



湖州燃气股份有限公司 HUZHOU GAS CO., LTD.*

(a joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code : 6661



2024

INTERIM REPORT

** For identification purposes only*

CONTENTS

- 02** CORPORATE INFORMATION
- 03** DEFINITIONS
- 06** MANAGEMENT DISCUSSION AND ANALYSIS
- 13** CORPORATE GOVERNANCE AND OTHER INFORMATION
- 17** INDEPENDENT REVIEW REPORT
- 18** INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
- 19** INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
- 20** INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
- 22** INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
- 24** INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
- 26** NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Hua (*Chairman*)
Mr. Yang Fan (*Appointed on 25 April 2024*)
Ms. Sun Xiaohui (*Appointed on 25 April 2024*)
Ms. Su Li (*Resigned on 25 April 2024*)
Mr. Pan Haiming (*Resigned on 25 April 2024*)

Non-executive Directors

Mr. Liu Jianfeng
Mr. Wang Peng (*Appointed on 16 January 2024*)
Ms. Wu Zhanghuan (*Resigned on 16 January 2024*)

Independent Non-executive Directors

Mr. Chang Li Hsien Leslie
Dr. Lau Suet Chiu Frederic
Mr. Zhou Xinfa

SUPERVISORS

Ms. Xing Yan (*Appointed on 25 April 2024*)
Mr. Cai Rui
Mr. Xu Guoxin
Ms. Liu Fei (*Resigned on 25 April 2024*)

AUDIT COMMITTEE

Mr. Chang Li Hsien Leslie (*Chairman*)
Dr. Lau Suet Chiu Frederic
Mr. Zhou Xinfa

NOMINATION COMMITTEE

Mr. Zhou Xinfa (*Chairman*)
Mr. Chang Li Hsien Leslie
Dr. Lau Suet Chiu Frederic

REMUNERATION COMMITTEE

Dr. Lau Suet Chiu Frederic (*Chairman*)
Mr. Chang Li Hsien Leslie
Mr. Zhou Xinfa

JOINT COMPANY SECRETARIES

Mr. Tang Chunhui
Ms. Lee Mei Yi

AUTHORISED REPRESENTATIVES

Mr. Wang Hua
Ms. Lee Mei Yi

REGISTERED OFFICE AND HEADQUARTER IN THE PRC

227 Sizhong Road
Huzhou
Zhejiang Province
The PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place
348 Kwun Tong Road, Kowloon
Hong Kong

HONG KONG H SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

AUDITOR

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

LEGAL ADVISERS

As to Hong Kong law
Li & Partners
22/F, World-Wide House
Central
Hong Kong

As to PRC law
Grandall Law Firm (Hangzhou)
Grandall Building
No. 2 & No.15, Block B
Baita Park
Old Fuxing Road
Hangzhou
Zhejiang Province
310008
China

PRINCIPAL BANKERS

Bank of Huzhou Co., Ltd. (Business Department)
Headquarter Building of Bank of Huzhou
No. 268 Hongqi Road
Wuxing District
Huzhou
Zhejiang Province
The PRC

Bank of China Limited (Huzhou Branch)
208 Renmin Road
Wuxing District
Huzhou
Zhejiang Province
The PRC

China Construction Bank Corporation (Chengzhong
Sub-Branch)
No. 152-160, Qianzhuang Road, Block 10, Boyafu
Wuxing District
Huzhou
Zhejiang Province
The PRC

STOCK CODE

6661

COMPANY WEBSITE

www.hzrqgf.com

COMPANY NAMES

| | |
|------------------------------|---|
| “City Group” | Huzhou City Investment and Development Group Co., Ltd.* (湖州市城市投資發展集團有限公司), a state-owned enterprise established under the laws of the PRC on 27 February 1993, and a controlling shareholder of the Company as at the date of this report |
| “Company” | Huzhou Gas Co., Ltd.* (湖州燃氣股份有限公司), a limited liability company established under the laws of the PRC on 16 June 2004 and converted into a joint stock company with limited liability on 2 April 2021 |
| “ENN (China)” | Xiniao (China) Gas Investment Company Limited* (新奧(中國)燃氣投資有限公司), a limited liability company established under the laws of the PRC on 8 January 2004, and a substantial shareholder of the Company as at the date of this report |
| “Group”, “we”, “our” or “us” | the Company and its subsidiaries |
| “Huzhou SASAC” | Huzhou Municipal People’s Government State-owned Assets Supervision and Administration Commission* (湖州市人民政府國有資產監督管理委員會), which, as a functional department of Huzhou Municipal People’s Government, reports to and is under the leadership of Huzhou Municipal People’s Government, and is therefore a PRC government body (as defined under the Listing Rules) |

DEFINITIONS

OTHERS

| | |
|---------------------------------|--|
| “associate(s)” | has the meaning ascribed thereto under the Listing Rules |
| “Audit Committee” | the audit committee of the Company |
| “Board” or “Board of Directors” | the board of directors of the Company |
| “CG Code” | the Corporate Governance Code as set out in Appendix C1 (formerly known as Appendix 14) to the Listing Rules, as amended from time to time |
| “controlling shareholder(s)” | has the meaning ascribed thereto under the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “Domestic Share(s)” | ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB and are unlisted Shares which are currently not listed or traded on any stock exchange |
| “H Share(s)” | overseas listed foreign share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are subscribed for and traded in Hong Kong dollars and are listed on the Stock Exchange |
| “H Share Registrar” | Tricor Investor Services Limited |
| “HK\$” or “Hong Kong dollars” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “IFRS” | International Financial Reporting Standards which include standards and interpretations promulgated by the International Accounting Standards Board |
| “Independent Third Party(ies)” | party(ies) which, as far as the Directors are aware after having made all reasonable enquiries, is not a connected person(s) (as defined in the Listing Rules) of the Company |
| “Listing Date” | 13 July 2022, on which the H Shares are first listed on the Main Board of the Stock Exchange |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time |
| “LNG” | liquefied natural gas |

| | |
|--------------------------------|--|
| “Model Code” | the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 (formerly known as Appendix 10) to the Listing Rules |
| “Operating Area” | the Wuxing Operating Area and the Nanxun Operating Area |
| “PNG” | piped natural gas |
| “PRC” or “China” | the People’s Republic of China, excluding, for the purposes of this report, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “Prospectus” | the prospectus issued by the Company on 29 June 2022 |
| “Reporting Period” or “Period” | the six months ended 30 June 2024 |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time |
| “Share(s)” | ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, comprising the Domestic Share(s) and the H Share(s) |
| “treasury shares” | has the meaning ascribed thereto under the Listing Rules |
| “Shareholder(s)” | holder(s) of Shares |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “subsidiary(ies)” | has the meaning ascribed thereto under the Listing Rules |
| “substantial shareholder(s)” | has the meaning ascribed thereto under the Listing Rules |
| “Supervisor(s)” | the supervisor(s) of the Company |

In this interim report, if there is any inconsistency between the Chinese names of the entities or enterprises established in China and their English translations, the Chinese names shall prevail. English translations of company names in Chinese or another language are marked with “” and are provided for identification purposes only.*

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Over the past year, the world economy recovered slowly, the international geopolitical situation was volatile and evolving, the global energy supply and demand pattern was further adjusted and reshaped, energy prices had a general correction, and there were both opportunities and challenges in the green and low-carbon transformation of energy. According to the latest data from the National Energy Administration, the total consumption volume of natural gas in China increased by 7.5% year-on-year in the last year, and with the continuous advancement of domestic infrastructure, the level of interconnections has been significantly improved, the construction of gas storage facilities has been accelerated, and the “One Pipeline Network Nationwide (全國一張網)” has been fundamentally formed.

In 2024, the national gas industry is in a critical period of rapid development, transformation and upgrading. Based on ensuring people’s livelihood and promoting emission reduction, the natural gas industry is an important energy source to support the comprehensive green transformation of economic and social development, and effectively promotes the low-carbon transformation of city gas, transportation, industry, power generation and other fields. Under the dual promotion of technological innovation and policy support, domestic natural gas will usher in a broader development space and a better future.

The report of the 20th National Congress of the Communist Party of China focused on carbon neutrality, stating that it was necessary to “gradually shift to a system of ‘dual control’ over the total volume and intensity of carbon emissions”, pointing out the direction for China to realize a green and low-carbon energy transition. At the Third Plenary Session of the 20th Central Committee of the Party, the need to improve the green and low-carbon development mechanism was also further proposed. The development of green and low-carbon industries improves the incentive mechanism for green consumption, and promotes the construction of a green, low-carbon and recycling development economic system. With the enhanced role of market regulation, the domestic gas structure continues to be optimized, the effectiveness of multi-energy complementation has begun to show, and the market demand has also seen faster growth. In the first half of 2024, the national natural gas consumption volume amounted to 210.8 billion m³, representing a year-on-year increase of 8.7%.

Under the guidance of the “double carbon” goal, Zhejiang province thoroughly implemented the major decisions and plans of the CPC Central Committee and the State Council on achieving peak carbon emissions and carbon neutrality, firmly established and practiced the concept of “lucid waters and lush mountains are invaluable assets”, and continuously promoted the construction of “clean energy demonstration province” and the implementation of “Yangtze River Delta integration” and other major national strategic plans. Huzhou, where the Company is located, has issued the National Carbon Peak Pilot (Huzhou) Implementation Program (《國家碳達峰試點(湖州)實施方案》), which clearly stated that Huzhou shall adhere to the synergistic promotion of carbon reduction, pollution reduction, green expansion and growth. Based on the characteristics of Huzhou’s energy resource endowment and industrial structure, and led by the reform and innovation of the institutional mechanism to support the low-carbon transformation, Huzhou placed particular emphasis on system innovation to promote the improvement of the peak carbon emissions governance system, carbon efficiency improvement to promote green and low-carbon transformation of industries, and carrier construction to promote social low-carbon practice, in order to increase the “green value”, reduce the “carbon content” and increase the “recycling capacity”.

