



# 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

# 2023

## INTERIM REPORT



\* For identification purposes only



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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. Liu Jianfeng (*Appointed on 6 February 2023*)  
Mr. Zhang Yuying (*Resigned on 6 February 2023*)  
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. Cai Rui  
Mr. Xu Guoxin

## 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

## AUTHORISED REPRESENTATIVES

Mr. Wang Hua  
Mr. Pan Haiming (*Alternate to 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

Tricolor 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)  
132 Taihu Road  
Wuxing District  
Huzhou  
Zhejiang Province  
The PRC

## STOCK CODE

6661

## COMPANY WEBSITE

[www.hzrqgf.com](http://www.hzrqgf.com)



“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 14 to the Listing Rules, as amended from time to time
“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 is directly wholly-owned by Huzhou SASAC, 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
“controlling shareholder(s)”	has the meaning ascribed thereto under the Listing Rules and means the controlling shareholders of the Company, namely, City Group, ENN (China) and ENN Energy
“Deqing Xinrui”	Deqing Xinrui New Energy Co., Ltd.* (德清新瑞新能源有限公司), a limited liability company established under the laws of the PRC on 26 September 2021 and an indirect non-wholly owned subsidiary of the Company
“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
“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, which is directly wholly-owned by ENN Energy, and a controlling shareholder of the Company as at the date of this report
“ENN Energy”	ENN Energy Holdings Limited, an exempted company incorporated in the Cayman Islands on 20 July 2000 with limited liability which is listed on the Main Board of the Stock Exchange (Stock Code: 2688) and a controlling shareholder of the Company as at the date of this report

## DEFINITIONS

“ENN Energy Group”	collectively, ENN Energy and its subsidiaries
“ENN Group”	ENN Group Co., Ltd.* (新奧集團股份有限公司), a limited liability company established under the laws of the PRC on 5 August 1997, which is owned as to 89.48% by Langfang, and a controlling shareholder of each of Xiniao Energy Development, Nanxun Xiniao and Nanxun Xiniao Development
“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
“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
“Huran New Energy”	Huzhou Huran New Energy Development Co., Ltd.* (湖州湖燃新能源開發有限公司), a limited liability company established under the laws of the PRC on 24 April 2022, which is owned as to 95% by the Company and 5% by Huzhou Zhongran Enterprise Management Partnership (Limited Partnership)* (湖州眾燃企業管理合夥企業(有限合夥)), and a direct non-wholly owned subsidiary of the Company
“Huxun Fuel New Energy”	Huzhou Huxun Fuel New Energy Development Co., Ltd.* (湖州湖濤燃新能源開發有限公司), a limited liability company established under the laws of the PRC on 28 July 2022, which is a company wholly controlled by Huran New Energy, the subsidiary of the Company
“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)
“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
“Langfang”	Langfang City Natural Gas Company Limited* (廊坊市天然氣有限公司), a limited liability company established under the laws of the PRC on 5 December 1992, which is owned as to 90% by Mr. Wang Yusuo (王玉鎖) and 10% by Ms. Zhao Baoju (趙寶菊), and a controlling shareholder of ENN Energy and ENN Group as at the date of this report
“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 10 to the Listing Rules
“Nanxun Xinao”	Huzhou Nanxun Xinao Gas Company Limited* (湖州南潯新奧燃氣有限公司), a limited liability company established under the laws of the PRC on 28 September 2009, which is owned as to 51% by the Company and 49% by ENN Group, and a direct non-wholly owned subsidiary of the Company
“Nanxun Xinao Development”	Huzhou Nanxun Xinao Gas Development Company Limited* (湖州南潯新奧燃氣發展有限公司), a limited liability company established under the laws of the PRC on 28 November 2017, which is owned as to 51% by the Company and 49% by ENN Group, and a direct non-wholly owned subsidiary of the Company
“Ningbo Intercity”	Ningbo Chengji Energy Trading Company Limited* (寧波城際能源貿易有限公司), a limited liability company established under the laws of the PRC on 15 May 2018 and an indirect wholly-owned subsidiary of ENN (China)
“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, 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

## DEFINITIONS

“Reporting Period” or “Period”	the six months ended 30 June 2023
“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 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

As the cleanest and low-carbon fossil energy, natural gas is an indispensable and important component in the construction of China's new energy system. Since the beginning of the 21st century, with the sustained and rapid growth of China's economy, the acceleration of the urbanization and industrialization process, and the impact of increased environmental requirements on the energy consumption structure, China's natural gas consumption and production volume has grown rapidly, with growth rates far higher than the world's average level. China's natural gas production volume has maintained an upward trend, with its production volume reaching 207.6 billion m<sup>3</sup> in 2021, representing a year-on-year increase of 7.8%, with the compound annual growth rate (CAGR) of 7.3% during the period from 2012 to 2021. In 2022, China's natural gas production volume amounted to 220.0 billion m<sup>3</sup>, representing a year-on-year increase of 5.98%.

With the continuous implementation of the domestic "double carbon" development strategy since the "14th Five-Year Plan", the construction of the green energy system was continuously promoted, and the clean energy market accelerated to expand its capacity. In the first half of 2023, the international natural gas market was affected by factors such as warmer temperatures during the heating season, high inventory levels in underground gas storage facilities in Europe and America, and the slowdown in global economic growth, resulting in the significant alleviation of supply and demand tension. The marginal effects of geopolitical factors such as the Ukrainian crisis on the international energy market were weakened, and the overall development of China's natural gas market remained stable. From January to June 2023, the national natural gas consumption volume amounted to 194.1 billion m<sup>3</sup>, representing a year-on-year increase of 5.6%; the natural gas production volume amounted to 115.5 billion m<sup>3</sup>, representing a year-on-year increase of 5.4%; the import volume of natural gas amounted to 79.4 billion m<sup>3</sup>, representing a year-on-year increase of 5.8%. The demand continued to recover, and the natural gas market sought progress while maintaining stability.

