



* For identification purposes only

INTERIM REPORT

2022

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



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Hua (*Chairman*)
Ms. Su Li
Mr. Pan Haiming

Non-executive Directors

Mr. Zhang Yuying
Ms. Wu Zhanghuan

Independent non-executive Directors

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

SUPERVISORS

Ms. Liu Fei
Mr. Xu Guoxin
Mr. Cai Rui

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

Mr. Zhou Xinfu (*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 Xinfu

JOINT COMPANY SECRETARIES

Mr. Tang Chunhui
Ms. Lee Mei Yi (*Appointed with effect from 11 August 2022*)
Ms. Mak Sze Man (*Resigned with effect from 11 August 2022*)

AUTHORISED REPRESENTATIVES

Mr. Wang Hua
Mr. Pan Haiming (*Alternate to Mr. Wang Hua*)
Ms. Mak Sze Man (*Resigned with effect from 11 August 2022*)
Ms. Lee Mei Yi (*Appointed with effect from 11 August 2022*)
Mr. Tang Chunhui (*Ceased to be the alternate to Ms. Mak Sze Man with effect from 11 August 2022*)

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 KwunTong 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
Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
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
310008
China

COMPLIANCE ADVISER

BOCOM International (Asia) Limited
9th Floor, Man Yee Building
68 Des Voeux Road Central
Hong Kong

PRINCIPAL BANKERS

Bank of Huzhou Co., Ltd. (Riyuecheng Sub-Branch)
701-711 Waihuan North 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)
Podium Floor, Ganghui Mansion
132 Taihu Road
Wuxing District
Huzhou
Zhejiang Province
The PRC

STOCK CODE

6661

COMPANY WEBSITE

www.hzrqgf.com

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of directors of the Company
“CG Code”	the Corporate Governance Code as set out in Part 2 of Appendix 14 to the Listing Rules, as amended from time to time
“Company”	Huzhou Gas Co., Ltd.* (湖州燃氣股份有限公司), formerly known as Huzhou Xinao Gas Company Limited* (湖州新奧燃氣有限公司), 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
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	domestic invested 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
“Global Offering”	the global offering of the H Shares as described in the Prospectus
“Group”, “we”, “our” or “us”	the Company and its subsidiaries
“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
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Date”	13 July 2022, the date on which the H Shares are 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 10 to the Listing Rules
“Over-allotment Option”	the option granted by the Company to allot and issue additional H Shares under the Global Offering as described in the Prospectus
“PNG”	pipeline natural gas

DEFINITIONS

“PRC” or “China”	the People’s Republic of China, excluding, for the purposes of this interim report, the Hong Kong Special Administrative Region of the PRC, 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 2022
“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)
“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 translation of company names in Chinese or another language are marked with “” and are provided for identification purposes only.*

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Natural gas is a relatively balanced energy in terms of economy, safety and cleanliness, and its proportion in the global energy structure continues to rise. In 2021, the global natural gas production volume was approximately 4.04 trillion m³, representing a year-on-year increase of 4.54%. With the further implementation of low-carbon policies in different countries, it is expected that the proportion of natural gas consumption will further increase. Natural gas consumption in China accounts for approximately 7% of total consumption on energy in 2021, and is in a state of accelerated progress. It is predicted that from 2020 to 2025, the CAGR for China's natural gas consumption is expected to reach about 8%. In recent years, the proven reserves of China's onshore and offshore natural gas have also increased rapidly, offering promising future for the urban gas industry.

The "14th Five-Year Plan" is a critical period for China's energy transition to clean energy. The Chinese government has proposed at the 75th session of the United Nations General Assembly that China's carbon dioxide emissions are targeted to hit the peak by 2030 and it strives to achieve carbon neutrality by 2060, and has issued a number of policies to promote the development of the natural gas industry. In January 2022, the National Development and Reform Commission and the National Energy Administration jointly issued the Modern Energy System Plan under the "14th Five-Year Plan", under which the annual production volume of China's natural gas is expected to reach more than 230.0 billion m³ by 2025. Zhejiang Province has planned that the natural gas consumption volume in the whole province will reach 31.5 billion m³ by 2025, reaching 12.98% in the primary consumption energy structure; it proposed to actively develop industrial gas consumption, promote natural gas distributed energy projects, and encourage the use of natural gas to meet the new energy consumption demand. There is still a large room for development in the urban gas industry.

Urbanisation has also promoted the increase in penetration rate of natural gas. With the improvement of urban growth, the penetration rate of China's natural gas has increased from 3% in the early 21st century to more than 30% at present, and natural gas has gradually replaced artificial gas during the process of use, accounting for nearly 70%. According to the Medium and Long-term Oil and Gas Pipeline Network Planning, by 2025, the target for national urban natural gas consumption population will reach 550 million, and the gas consumption for residential living will reach 66.0 billion m³. As an ideal choice to achieve the goals of air pollution treatment and "dual carbon", natural gas will continue to play an important role as a bridge and support in the energy transition in the future, and will continue to grow steadily in industrial use, daily life, transportation, power generation and other fields.

DEVELOPMENT STRATEGY AND OUTLOOK

In the second half of 2022, the Company will actively seize the opportunities of "dual carbon" policy and industry reform, insist on strengthening the sales of PNG by relying on its own market and customer resource advantages, continue to innovate in terms of clean energy at the same time, create a diversified energy supply chain and accelerate the transformation to an integrated energy service provider.

BUSINESS REVIEW

Since 2004 and 2009, the Group has been the exclusive distributor of PNG in its operating areas in Wuxing District and Nanxun District of Huzhou, respectively. The Group's main businesses include the sale of gas, mainly PNG under concession rights granted to the Group by government authorities in Huzhou, the provision of services to construct and install end-user pipeline network and gas facilities and others, including 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 243,000 and 3,404, respectively, with a gas sales volume of 271.2 million m³, representing an increase of 4.07% 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 City, Zhejiang Province, the PRC, and the length of the natural gas pipeline network operated within the Group's operating areas in Huzhou was approximately 1,419 kilometers.