DEVELOPMENT STRATEGY AND OUTLOOK

The year 2024 represents a critical year to fully implement the spirit of the 20th National Congress of the Communist Party of China, a year of hard battle for the implementation of the “14th Five-Year Plan”, and also the 20th anniversary of the founding of the Company. The Company will adhere to the business philosophy of “safety oriented, development first, and actions count”, and under the guidance of the development strategy of “enhance the main business and expand the emerging business with horizontal layout and vertical extension”, and centering on the direction of industrial development of “1+3+N”, the Company will efficiently coordinate the safety production and business development, drum up the energy to create outstanding results, unwaveringly push forward the “double main strategy” of internal deep cultivation and external expansion, persistently implement the “dual promotion” of economic benefits and social responsibility, actively create the “Huran Model” for green and low-carbon development, and effectively serve the local economic development and the people’s happiness.

BUSINESS REVIEW

Since 2004 and 2009, the Group has been the exclusive PNG distributor in its operating areas in Wuxing District and Nanxun District of Huzhou, respectively. The main businesses of the Group include the sale of gas (mainly comprising PNG) under the concessions granted to the Group by Huzhou government authorities, the provision of services to construct and install end-user pipeline network and gas facilities and others (including the sale of household gas appliances). As at the end of the Reporting Period, the number of residential users and industrial and commercial users served by the Group amounted to 299,000 and 3,581, respectively, with a gas sales volume of 297.0 million m³, representing an increase of 12.12% as compared with the corresponding period of previous year.

As at the end of the Reporting Period, the Group was the largest PNG distributor in Huzhou, Zhejiang Province, the PRC, and the length of the natural gas pipeline network operated within the operating areas in Huzhou was approximately 1,671.2 kilometers.

SEGMENTAL ANALYSIS

1. PNG Sales Business

The Group sells PNG to users, including residential, industrial and commercial users as well as wholesale users, through the gas pipeline network. For the six months ended 30 June 2024, the accumulated revenue of the Group from the PNG sales business was RMB1,038.3 million, representing an increase of 1.58% as compared with the accumulated revenue of RMB1,022.2 million in the corresponding period of previous year. For the six months ended 30 June 2024, the total gas supply volume was 297.0 million m³, representing an increase of 12.12% as compared with the total gas supply volume of 264.9 million m³ in the corresponding period of previous year.

Sales to end-users: From January to June 2024, the residential gas consumption volume was 25.5 million m³, accounting for 8.59% of the Group’s total gas sales volume, while the industrial and commercial gas consumption volume was 236.0 million m³, accounting for 79.46% of the Group’s total gas sales volume. For the corresponding period of previous year, the residential gas consumption volume was 21.6 million m³, accounting for 8.15% of the Group’s total gas sales volume, while the industrial and commercial gas consumption volume was 214.2 million m³, accounting for 80.86% of the Group’s total gas sales volume.

Sales to wholesale users: The gas consumption volume of wholesale users from January to June 2024 was 35.5 million m³, accounting for 11.95% of the Group’s total gas sales volume, while the gas consumption volume of wholesale users for the corresponding period of previous year was 29.1 million m³, accounting for 10.99% of the Group’s total gas sales volume.

The main reasons for the above increase in revenue were that in terms of gas volume, the demand for natural gas in Huzhou increased, of which the industrial and commercial gas sales volume increased by 21.8 million m³ as compared with the previous year; in terms of the gas price, the sales price of natural gas fell during the Reporting Period. In addition, since April 2023, the Zhejiang Provincial Development and Reform Commission has no longer assessed the natural gas prices of provincial gateway stations, and has adopted new gas price linkage policies, and made adjustment to the terminal sales price in the same direction as the comprehensive procurement price of gas source. The decrease in procurement price led to the decrease in sales price.

2. LNG Sales Business

The Group supplies LNG to industrial users in certain regions of Huzhou on a retail basis. For the six months ended 30 June 2024, the accumulated revenue of the Group from the LNG sales business was RMB32.3 million, representing an increase of 389.39% as compared with RMB6.6 million in the corresponding period of previous year. Such increase was mainly due to the competitive unit purchase price of LNG under the market mechanism, resulting in an increase in demand for LNG.

3. Natural Gas Pipeline Construction and Installation Business

The construction and installation business of the Group focuses on the construction and installation of end-user pipeline network and gas facilities as required by customers. For the six months ended 30 June 2024, the revenue of the Group from the natural gas pipeline construction and installation business was RMB95.7 million, representing a decrease of 7.45% as compared with RMB103.4 million in the corresponding period of previous year, which was mainly due to the decrease in pipeline construction revenue recognised according to the progress of contract performance resulting from the decrease in new construction projects in this year under the impact of the continued downturn in the real estate market.

4. Sales of Energy

The Group's sales of energy mainly include the integrated energy stations for hospitals, services to supply hot water and air-conditioning heating, cooling and power exclusively operated by the Group, and the business to sell steam. For the six months ended 30 June 2024, the revenue of the Group from the sales of energy was RMB6.7 million, representing an increase of 1.52% as compared with RMB6.6 million in the corresponding period of previous year, which was mainly due to an overall increase in revenue resulting from the development of the business to sell steam.

5. Sales of Household Gas Appliances

The Group's sales of household gas appliances are mainly retail sales of cooking appliances, self-closing valves, steam generators and steam boilers to residents, which have little impact on the overall revenue of the Group. For the six months ended 30 June 2024, the revenue of the Group from the sales of household gas appliances was RMB10.6 million, representing a decrease of 26.90% as compared with RMB14.5 million in the corresponding period of previous year, which was mainly due to the decrease in orders for pipeline construction services and installation engineering during the Reporting Period, as well as the decrease in overall sales contracts signed with developers for stoves, alarms and others, resulting in the decrease of sales revenue as compared with the corresponding period of previous year.

FINANCIAL OVERVIEW

Revenue

The Group's revenue for the Period was RMB1,192.0 million, representing an increase of 2.88% as compared with RMB1,158.6 million in the corresponding period of previous year. The increase in revenue was mainly arising from the increase in the gas sales volume of PNG during the Period under review.

Gross Profit

The Group's gross profit for the Period was RMB151.3 million, representing an increase of 28.99% as compared with RMB117.3 million in the corresponding period of previous year. This was mainly because the natural gas purchase price fell during the Reporting Period, leading to the decrease in the Group's natural gas procurement cost and the significant increase in gross profit.

Other Income and Gains

The Group's other income and gains for the Period were RMB14.0 million, representing a decrease of 37.22% as compared with RMB22.3 million in the corresponding period of previous year. It was mainly due to the decrease in both interest income and fiscal subsidy fund in the Reporting Period.

Finance Costs

The Group's finance costs for the Period were RMB1.6 million, representing a decrease of 15.79% as compared with RMB1.9 million in the corresponding period of previous year. It was mainly due to the decrease in interest expenses arising from the decrease in bank borrowings in the Reporting Period.

Income Tax Expense

The Group's income tax expense for the Period increased by 12.40% to RMB27.2 million from RMB24.2 million in the corresponding period of previous year. The effective tax rate for the Period was 23.47% (the corresponding period of previous year: 24.20%). The increase in income tax expense was mainly due to the increase of 15.90% in profit before tax as compared with the corresponding period of previous year. The decrease in effective tax rate was due to the preferential tax rates enjoyed by certain companies within the Group and the tax policy on the additional deduction for research and development expenses.

Profit attributable to Owners of the Parent

Profit attributable to owners of the parent for the Period was RMB58.6 million, representing an increase of 8.72% as compared with RMB53.9 million in the corresponding period of previous year. It was mainly due to the decrease in the Group's procurement cost and the increase in the gross profit from sales of PNG as a result of the decrease in the procurement price of PNG for the Period, resulting in the increase in the profit attributable to owners of the parent as compared with the corresponding period of previous year.

Liquidity and Financial Position

As at 30 June 2024, the current assets of the Group amounted to RMB1,030.5 million (31 December 2023: RMB1,004.7 million), of which cash and bank balance was equivalent to RMB918.4 million.

As at 30 June 2024, the current ratio (current assets/current liabilities) of the Group was 1.47 (31 December 2023: 1.54) and the asset-liability ratio (total liabilities/total assets) was 43.93% (31 December 2023: 41.96%). As at 30 June 2024, the unutilised bank credit balance was RMB674.5 million. The Group issued a letter of guarantee of RMB30.0 million by using the banking facilities for the performance bond required to be paid to National Oil and Gas Pipeline Network Group Co., Ltd.* (國家石油天然氣管網集團有限公司) under the Agreement on the Access of New Download Point Off-load Facilities of Natural Gas Infrastructure (《天然氣基礎設施新增下載點分輸設施接入協議》) entered into by Huzhou Nanxun Xinao Gas Company Limited* (湖州南潯新奧燃氣有限公司), a subsidiary of the Company, and National Pipeline Network Group Sichuan to East Natural Gas Pipeline Co., Ltd.* (國家管網集團川氣東送天然氣管道有限公司), and the term of the letter of guarantee was from 1 September 2022 to 30 June 2027. The Group obtained a bank loan of RMB15.0 million by using the banking facilities, all denominated in RMB and bearing interest at LPR-40bp, and the term of the loan was from 28 February 2024 to 27 February 2036. This loan was used for the expansion of the photovoltaic business of the Company's subsidiary, Huzhou Huran New Energy Development Co., Ltd..

The gearing ratio of the Group was approximately 2.74% as at 30 June 2024 (as at 31 December 2023: 1.52%). The ratio was calculated by dividing total debt by the total equity of the Group. Total debt includes bank borrowings and lease liabilities. As at 30 June 2024, the Group maintained a net cash position.