At present, the world's energy is undergoing a transformation period from high-carbon to low-carbon, from fossil energy to renewable energy, and from single energy to composite energy, and is in the process of building a diversified energy structure for common development, where oil and gas energy will still occupy an important position in the long term. At the same time, natural gas has multiple advantages such as flexibility, cleanliness, stability and efficiency, which can also support the coordinated development with various energies, and it will continue to play a positive and important role in carbon peaking and even carbon neutrality strategies.

## DEVELOPMENT STRATEGY AND OUTLOOK

In the second half of 2023, in accordance with the industrial pattern goal of "1+3+N" (1 refers to the principal business of pipeline gas; 3 refers to the smart city business for regional energy management and optimization, smart enterprise business for optimized control and integrated energy business in corporate energy use, smart home business for C-end business extension of gas; and N refers to the various businesses that can be developed in these three areas), the Group will continue to improve its gas supply guarantee capability, safety guarantee capability and service guarantee capability and continuously strengthen the resilience and elasticity of the industrial chain through the promotion of diversified businesses such as gas, heat, cold and electricity, so as to enhance its core driving force, overall competitiveness and risk resistance, and promote the transformation from a gas supplier to an urban green energy manager.



## BUSINESS REVIEW

Since 2004 and 2009, as a concession grantee, the Group has been the exclusive distributor of PNG in its operating areas in Wuxing District and Nanxun District of Huzhou, respectively. The main businesses include the sale of PNG (under the concessions) and LNG in Huzhou, the provision of services to construct and install end-user pipeline network and gas facilities, and the sale of household gas appliances and relevant equipment, energy, distributed photovoltaic power and the leasing of properties in Mainland China. As at the end of the Reporting Period, the Group provided gas supply service to 269,000 residential users and 3,367 industrial and commercial users, with a gas sales volume of 264.9 million m<sup>3</sup>, representing a decrease of 2.32% 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 operating areas in Huzhou was approximately 1,493.3 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 the gas pipeline network. For the six months ended 30 June 2023, the accumulated revenue of the Group from the PNG sales business was RMB1,022.2 million, representing a decrease of 10.34% as compared with the accumulated revenue of RMB1,140.1 million in the corresponding period of previous year. For the six months ended 30 June 2023, the total gas supply volume was 264.9 million m<sup>3</sup>, representing a decrease of 2.32% as compared with the total gas supply volume of 271.2 million m<sup>3</sup> in the corresponding period of previous year.

Sales to end-users: From January to June 2023, the residential gas consumption volume was 21.6 million m<sup>3</sup>, accounting for 8.15% of the Group's total gas sales volume, while the industrial and commercial gas consumption volume was 214.2 million m<sup>3</sup>, accounting for 80.86% of the Group's total gas sales volume. For the corresponding period of previous year, the residential gas consumption volume was 19.4 million m<sup>3</sup>, accounting for 7.15% of the Group's total gas sales volume, while the industrial and commercial gas consumption volume was 211.6 million m<sup>3</sup>, accounting for 78.03% of the Group's total gas sales volume.

Sales to wholesale users: The gas consumption volume of wholesale users from January to June 2023 was 29.1 million m<sup>3</sup>, accounting for 10.99% of the Group's total gas sales volume, while the gas consumption volume of wholesale users for the corresponding period of previous year was 40.2 million m<sup>3</sup>, accounting for 14.82% of the Group's total gas sales volume.

The main reasons for the above decrease in revenue were that in terms of gas volume, the demand for natural gas in Huzhou decreased, of which the gas sales volume of wholesale users decreased by 11 million m<sup>3</sup> as compared with the corresponding period of 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, resulting in the decrease in gas revenue for the Reporting Period.

## 2. LNG Sales Business

The Group supplies LNG to industrial users in certain regions of Huzhou City on a retail basis. For the six months ended 30 June 2023, the accumulated revenue of the Group from the LNG sales business was RMB6.6 million, representing a decrease of 63.13% as compared with RMB17.9 million in the corresponding period of previous year. Such decrease was mainly due to the significant decrease of unit purchase price of LNG under the market mechanism, resulting in a decrease in the sales price and a corresponding decrease in the sales revenue.

## 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 2023, the revenue of the Group from the natural gas pipeline construction and installation business was RMB103.4 million, representing an increase of 11.78% as compared with RMB92.5 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 impact of COVID-19 pandemic and the inadequate construction in the first half of 2022, and the increase in pipeline construction revenue recognised according to the progress of contract performance as the pandemic was basically stable in the first half of 2023, and the installation projects that had not been completed previously were also gradually completed.

## 4. Sales of Energy

The Group's sales of energy mainly includes 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 2023, the revenue of the Group from the sales of energy was RMB6.6 million, representing an increase of 6.45% as compared with RMB6.2 million in the corresponding period of previous year, which was mainly due to the increase in the energy conversion cost of natural gas along with the increase in the natural gas purchase cost, the Company strategically reduced the production, sales and supply of electrical energy for hospitals. However, the Group added the business to sell steam for the Reporting Period, resulting in an overall increase in revenue.

## 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 2023, the revenue of the Group from the sales of household gas appliances was RMB14.5 million, representing an increase of 107.14% as compared with RMB7.0 million in the corresponding period of previous year, which was mainly due to the Company's increased publicity efforts, its sincere cooperation with developers to sign overall sales contracts for stoves, alarms and others combined with the high-end configuration requirements from developers, and achieving actual delivery, resulting in the obvious increase of sales revenue for the first half of the year as compared with the corresponding period of previous year.