SEGMENTAL ANALYSIS

1. PNG Sales Business

The Group sells PNG to users, including residential users, industrial and commercial users as well as wholesale users, through its gas pipeline network. From January to June 2022, the accumulated revenue of the Group from the PNG sales business was RMB1,140.1 million, representing an increase of 64.04% as compared with the accumulated revenue of RMB695.0 million in the corresponding period of previous year. From January to June 2022, the total gas supply volume was 271.2 million m³, representing an increase of 4.07% as compared with the total gas supply volume of 260.6 million m³ in the corresponding period of previous year.

Sales to end-users: From January to June 2022, the gas consumption volume of residential users was 19.4 million m³, accounting for 7.15% of the Group's total gas sales volume, while the gas consumption volume of industrial and commercial users was 211.6 million m³, accounting for 78.03% of the Group's total gas sales volume. For the corresponding period of previous year, the gas consumption volume of residential users was 16.5 million m³, accounting for 6.33% of the Group's total gas sales volume, while the gas consumption volume of industrial and commercial users was 204.6 million m³, accounting for 78.51% of the Group's total gas sales volume.

Sales to wholesale users: The gas consumption volume of wholesale users from January to June 2022 was 40.2 million m³, accounting for 14.82% of the Group's total gas sales volume, while the gas consumption volume of wholesale users for the corresponding period of previous year was 39.5 million m³, accounting for 15.16% of the Group's total gas sales volume.

The main reasons for the above increase in revenue were that the sales guidance price of the National Development and Reform Commission during the heating season for the current period increased, resulting in the increase in the PNG sales price of industrial and commercial users. With the popularity of natural gas and the increase in the number of natural gas users, gas sales volume increased by 4.07% as compared with the corresponding period of previous year.

2. LNG Sales Business

The Group supplies LNG to industrial users on a retail basis. From January to June 2022, the accumulated revenue of the Group from the LNG sales business was RMB17.9 million, representing an increase of 126.58% as compared with RMB7.9 million in the corresponding period of previous year.

The increase was mainly due to the significant increase of unit purchase price of LNG under the market mechanism, resulting in a corresponding increase in the sales price of LNG. Further, the Group developed new LNG customers in the current period, resulting in an increase of 10.77% in gas sales volume.

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. From January to June 2022, the revenue of the Group from the natural gas pipeline construction and installation business was RMB92.5 million, representing a decrease of 10.37% as compared with RMB103.2 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 slow progress of construction works in the first half of the year due to the impact of COVID-19 pandemic.

4. Sales of Energy

The Group's sales of energy business mainly aims at the integrated energy stations of Shushan Hospital and Huzhou Central Hospital, where services to supply hot water and air-conditioning heating, cooling and power are exclusively operated by the Group. From January to June 2022, the revenue of the Group from the sales of energy was RMB6.2 million, representing a decrease of 27.91% as compared with RMB8.6 million in the corresponding period of previous year, which was mainly due to the increase in the conversion cost of energy along with the substantial increase in the natural gas purchase cost, and the strategic reduction of the production, sales and supply of electrical energy by the Group for economic reasons.

5. Sales of Household Gas Appliances

The Group's sales of household gas appliances mainly included 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. From January to June 2022, the revenue of the Group from the sales of household gas appliances was RMB7.0 million, representing an increase of 169.23% as compared with RMB2.6 million in the corresponding period of previous year, which was mainly due to the increase in relevant sales revenue with the strengthening of the Group's publicity and promotion efforts.

FINANCIAL OVERVIEW

Revenue

The Group's revenue for the Period was RMB1,266.1 million, representing an increase of 54.50% as compared with RMB819.5 million in the corresponding period of previous year. The increase in revenue was mainly attributable to the increase in unit selling price of PNG during the Period.

Gross Loss

The Group's gross loss for the Period was RMB6.4 million, representing a decrease of 104.34% as compared with a gross profit of RMB147.5 million in the corresponding period of previous year. The gross loss was mainly the result of the PNG purchase and sale price inversion during the period from April to May 2022, which was due to Zhejiang Province's coordination and adjustment of gas supply price to ensure stable gas supply, in order to hedge the sharp hike in energy prices caused by Russia-Ukraine War and other tensions in international relations (the "**PNG Price Inversion**").

Other Income and Gains

The Group's other income and gains for the Period were RMB115.8 million, representing an increase of 1,365.82% as compared with RMB7.9 million in the corresponding period of previous year. It was mainly due to the receipt of the gas supply guarantee subsidy of RMB87.6 million from the special fiscal fund of Huzhou Finance Bureau, which was used to compensate the natural gas sales units for the loss caused by the PNG Price Inversion from April to May 2022; and the government grants of RMB11.9 million, which were used to compensate the loss from the purchase and sale price difference generated from residential gas consumption during the heating season.

Selling Expenses

The Group's selling expenses for the Period were RMB12.8 million, representing a decrease of 20.00% as compared with RMB16.0 million in the corresponding period of previous year. It was mainly due to the Group's optimisation of the performance assessment mechanism for sales staff in the Period, resulting in effective cost control.

Finance Costs

The Group's finance costs for the Period were RMB0.5 million, representing an increase of 400.00% as compared with RMB0.1 million in the corresponding period of previous year. It was mainly due to the increase in interest expenses arising from the increase in bank borrowings in the Period.

Income Tax Expense

The Group's income tax expense for the Period decreased to RMB18.5 million from RMB29.6 million in the corresponding period of previous year. The effective tax rate for the Period was 25.2% (the corresponding period of previous year: 25.0%). It was mainly due to the gross loss arising from the PNG Price Inversion from April to May 2022, resulting in the decrease of 38.20% in profit before tax as compared with the corresponding period of previous year. As a result, income tax expense decreased by 37.50% as compared with the corresponding period of previous year.

Profit Attributable to Owners of the Parent

Profit attributable to owners of the parent for the Period was RMB52.0 million, representing a decrease of 19.25% as compared with RMB64.4 million in the corresponding period of previous year, which was mainly due to the PNG Price Inversion resulting in a gross loss in the Group's sale of PNG. As the government supply guarantee subsidy and residential gas consumption grants during the heating season received by the Group were not sufficient to make up all additional costs occasioned by the PNG Price Inversion from April to May 2022, gross profit decreased as compared with the corresponding period of previous year.