Exchange Rate Fluctuation Risk

As the Group operates all its businesses in the PRC, substantially all of its revenue and expenses are denominated in RMB. The foreign exchange risks the Group faces are mainly related to cash and cash equivalents (mainly denominated in Hong Kong dollars), mainly consisting of negligible expenses such as dividend payments and reimbursement of service fees for future professional organizations, and there is no significant exchange rate risk. The Group will closely monitor the interest rate and exchange rate in the market and take appropriate countermeasures when necessary.

Contingent Liabilities

As at 30 June 2024, the Group had no material contingent liabilities.

Financial Guarantee Obligations

As at 30 June 2024, the Group had no material financial guarantee obligations.

Pledge of Assets

As at 30 June 2024, the Group had no pledge of assets.

Significant Investments Held, Material Acquisitions or Disposals, and Future Plans for Material Investments or Capital Assets

There were no significant investments held, or material acquisitions or disposals of subsidiaries, associates or joint ventures by the Group during the Reporting Period, and the Group did not have any future plan for material investments or capital assets as at the date of this report.

Human Resources and Employee Compensation

As at 30 June 2024, the Group employed a total of 438 employees in China (30 June 2023: 435).

During the Period, the total employee costs of the Group were approximately RMB52.5 million. The Group further strengthened the training of employees to enhance their professional level and overall quality, by providing targeted training courses to the management, management personnel at various positions, professional technical personnel and service personnel, and by distributing relevant policies and regulations, industry information and knowledge documents to employees. The Group also provided employees with competitive remuneration packages, so as to encourage them to work hard and show their talents when serving customers.

EVENTS AFTER THE REPORTING PERIOD

There have been no significant events for the Company after the Reporting Period and up to the date of this report.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the Reporting Period. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the Reporting Period and up to the date of this report.

USE OF NET PROCEEDS FROM LISTING

The H shares of the Company (the “**H Share(s)**”) were officially listed on the Stock Exchange on the Listing Date (i.e. 13 July 2022). The net proceeds from the global offering of the H Shares (the “**Global Offering**”) (including proceeds from the additional H Shares issued and allotted pursuant to the exercise of the over-allotment option, and deducting the underwriting commissions and other estimated expenses in connection with the Global Offering and exercise of the over-allotment option) were approximately HK\$276.3 million (equivalent to RMB236.9 million) (the “**Net Proceeds**”). The Company has utilised and will utilise the Net Proceeds in accordance with the proportion of use allocation as stated under the section headed “Future Plans and Use of Proceeds” in the Prospectus. As at 30 June 2024, the details of the use of the above Net Proceeds were as follows:

| Designated use of Net Proceeds | Approximate % of Net Proceeds from the Global Offering | Net Proceeds from the Global Offering and use of proceeds | | | Expected to be utilised prior to the following date |
|---|--|---|--------------------|----------------------|---|
| | | Amount allocated (RMB'000) | Utilised (RMB'000) | Unutilised (RMB'000) | |
| Enhance the sales volume of PNG by upgrading our pipeline network and operational facilities | 20% | 47,400 | 47,400 | 0 | |
| Expand our business to other geographical areas through strategic acquisition | 30% | 71,000 | 0 | 71,000 | By the end of 2025 |
| Expand into distributed photovoltaic power generation business | 30% | 71,000 | 71,000 | 0 | |
| Promote the use of heat energy from vapour generated by our natural gas through natural gas boilers | 10% | 23,800 | 2,765 | 21,035 | By the end of 2025 |
| Working capital and general corporate purposes | 10% | 23,700 | 23,700 | 0 | |
| Total | 100% | 236,900 | 144,865 | 92,035 | |

As at the date of this report, the unutilised Net Proceeds were deposited in an interest-bearing account opened with a licensed bank.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2024, so far as is known to the Directors, none of the Directors, Supervisors or chief executives of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or its associated corporations which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which are required be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2024, so far as is known to the Directors, the interests or short positions of the persons (other than the Directors, Supervisors or chief executives of the Company) in the Shares and underlying Shares of the Company as recorded in the register kept by the Company pursuant to Section 336 of the SFO or which would be required to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO are as follows:

Interests and short positions in the Shares and underlying Shares of the Company:

| Name | Class of Shares | Capacity | Number of Shares ¹ | Approximate percentage of shareholding in the relevant class of Shares ² | Total approximate percentage of shareholding in the total share capital of the Company ³ |
|--|-----------------|--------------------------------------|-------------------------------|---|---|
| City Group | Domestic Shares | Beneficial owner | 89,457,540 (L) | 59.64% | 44.13% |
| Huzhou SASAC ⁴ | Domestic Shares | Interest in a controlled corporation | 89,457,540 (L) | 59.64% | 44.13% |
| ENN (China) | Domestic Shares | Beneficial owner | 60,542,460 (L) | 40.36% | 29.87% |
| ENN Capital Management Co., Ltd. (新奧資本管理有限公司) ⁵ | Domestic Shares | Interest in a controlled corporation | 60,542,460 (L) | 40.36% | 29.87% |
| ENN Energy Holdings Limited (新奧能源控股有限公司) ⁵ | Domestic Shares | Interest in a controlled corporation | 60,542,460 (L) | 40.36% | 29.87% |
| ENN Group International Investment Limited (新奧集團國際投資有限公司) ⁵ | Domestic Shares | Interest in a controlled corporation | 60,542,460 (L) | 40.36% | 29.87% |
| ENN Investment Holdings Company Limited (新奧控股投資股份有限公司) ⁵ | Domestic Shares | Interest in a controlled corporation | 60,542,460 (L) | 40.36% | 29.87% |
| ENN Natural Gas Co., Ltd. (新奧天然氣股份有限公司) ⁵ | Domestic Shares | Interest in a controlled corporation | 60,542,460 (L) | 40.36% | 29.87% |
| ENN Yingchuang Technology Co., Ltd. (新奧贏創科技有限公司) ⁵ | Domestic Shares | Interest in a controlled corporation | 60,542,460 (L) | 40.36% | 29.87% |
| Langfang City Natural Gas Company Limited (廊坊市天然氣有限公司) ⁵ | Domestic Shares | Interest in a controlled corporation | 60,542,460 (L) | 40.36% | 29.87% |
| Xinneng (Hong Kong) Energy Investment Limited (新能(香港)能源投資有限公司) ⁵ | Domestic Shares | Interest in a controlled corporation | 60,542,460 (L) | 40.36% | 29.87% |
| WANG Yusuo (王玉鎖) ⁵ | Domestic Shares | Interest in a controlled corporation | 60,542,460 (L) | 40.36% | 29.87% |
| ZHAO Baoju (趙寶菊) ⁵ | Domestic Shares | Interest in a controlled corporation | 60,542,460 (L) | 40.36% | 29.87% |

CORPORATE GOVERNANCE AND OTHER INFORMATION

| Name | Class of Shares | Capacity | Number of Shares ¹ | Approximate percentage of shareholding in the relevant class of Shares ² | Total approximate percentage of shareholding in the total share capital of the Company ³ |
|--|-----------------|---|--------------------------------|---|---|
| SDIC Taikang Trust Co., Ltd.* (國投泰康信託有限公司) ⁶ | H Shares | Trustee | 15,000,000 (L) | 28.46% | 7.40% |
| Orient Fund Management Co., Ltd.* (東方基金管理股份有限公司) ⁷ | H Shares | Trustee | 8,000,000 (L) | 15.18% | 3.95% |
| BOCOM International Securities Company Limited | H Shares | Person having a security interest in shares | 7,500,000 (L) 7,500,000 (S) | 14.23% 14.23% | 3.70% 3.70% |
| BOCOM International Holdings Company Limited ⁸ | H Shares | Interest in a controlled corporation | 7,500,000 (L) 7,500,000 (S) | 14.23% 14.23% | 3.70% 3.70% |
| Bank of Communications (Nominee) Company Limited ⁸ | H Shares | Interest in a controlled corporation | 7,500,000 (L) 7,500,000 (S) | 14.23% 14.23% | 3.70% 3.70% |
| Bank of Communications Co., Ltd. ⁸ | H Shares | Interest in a controlled corporation | 7,500,000 (L) 7,500,000 (S) | 14.23% 14.23% | 3.70% 3.70% |
| NEW PARTNER INTL LTD | H Shares | Beneficial owner | 3,700,000 (L) | 7.02% | 1.83% |
| Meng Erhu (蒙二虎) ⁹ | H Shares | Interest in a controlled corporation | 3,700,000 (L) | 7.02% | 1.83% |
| Wu Shuying (吳淑英) ⁹ | H Shares | Interest of spouse | 3,700,000 (L) | 7.02% | 1.83% |
| Yu Linqiang (郁林強) | H Shares | Beneficial owner | 2,800,000 (L) | 5.31% | 1.38% |
| Yu Rongfang (郁蓉芳) ¹⁰ | H Shares | Interest of spouse | 2,800,000 (L) | 5.31% | 1.38% |

Notes:

- The letter "L" denotes the Shareholder's long position in the Shares and underlying Shares of the Company. The letter "S" denotes the Shareholder's short position in the Shares and underlying Shares of the Company.
- The calculation of approximate percentage of Domestic Shares' shareholding in the relevant class of Shares and that of H Shares' shareholding in the relevant class of Shares are based on the total number of 150,000,000 Domestic Shares and 52,714,500 H Shares in issue as at 30 June 2024 respectively.
- The calculation is based on the total number of 202,714,500 Shares in issue as at 30 June 2024.
- As at 30 June 2024, City Group was a controlling shareholder of the Company, which was wholly-owned by Huzhou SASAC. Under the SFO, Huzhou SASAC was deemed to be interested in the same number of Shares in which City Group was interested.
- As at 30 June 2024, according to the disclosure of interest forms filed to the Stock Exchange by their controlled corporations and persons, they were deemed to be interested in the same number of Shares in which ENN (China) was interested.
- SDIC Taikang Trust Co., Ltd.* is the trustee of SDIC Taikang Trust – Ruijin No. 35 QDII Single Fund Trust and SDIC Taikang Trust – Ruijin No. 36 QDII Single Fund Trust which hold 6,600,000 H Shares and 8,400,000 H Shares, respectively, as at 30 June 2024.
- Orient Fund Management Co., Ltd.* is the trustee of a private trust which holds 8,000,000 H Shares as at 30 June 2024.