## FINANCIAL OVERVIEW

### Revenue

The Group's revenue for the Period was RMB1,158.6 million, representing a decrease of 8.49% as compared with RMB1,266.1 million in the corresponding period of previous year. The decrease in revenue was mainly arising from the reduction in natural gas sales prices for non-residential households starting from 2023, as well as the decrease in the demand for natural gas in Huzhou during the Reporting Period.

### Gross Profit

The Group's gross profit for the Period was RMB117.3 million, representing an increase of 1,932.81% as compared with a gross loss of RMB6.4 million for the corresponding period of previous year. During the corresponding period of previous year, the gross loss was mainly arising from the PNG purchase and sale price inversion and the loss from the purchase and sale price inversion generated from residential gas consumption. During the Reporting Period, natural gas purchase price fell, 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 RMB22.3 million, representing a decrease of 80.74% as compared with RMB115.8 million in the corresponding period of previous year. It was mainly due to the decrease in fiscal subsidy fund in the first half of 2023.

### Finance Costs

The Group's finance costs for the Period were RMB1.9 million, representing an increase of 280.00% as compared with RMB0.5 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 increased by 30.81% to RMB24.2 million from RMB18.5 million in the corresponding period of previous year. The effective tax rate for the Period was 24.20% (the corresponding period of previous year: 25.24%). The increase in income tax expense was mainly due to the increase of 36.43% 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 an increase in the proportion of 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 RMB53.9 million, representing an increase of 3.65% as compared with RMB52.0 million in the corresponding period of previous year. It was mainly due to the combined effect of the decrease in the Group's procurement cost and the increase in the gross profit from sale of PNG as a result of the decrease in the procurement price of PNG for the Period, and the decrease in fiscal subsidy fund in the first half of 2023, 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 2023, the current assets of the Group amounted to RMB1,182.8 million (31 December 2022: RMB1,218.6 million), of which cash and bank balance was equivalent to RMB1,003.6 million.

As at 30 June 2023, the current ratio (current assets/current liabilities) of the Group was 1.41 (31 December 2022: 1.41) and the asset-liability ratio (total liabilities/total assets) was 48.01% (31 December 2022: 47.92%). As at 30 June 2023, the unutilised bank credit balance was RMB655.0 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 gearing ratio of the Group was approximately 2.40% as at 30 June 2023 (as at 31 December 2022: 0.73%). The ratio was calculated by dividing total interest-bearing liabilities by the total equity of the Group. As at 30 June 2023, 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), which are the proceeds from the initial public offering of the Group. 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 2023, the Group had no material contingent liabilities.

### Financial Guarantee Obligations

As at 30 June 2023, the Group had no material financial guarantee obligations.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Pledge of Assets

As at 30 June 2023, 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 2023 (RMB million) (Unaudited)	31 December 2022 (RMB million) (Audited)
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### Pledge of assets

Pledged deposits	40	–
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As at 30 June 2023, the Group secured a bank loan of RMB20.0 million (31 December 2022: Nil), which was denominated in RMB and bore interest at the rate of 2.40% per annum, and issued bank acceptance bills of RMB15.3 million (31 December 2022: Nil) by its pledged deposits.

## 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 Company does 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 2023, the Group employed a total of 435 employees in China (30 June 2022: 427).

During the Period, the total employee costs of the Group were approximately RMB39.8 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, which is generally structured with reference to market terms and individual merits and reviewed by the management on a regular basis, 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 were officially listed on the Stock Exchange on 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 2023, the details of the use of the above Net Proceeds were as follows:

Designated use of Net Proceeds	% 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 2024
Expand into distributed photovoltaic power generation business	30%	71,000	21,719	49,281	By the end of 2023
Promote the use of heat energy from vapour generated by our natural gas through natural gas boilers	10%	23,800	0	23,800	By the end of 2024
Working capital and general corporate purposes	10%	23,700	23,700	0	
<b>Total</b>	<b>100%</b>	<b>236,900</b>	<b>92,819</b>	<b>144,081</b>	

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 2023, 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 2023, 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 (Note 1)	Total approximate	
				Approximate percentage of shareholding in the relevant class of Shares (Note 2)	percentage of shareholding in the total share capital of the Company (Note 3)
City Group (Note 4)	Domestic Shares	Beneficial owner	89,457,540 (L)	59.64%	44.13%
Huzhou SASAC (Note 4)	Domestic Shares	Interest in a controlled corporation	89,457,540 (L)	59.64%	44.13%
ENN (China) (Note 5)	Domestic Shares	Beneficial owner	60,542,460 (L)	40.36%	29.87%
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%
NEW PARTNER INTL LTD (Note 8)	H Shares	Beneficial owner	3,700,000 (L)	7.02%	1.83%
Meng Erhu (蒙二虎) (Note 8)	H Shares	Interest in a controlled corporation	3,700,000 (L)	7.02%	1.83%
Wu Shuying (吳淑英) (Note 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) (Note 10)	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.
- (2) 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 2023 respectively.
- (3) The calculation is based on the total number of 202,714,500 Shares in issue as at 30 June 2023.
- (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 30 June 2023, based on disclosure of interest notices filed to the Stock Exchange in respect of interests of ENN Energy, no shareholder of ENN Energy 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 30 June 2023.
- (7) Orient Fund Management Co., Ltd.\* is the trustee of a private trust which holds 8,000,000 H Shares as at 30 June 2023.
- (8) NEW PARTNER INTL LTD is wholly owned by Mr. Meng Erhu. 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.
- (9) Ms. Wu Shuying is the spouse of Mr. Meng Erhu. 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.
- (10) Ms. Yu Rongfang is the spouse of Mr. Yu Linqiang. 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 30 June 2023, 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 AND OTHER INFORMATION