Liquidity and Financial Position

As at 30 June 2022, the current assets of the Group amounted to RMB927.1 million (31 December 2021: RMB894.6 million), of which cash and bank balance was equivalent to RMB670.6 million.

As at 30 June 2022, the current ratio (current assets/current liabilities) of the Group was 1.05 (31 December 2021: 1.23) and the asset-liability ratio (total liabilities/total assets) was 55.62% (31 December 2021: 46.23%). As at 30 June 2022, the utilised bank loans were RMB50.0 million, all of which were denominated in RMB, bearing an annual interest rate of 1.80%. As of 30 June 2022, the unutilised bank credit balance was RMB450.0 million.

The gearing ratio of the Group was approximately 5.81% as at 30 June 2022 (as at 31 December 2021: 0.00%). The ratio was calculated by dividing total bank borrowings by the total equity of the Group. As at 30 June 2022, the Group maintained a net cash position.

Exchange Rate Fluctuation Risk

As the Group operates all its businesses in the PRC, and substantially all of its revenues and expenses are denominated in RMB, the Group faces no significant direct risk in relation to exchange rate fluctuations. 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 2022, the Group had no material contingent liabilities.

Financial Guarantee Obligations

As at 30 June 2022, the Group had no material financial guarantee obligations.

MANAGEMENT DISCUSSION AND ANALYSIS

Pledge of Assets

As at 30 June 2022, the Group pledged certain assets to obtain banking facilities granted to the Group. The total carrying amounts of pledged assets of the Group are as follows:

	30 June 2022 (RMB million) (Unaudited)	31 December 2021 (RMB million) (Audited)
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Pledge of assets:

Pledged deposits

50

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Significant Investment

During the Reporting Period, the Group did not hold any significant investment.

Material Acquisition and Disposal

During the Reporting Period, the Group did not make material acquisition and disposal in respect to subsidiaries, associates and joint ventures.

Human Resources and Employee Compensation

As at 30 June 2022, the Group employed a total of 427 employees in China (30 June 2021: 415). During the Period, the total employee costs of the Group were approximately RMB39.0 million. The Group organises the management, management personnel at various positions, professional technical personnel and service personnel to participate in training and competitions on relevant policies and regulations, safety management and professional knowledge, in order to improve management skills, strengthen employees' professional skills and enhance the Group's overall competitiveness.

EVENTS AFTER THE REPORTING PERIOD

The H Shares were listed on the Main Board of the Stock Exchange on 13 July 2022. In connection with the Global Offering, 50,000,000 new H Shares were issued and allotted at the offer price of HK\$6.08 per share. On 4 August 2022, the Over-allotment Option was partially exercised and 2,714,500 additional new H Shares were issued and allotted at the offer price of HK\$6.08 per share. Please refer to the announcements of the Company dated 12 July 2022, 4 August 2022 and 5 August 2022 for details.

Save as disclosed above, there are no events causing material impact on the Group from the end of the Reporting Period 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 were officially listed on the Stock Exchange on 13 July 2022. The net proceeds from 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 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As the H Shares were not yet listed on the Stock Exchange as at 30 June 2022, Divisions 7 and 8 of Part XV and section 352 of the SFO were not applicable to the Company, Directors, Supervisors and chief executives of the Company as at 30 June 2022.

As at the date of this report, 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 to 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 the H Shares were not yet listed on the Stock Exchange as at 30 June 2022, Divisions 2 and 3 of Part XV and section 336 of the SFO were not applicable to the Company and the Shareholders as at 30 June 2022.

As at the date of this report, 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 required to be 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 (Note 1)	Approximate percentage of shareholding in the relevant class of Shares (Note 2)	Total approximate percentage of shareholding in the total share capital of the Company (Note 3)
Huzhou City Investment & Development Group Co., Ltd.* (湖州市城市投資發展集團有限公司) ("City Group") (Note 4)	Domestic Shares	Beneficial owner	89,457,540 (L)	59.64%	44.13%
Huzhou 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) ("Huzhou SASAC") (Note 4)	Domestic Shares	Interest in a controlled corporation	89,457,540 (L)	59.64%	44.13%
Xiniao (China) Gas Investment Company Limited* (新奧(中國)燃氣投資有限公司) ("ENN (China)") (Note 5)	Domestic Shares	Beneficial owner	60,542,460 (L)	40.36%	29.87%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Name	Class of Shares	Capacity	Number of Shares (Note 1)	Approximate percentage of shareholding in the relevant class of Shares (Note 2)	Total approximate percentage of shareholding in the total share capital of the Company (Note 3)
ENN Energy Holdings Limited ("ENN Energy") (Note 5)	Domestic Shares	Interest in a controlled corporation	60,542,460 (L)	40.36%	29.87%
SDIC Taikang Trust Co., Ltd.* (國投泰康信託有限公司) (Note 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) (Note 7)	H Shares	Trustee	8,000,000 (L)	15.18%	3.95%
BOCOM International Securities Limited (Note 8)	H Shares	Person having a security interest in shares	7,500,000 (L) 7,500,000 (S)	14.23%	3.70%
BOCOM International Holdings Company Limited (Note 8)	H Shares	Interest in a controlled corporation	7,500,000 (L) 7,500,000 (S)	14.23%	3.70%
Bank of Communications (Nominee) Company Limited (Note 8)	H Shares	Interest in a controlled corporation	7,500,000 (L) 7,500,000 (S)	14.23%	3.70%
Bank of Communications Co., Ltd. (Note 8)	H Shares	Interest in a controlled corporation	7,500,000 (L) 7,500,000 (S)	14.23%	3.70%
NEW PARTNER INTL LTD (Note 9)	H Shares	Beneficial owner	3,700,000 (L)	7.02%	1.83%
Meng Erhu (蒙二虎) (Note 9)	H Shares	Interest in a controlled corporation	3,700,000 (L)	7.02%	1.83%
Wu Shuying (吳淑英) (Note 10)	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) (Note 11)	H Shares	Interest of spouse	2,800,000 (L)	5.31%	1.38%