8. As at 30 June 2024, according to the disclosure of interest forms filed to the Stock Exchange by their controlled corporations, they were deemed to be interested in the same number of Shares in which BOCOM International Securities Company Limited was interested.
9. NEW PARTNER INTL LTD is wholly owned by Mr. Meng Erhu (蒙二虎), and Ms. Wu Shuying (吳淑英) is the spouse of Mr. Meng Erhu (蒙二虎). As at 30 June 2024, according to the disclosure of interest forms filed to the Stock Exchange by them, Mr. Meng Erhu is deemed to be interested in the same number of Shares in which NEW PARTNER INTL LTD is interested, and Ms. Wu Shuying is deemed to be interested in the same number of Shares in which Mr. Meng Erhu is interested.
10. Ms. Yu Rongfang (郁蓉芳) is the spouse of Mr. Yu Linqiang (郁林強). As at 30 June 2024, according to the disclosure of interest forms filed to the Stock Exchange by Ms. Yu Rongfang, Ms. Yu Rongfang is deemed to be interested in the same number of Shares in which Mr. Yu Linqiang is interested.

Save as disclosed above, as at 30 June 2024, the Directors are not aware of any other person (other than the Directors, Supervisors or chief executives of the Company) who had an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO or which would fail to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

CORPORATE GOVERNANCE HIGHLIGHTS

The Company believes that maintaining high standards of corporate governance is the foundation for effective management and successful business growth. The Company is committed to developing and maintaining robust corporate governance practices to safeguard its Shareholders' interests and enhance the Company's corporate value, accountability and transparency.

The Company has adopted the code provisions set out in Part 2 of the CG Code as the basis of the Company's corporate governance practices. The Company has complied with all the code provisions set out in the CG Code during the Reporting Period.

CHANGES IN DIRECTORS AND SUPERVISORS

Changes in Directors

On 16 January 2024, Mr. Wang Peng was appointed as a non-executive Director of the Company.

On 16 January 2024, Ms. Wu Zhanghuan resigned as a non-executive Director of the Company.

On 25 April 2024, each of Ms. Su Li and Mr. Pan Haiming resigned as an executive Director of the Company.

On 25 April 2024, each of Mr. Yang Fan and Ms. Sun Xiaohui was appointed as an executive Director of the Company.

Changes in Supervisors

On 25 April 2024, Ms. Liu Fei resigned as a Shareholder representative Supervisor of the Company.

On 25 April 2024, each of Ms. Xing Yan and Mr. Cai Rui was appointed as a Shareholder representative Supervisor.

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

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed the Company's listed securities (including sales of treasury shares). As at the end of the Reporting Period, there were no treasury shares held by the Company or its subsidiaries.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding dealings in the Company's securities by the Directors and the Supervisors on terms no less exacting than the Model Code (the "**Code of Conduct**").

Having made specific enquiries to all Directors and Supervisors, they have confirmed that all of them have complied with the Code of Conduct during the Reporting Period.

The Code of Conduct also applies to employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Code of Conduct by the employees was noted by the Company during the Reporting Period.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend in respect of the six months ended 30 June 2024 (for the six months ended 30 June 2023: Nil).

AUDIT COMMITTEE AND REVIEW OF INTERIM FINANCIAL STATEMENTS

The Audit Committee comprising three independent non-executive Directors was established by the Company with its terms of reference in compliance with the requirements under the CG Code.

The Audit Committee has reviewed together with the Company's management and external auditors, Ernst & Young, the accounting principles and policies adopted by the Group and the unaudited interim results for the Reporting Period, and is of the opinion that the preparation of such interim results has complied with the applicable accounting standards and requirements and that adequate disclosures have been made and has no disagreement with the accounting treatment adopted.



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To the board of directors of Huzhou Gas Co., Ltd.

(Established in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 18 to 50, which comprises the condensed consolidated statement of financial position of Huzhou Gas Co., Ltd. (the "Company") and its subsidiaries (the "Group") as at 30 June 2024 and the related condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board (the "IASB"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong
28 August 2024

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

| | Notes | For the six months ended 30 June | |
|---|-------|----------------------------------|--------------------------------|
| | | 2024 (Unaudited) RMB'000 | 2023 (Unaudited) RMB'000 |
| REVENUE | 4 | 1,192,008 | 1,158,561 |
| Cost of sales | | (1,040,720) | (1,041,228) |
| GROSS PROFIT | | 151,288 | 117,333 |
| Other income and gains | 5 | 14,017 | 22,298 |
| Selling and distribution expenses | | (15,748) | (14,467) |
| Administrative expenses | | (23,216) | (19,498) |
| Impairment losses on financial assets | | (2,849) | (907) |
| Other expenses | | (6,052) | (2,607) |
| Finance costs | | (1,596) | (1,912) |
| Share of profits and losses of: | | | |
| Joint ventures | | 50 | (244) |
| PROFIT BEFORE TAX | 6 | 115,894 | 99,996 |
| Income tax expense | 7 | (27,172) | (24,239) |
| PROFIT FOR THE PERIOD | | 88,722 | 75,757 |
| Profit attributable to: | | | |
| Owners of the parent | | 58,562 | 53,888 |
| Non-controlling interests | | 30,160 | 21,869 |
| | | 88,722 | 75,757 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | |
| Basic and diluted | | | |
| – For profit for the period (RMB) | 9 | 0.29 | 0.27 |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

| | For the six months ended 30 June | |
|---|----------------------------------|--------------------------------|
| | 2024 (Unaudited) RMB'000 | 2023 (Unaudited) RMB'000 |
| PROFIT FOR THE PERIOD | 88,722 | 75,757 |
| OTHER COMPREHENSIVE INCOME | | |
| Other comprehensive income that may be reclassified to profit or loss in subsequent periods: | | |
| Fair value reserve of financial assets at fair value through other comprehensive income: | | |
| Initial recognition of bills receivable as settlement of trade receivables | (1) | (426) |
| Changes in fair value | 34 | 356 |
| Income tax effect | (8) | 18 |
| Net other comprehensive income that may be reclassified to profit or loss in subsequent periods | 25 | (52) |
| OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX | 25 | (52) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 88,747 | 75,705 |
| Total comprehensive income attributable to: | | |
| Owners of the parent | 58,587 | 53,837 |
| Non-controlling interests | 30,160 | 21,868 |
| | 88,747 | 75,705 |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

| | Notes | 30 June 2024 (Unaudited) RMB'000 | 31 December 2023 (Audited) RMB'000 |
|---|-------|---|---|
| NON-CURRENT ASSETS | | | |
| Lease receivables | | 4,573 | 4,169 |
| Property, plant and equipment | 10 | 1,019,423 | 1,006,754 |
| Investment properties | | 1,277 | 1,300 |
| Right-of-use assets | | 67,112 | 68,209 |
| Goodwill | | 28,506 | 28,506 |
| Other intangible assets | | 73,145 | 76,869 |
| Investments in joint ventures | | 12,099 | 9,716 |
| Deferred tax assets | | 1,436 | 1,427 |
| Total non-current assets | | 1,207,571 | 1,196,950 |
| CURRENT ASSETS | | | |
| Inventories | | 20,016 | 15,978 |
| Lease receivables | | 516 | 949 |
| Trade and bills receivables | 11 | 55,077 | 77,858 |
| Prepayments, other receivables and other assets | | 20,317 | 44,888 |
| Due from related parties | | 16,127 | 7,448 |
| Pledged deposits | 12 | 24 | 24 |
| Cash and cash equivalents | | 918,423 | 857,579 |
| Total current assets | | 1,030,500 | 1,004,724 |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

| | Notes | 30 June 2024 (Unaudited) RMB'000 | 31 December 2023 (Audited) RMB'000 |
|--|-------|---|---|
| CURRENT LIABILITIES | | | |
| Trade and bills payables | 13 | 112,963 | 121,879 |
| Other payables and accruals | | 254,141 | 163,446 |
| Contract liabilities | | 286,140 | 310,351 |
| Interest-bearing bank borrowings | 14 | 200 | – |
| Due to related parties | | 24,882 | 20,010 |
| Tax payables | | 23,924 | 34,524 |
| Lease liabilities | | 590 | 561 |
| Total current liabilities | | 702,840 | 650,771 |
| NET CURRENT ASSETS | | 327,660 | 353,953 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 1,535,231 | 1,550,903 |
| NON-CURRENT LIABILITIES | | | |
| Contract liabilities | | 111,072 | 125,824 |
| Deferred tax liabilities | | 35,106 | 37,336 |
| Deferred income | | 3,401 | 3,500 |
| Other non-current liabilities | | 97,177 | 87,553 |
| Interest-bearing bank borrowings | 14 | 14,750 | – |
| Lease liabilities | | 18,786 | 18,899 |
| Total non-current liabilities | | 280,292 | 273,112 |
| Net assets | | 1,254,939 | 1,277,791 |
| EQUITY | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | 15 | 202,715 | 202,715 |
| Other reserves | | 976,202 | 978,429 |
| | | 1,178,917 | 1,181,144 |
| Non-controlling interests | | 76,022 | 96,647 |
| Total equity | | 1,254,939 | 1,277,791 |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