## 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.

## UPDATE ON DIRECTORS' AND SUPERVISORS' INFORMATION

1. Mr. Wang Hua, the Director, ceased to be the director and the chairman of the board of Huzhou Huqingran New Energy Development Co., Ltd. in March 2023, and ceased to be the director and the chairman of the board of Huzhou Huxun Fuel New Energy Development Co., Ltd. in April 2023.
2. Mr. Liu Jianfeng, the Director appointed on 6 February 2023, has been appointed as a non-executive director of Nanjing Panda Electronics Company Limited, a company whose H shares are listed on the Main Board of the Stock Exchange (stock code: 553) and A shares are listed on the Shanghai Stock Exchange (stock code: 600775), with effect from 27 June 2023.
3. Ms. Wu Zhanghuan, the Director, ceased to be the deputy general manager of City Group in June 2023.
4. Mr. Chang Li Hsien Leslie, an independent non-executive Director, was appointed as a director of CSI Solar Co., Ltd.\* (阿特斯陽光電力集團股份有限公司) on 6 December 2020, which is listed on the Science and Technology Innovation Board of Shanghai Stock Exchange (stock code: 688472) on 9 June 2023.
5. Ms. Liu Fei, the chairman of the board of Supervisors, ceased to be the general manager of human resources department of City Group in June 2023.
6. Mr. Xu Guoxin, the Supervisor, served as the director of the Company's customer service department and ceased to be the director of the Company's operations department in July 2023.

Save as disclosed above, there is no changes in the Directors and Supervisors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

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**").

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 has made no recommendation on the payment of an interim dividend for the six months ended 30 June 2023.

### **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 19 to 52, 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 2023 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 2023

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

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>REVENUE</b>	4	<b>1,158,561</b>	1,266,078
Cost of sales		<b>(1,041,228)</b>	(1,272,501)
<b>GROSS PROFIT/(LOSS)</b>		<b>117,333</b>	(6,423)
Other income and gains	5	<b>22,298</b>	115,824
Selling and distribution expenses		<b>(14,467)</b>	(12,847)
Administrative expenses		<b>(19,498)</b>	(19,940)
Impairment losses on financial assets		<b>(907)</b>	(364)
Other expenses		<b>(2,607)</b>	(1,269)
Finance costs		<b>(1,912)</b>	(465)
Share of losses of:			
Joint ventures		<b>(244)</b>	(1,249)
<b>PROFIT BEFORE TAX</b>	6	<b>99,996</b>	73,267
Income tax expense	7	<b>(24,239)</b>	(18,536)
<b>PROFIT FOR THE PERIOD</b>		<b>75,757</b>	54,731
<b>OTHER COMPREHENSIVE INCOME</b>			
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		<b>(426)</b>	(551)
Changes in fair value		<b>356</b>	659
Income tax effect		<b>18</b>	(27)
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		<b>(52)</b>	81
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>		<b>(52)</b>	81
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>75,705</b>	54,812



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

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>Profit attributable to:</b>			
Owners of the parent		53,888	51,976
Non-controlling interests		21,869	2,755
		<b>75,757</b>	54,731
Total comprehensive income attributable to:			
Owners of the parent		53,837	52,044
Non-controlling interests		21,868	2,768
		<b>75,705</b>	54,812
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>			
Basic and diluted			
– For profit for the period (RMB)	9	0.27	0.35

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
	Notes		
<b>NON-CURRENT ASSETS</b>			
Lease receivables		<b>3,375</b>	3,563
Property, plant and equipment	10	<b>923,274</b>	896,881
Investment properties		<b>1,612</b>	1,638
Right-of-use assets		<b>58,134</b>	48,151
Goodwill		<b>28,506</b>	28,506
Other intangible assets		<b>80,601</b>	84,344
Investments in joint ventures		<b>5,337</b>	5,581
Deferred tax assets		<b>1,751</b>	1,662
Other non-current assets		<b>776</b>	9,900
Total non-current assets		<b>1,103,366</b>	1,080,226
<b>CURRENT ASSETS</b>			
Inventories		<b>19,472</b>	29,254
Lease receivables		<b>2,170</b>	1,607
Trade and bills receivables	11	<b>70,302</b>	58,255
Prepayments, other receivables and other assets		<b>31,201</b>	35,401
Due from related parties		<b>16,019</b>	14,373
Pledged deposits	12	<b>40,024</b>	24
Cash and cash equivalents		<b>1,003,635</b>	1,079,703
Total current assets		<b>1,182,823</b>	1,218,617

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	13	113,363	101,348
Other payables and accruals		404,199	448,970
Contract liabilities		265,140	279,241
Interest-bearing bank and other borrowings	14	20,000	–
Due to related parties		14,771	10,264
Tax payables		19,849	26,417
Lease liabilities		366	700
<b>Total current liabilities</b>		<b>837,688</b>	866,940
<b>NET CURRENT ASSETS</b>		<b>345,135</b>	351,677
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,448,501</b>	1,431,903
<b>NON-CURRENT LIABILITIES</b>			
Contract liabilities		125,336	110,289
Deferred tax liabilities		38,893	40,623
Deferred income		3,245	2,942
Other non-current liabilities		84,392	72,679
Lease liabilities		8,097	8,055
<b>Total non-current liabilities</b>		<b>259,963</b>	234,588
<b>Net assets</b>		<b>1,188,538</b>	1,197,315
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	15	202,715	202,715
Other reserves		921,320	928,297
		<b>1,124,035</b>	1,131,012
Non-controlling interests		64,503	66,303
<b>Total equity</b>		<b>1,188,538</b>	1,197,315