Notes:

- (1) 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.
- (2) The calculation is based on the total number of 150,000,000 Domestic Shares in issue as at the date of this report.
- (3) The calculation is based on the total number of 202,714,500 Shares in issue as at the date of this report.
- (4) City Group is wholly-owned by Huzhou SASAC. Under the SFO, Huzhou SASAC is deemed to be interested in the same number of Shares in which City Group is interested.
- (5) ENN (China) is wholly-owned by ENN Energy, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 2688). As at the date of this report, based on disclosure of interest notices filed to the Stock Exchange in respect of interests of ENN Energy, no shareholder controlled, directly or indirectly, one-third or more of the voting power at the general meetings of ENN Energy. Under the SFO, ENN Energy is deemed to be interested in the Shares in which ENN (China) is interested.
- (6) 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 the date of this report.
- (7) Orient Fund Management Co., Ltd.* is the trustee of a private trust which holds 8,000,000 H Shares as at the date of this report.

CORPORATE GOVERNANCE AND OTHER INFORMATION

- (8) The interest arose from BOCOM International Securities Limited acting as a stabilising manager and being granted the Over-allotment Option, which also resulted in a short position. BOCOM International Securities Limited is wholly owned by BOCOM International Holdings Company Limited, which is in turn owned as to approximately 73.12% by Bank of Communications (Nominee) Company Limited, in turn owned as to 99.90% by Bank of Communications Co., Ltd. Under the SFO, Bank of Communications Co., Ltd., Bank of Communications (Nominee) Company Limited and BOCOM International Holdings Company Limited are deemed to be interested in the H Shares in which BOCOM International Securities Limited has an interest in.
- (9) NEW PARTNER INTL LTD is wholly owned by Mr. Meng Erhu (蒙二虎). Under the SFO, Mr. Meng Erhu is deemed to be interested in the same number of H Shares in which NEW PARTNER INTL LTD is interested.
- (10) Ms. Wu Shuying (吳淑英) is the spouse of Mr. Meng Erhu (蒙二虎). Under the SFO, Ms. Wu Shuying is deemed to be interested in the same number of H Shares in which Mr. Meng Erhu is interested.
- (11) Ms. Yu Rongfang (郁蓉芳) is the spouse of Mr. Yu Linqiang (郁林強). Under the SFO, Ms. Yu Rongfang is deemed to be interested in the same number of H Shares in which Mr. Yu Linqiang is interested.

Save as disclosed above, as at the date of this report, the Directors are not aware of any other persons (other than the Directors, Supervisors or chief executives of the Company) who have 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 be required to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

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.

As the H Shares were not yet listed on the Stock Exchange as at 30 June 2022, the principles and code provisions of the CG Code were not applicable to the Company during the Reporting Period.

The Company has adopted the principles and code provisions set out in the CG Code as the basis of the Company's corporate governance practices, and the CG Code has been applicable to the Company with effect from the Listing Date. The Company has complied with all the code provisions set out in the CG Code throughout the period from the Listing Date up to the date of this report.

UPDATE ON DIRECTORS' AND SUPERVISORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Director(s) since the date of the Prospectus and up to the date of this report are set out below:

Dr. Lau Suet Chiu Frederic has been the president and director of AMTD Digital Inc., a company which was listed on the New York Stock Exchange on 15 July 2022 (stock code: HKD).

Save as disclosed, the Company is not aware of any changes in the information of Directors or Supervisors which are required to be disclosed pursuant to the requirements under Rule 13.51B(1) of the Listing Rules.

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

Since the H Shares were not listed on the Stock Exchange as at 30 June 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed the Company's listed securities during the Reporting Period.

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**").

Specific enquiries have been made to all Directors and Supervisors, and they have confirmed that all of them have complied with the Code of Conduct throughout the period from the Listing Date up to the date of this report.

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 throughout the period from the Listing Date up to the date of this report.

INTERIM DIVIDEND

The Board has made no recommendation on the payment of an interim dividend for the six months ended 30 June 2022.

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.

INDEPENDENT REVIEW REPORT



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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 17 to 46, 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 2022 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
26 August 2022

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
REVENUE	4	1,266,078	819,526
Cost of sales		(1,272,501)	(672,034)
GROSS (LOSS)/PROFIT		(6,423)	147,492
Other income and gains	5	115,824	7,862
Selling and distribution expenses		(12,847)	(15,978)
Administrative expenses		(19,940)	(18,322)
Impairment (losses)/gains on financial assets		(364)	107
Other expenses		(1,269)	(1,777)
Finance costs		(465)	(52)
Share of losses of joint ventures		(1,249)	(712)
PROFIT BEFORE TAX	6	73,267	118,620
Income tax expense	7	(18,536)	(29,575)
PROFIT FOR THE PERIOD		54,731	89,045
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		(551)	(704)
Changes in fair value		659	679
Income tax effect		(27)	6
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		81	(19)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		81	(19)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		54,812	89,026

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Profit attributable to:			
Owners of the parent		51,976	64,378
Non-controlling interests		2,755	24,667
		54,731	89,045
Total comprehensive income attributable to:			
Owners of the parent		52,044	64,358
Non-controlling interests		2,768	24,668
		54,812	89,026
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit for the period (RMB)	9	0.35	0.43

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
NON-CURRENT ASSETS			
Lease receivables		3,986	3,607
Property, plant and equipment	10	849,086	835,650
Investment properties		1,916	1,947
Right-of-use assets		27,398	26,960
Goodwill		28,506	28,506
Other intangible assets		88,014	91,705
Investments in joint ventures		7,304	8,553
Deferred tax assets		5,905	1,365
Total non-current assets		1,012,115	998,293
CURRENT ASSETS			
Inventories		26,829	29,347
Lease receivables		807	807
Trade and bills receivables	11	80,704	66,357
Prepayments, other receivables and other assets		86,509	36,829
Due from related parties		11,561	22,569
Financial assets at fair value through profit or loss		–	150,000
Pledged deposits		50,024	24
Cash and cash equivalents		670,648	588,673
Total current assets		927,082	894,606