| | Attributable to owners of the parent | | | | | | | | | | |
|---|--------------------------------------|---------------------------|----------------------------|---------------------------|---|---------------------------------------|---|------------------------------|------------------|--------------------------------------|-------------------------|
| | Share capital RMB'000 | Share premium* RMB'000 | Merger reserve* RMB'000 | Other reserve* RMB'000 | Special reserve – safety fund* RMB'000 | Statutory surplus reserve* RMB'000 | Fair value reserve of financial assets at fair value through other comprehensive income* RMB'000 | Retained profits* RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| At 31 December 2023 (audited) | 202,715 | 730,002 | 35,836 | 32,703 | 24,653 | 25,196 | (29) | 130,068 | 1,181,144 | 96,647 | 1,277,791 |
| Profit for the period | - | - | - | - | - | - | - | 58,562 | 58,562 | 30,160 | 88,722 |
| Other comprehensive income for the period: | | | | | | | | | | | |
| Fair value reserve of financial assets at fair value through other comprehensive income, net of tax | - | - | - | - | - | - | 25 | - | 25 | - | 25 |
| Total comprehensive income for the period | - | - | - | - | - | - | 25 | 58,562 | 58,587 | 30,160 | 88,747 |
| Dividend declared (note 8) | - | - | - | - | - | - | - | (60,814) | (60,814) | - | (60,814) |
| Dividends declared by subsidiaries of the Company to non-controlling interests | - | - | - | - | - | - | - | - | - | (50,785) | (50,785) |
| Special reserve – safety fund | - | - | - | - | 2,464 | - | - | (2,464) | - | - | - |
| At 30 June 2024 (unaudited) | 202,715 | 730,002 | 35,836 | 32,703 | 27,117 | 25,196 | (4) | 125,352 | 1,178,917 | 76,022 | 1,254,939 |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

| | Attributable to owners of the parent | | | | | | | | | | |
|---|--------------------------------------|------------------------|-------------------------|------------------------|--|------------------------------------|--|---------------------------|---------------|-----------------------------------|----------------------|
| | Share capital RMB'000 | Share premium* RMB'000 | Merger reserve* RMB'000 | Other reserve* RMB'000 | Special reserve – safety fund* RMB'000 | Statutory surplus reserve* RMB'000 | Fair value reserve of financial assets at fair value through other comprehensive income* RMB'000 | Retained profits* RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| At 31 December 2022 (audited) | 202,715 | 730,002 | 35,836 | 32,703 | 18,371 | 16,675 | (138) | 94,848 | 1,131,012 | 66,303 | 1,197,315 |
| Profit for the period | - | - | - | - | - | - | - | 53,888 | 53,888 | 21,869 | 75,757 |
| Other comprehensive income for the period: | | | | | | | | | | | |
| Fair value reserve of financial assets at fair value through other comprehensive income, net of tax | - | - | - | - | - | - | (51) | - | (51) | (1) | (52) |
| Total comprehensive income for the period | - | - | - | - | - | - | (51) | 53,888 | 53,837 | 21,868 | 75,705 |
| Dividend declared (note 8) | - | - | - | - | - | - | - | (60,814) | (60,814) | - | (60,814) |
| Dividends declared by subsidiaries of the Company to non-controlling interests | - | - | - | - | - | - | - | - | - | (23,666) | (23,666) |
| Special reserve – safety fund | - | - | - | - | 669 | - | - | (669) | - | - | - |
| Other | - | - | - | - | - | - | - | - | - | (2) | (2) |
| At 30 June 2023 (unaudited) | 202,715 | 730,002 | 35,836 | 32,703 | 19,040 | 16,675 | (189) | 87,253 | 1,124,035 | 64,503 | 1,188,538 |

* These reserve accounts comprise the consolidated reserves of RMB976,202,000 and RMB921,320,000 in the condensed consolidated statements of financial position as at 30 June 2024 and 30 June 2023, respectively.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

| | Notes | For the six months ended 30 June | |
|---|-------|----------------------------------|--------------------------------|
| | | 2024 (Unaudited) RMB'000 | 2023 (Unaudited) RMB'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | 115,894 | 99,996 |
| Adjustments for: | | | |
| Finance costs | | 1,596 | 1,912 |
| Share of (profits)/losses of joint ventures | | (50) | 244 |
| (Gain)/loss on disposal of items of property, plant and equipment | | (34) | 385 |
| Depreciation of property, plant and equipment | 10 | 30,311 | 31,367 |
| Depreciation of investment properties | | 23 | 26 |
| Depreciation of right-of-use assets | | 1,197 | 1,407 |
| Amortisation of other intangible assets | | 3,724 | 3,743 |
| Fair value gains on wealth management products | 6 | – | (1,811) |
| Loss/(gain) on foreign exchange differences | | 309 | (62) |
| Finance income on the net investment in a lease | 5 | (370) | (375) |
| Reversal/(write-down) of inventories to net realisable value | | 55 | (396) |
| Impairment of financial assets, net | 6 | 2,849 | 907 |
| | | 155,504 | 137,343 |
| (Increase)/decrease in inventories | | (4,093) | 10,178 |
| Decrease/(increase) in trade and bills receivables | | 19,982 | (12,902) |
| Decrease in prepayments, other receivables and other assets | | 24,118 | 4,181 |
| Increase in pledged deposits | | – | (40,000) |
| (Decrease)/increase in trade and bills payables | | (8,916) | 12,015 |
| Decrease in other payables and accruals | | (10,268) | (8,584) |
| (Decrease)/increase in contract liabilities | | (38,963) | 946 |
| Changes in balances with related parties | | (3,807) | 2,826 |
| (Decrease)/increase in deferred income | | (99) | 303 |
| Cash generated from operations | | 133,458 | 106,306 |
| Income taxes paid | | (40,019) | (32,678) |
| Net cash flows from operating activities | | 93,439 | 73,628 |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

| | For the six months ended 30 June | |
|--|----------------------------------|--------------------------------|
| | 2024 (Unaudited) RMB'000 | 2023 (Unaudited) RMB'000 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of items of property, plant and equipment | (76,948) | (81,604) |
| Addition to leasehold land | – | (818) |
| Proceeds from disposal of items of property, plant and equipment | 35,406 | 13,588 |
| Injection of paid-in capital to a joint venture | (2,332) | – |
| Purchases of wealth management products | – | (190,000) |
| Proceeds from disposal of wealth management products | – | 191,811 |
| Net cash flows used in investing activities | (43,874) | (67,023) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| New bank loans and other borrowings | 78,663 | 20,000 |
| Share issue expenses | – | (3,086) |
| Repayment of bank loans | (63,713) | – |
| Dividends and interest paid | (2,691) | (98,476) |
| Payments of lease liabilities | (671) | (1,173) |
| Net cash flows from/(used in) financing activities | 11,588 | (82,735) |
| Effect of foreign exchange rate changes, net | (309) | 62 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 60,844 | (76,068) |
| Cash and cash equivalents at beginning of period | 857,579 | 1,079,703 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 918,423 | 1,003,635 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and cash equivalents | 918,423 | 1,003,635 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

1. CORPORATE INFORMATION

Huzhou Gas Co., Ltd. is a joint stock company with limited liability established in the People's Republic of China (the "PRC"). The registered office of the Company is located at No. 227, Sizhong Road, Wuxing District, Huzhou, Zhejiang Province, China.

During the six months ended 30 June 2024, the Group was involved in the following principal activities:

- the sale of gas, mainly piped natural gas ("PNG") (under the concessions) and liquefied natural gas ("LNG") in Huzhou;
- the provision of construction and installation services to construct and install end-user pipeline network and gas facilities for customers such as property developers and owners or occupants of residential and non-residential properties; and
- other activities, including the sale of household gas appliances and relevant equipment, energy, distributed photovoltaic power and the leasing of properties in Chinese Mainland.

The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 13 July 2022.

2. BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES AND DISCLOSURES

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2023.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

| | |
|--------------------------------|--|
| Amendments to IFRS 16 | <i>Lease Liability in a Sale and Leaseback</i> |
| Amendments to IAS 1 | <i>Classification of Liabilities as Current or Non-current (the "2020 Amendments")</i> |
| Amendments to IAS 1 | <i>Non-current Liabilities with Covenants (the "2022 Amendments")</i> |
| Amendments to IAS 7 and IFRS 7 | <i>Supplier Finance Arrangements</i> |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

2. BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES AND DISCLOSURES (continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The nature and impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

3. OPERATING SEGMENT INFORMATION

The Group has only one reportable operating segment which engages in (i) sale of gas, mainly PNG (under the concessions) and LNG in Huzhou; (ii) provision of construction and installation services; and (iii) other activities, including the sale of household gas appliances and relevant equipment, energy, distributed photovoltaic power and the leasing of properties. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

| | For the six months ended 30 June | |
|------------------|----------------------------------|-------------|
| | 2024 | 2023 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Chinese Mainland | 1,192,008 | 1,158,561 |

The revenue information above is based on the locations of the customers.