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	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
<b>At 1 January 2023 (audited)</b>	202,715	730,002	35,836	32,703	18,371	16,675	(188)	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)	(23,666)	(84,480)
Special reserve – safety fund	-	-	-	-	669	-	-	(669)	-	-	-
Other	-	-	-	-	-	-	-	-	-	(2)	(2)
<b>At 30 June 2023 (unaudited)</b>	202,715	730,002	35,836	32,703	19,040	16,675	(189)	87,253	1,124,035	64,503	1,188,538



# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	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
<b>At 1 January 2022 (audited)</b>	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)	-	-	-
<b>At 30 June 2022 (unaudited)</b>	150,000	523,761	35,836	32,703	19,787	7,756	(195)	50,236	819,884	40,702	860,586

\* These reserve accounts comprise the consolidated reserves of RMB921,320,000 and RMB669,884,000 in the condensed consolidated statements of financial position as at 30 June 2023 and 30 June 2022, respectively.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	99,996	73,267
Adjustments for:		
Finance costs	1,912	465
Share of losses of joint ventures	244	1,249
Loss/(gain) on disposal of items of property, plant and equipment	385	(4,603)
Depreciation of property, plant and equipment	31,367	28,266
Depreciation of investment properties	26	31
Depreciation of right-of-use assets	1,407	958
Amortisation of other intangible assets	3,743	3,747
Fair value gains on wealth management products	(1,811)	(5,419)
Gain on foreign exchange differences	(62)	–
Finance income on the net investment in a lease	(375)	(379)
Write-down of inventories to net realisable value	(396)	(291)
Impairment of financial assets, net	907	364
	<b>137,343</b>	<b>97,655</b>
Decrease in inventories	10,178	2,809
Increase in trade and bills receivables	(12,902)	(14,682)
Decrease/(increase) in prepayments, other receivables and other assets	4,181	(42,281)
Increase in pledged deposits	(40,000)	(50,000)
Increase/(decrease) in trade and bills payables	12,015	(19,469)
(Decrease)/increase in other payables and accruals	(8,584)	35,213
Increase/(decrease) in contract liabilities	946	(6,747)
Changes in balances with related parties	2,826	14,787
Increase in deferred income	303	–
Cash generated from operations	<b>106,306</b>	<b>17,285</b>
Income taxes paid	<b>(32,678)</b>	<b>(51,638)</b>
<b>Net cash flows from/(used in) operating activities</b>	<b>73,628</b>	<b>(34,353)</b>

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of items of property, plant and equipment	(81,604)	(46,101)
Addition to leasehold land	(818)	(1,052)
Proceeds from disposal of items of property, plant and equipment	13,588	4,229
Purchases of wealth management products	(190,000)	(790,000)
Proceeds from disposal of wealth management products	191,811	945,419
Purchases of other intangible assets	–	(56)
<b>Net cash flows (used in)/from investing activities</b>	<b>(67,023)</b>	112,439
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
New bank and other borrowings	20,000	50,000
Share issue expenses	(3,086)	–
Dividends and interest paid	(98,476)	(45,574)
Payments of lease liabilities	(1,173)	(537)
<b>Net cash flows (used in)/from financing activities</b>	<b>(82,735)</b>	3,889
Effect of foreign exchange rate changes, net	62	–
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(76,068)</b>	81,975
Cash and cash equivalents at beginning of period	1,079,703	588,673
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>1,003,635</b>	670,648
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents	1,003,635	670,648

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 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 2023, 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;
- others, including the sale of household gas appliances and relevant equipment, energy, distributed photovoltaic power and the leasing of properties in Mainland China.

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

### 2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 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 2022.

### 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 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

IFRS 17	<i>Insurance Contracts</i>
Amendments to IFRS 17	<i>Insurance Contracts</i>
Amendment to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 – Comparative Information</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 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 new and revised IFRSs that are applicable to the Group are described below:

(a) IFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 replaces the existing IFRS 4 *Insurance Contracts*. The standard applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions apply. The overall objective of the standard is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which were largely based on grandfathering previous local accounting policies, the standard provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of the standard is the general model, supplemented by:

- a specific adaptation for contracts with direct participation features (the variable fee approach); and
- a simplified approach (the premium allocation approach) mainly for short-duration contracts.

As the Group did not have contracts within the scope of IFRS 17, the standard did not have any impact on the financial position or performance of the Group.

- (b) Amendments to IFRS 17 include changes to simplify certain requirements in the standard and make financial performance easier to explain. The amendments also provide additional reliefs to reduce the effort required for the transition to IFRS 17. As the Group did not have contracts within the scope of IFRS 17, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendment to IFRS 17 is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17, which helps to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and to improve the usefulness of comparative information for users of financial statements. An entity that chooses to apply the transition option set out in this amendment shall apply it on initial application of IFRS 17. As the Group did not have contracts within the scope of IFRS 17, the amendment did not have any impact on the financial position or performance of the Group.
- (d) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 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 new and revised IFRSs that are applicable to the Group are described below:  
(continued)

- (e) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (f) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases and decommissioning obligations as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases and decommissioning obligations that occurred on or after 1 January 2022, if any.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group recognised a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available) of RMB2,454,000 (31 December 2022: RMB2,490,000; 1 January 2022: RMB473,000), and a deferred tax liability for all taxable temporary differences associated with right-of-use assets of RMB2,454,000 as at 1 January 2023 (31 December 2022: RMB2,490,000; 1 January 2022: RMB473,000). The deferred tax asset and the deferred tax liability arising from lease contracts of the same subsidiary have been offset in the statement of financial position for presentation purposes.

