposed final dividend and special dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong before 4:30 p.m. on Wednesday, 8th June, 2022. The proposed final dividend and special dividend (the payment of which is subject to the shareholders' approval at the forthcoming annual general meeting) are expected to be paid on or about Friday, 15th July, 2022 to shareholders whose names appear on the register of members of the Company on Friday, 10th June, 2022.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises Mr. Wang Wenliang (Chairman), Mr. Yiu Chi Shing (Vice Chairman), Mr. Lui Siu Keung (Chief Executive Officer), Mr. Jia Kun (Executive President), Mr. Lu Zhaoheng and Mr. Li Yan as the executive Directors, and Mr. Li Chunyan, Dr. Luo Yongtai and Ms. Liu Yu Jie, as the independent non-executive Directors.

By Order of the Board
ZHONGYU ENERGY HOLDINGS LIMITED
Wang Wenliang
Chairman

Hong Kong, 28th March, 2022