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade payables	12	120,938	140,407
Other payables and accruals		405,459	255,650
Contract liabilities		286,697	291,477
Interest-bearing bank and other borrowings	13	50,000	–
Due to related parties		4,421	642
Tax payables		17,197	40,521
Lease liabilities		633	535
Total current liabilities		885,345	729,232
NET CURRENT ASSETS		41,737	165,374
TOTAL ASSETS LESS CURRENT LIABILITIES		1,053,852	1,163,667
NON-CURRENT LIABILITIES			
Contract liabilities		88,437	90,404
Deferred tax liabilities		37,567	38,705
Deferred income		967	1,000
Other non-current liabilities		65,991	15,239
Lease liabilities		304	570
Total non-current liabilities		193,266	145,918
Net assets		860,586	1,017,749
EQUITY			
Equity attributable to owners of the parent			
Share capital	14	150,000	150,000
Other reserves		669,884	793,916
		819,884	943,916
Non-controlling interests		40,702	73,833
Total equity		860,586	1,017,749

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	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 1 January 2022 (audited)	150,000	523,761	35,836	32,703	18,047	7,756	(263)	176,076	943,916	73,833	1,017,749
Profit for the period	-	-	-	-	-	-	-	51,976	51,976	2,755	54,731
Other comprehensive income for the period:											
Fair value reserve of financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	68	-	68	13	81
Total comprehensive income for the period	-	-	-	-	-	-	68	51,976	52,044	2,768	54,812
Dividend declared (note 8)	-	-	-	-	-	-	-	(176,076)	(176,076)	(35,899)	(211,975)
Special reserve – safety fund	-	-	-	-	1,740	-	-	(1,740)	-	-	-
At 30 June 2022 (unaudited)	150,000	523,761	35,836	32,703	19,787	7,756	(195)	50,236	819,884	40,702	860,586

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the parent							Total equity RMB'000		
	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	
At 1 January 2021 (audited)	98,947	472,142	35,836	32,703	15,245	49,473	(290)	824,175	97,382	921,557
Profit for the period	-	-	-	-	-	-	-	64,378	24,667	89,045
Other comprehensive income for the period:										
Fair value reserve of financial assets at fair value through other comprehensive income, net of tax	-	-	-	-	-	-	(20)	(20)	1	(19)
Total comprehensive income for the period	-	-	-	-	-	-	(20)	64,358	24,668	89,026
Dividend declared (note 8)	-	-	-	-	-	-	-	-	(70,524)	(70,524)
Special reserve – safety fund	-	-	-	-	3,346	-	(3,346)	-	-	-
Conversion into a joint stock company upon restructuring	51,053	51,619	-	-	-	(49,473)	(53,199)	-	-	-
At 30 June 2021 (unaudited)	150,000	523,761	35,836	32,703	18,591	-	(310)	888,533	51,526	940,059

* These reserve accounts comprise the consolidated reserves of RMB669,894,000 and RMB738,533,000 in the condensed consolidated statements of financial position as at 30 June 2022 and 30 June 2021, respectively.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	73,267	118,620
Adjustments for:		
Finance costs	465	52
Share of losses of joint ventures	1,249	712
Gain on disposal of items of property, plant and equipment	(4,603)	(1,269)
Depreciation of property, plant and equipment	28,266	24,931
Depreciation of investment properties	31	13
Depreciation of right-of-use assets	958	950
Amortisation of other intangible assets	3,747	3,716
Fair value gains on wealth management products	(5,419)	(2,380)
Finance income on the net investment in a lease	(379)	(381)
Write-down of inventories to net realisable value	(291)	(580)
Impairment of financial assets, net	364	(107)
	97,655	144,277
Decrease in inventories	2,809	1,927
Increase in trade and bills receivables	(14,682)	(4,430)
(Increase)/decrease in prepayments, other receivables and other assets	(42,281)	1,113
Increase in pledged deposits	(50,000)	(40,000)
Decrease in trade payables	(19,469)	(8,388)
Increase/(decrease) in other payables and accruals	35,213	(40,318)
(Decrease)/increase in contract liabilities	(6,747)	303
Changes in balances with related parties	14,787	129
Cash generated from operations	17,285	54,613
Income taxes paid	(51,638)	(35,908)
Net cash flows (used in)/from operating activities	(34,353)	18,705

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(46,101)	(55,836)
Addition to leasehold land	(1,052)	–
Proceeds from disposal of items of property, plant and equipment	4,229	4,315
Purchases of wealth management products	(790,000)	(510,000)
Fair value gains on wealth management products	5,419	2,380
Proceeds from disposal of wealth management products	940,000	240,000
Purchase of other intangible assets	(56)	(52)
Net cash flows from/(used in) investing activities	112,439	(319,193)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank and other borrowings	50,000	40,000
Dividends and interest paid	(45,574)	(11,652)
Payments of lease liabilities	(537)	(533)
Net cash flows from financing activities	3,889	27,815
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	588,673	551,669
CASH AND CASH EQUIVALENTS AT END OF PERIOD	670,648	278,996
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents	670,648	278,996

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

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, China.

During the six months ended 30 June 2022, the Group was involved in the following principal activities:

- the sale of gas, mainly PNG (under the concessions) and 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;
- others, including sale of energy, household gas appliances and the leasing of properties in Mainland China.

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

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 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 2021.

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 Historical Financial Information included in Accountants' Report set forth in Appendix I to the prospectus of the Company dated 29 June 2022, 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 3
Amendments to IAS 16

Amendments to IAS 37
*Annual Improvements to
IFRS Standards 2018-2020*

*Reference to the Conceptual Framework
Property, Plant and Equipment: Proceeds before
Intended Use*

Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS 1, IFRS 9, Illustrative Examples
accompanying IFRS 16, and IAS 41

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

2. BASIS OF PREPARATION AND CHANGES IN THE GROUP'S ACCOUNTING POLICIES (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 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any significant impact on the financial position and performance of the Group.
- (b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any significant impact on the financial position or performance of the Group.
- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any significant impact on the financial position or performance of the Group.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

- (d) *Annual Improvements to IFRS Standards 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or entered into on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendments did not have any significant impact on the financial position or performance of the Group.

IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

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) others, including sale of energy, household gas appliances, and 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	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Mainland China	1,266,078	819,526

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. Higher revenues and operating profits are usually expected in the first quarter and fourth quarter of the year. Higher sales revenue during the period from October to March is mainly attributed to the increased sales volume and selling price of natural gas due to the expected increase in demand during the peak season.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

4. REVENUE

An analysis of the Group's revenue is as follows:

Segments

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<i>Revenue from contracts with customers</i>		
Sale of goods	1,171,174	714,024
Provision of construction and installation services	92,454	103,173
Others	2,932	3,420
<i>Revenue from other sources</i>		
Gross rental income	383	407
	1,266,943	821,024
Less: Government surcharges	(865)	(1,498)
	1,266,078	819,526
<u>Revenue from contracts with customers</u>		
Types of goods or services		
Sale of PNG	1,140,102	694,971
Sale of LNG	17,911	7,889
Sale of household gas appliances	6,971	2,608
Sale of energy	6,190	8,556
Provision of construction and installation services	92,454	103,173
Others	2,932	3,420
	1,266,560	820,617
Less: Government surcharges	(865)	(1,498)
	1,265,695	819,119
Timing of revenue recognition		
Goods or services transferred at a point in time	1,174,106	717,444
Services transferred over time	92,454	103,173
	1,266,560	820,617
Less: Government surcharges	(865)	(1,498)
	1,265,695	819,119

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

5. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	4,388	2,965
Finance income on the net investment in a lease	379	381
Government grants	101,021	818
Others	14	49
	105,802	4,213
Other gains		
Gain on disposal of property, plant and equipment	4,603	1,269
Fair value gains on wealth management products	5,419	2,380
	10,022	3,649
	115,824	7,862

Government grants mainly represent: 1) the receipt of the gas supply guarantee subsidy of RMB87,602,000 from Huzhou Finance Bureau, which was used to compensate for the loss caused by the purchase and sale price inversion arose from the sales of natural gas during the period from April 2022 to May 2022; 2) the government grants of RMB11,853,000 from Huzhou Finance Bureau, which was used to compensate for the loss caused by the purchase and sale price difference generated from residential gas sale during the heating season.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

6. PROFIT BEFORE TAX

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

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Cost of inventories sold	1,120,628	574,625
Cost of services provided	61,140	62,901
Depreciation of property, plant and equipment	28,266	24,931
Depreciation of investment properties	31	13
Depreciation of right-of-use assets	958	950
Amortisation of other intangible assets	3,747	3,716
	1,214,770	667,136
Impairment of financial assets, net:		
Impairment of trade receivables	416	35
Impairment of financial assets included in prepayments, other receivables and other assets	(52)	(142)
	364	(107)
Bank interest income	(4,388)	(2,965)
Fair value gains on wealth management products	(5,419)	(2,380)
Interest expenses on lease liabilities	25	29
Gain on disposal of items of property, plant and equipment	(4,603)	(1,269)

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

7. INCOME TAX EXPENSE

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 operate.

The provision for Mainland China current income tax is based on the statutory rate of 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").

The major components of income tax expense are as follows:

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Income tax:		
Current tax	24,241	29,862
Deferred tax	(5,705)	(287)
Total tax charge for the period	18,536	29,575

8. DIVIDENDS

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Dividends	211,975	70,524

The dividend amounting to RMB25,390,000 for the period ended 30 June 2021 was approved by the shareholders of the Company's subsidiaries pursuant to the shareholders' resolution passed on 26 April 2021. The dividend amounting to RMB45,134,000 for the period ended 30 June 2021 was approved by the shareholders of the Company's subsidiaries pursuant to the shareholders' resolution passed on 28 May 2021.

The dividend amounting to RMB35,899,000 for the period ended 30 June 2022 was approved by the shareholders of the Company's subsidiaries pursuant to the shareholders' resolution passed on 19 May 2022. The dividend amounting to RMB176,076,000 for the period ended 30 June 2022 was approved by the shareholders of the Company pursuant to the shareholders' resolution passed on 9 June 2022.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

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 and diluted earnings per share is based on:

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the parent	51,976	64,378
<u>Number of shares</u>		
	30 June	30 June
	2022	2021
<u>Shares</u>		
Weighted average number of ordinary shares (in thousands)	150,000	150,000
<u>Earnings per share</u>		
Basic and diluted (RMB)	34.7 cents	42.9 cents

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2022 RMB'000
Carrying value at beginning of period (Audited)	835,650
Addition	43,224
Depreciation charge for the period	(28,266)
Disposals	(1,522)
	<hr/>
Carrying value at end of period (Unaudited)	849,086

11. TRADE AND BILLS RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade receivables	35,828	20,030
Impairment	(1,372)	(956)
	<hr/>	
	34,456	19,074
Bills receivable	46,248	47,283
	<hr/>	
	80,704	66,357

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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 1 year	80,704	66,357

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

12. TRADE PAYABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Trade payables	120,938	140,407

An ageing analysis of the trade payables as at the end of the Reporting Period, based on the invoice date, is as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 1 year	116,087	134,244
Over 1 year	4,851	6,163
	120,938	140,407

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate	Maturity	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Current				
Bank loans – secured*	1.80%	Within 1 year	50,000	–
Analysed into:				
Bank loans repayable:				
Within one year or on demand			50,000	–

* The Group's bank loans were secured by the Group's time deposit amounting to RMB50,000,000 (As at 31 December 2021: Nil).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

14. SHARE CAPITAL

	Number of shares	Nominal value RMB'000
Ordinary shares as at 31 December 2021 (audited) and 30 June 2022 (unaudited)	150,000,000	150,000

15. RELATED PARTY TRANSACTIONS AND BALANCES

(a) Name and relationship

Name of related party	Relationship with the Group
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 City Minsheng Construction Co., Ltd. ("Huzhou Minsheng") (湖州市民生建設有限公司)	Company controlled by the controlling shareholder of the Company