The adoption of amendments to IAS 12 did not have any impact on the basic and diluted earnings per share attributable to ordinary equity holders of the parent, other comprehensive income and the interim condensed consolidated statements of cash flows for the six months ended 30 June 2023 and 2022.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 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 new and revised IFRSs that are applicable to the Group are described below:  
(continued)

- (g) Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

## 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 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	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Mainland China	1,158,561	1,266,078

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 2023

## 4. REVENUE

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

### Segments

	For the six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<i>Revenue from contracts with customers</i>		
Sale of goods	1,049,911	1,171,174
Provision of construction and installation services	103,436	92,454
Distributed photovoltaic power	2,984	–
Others	3,538	2,932
<i>Revenue from other sources</i>		
Gross rental income	137	383
	<b>1,160,006</b>	1,266,943
Less: Government surcharges	<b>(1,445)</b>	(865)
	<b>1,158,561</b>	1,266,078
<u>Revenue from contracts with customers</u>		
<b>Types of goods or services</b>		
Sale of PNG	1,022,216	1,140,102
Sale of LNG	6,635	17,911
Sale of household gas appliances and relevant equipment	14,506	6,971
Sale of energy	6,554	6,190
Provision of construction and installation services	103,436	92,454
Sale of distributed photovoltaic power	2,984	–
Others	3,538	2,932
	<b>1,159,869</b>	1,266,560
Less: Government surcharges	<b>(1,445)</b>	(865)
	<b>1,158,424</b>	1,265,695
<b>Timing of revenue recognition</b>		
Goods or services transferred at a point in time	1,056,433	1,174,106
Services transferred over time	103,436	92,454
	<b>1,159,869</b>	1,266,560
Less: Government surcharges	<b>(1,445)</b>	(865)
	<b>1,158,424</b>	1,265,695



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 5. OTHER INCOME AND GAINS

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	15,962	4,388
Finance income on the net investment in a lease	375	379
Government grants	3,743	101,021
Others	407	14
	<b>20,487</b>	105,802
Other gains		
Gain on disposal of property, plant and equipment	–	4,603
Fair value gains on wealth management products	1,811	5,419
	<b>1,811</b>	10,022
	<b>22,298</b>	115,824

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 6. PROFIT BEFORE TAX

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

	Notes	For the six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cost of inventories sold		976,646	1,120,628
Cost of services provided		64,582	61,140
Depreciation of property, plant and equipment	10	31,367	28,266
Depreciation of investment properties		26	31
Depreciation of right-of-use assets		1,407	958
Amortisation of other intangible assets		3,743	3,747
		<b>1,077,771</b>	1,214,770
Impairment of financial assets, net:			
Impairment of trade receivables		853	416
Impairment of financial assets included in prepayments, other receivables and other assets		19	(52)
Impairment of financial assets included in amounts due from related parties		35	–
		<b>907</b>	364
Bank interest income	5	(15,962)	(4,388)
Fair value gains on wealth management products	5	(1,811)	(5,419)
Interest expenses on lease liabilities		209	25
Loss/(gain) on disposal of items of property, plant and equipment		385	(4,603)

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 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 operated.

The provision for current income tax in Mainland China is calculated based on the statutory rate of 25% (2022: 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 Mainland China, 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, Huzhou Huran New Energy Development Co., Ltd., Deqing Xinrui New Energy Co., Ltd. and Huzhou Huxun Fuel New Energy Development Co., Ltd. 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 tax year in which production and operation income is first generated to the third year, and the enterprise income tax will be reduced by half for another three years. 2022 was the tax year in which the production and operation income was first generated for Huran New Energy and Deqing Xinrui, therefore the income tax of Huran New Energy and Deqing Xinrui is exempted from 2022 to 2024 and the applicable tax rate will be reduced by half from 2025 to 2027. 2023 is the tax year in which the production and operation income is first generated for Huxun Fuel New Energy, therefore the income tax of Huxun Fuel New Energy will be exempted from 2023 to 2025 and the applicable tax rate will be reduced by half from 2026 to 2028.

The major components of income tax expense are as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Income tax:</b>		
Current tax	26,041	24,241
Deferred tax	(1,802)	(5,705)
<b>Total tax charge for the period</b>	<b>24,239</b>	<b>18,536</b>

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 8. DIVIDENDS

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interim (Listed) – per ordinary share	84,480	–
Interim (Pre-Listed) – per ordinary share	–	211,975
	<b>84,480</b>	<b>211,975</b>

The Board of Directors did not recommend the payment of an interim dividend in respect of the six months ended 30 June 2023 (for the six months ended 30 June 2022: 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 and diluted earnings per share is based on:

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the parent	53,888	51,976
<u>Number of shares</u>		
	30 June 2023	30 June 2022
<u>Shares</u>		
Weighted average number of ordinary shares (in thousands)	202,715	150,000
<u>Earnings per share</u>		
Basic and diluted (RMB)	26.6 cents	34.7 cents



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 10. PROPERTY, PLANT AND EQUIPMENT

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Carrying value at beginning of period/year	<b>896,881</b>	835,650
Addition	<b>59,144</b>	119,530
Transferred from investment properties	-	249
Depreciation charge for the period/year	<b>(31,367)</b>	(56,763)
Disposals	<b>(1,384)</b>	(1,785)
	<b>923,274</b>	896,881

## 11. TRADE AND BILLS RECEIVABLES

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Trade receivables	<b>35,734</b>	28,329
Impairment	<b>(2,023)</b>	(1,170)
	<b>33,711</b>	27,159
Bills receivable	<b>36,591</b>	31,096
	<b>70,302</b>	58,255

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:

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Within 1 year	<b>70,302</b>	58,255

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 12. PLEDGED DEPOSITS

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Time deposit*	40,000	–
ETC deposit	24	24
	<b>40,024</b>	24

\* The Company pledged a three-year time deposit certificate of RMB40,000,000 as collateral for obtaining bank loans and issuing bank acceptance bills. The pledge periods were from 13 January 2023 to 1 July 2023 and from 30 March 2023 to 30 September 2023.