Seasonality of operations

The principal business activities of the Group include the distribution and sale of PNG and LNG, sale of energy and provision of construction and installation services. Historically, higher sales revenue is usually expected during the winter months due to higher gas consumption for heating. This information is provided only to allow for a better understanding of the results. Management has concluded that the Group's business is not "highly seasonal" in accordance with IAS 34.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

4. REVENUE

An analysis of revenue is as follows:

| | For the six months ended 30 June | |
|---|----------------------------------|--------------------------------|
| | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| <i>Revenue from contracts with customers</i> | | |
| Sale of goods | 1,087,845 | 1,049,911 |
| Provision of construction and installation services | 95,727 | 103,436 |
| Distributed photovoltaic power | 6,022 | 2,984 |
| Others | 4,504 | 3,538 |
| <i>Revenue from other sources</i> | | |
| Gross rental income | 214 | 137 |
| | 1,194,312 | 1,160,006 |
| Less: Government surcharges | (2,304) | (1,445) |
| Total | 1,192,008 | 1,158,561 |
| <i>Revenue from contracts with customers</i> | | |
| Types of goods or services | | |
| Sale of PNG | 1,038,300 | 1,022,216 |
| Sale of LNG | 32,282 | 6,635 |
| Sale of household gas appliances and relevant equipment | 10,608 | 14,506 |
| Sale of energy | 6,655 | 6,554 |
| Provision of construction and installation services | 95,727 | 103,436 |
| Sale of distributed photovoltaic power | 6,022 | 2,984 |
| Others | 4,504 | 3,538 |
| | 1,194,098 | 1,159,869 |
| Less: Government surcharges | (2,304) | (1,445) |
| Total | 1,191,794 | 1,158,424 |
| Timing of revenue recognition | | |
| Goods or services transferred at a point in time | 1,098,371 | 1,056,433 |
| Services transferred over time | 95,727 | 103,436 |
| | 1,194,098 | 1,159,869 |
| Less: Government surcharges | (2,304) | (1,445) |
| Total | 1,191,794 | 1,158,424 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

5. OTHER INCOME AND GAINS

| | For the six months ended 30 June | |
|---|----------------------------------|-------------|
| | 2024 | 2023 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Other income | | |
| Bank interest income | 12,915 | 15,962 |
| Finance income on the net investment in a lease | 370 | 375 |
| Government grants | 589 | 3,743 |
| Others | 109 | 407 |
| | 13,983 | 20,487 |
| Other gains | | |
| Gain on disposal of property, plant and equipment | 34 | – |
| Fair value gains on wealth management products | – | 1,811 |
| | 34 | 1,811 |
| Total | 14,017 | 22,298 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

| | Notes | For the six months ended 30 June | |
|---|-------|----------------------------------|--------------------------------|
| | | 2024 RMB'000 (Unaudited) | 2023 RMB'000 (Unaudited) |
| Cost of inventories sold | | 990,580 | 976,646 |
| Cost of services provided | | 50,140 | 64,582 |
| Depreciation of property, plant and equipment | 10 | 30,311 | 31,367 |
| Depreciation of investment properties | | 23 | 26 |
| Depreciation of right-of-use assets | | 1,197 | 1,407 |
| Amortisation of other intangible assets | | 3,724 | 3,743 |
| <hr/> | | | |
| Impairment of financial assets, net: | | | |
| Impairment of trade receivables | | 2,832 | 853 |
| Impairment of financial assets included in prepayments, other receivables and other assets | | 17 | 19 |
| Impairment of financial assets included in amounts due from related parties | | - | 35 |
| <hr/> | | | |
| | | 2,849 | 907 |
| <hr/> | | | |
| Bank interest income | 5 | (12,915) | (15,962) |
| Fair value gains on wealth management products | 5 | - | (1,811) |
| Interest expenses on lease liabilities | | 486 | 209 |
| (Gain)/loss on disposal of items of property, plant and equipment | | (34) | 385 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

7. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

The provision for current income tax in Chinese Mainland is calculated based on the statutory rate of 25% (2023: 25%) of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008 (the “New Corporate Income Tax Law”), except for three certain subsidiaries of the Group in Chinese Mainland, which were taxed at a preferential rate of 0%.

In accordance with the relevant provisions of the *Notice on the Implementation of the Catalogue of Enterprise Income Tax Preferences for Public Infrastructure Projects* issued by the Ministry of Finance and the State Administration of Taxation, the subsidiaries of the Company, namely Huzhou Huran New Energy Development Co., Ltd. (“Huran New Energy”), Deqing Xinrui New Energy Co., Ltd. (“Deqing Xinrui”), Nanxun Xinao Gas Development Co., Ltd. (“Nanxun Xinao Development”), Huzhou Huxun Fuel New Energy Development Co., Ltd. (“Huxun Fuel New Energy”) and Huzhou Huqingran New Energy Development Co., Ltd. (“Huqingran New Energy”) enjoy the preferential policy of enterprise income tax. For enterprises engaged in public infrastructure projects that meet the relevant conditions and technical standards and the relevant provisions of the state investment management in the *Catalogue of Preferential Enterprise Income Tax for Public Infrastructure Projects* approved on 1 January 2008, their income from investment and operation will be exempted from enterprise income tax from the year in which production and operation income is first generated, and the enterprise income tax will be reduced by half for three years thereafter. 2022 was the tax year in which the production and operation income of distributed photovoltaic power was first generated by Huran New Energy, Deqing Xinrui and Nanxun Xinao Development, therefore the income tax of Huran New Energy and Deqing Xinrui and Nanxun Xinao Development is exempted from 2022 to 2024 and the applicable tax rate will be reduced by half from 2025 to 2027. 2023 was the tax year in which the production and operation income of distributed photovoltaic power was first generated by Huxun Fuel New Energy, therefore the income tax of Huxun Fuel New Energy is exempted from 2023 to 2025 and the applicable tax rate will be reduced by half from 2026 to 2028. 2024 was the tax year in which the production and operation income of distributed photovoltaic power was first generated by Huqingran New Energy, therefore the income tax of Huqingran New Energy is exempted from 2024 to 2026 and the applicable tax rate will be reduced by half from 2027 to 2029.

The major components of income tax expense are as follows:

| | For the six months ended 30 June | |
|--|----------------------------------|-------------|
| | 2024 | 2023 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Income tax: | | |
| Current tax | 29,419 | 26,041 |
| Deferred tax | (2,247) | (1,802) |
| Total tax charge for the period | 27,172 | 24,239 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

8. DIVIDENDS

| | For the six months ended 30 June | |
|--|----------------------------------|-------------|
| | 2024 | 2023 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Dividends declared by the Company | | |
| – RMB0.30 (2023: RMB0.30) per ordinary share | 60,814 | 60,814 |
| Proposed interim | – | – |

The Board of Directors did not recommend the payment of an interim dividend in respect of the six months ended 30 June 2024 (for the six months ended 30 June 2023: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares during the period.

The Company did not have any potential dilutive ordinary shares outstanding during the Reporting Period.

The calculation of basic earnings per share is based on:

| | For the six months ended 30 June | |
|--|----------------------------------|--------------|
| | 2024 | 2023 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| <u>Earnings</u> | | |
| Profit attributable to ordinary equity holders of the parent | 58,562 | 53,888 |
| | | |
| | Number of shares | |
| | 30 June 2024 | 30 June 2023 |
| <u>Shares</u> | | |
| Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation | 202,714,500 | 202,714,500 |
| <u>Earnings per share</u> | | |
| Basic (RMB) | 28.9 cents | 26.6 cents |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

10. PROPERTY, PLANT AND EQUIPMENT

| | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|--|---|---|
| Carrying value at beginning of period/year | 1,006,754 | 896,881 |
| Addition | 53,870 | 171,023 |
| Transferred from investment properties | – | 285 |
| Depreciation charge for the period/year | (30,311) | (59,306) |
| Disposals | (10,890) | (2,129) |
| Carrying value at end of period/year | 1,019,423 | 1,006,754 |

11. TRADE AND BILLS RECEIVABLES

| | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|-------------------|---|---|
| Trade receivables | 39,231 | 44,268 |
| Impairment | (5,804) | (2,972) |
| | 33,427 | 41,296 |
| Bills receivable | 21,650 | 36,562 |
| Total | 55,077 | 77,858 |

An ageing analysis of the trade and bills receivables as at the end of the Reporting Period, based on the invoice date and net of loss allowance, is as follows:

| | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|----------------------|---|---|
| Within 3 months | 47,676 | 57,352 |
| 3 months to 6 months | 6,967 | 17,248 |
| 6 months to 1 year | 434 | 3,158 |
| More than 1 year | – | 100 |
| Total | 55,077 | 77,858 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

12. PLEDGED DEPOSITS

| | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|--------------|---|---|
| ETC deposits | 24 | 24 |

13. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

| | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|---------------|---|---|
| Within 1 year | 107,132 | 118,695 |
| Over 1 year | 5,831 | 3,184 |
| Total | 112,963 | 121,879 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

14. INTEREST-BEARING BANK BORROWINGS

| | Effective interest rate | Maturity | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|--|-------------------------|-----------|--|--|
| Current | | | | |
| Bank loans – secured | LPR-40bp | 2025 | 200 | – |
| Non-current | | | | |
| Bank loans – secured | LPR-40bp | 2026-2036 | 14,750 | – |
| Total | | | 14,950 | – |
| Analysed into: | | | | |
| Bank loans repayable: | | | | |
| Within one year or on demand | | | 200 | – |
| In the second year | | | 400 | – |
| In the third to fifth years, inclusive | | | 2,400 | – |
| Beyond five years | | | 11,950 | – |
| Total | | | 14,950 | – |

The Group's bank loans are secured by the pledge of accounts receivable that can be obtained from future photovoltaic income of two photovoltaic projects of a subsidiary of the Company.