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

15. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Name and relationship (continued)

Name of related party	Relationship with the Group
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 Zhongcheng Construction Development Co., Ltd. ("Huzhou Zhongcheng") (湖州中城建設發展股份有限公司)	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 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
Huzhou City Investment Assets Management Co., Ltd. ("Huzhou Assets Management") (湖州市城投資產管理有限公司)	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
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

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

15. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Name and relationship (continued)

Name of related party	Relationship with the Group
Huzhou Tongcheng Investment Development Co., Ltd. ("Huzhou Tongcheng") (浙江童城投資發展有限公司)	Company controlled by the controlling shareholder of the Company
Huzhou City Urban Investment Yuhua Producing Management Co., Ltd. ("Yuhua Producing Management") (湖州市城投育華物產管理有限公司)	Company controlled by the controlling shareholder of the Company
Huzhou Jinglong Real Estate Development Co., Ltd. ("Jinglong Real Estate") (湖州璟瓏房地產開發有限公司)	Company controlled by the controlling shareholder of the Company
Hangzhou Xiaoshan Pipeline Gas Development Co., Ltd. ("Hangzhou Xiaoshan Pipeline Gas") (杭州蕭山管道燃氣發展有限公司)	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
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
Xiniao Xinneng (Zhejiang) Energy Trading Co., Ltd. ("Xiniao Xinneng") (新奧新能(浙江)能源貿易有限公司)	Company controlled by shareholders of the Company

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

15. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(a) Name and relationship (continued)

Name of related party	Relationship with the Group
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
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
Xinao Energy Power Technology (Shanghai) Co., Ltd. ("Xinao Energy Power") 新奧能源動力科技(上海)有限公司	Company controlled by shareholders of the Company
Langfang Branch of ENN (China) 新奧(中國)廊坊分公司	Branch controlled by shareholders of the Company

(b) The Group had the following transactions with related parties during the six months ended 30 June 2022 and 2021:

	Notes	For the six months ended 30 June 2022 RMB'000 (Unaudited)	For the six months ended 30 June 2021 RMB'000 (Unaudited)
Joint venture:			
<i>Purchase of LNG from:</i>			
Zhongshihua Xinao	(i)	–	50
<i>Rental income from:</i>			
Zhongshihua Xinao	(ii)	374	374
Others:			
<i>Purchase of materials from:</i>			
Nanjing Xinao Technology	(i)	744	503
Huzhou Water	(i)	10	–
		754	503

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

15. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- (b) The Group had the following transactions with related parties during the six months ended 30 June 2022 and 2021: (continued)

	Notes	For the six months ended 30 June 2022 RMB'000 (Unaudited)	For the six months ended 30 June 2021 RMB'000 (Unaudited)
Others: (continued)			
<i>Purchase of LNG from:</i>			
Ningbo Intercity	(i)	17,910	7,596
<i>Purchase of PNG from:</i>			
Ningbo Intercity	(i)	450,466	509,901
<i>Purchase of services from:</i>			
Xiniao Xinneng and a subsidiary of the shareholder of the Company	(xi)	11,411	3,368
Hengxin Investment	(ix)	48	1,076
Langfang Branch of ENN (China)	(i)	40	–
Langfang Yitongcheng	(i)	2	2
		11,501	4,446
<i>Insurance referral service provided to:</i>			
Xiniao Brokers	(iii)	2,390	2,801
<i>Sale of natural gas to:</i>			
Weineng Environment	(iv)	286	1,735
Huzhou Licheng	(iv)	17	11
Shushan Sanatorium	(iv)	10	4
Yuhua Producing Management	(iv)	5	–
Huzhou Huaxing	(iv)	4	5
Huzhou Assets Management	(iv)	4	2
Huzhou Water	(iv)	4	2
		330	1,759

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

15. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- (b) The Group had the following transactions with related parties during the six months ended 30 June 2022 and 2021: (continued)

	Notes	For the six months ended 30 June 2022 RMB'000 (Unaudited)	For the six months ended 30 June 2021 RMB'000 (Unaudited)
Others: (continued)			
<i>Sale of goods to:</i>			
Huzhou Huaxing	(iii)	169	–
Huzhou Fangzong	(iii)	–	264
Hangzhou Xiaoshan Pipeline Gas	(iii)	–	6
		169	270
<i>Construction and installation services provided to:</i>			
Huzhou Fangzong	(v)	2,236	4,065
Huzhou Licheng	(v)	948	323
Jinglong Real Estate	(v)	633	80
Huzhou Northern City	(v)	358	564
Yuhua Producing Management	(v)	134	100
Huzhou Huaxing	(v)	127	1,143
Weineng Environment	(v)	–	1,156
Shushan Sanatorium	(v)	–	1,135
Huzhou Minsheng	(v)	–	126
Huzhou Tongcheng	(v)	–	9
Huzhou Zhongcheng	(v)	–	215
Huzhou Historical Reconstruction	(v)	–	21
		4,436	8,937
<i>Finance income on the net investment in a lease from:</i>			
Shushan Sanatorium	(vi)	379	381

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

15. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- (b) The Group had the following transactions with related parties during the six months ended 30 June 2022 and 2021: (continued)

	Notes	For the six months ended 30 June 2022 RMB'000 (Unaudited)	For the six months ended 30 June 2021 RMB'000 (Unaudited)
Others: (continued)			
<i>Sale of energy to:</i>			
Shushan Sanatorium	(vii)	994	1,222
Huzhou Licheng	(vii)	301	–
		1,295	1,222
<i>Rent expense to:</i>			
Huzhou Huaxing	(x)	130	130

Notes:

- (i) Transaction prices of purchases from related parties were determined based on contracts offered by the related parties.
- (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 transaction prices of similar properties on the open market.
- (iii) Service and goods income from related parties was determined based on prices and conditions transacting with the Group's major independent third-party customers.
- (iv) The sale prices of natural gas to related parties were made according to the published prices and conditions offered to the major customers of the Group.
- (v) Transaction prices of construction and installation services provided to related parties were determined based on prices and conditions offered by the Group to the major independent third-party customers.
- (vi) Finance income on the net investment in a lease was determined based on the terms of the contract offered by the Group.
- (vii) The sale prices to related parties were made according to the price mutually agreed after taking into account the prevailing market prices.
- (viii) The Group is authorised by ENN (China) to use the SAP system free of charge, which is bought by ENN (China).