## 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:

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Within 1 year	110,736	96,012
Over 1 year	2,627	5,336
	<b>113,363</b>	101,348

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate	Maturity	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
<b>Current</b>				
Bank loans – secured*	2.40%	Within 1 year	20,000	–
Analysed into:				
Bank loans repayable:				
Within one year or on demand			20,000	–

\* The Group's bank loans were secured by the Group's time deposit amounting to RMB20,000,000 (As at 31 December 2022: Nil).

## 15. SHARE CAPITAL

	Number of shares	Nominal value RMB'000
Ordinary shares as at 31 December 2022 (audited)	202,714,500	202,715
30 June 2023 (unaudited)	202,714,500	202,715

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 16. 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 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 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

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 16. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

### (a) Name and relationship (continued)

Name of related party	Relationship with the Group
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
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") (湖州璟龍房地產開發有限公司)	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



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 16. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

### (a) Name and relationship (continued)

Name of related party	Relationship with the Group
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
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
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

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 16. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

### (a) Name and relationship (continued)

Name of related party	Relationship with the Group
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 Xinao 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 Xinao Intelligent Energy Co., Ltd. ("Longyou Xinao") (龍游新奧智慧能源有限公司)	Company controlled by shareholders of the Company

### (b) The Group had the following transactions with related parties during the six months ended 30 June 2023 and 2022:

	Notes	For the six months ended 30 June 2023 RMB'000 (Unaudited)	For the six months ended 30 June 2022 RMB'000 (Unaudited)
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#### Joint venture:

##### Purchase of LNG from:

Zhongshihua Xinao	(i)	274	–
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##### Rental income from:

Zhongshihua Xinao	(ii)	108	374
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#### Others:

##### Purchase of materials from:

Nanjing Xinao Technology	(i)	859	744
Huzhou Water	(i)	22	10

881 754

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 16. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- (b) The Group had the following transactions with related parties during the six months ended 30 June 2023 and 2022: (continued)

	Notes	For the six months ended 30 June 2023 RMB'000 (Unaudited)	For the six months ended 30 June 2022 RMB'000 (Unaudited)
<b>Others: (continued)</b>			
<i>Purchase of LNG from:</i>			
Ningbo Intercity	(i)	5,598	17,910
<i>Purchase of PNG from:</i>			
Ningbo Intercity	(i)	244,784	450,466
<i>Purchase of steam from:</i>			
Weineng Environment	(i)	999	–
<i>Purchase of services from:</i>			
Xiniao Xinneng and a subsidiary of the shareholder of the Company	(ix)	7,736	11,411
ENN (Zhoushan) LNG Co., Ltd.	(ix)	3,504	–
		11,240	11,411
<i>Administrative and selling expenses paid to:</i>			
One City One Network Technology Co., Ltd.	(iii)	73	–
Langfang Branch of ENN (China)	(iii)	52	40
Hengxin Investment	(vii)	46	48
Zhejiang Xin'ao Energy	(iii)	27	–
New Wisdom	(iii)	4	–
Longyou Xiniao	(iii)	2	–
Langfang Yitongcheng	(iii)	–	2
		204	90
<i>Insurance referral service provided to:</i>			
Xiniao Brokers	(iv)	3,156	2,390

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 16. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- (b) The Group had the following transactions with related parties during the six months ended 30 June 2023 and 2022: (continued)

	Notes	For the six months ended 30 June 2023 RMB'000 (Unaudited)	For the six months ended 30 June 2022 RMB'000 (Unaudited)
<b>Others: (continued)</b>			
<i>Sale of natural gas to:</i>			
Weineng Environment	(iv)	968	286
South Taihu Agricultural Products	(iv)	206	–
Huzhou Licheng	(iv)	17	17
Shushan Sanatorium	(iv)	8	10
Huzhou Water	(iv)	4	4
Huzhou Fangzong	(iv)	4	–
Yuhua Producing Management	(iv)	–	5
Huzhou Huaxing	(iv)	–	4
Huzhou Assets Management	(iv)	–	4
		<b>1,207</b>	<b>330</b>
<i>Sale of goods to:</i>			
Huzhou Huaxing	(iv)	–	169

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 16. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- (b) The Group had the following transactions with related parties during the six months ended 30 June 2023 and 2022: (continued)

	Notes	For the six months ended 30 June 2023 RMB'000 (Unaudited)	For the six months ended 30 June 2022 RMB'000 (Unaudited)
<b>Others: (continued)</b>			
<i>Construction and installation services provided to:</i>			
Huzhou Urban Investment Talent	(iv)	965	–
Huzhou Historical Reconstruction	(iv)	729	–
Weineng Environment	(iv)	384	–
South Taihu Agricultural Products	(iv)	277	–
Huzhou Licheng	(iv)	230	948
Huzhou Chuangcheng	(iv)	109	358
Huzhou Northern City	(iv)	20	–
Huzhou Talent Development	(iv)	11	–
Huzhou Fangzong	(iv)	–	2,236
Jinglong Real Estate	(iv)	–	633
Yuhua Producing Management	(iv)	–	134
Huzhou Huaxing	(iv)	–	127
		<b>2,725</b>	<b>4,436</b>
<i>Finance income from a finance lease of equipment from:</i>			
Shushan Sanatorium	(v)	375	379
<i>Sale of energy to:</i>			
Shushan Sanatorium	(vi)	1,043	994
South Taihu Agricultural Products	(vi)	893	–
Huzhou Licheng	(vi)	768	301
		<b>2,704</b>	<b>1,295</b>
<i>Rent expense to:</i>			
Huzhou Huaxing	(viii)	130	130



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 16. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