15. SHARE CAPITAL

| | Number of shares | Nominal value RMB'000 |
|----------------------------|------------------|--------------------------|
| Ordinary shares as at: | | |
| 31 December 2023 (audited) | 202,714,500 | 202,715 |
| 30 June 2024 (unaudited) | 202,714,500 | 202,715 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

16. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Name and relationship

| Name of related party | Relationship with the Group |
|--|--|
| Huzhou City Investment and Development Group Co., Ltd. (湖州市城市投資發展集團有限公司) | Controlling shareholder of the Company |
| Xiniao (China) Gas Investment Company Limited ("ENN (China)") (新奧(中國)燃氣投資有限公司) | Shareholder of the Company |
| Huzhou Zhongshihua Xiniao Natural Gas Co., Ltd. ("Zhongshihua Xiniao") (湖州中石化新奧天然氣有限公司) | Joint venture |
| Huzhou Huaxing Urban Construction Development Co., Ltd. ("Huzhou Huaxing") (湖州市華興城建發展有限公司) | Company controlled by the controlling shareholder of the Company |
| Huzhou Fangzong Real Estate Group Co., Ltd. ("Huzhou Fangzong") (湖州房總地產開發集團有限公司) | Company controlled by the controlling shareholder of the Company |
| Huzhou Zhongfang Zhiye Co., Ltd. ("Huzhou Zhongfang Zhiye") (湖州中房置業有限公司) | Company controlled by the controlling shareholder of the Company |
| Huzhou Urban Construction Investment Group Co., Ltd. ("Huzhou Urban Construction") (湖州市城建投資集團有限公司) | Company controlled by the controlling shareholder of the Company |
| Huzhou Shushan Sanatorium Co., Ltd. ("Shushan Sanatorium") (湖州蜀山老年醫院有限公司) | Company controlled by the controlling shareholder of the Company |
| Huzhou Weineng Environment Co., Ltd. ("Weineng Environment") (湖州威能環境服務有限公司) | Company controlled by the controlling shareholder of the Company |
| Huzhou Licheng Investment Development Co., Ltd. ("Huzhou Licheng") (湖州立城投資建設有限公司) | Company controlled by the controlling shareholder of the Company |
| Huzhou City Historical Civilisation Community Protection Reconstruction Co., Ltd. ("Huzhou Historical Reconstruction") (湖州市歷史文化街區保護改造有限公司) | Company controlled by the controlling shareholder of the Company |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

16. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Name and relationship (continued)

| Name of related party | Relationship with the Group |
|--|--|
| Huzhou City Water Group Co., Ltd. ("Huzhou Water") (湖州市水務集團有限公司) | Company controlled by the controlling shareholder of the Company |
| Huzhou Wuxing South Taihu Agricultural Products Co., Ltd. ("South Taihu Agricultural Products") (湖州吳興南太湖農產品有限公司) | Company controlled by the controlling shareholder of the Company |
| Huzhou Hotel Co., Ltd. (湖州賓館有限公司) | Company controlled by the controlling shareholder of the Company |
| Huzhou Health Group Co., Ltd. (湖州市健康集團有限公司) | Company controlled by the controlling shareholder of the Company |
| Huzhou Urban Investment Talent Industrial Park Development and Management Co., Ltd. ("Huzhou Urban Investment Talent") (湖州城投人才產業園開發管理有限公司) | Company controlled by the controlling shareholder of the Company |
| Huzhou Chuangcheng Construction Development Co., Ltd. ("Huzhou Chuangcheng") (湖州創城建設發展有限公司) | Company controlled by the controlling shareholder of the Company |
| Huzhou Talent Development Group Co., Ltd. ("Huzhou Talent Development") (湖州市人才發展集團有限公司) | Company controlled by the controlling shareholder of the Company |
| Huzhou Northern City Construction Investment Co., Ltd. ("Huzhou Northern City") (湖州市北建設投資有限公司) | Company controlled by the controlling shareholder of the Company |
| Ningbo Chengji Energy Trading Co., Ltd. ("Ningbo Intercity") (寧波城際能源貿易有限公司) | Company controlled by shareholders of the Company |
| Nanjing Xiniao Intelligent Technology Co., Ltd. ("Nanjing Xiniao Technology") (南京新奧智能科技有限公司) | Company controlled by shareholders of the Company |
| Langfang Yitongcheng Business Service Co., Ltd. ("Langfang Yitongcheng") (廊坊易通程商務服務有限公司) | Company controlled by shareholders of the Company |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

16. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Name and relationship (continued)

| Name of related party | Relationship with the Group |
|--|---|
| Zhoushan ENN Energy Trading Co., Ltd. ("Zhoushan ENN") (舟山新奧能源貿易有限公司) | Company controlled by shareholders of the Company |
| Langfang Branch of ENN (China) (新奧(中國)燃氣投資有限公司廊坊分公司) | Branch controlled by shareholders of the Company |
| Xiniao Energy Power Technology (Shanghai) Co., Ltd. ("Xiniao Energy Power") (新奧能源動力科技(上海)有限公司) | Company controlled by shareholders of the Company |
| One City One Network Technology Co., Ltd. (一城一家網絡科技有限公司) | Company controlled by shareholders of the Company |
| New Wisdom Cloud Data Service Co., Ltd. ("New Wisdom") (新智雲數據服務有限公司) | Company controlled by shareholders of the Company |
| Xiniao Insurance Brokers Co., Ltd. ("Xiniao Brokers") (新奧保險經紀有限公司) | Company controlled by shareholders of the Company |
| ENN Hengxin Investment Co., Ltd. ("Hengxin Investment") (新奧恒新投資有限公司) | Company controlled by shareholders of the Company |
| Zhejiang Xin'ao Energy Development Co., Ltd. ("Zhejiang Xin'ao Energy") (浙江新奧能源發展有限公司) | Company controlled by shareholders of the Company |
| ENN (Zhoushan) LNG Co., Ltd. (新奧(舟山)液化天然氣有限公司) | Company controlled by shareholders of the Company |
| Wenzhou Longwan Xiniao Gas Co., Ltd. (溫州龍灣新奧燃氣有限公司) | Company controlled by shareholders of the Company |
| Xindi Energy engineering Technology Co., Ltd. (新地能源工程技術有限公司) | Company controlled by shareholders of the Company |
| Longyou Xiniao Intelligent Energy Co., Ltd. ("Longyou Xiniao") (龍游新奧智慧能源有限公司) | Company controlled by shareholders of the Company |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

16. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Name and relationship (continued)

| Name of related party | Relationship with the Group |
|---|---|
| Seven-cultivation Hotel Management Co., Ltd. ("Seven-cultivation Hotel") (新繹七修酒店管理有限公司) | Company controlled by shareholders of the Company |
| Xiniao Shuneng Technology Co., Ltd. ("Xiniao Shuneng") (新奧數能科技有限公司) | Company controlled by shareholders of the Company |

(b) The Group had the following transactions with related parties during the six months ended 30 June 2024 and 2023:

| | Notes | For the six months ended 30 June 2024 RMB'000 (Unaudited) | For the six months ended 30 June 2023 RMB'000 (Unaudited) |
|---|-------|---|---|
| Joint venture: | | | |
| <i>Purchase of LNG from:</i> | | | |
| Zhongshihua Xiniao | (i) | 81 | 274 |
| <i>Rental income from:</i> | | | |
| Zhongshihua Xiniao | (ii) | 180 | 108 |
| <i>Sale of natural gas to:</i> | | | |
| Zhongshihua Xiniao | (v) | 256 | – |
| Others: | | | |
| <i>Purchases of materials from:</i> | | | |
| Xindi Energy engineering Technology Co., Ltd. | (i) | 6,725 | – |
| Nanjing Xiniao Technology | (i) | 1,033 | 859 |
| Huzhou Water | (i) | 17 | 22 |
| Seven-cultivation Hotel | (i) | 6 | – |
| Xiniao Shuneng | (i) | 86 | – |
| | | 7,867 | 881 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

16. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- (b) The Group had the following transactions with related parties during the six months ended 30 June 2024 and 2023: (continued)

| | Notes | For the six months ended 30 June 2024 RMB'000 (Unaudited) | For the six months ended 30 June 2023 RMB'000 (Unaudited) |
|---|--------|---|---|
| Others: (continued) | | | |
| <i>Purchase of LNG from:</i> | | | |
| Ningbo Intercity | (i) | 12,960 | 5,598 |
| <i>Purchase of PNG from:</i> | | | |
| Ningbo Intercity | (i) | 471,087 | 244,784 |
| <i>Purchase of steam from:</i> | | | |
| Weineng Environment | (i) | 680 | 999 |
| <i>Purchases of services from:</i> | | | |
| Zhoushan ENN | (x) | 3,372 | 7,736 |
| ENN (Zhoushan) LNG Co., Ltd. | (x) | 3,405 | 3,504 |
| | | 6,777 | 11,240 |
| <i>Administrative and selling expenses paid to:</i> | | | |
| Xinao Shuneng | (iii) | 123 | – |
| Zhejiang Xin'ao Energy | (iii) | 56 | 27 |
| Hengxin Investment | (viii) | 50 | 46 |
| Longyou Xinao | (iii) | 36 | 2 |
| Langfang Branch of ENN (China) | (iii) | 35 | 52 |
| One City One Network Technology Co., Ltd. | (iii) | – | 73 |
| New Wisdom | (iii) | – | 4 |
| | | 300 | 204 |
| <i>Insurance referral service provided to:</i> | | | |
| Xinao Brokers | (iv) | 3,297 | 3,156 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

16. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- (b) The Group had the following transactions with related parties during the six months ended 30 June 2024 and 2023: (continued)

| | | For the six months ended 30 June 2024 RMB'000 (Unaudited) | For the six months ended 30 June 2023 RMB'000 (Unaudited) |
|-----------------------------------|-------|--|--|
| | Notes | | |
| Others: (continued) | | | |
| <i>Sales of natural gas to:</i> | | | |
| Weineng Environment | (v) | 415 | 968 |
| South Taihu Agricultural Products | (v) | 206 | 206 |
| Huzhou Hotel Co., Ltd. | (v) | 75 | – |
| Huzhou Licheng | (v) | 17 | 17 |
| Huzhou Health Group Co., Ltd. | (v) | 10 | – |
| Shushan Sanatorium | (v) | 9 | 8 |
| Huzhou Urban Construction | (v) | 8 | – |
| Huzhou Zhongfang Zhiye | (v) | 7 | – |
| Huzhou Water | (v) | 3 | 4 |
| Huzhou Fangzong | (v) | 5 | 4 |
| | | 755 | 1,207 |
| <i>Sales of goods to:</i> | | | |
| Huzhou Urban Construction | (iv) | 16 | – |
| Huzhou Health Group Co., Ltd. | | 6 | – |
| Huzhou Hotel Co., Ltd. | | 4 | – |
| | | 26 | – |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

16. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- (b) The Group had the following transactions with related parties during the six months ended 30 June 2024 and 2023: (continued)

| | Notes | For the six months ended 30 June 2024 RMB'000 (Unaudited) | For the six months ended 30 June 2023 RMB'000 (Unaudited) |
|---|-------|---|---|
| Others: (continued) | | | |
| <i>Construction and installation services provided to:</i> | | | |
| Huzhou Urban Investment Talent | (vi) | 1,897 | 965 |
| Huzhou Fangzong | (vi) | 1,187 | – |
| Huzhou Historical Reconstruction | (vi) | 388 | 729 |
| South Taihu Agricultural Products | (vi) | 268 | 277 |
| Huzhou Northern City | (vi) | – | 20 |
| Weineng Environment | (vi) | – | 384 |
| Huzhou Licheng | (vi) | – | 230 |
| Huzhou Chuangcheng | (vi) | – | 109 |
| Huzhou Talent Development | (vi) | – | 11 |
| | | 3,740 | 2,725 |
| <i>Finance income from a finance lease of equipment from:</i> | | | |
| Shushan Sanatorium | (vii) | 370 | 375 |
| <i>Sales of energy to:</i> | | | |
| Shushan Sanatorium | (iv) | 1,563 | 1,043 |
| Zhongshihua Xinao | (iv) | 9 | – |
| | | 1,572 | 1,043 |
| <i>Income from distributed photovoltaic power to:</i> | | | |
| Huzhou Licheng | (iv) | 830 | 768 |
| South Taihu Agricultural Products | (iv) | 813 | 893 |
| Weineng Environment | (iv) | 221 | – |
| | | 1,864 | 1,661 |
| <i>Rent expense to:</i> | | | |
| Huzhou Huaxing | (ix) | – | 130 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

16. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- (b) The Group had the following transactions with related parties during the six months ended 30 June 2024 and 2023: (continued)

Notes:

- (i) Transaction prices of purchases from related parties were determined based on prices and conditions offered by the related parties to all customers.
- (ii) Rental income represents considerations received for the rental of investment properties from the Group's related party. Annual rentals were determined with reference to prevailing market prices of similar properties.
- (iii) Administrative and selling expenses were mainly expenses for IT service, training, conference and charge services provided by the related parties. The transaction prices were determined based on prices by the related parties offered to independent third-party customers.
- (iv) Service and goods income from related parties was determined based on prices and conditions of transactions with the Group's major independent third-party customers.
- (v) The sales prices of natural gas to related parties were determined according to the published prices and conditions offered to the major independent third-party customers of the Group.
- (vi) Transaction prices of provision of construction and installation services rendered to related parties were determined based on prices and conditions offered by the Group to the major independent third-party customers.
- (vii) The finance income from a finance lease of equipment has an embedded interest rate of 17% which was determined according to market interest rate of similar transactions.
- (viii) Since 2021, Hengxin Investment has charged the Group the Call Centre System Service fee every half year and the fee was determined with reference to prevailing market prices.
- (ix) The fee for leasing services paid to the related party was determined with reference to prevailing market prices.
- (x) The Group entered into an agreement with Zhoushan ENN and ENN (Zhoushan) LNG Co., Ltd. pursuant to which Zhoushan ENN and ENN (Zhoushan) LNG Co., Ltd. shall provide to the Group facility for storing natural gas of not less than 5% of the Group's annual natural gas consumption volume ("Natural Gas Reserve Service") for a term of four years from 1 January 2021 to 31 December 2024.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

16. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Outstanding balances with related parties

| | Notes | As at 30 June 2024 RMB'000 (Unaudited) | As at 31 December 2023 RMB'000 (Audited) |
|---|-------|--|--|
| <i>Amounts due from related parties:</i> | | | |
| Ningbo Intercity | (i) | 8,944 | 4,066 |
| Xinao Brokers | (i) | 2,575 | 1,361 |
| Huzhou Northern City | (i) | 1,846 | – |
| Shushan Sanatorium | (i) | 1,029 | 275 |
| South Taihu Agricultural Products | (i) | 769 | 486 |
| Huzhou Licheng | (i) | 700 | 124 |
| Xinao Energy Power | (ii) | 100 | 100 |
| Huzhou Urban Investment Talent | (i) | 79 | – |
| Weineng Environment | (i) | 70 | 68 |
| Zhejiang Xin'ao Energy | (i) | 14 | 2 |
| ENN (Zhoushan) LNG Co., Ltd. | (i) | 1 | 936 |
| Seven-cultivation Hotel | (i) | – | 30 |
| | | 16,127 | 7,448 |
| <i>Amounts due to related parties:</i> | | | |
| Zhoushan ENN | (iii) | 20,982 | 16,112 |
| ENN (Zhoushan) LNG Co., Ltd. | (iii) | 1,395 | 422 |
| Huzhou Huaxing | (iii) | 1,017 | 1,017 |
| ENN (China) | (iii) | 506 | 506 |
| Nanjing Xinao Technology | (iii) | 494 | 221 |
| Weineng Environment | (iii) | 289 | 476 |
| Wenzhou Longwan Xinao Gas Co., Ltd. | (iii) | 109 | – |
| Xinao Shuneng | (iii) | 86 | 261 |
| Zhejiang Xin'ao Energy | (iii) | 4 | 28 |
| Ningbo Intercity | (iii) | – | 739 |
| Xindi Energy engineering Technology Co., Ltd. | (iii) | – | 228 |
| | | 24,882 | 20,010 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

16. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Outstanding balances with related parties (continued)

| | Notes | As at 30 June 2024 RMB'000 (Unaudited) | As at 31 December 2023 RMB'000 (Audited) |
|---|-------|--|--|
| <i>Amounts due to related parties included in contract liabilities:</i> | | | |
| Huzhou Fangzong | (iv) | 868 | 630 |
| Weineng Environment | (iv) | 533 | 697 |
| Huzhou Urban Investment Talent | (iv) | 444 | 2,280 |
| South Taihu Agricultural Products | (iv) | 24 | 22 |
| Huzhou Hotel Co., Ltd. | (iv) | 25 | 16 |
| Huzhou Health Group Co., Ltd. | (iv) | 22 | 7 |
| Huzhou Zhongfang Zhiye | (iv) | 18 | 7 |
| Huzhou Urban Construction | (iv) | 10 | 9 |
| Huzhou Water | (iv) | 5 | 8 |
| Huzhou Licheng | (iv) | 3 | 4 |
| Huzhou Historical Reconstruction | (iv) | – | 389 |
| | | 1,952 | 4,069 |
| <i>Amount due from a related party included in lease receivables:</i> | | | |
| Shushan Sanatorium | (v) | 5,089 | 5,118 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

16. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Outstanding balances with related parties (continued)

Notes:

- (i) The amounts due from related parties of RMB16,027,000 and RMB7,348,000 as at 30 June 2024 and 31 December 2023, respectively, were arising from the sale of materials, PNG, energy, rental service, construction and installation services and insurance referral service, and were trade in nature, unsecured and interest-free.
- (ii) The amounts due from a related party of RMB100,000 and RMB100,000 as at 30 June 2024 and 31 December 2023, respectively, were security deposits and were trade in nature.
- (iii) The amounts due to related parties of RMB24,909,000 and RMB20,010,000 as at 30 June 2024 and 31 December 2023, respectively, were trade in nature, unsecured, interest-free and repayable on demand.
- (iv) The amounts due to related parties included in contract liabilities were arising from sales contracts of natural gas or sales contracts of construction and installation services, and were trade in nature, unsecured and interest-free.
- (v) The amount due from a related party included in lease receivables was arising from a finance lease, and was trade in nature and unsecured.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

| | Carrying amounts | | Fair values | |
|----------------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
| | 30 June 2024 RMB'000 | 31 December 2023 RMB'000 | 30 June 2024 RMB'000 | 31 December 2023 RMB'000 |
| Financial assets | | | | |
| Bills receivable | 156 | 3,339 | 156 | 3,339 |
| Financial liabilities | | | | |
| Interest-bearing bank borrowings | 14,950 | – | 14,950 | – |

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables, financial liabilities included in other payables and accruals and the current portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values of those financial assets and liabilities measured at fair value:

Bills receivable held both to collect cash flows and to sell in financial assets at fair value through other comprehensive income are measured using the discounted cash flow method.

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank borrowings as at 30 June 2024 were assessed to be insignificant.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2024

| | Fair value measurement using | | | Total RMB'000 |
|------------------|---|---|---|------------------|
| | Quoted prices in active markets (Level 1) RMB'000 | Significant observable inputs (Level 2) RMB'000 | Significant unobservable inputs (Level 3) RMB'000 | |
| Bills receivable | – | 156 | – | 156 |

As at 31 December 2023

| | Fair value measurement using | | | Total RMB'000 |
|------------------|---|---|---|------------------|
| | Quoted prices in active markets (Level 1) RMB'000 | Significant observable inputs (Level 2) RMB'000 | Significant unobservable inputs (Level 3) RMB'000 | |
| Bills receivable | – | 3,339 | – | 3,339 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2024

17. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Liabilities measured at fair value:

As at 30 June 2024

| | Fair value measurement using | | | Total RMB'000 |
|----------------------------------|---|---|---|------------------|
| | Quoted prices in active markets (Level 1) RMB'000 | Significant observable inputs (Level 2) RMB'000 | Significant unobservable inputs (Level 3) RMB'000 | |
| Interest-bearing bank borrowings | – | 14,950 | – | 14,950 |

The Group did not have any financial liabilities measured at fair value as at 31 December 2023.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2023: Nil).

18. APPROVAL OF THE UNAUDITED INTERIM FINANCIAL INFORMATION

The unaudited interim financial information was approved and authorised for issue by the Board of Directors on 28 August 2024.