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

15. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- (b) The Group had the following transactions with related parties during the six months ended 30 June 2022 and 2021: (continued)

Notes: (continued)

- (ix) During 1 January 2019 to 31 December 2020, no fee had been charged by Hengxin Investment in respect of the Group's use of the Call Centre System Service. During 1 January 2021 to 30 June 2021, Hengxin Investment started to charge the Call Centre System Service fee as well as a start-up fee which represents the consideration of design, implementation and services rendered by Hengxin Investment during the past years. Since 2021, Hengxin Investment charges the Call Centre System Service fee every half year.
- (x) The fee for the leasing services paid to the related party was determined with reference to transaction prices of similar properties on the open market.
- (xi) The Group entered into an agreement with Xinao Xinneng and a subsidiary of the shareholder of the Company, pursuant to which Xinao Xinneng and a subsidiary of the shareholder of the Company shall provide to the Group the capacity of storing natural gas of not less than 5% of the Group's annual natural gas consumption volume ("Natural Gas Reserve Service") for a term from 1 January 2021 to 31 December 2024.

(c) Outstanding balances with related parties

		As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
	Notes		
<i>Amounts due from related parties:</i>			
Ningbo Intercity	(i)	9,939	19,167
Xinao Brokers	(iii)	1,136	320
Zhongshihua Xinao	(iii)	310	-
Xinao Energy Power	(iii)	100	-
Shushan Sanatorium	(iii)	48	594
Langfang Branch of ENN (China)	(iii)	28	-
Zhoushan ENN	(ii)	-	2,488
		11,561	22,569

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

15. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Outstanding balances with related parties (continued)

	Notes	As at 30 June 2022 RMB'000 (Unaudited)	As at 31 December 2021 RMB'000 (Audited)
<i>Amounts due to related parties:</i>			
Zhoushan ENN	(iv)	3,718	–
ENN (China)	(iv)	506	–
Nanjing Xinao Technology	(iv)	193	344
New Wisdom	(iv)	4	4
Ningbo Intercity	(iv)	–	294
		4,421	642
<i>Amounts due to related parties included in contract liabilities:</i>			
Huzhou Fangzong	(v)	3,540	4,043
Weineng Environment	(v)	794	782
Huzhou Huaxing	(v)	587	714
Huzhou Northern City	(v)	518	756
Jinglong Real Estate	(v)	301	1,547
Huzhou Water	(v)	10	4
Huzhou Urban Construction	(v)	10	8
Huzhou Zhongfang Zhiye	(v)	8	7
Huzhou Licheng	(v)	3	951
Huzhou Assets Management	(v)	2	1
Yuhua Producing Management	(v)	–	140
		5,773	8,953
<i>Amount due to a related party included in lease liabilities:</i>			
Huzhou Huaxing	(vi)	404	533
<i>Amount due from a related party included in lease receivables:</i>			
Shushan Sanatorium	(vii)	4,793	4,414

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

15. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Outstanding balances with related parties (continued)

Notes:

- (i) The amounts due from the related party of nil and RMB19,167,000 as at 30 June 2022 and 31 December 2021, respectively, were arising from the purchase of PNG, and were trade in nature, unsecured and interest-free. As Ningbo Intercity was no longer the PNG supplier since May 2022, the unsettled amounts of prepayment were transferred to other receivables and were trade in nature, unsecured and interest-free.
- (ii) The amounts due from the related party of nil and RMB2,488,000 as at 30 June 2022 and 31 December 2021, respectively, were arising from prepayment of Natural Gas Reserve Service and were trade in nature, unsecured and interest-free.
- (iii) The amounts due from related parties of RMB1,622,000 and RMB914,000 as at 30 June 2022 and 31 December 2021, respectively, were arising from the sale of materials, PNG, rental service and insurance referral service, and were trade in nature, unsecured and interest-free.
- (iv) The amounts due to related parties of RMB4,421,000 and RMB642,000 as at 30 June 2022 and 31 December 2021, respectively, were trade in nature, unsecured, interest-free and repayable on demand.
- (v) The amounts due to related parties included in contract liabilities were arising from sales contracts of PNG or sales contracts of construction and installation services, and were trade in nature, unsecured and interest-free.
- (vi) The amounts due to the related party included in lease liabilities were arising from a customer service centre leasing contract and were trade in nature and unsecured.
- (vii) The amounts due from the related party included in lease receivables were arising from a finance lease, and were trade in nature and unsecured.

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The fair values of cash and cash equivalents, pledged deposits, trade receivables, financial assets included in prepayments, other receivables and other assets, amounts due from related parties, trade payables, financial liabilities included in other payables and accruals, amounts due to related parties, interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments.

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 Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required by fair value measurement are observable, the instruments are included in Level 2. If one or more of the significant inputs is not based on observable market data, the instruments are included in Level 3.

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

Assets measured at fair value

30 June 2022 (Unaudited)

	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Bills receivable	–	46,248	–	46,248

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

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

Assets measured at fair value (continued)

31 December 2021 (Audited)

	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Bills receivable	–	47,283	–	47,283
Financial assets at fair value through profit or loss	–	150,000	–	150,000
	–	197,283	–	197,283

17. EVENTS AFTER THE REPORTING PERIOD

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited on 13 July 2022. In connection with the Global Offering, 50,000,000 new H Shares were issued and allotted at the offer price of HK\$6.08 per share. On 4 August 2022, the Over-allotment Option was partially exercised and 2,714,500 additional new H Shares were issued and allotted at the offer price of HK\$6.08 per share.

Save as disclosed, there are no events causing material impact on the Group from the end of the Reporting Period to the date of this report.

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 26 August 2022.