- (b) The Group had the following transactions with related parties during the six months ended 30 June 2023 and 2022: (continued)

Notes:

- (i) Transaction prices of purchases from related parties were determined based on contracts 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) The sale prices of natural gas, service and good income, construction and installation services provided to related parties were made according to the published prices and conditions offered to the major independent third-party customers.
- (v) 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.
- (vi) The sale prices to related parties were determined according to the prices mutually agreed after taking into account the prevailing market prices.
- (vii) Since 2021, Hengxin Investment charges the Group the Call Centre System Service fee every half year and the fee was determined with reference to prevailing market prices.
- (viii) The fee for leasing services paid to the related party was determined with reference to prevailing market prices.
- (ix) The Group entered into an agreement with Xinao Xinneng (Zhejiang) Energy Trading Co., Ltd. and a subsidiary of the shareholder of the Company, pursuant to which Xinao Xinneng (Zhejiang) Energy Trading Co., Ltd. and a subsidiary of the shareholder of the Company 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 2023

## 16. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

### (c) Outstanding balances with related parties

		<b>As at 30 June 2023 RMB'000 (Unaudited)</b>	<b>As at 31 December 2022 RMB'000 (Audited)</b>
	Notes		
<i>Amounts due from related parties:</i>			
Ningbo Intercity	(i)/(ii)	<b>12,294</b>	10,308
Xinao Brokers	(i)	<b>1,266</b>	1,764
Xindi Energy engineering Technology Co., Ltd.	(i)	<b>950</b>	–
South Taihu Agricultural Products	(i)	<b>558</b>	594
Huzhou Urban Investment Talent	(i)	<b>342</b>	–
One City One Network Technology Co., Ltd.	(iii)	<b>253</b>	814
Huzhou Licheng	(i)	<b>159</b>	171
Xinao Energy Power	(iii)	<b>100</b>	100
Huzhou Historical Reconstruction	(i)	<b>80</b>	–
Shushan Sanatorium	(i)	<b>7</b>	614
Langfang Branch of ENN (China)	(i)	<b>7</b>	–
Zhejiang Xin'ao Energy	(i)	<b>2</b>	–
ENN (Zhoushan) LNG Co., Ltd.	(i)	<b>1</b>	–
Huzhou Water	(i)	<b>–</b>	8
		<b>16,019</b>	14,373
<i>Amounts due to related parties:</i>			
Zhoushan ENN	(iv)	<b>13,495</b>	9,264
ENN (China)	(iv)	<b>506</b>	506
Huzhou Huaxing	(iv)	<b>486</b>	–
ENN (Zhoushan) LNG Co., Ltd.	(iv)	<b>200</b>	–
Nanjing Xinao Technology	(iv)	<b>48</b>	8
Zhejiang Xin'ao Energy	(iv)	<b>21</b>	–
Wenzhou Longwan Xinao Gas Co., Ltd.	(iv)	<b>8</b>	–
One City One Network Technology Co., Ltd.	(iv)	<b>7</b>	–
Huzhou Urban Construction	(iv)	<b>–</b>	486
		<b>14,771</b>	10,264

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 16. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

### (c) Outstanding balances with related parties (continued)

	Notes	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
<i>Amounts due to related parties included in contract liabilities:</i>			
Weineng Environment	(v)	782	1,037
Huzhou Urban Investment Talent	(v)	135	–
South Taihu Agricultural Products	(v)	28	–
Huzhou Fangzong	(v)	16	–
Huzhou Zhongfang Zhiye	(v)	13	12
Huzhou Health Group Co., Ltd.	(v)	11	–
Huzhou Hotel Co., Ltd.	(v)	5	–
Huzhou Urban Construction	(v)	5	3
Huzhou Licheng	(v)	4	195
Huzhou Water	(v)	2	6
Huzhou Historical Reconstruction	(v)	–	251
Huzhou Northern City	(v)	–	20
		<b>1,001</b>	<b>1,524</b>
<i>Amount due to a related party included in lease liabilities:</i>			
Huzhou Urban Construction	(vi)	138	272
<i>Amount due from a related party included in lease receivables:</i>			
Shushan Sanatorium	(vii)	4,745	5,170

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 16. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

### (c) Outstanding balances with related parties (continued)

Notes:

- (i) The amounts due from related parties of RMB15,666,000 and RMB13,459,000 as at 30 June 2023 and 31 December 2022, 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, Ningbo Intercity, of RMB9,375,000 during the period have an aging of more than 12 months, the Group thereby recognises an allowance for expected credit losses ("ECLs") for Ningbo Intercity of RMB35,000 under the general approach.
- (iii) The amounts due from related parties of RMB353,000 and RMB914,000 as at 30 June 2023 and 31 December 2022, respectively, were security deposits and were trade in nature.
- (iv) The amounts due to related parties of RMB14,771,000 and RMB10,264,000 as at 30 June 2023 and 31 December 2022, 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 amount due to a related party included in lease liabilities was arising from a customer service centre leasing contract and was trade in nature and unsecured.
- (vii) 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 2023

## 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 2023 RMB'000	31 December 2022 RMB'000	30 June 2023 RMB'000	31 December 2022 RMB'000
<b>Financial assets</b>				
Bills receivable	36,591	31,096	36,591	31,096
<b>Financial liabilities</b>				
Interest-bearing bank borrowings and other borrowings	20,000	–	20,000	–

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 Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair values 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.



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

## 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 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	–	36,591	–	36,591

As at 31 December 2022

	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	–	31,096	–	31,096

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2023

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

### Liabilities measured at fair value:

As at 30 June 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	
Interest-bearing bank borrowings and other borrowings	–	20,000	–	20,000

The Group did not have any financial liabilities measured at fair value as at 31 December 2022.

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 2022: 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 2023.