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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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022**

HIGHLIGHTS

- The sales volume of natural gas for the Period was 271.2 million m³, representing an increase of 4.07% as compared with the corresponding period in 2021.
- Revenue for the Period was RMB1,266.1 million, representing an increase of 54.50% as compared with the corresponding period in 2021.
- Profit attributable to owners of the Company for the Period was RMB52.0 million, representing a decrease of 19.25% compared with the corresponding period in 2021.
- Basic earnings per share for the Period amounted to RMB0.35 (the corresponding period in 2021: RMB0.43).

The board (the “**Board**”) of directors (the “**Directors**”) of Huzhou Gas Co., Ltd.* (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022 (the “**Reporting Period**” or the “**Period**”), together with comparative figures for the corresponding period in 2021 as follows:

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

For the six months ended 30 June 2022

		For the six months ended 30 June	
	<i>Notes</i>	2022	2021
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
REVENUE	4	1,266,078	819,526
Cost of sales		(1,272,501)	(672,034)
GROSS (LOSS)/PROFIT		(6,423)	147,492
Other income and gains	5	115,824	7,862
Selling and distribution expenses		(12,847)	(15,978)
Administrative expenses		(19,940)	(18,322)
Impairment (losses)/gains on financial assets		(364)	107
Other expenses		(1,269)	(1,777)
Finance costs		(465)	(52)
Share of losses of joint ventures		(1,249)	(712)
PROFIT BEFORE TAX	6	73,267	118,620
Income tax expense	7	(18,536)	(29,575)
PROFIT FOR THE PERIOD		54,731	89,045
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		81	(19)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		54,812	89,026
Profit attributable to:			
Owners of the parent		51,976	64,378
Non-controlling interests		2,755	24,667
		54,731	89,045
Total comprehensive income attributable to:			
Owners of the parent		52,044	64,358
Non-controlling interests		2,768	24,668
		54,812	89,026
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit for the period (<i>RMB</i>)	9	0.35	0.43

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	<i>Notes</i>	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
NON-CURRENT ASSETS			
Lease receivables		3,986	3,607
Property, plant and equipment	<i>10</i>	849,086	835,650
Investment properties		1,916	1,947
Right-of-use assets		27,398	26,960
Goodwill		28,506	28,506
Other intangible assets		88,014	91,705
Investments in joint ventures		7,304	8,553
Deferred tax assets		5,905	1,365
		<hr/>	<hr/>
Total non-current assets		1,012,115	998,293
CURRENT ASSETS			
Inventories		26,829	29,347
Lease receivables		807	807
Trade and bills receivables	<i>11</i>	80,704	66,357
Prepayments, other receivables and other assets		86,509	36,829
Due from related parties		11,561	22,569
Financial assets at fair value through profit or loss		–	150,000
Pledged deposits		50,024	24
Cash and cash equivalents		670,648	588,673
		<hr/>	<hr/>
Total current assets		927,082	894,606
CURRENT LIABILITIES			
Trade payables	<i>12</i>	120,938	140,407
Other payables and accruals		405,459	255,650
Contract liabilities		286,697	291,477
Interest-bearing bank and other borrowings	<i>13</i>	50,000	–
Due to related parties		4,421	642
Tax payables		17,197	40,521
Lease liabilities		633	535
		<hr/>	<hr/>
Total current liabilities		885,345	729,232
NET CURRENT ASSETS		<hr/> 41,737 <hr/>	<hr/> 165,374 <hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 1,053,852 <hr/>	<hr/> 1,163,667 <hr/>

		30 June 2022	31 December 2021
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Contract liabilities		88,437	90,404
Deferred tax liabilities		37,567	38,705
Deferred income		967	1,000
Other non-current liabilities		65,991	15,239
Lease liabilities		304	570
		<hr/>	<hr/>
Total non-current liabilities		193,266	145,918
		<hr/>	<hr/>
Net assets		860,586	1,017,749
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>14</i>	150,000	150,000
Other reserves		669,884	793,916
		<hr/>	<hr/>
		819,884	943,916
		<hr/>	<hr/>
Non-controlling interests		40,702	73,833
		<hr/>	<hr/>
Total equity		860,586	1,017,749
		<hr/>	<hr/>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2022

1. CORPORATE INFORMATION

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

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

- the sale of gas, mainly 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 sale of energy, household gas appliances and the leasing of properties in Mainland China.

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

2.1 Basis of Preparation

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021.

2.2 Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's Historical Financial Information included in Accountants' Report set forth in Appendix I to the prospectus of the Company dated 29 June 2022 (the "Prospectus"), except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to IFRS Standards 2018-2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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

- (a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any significant impact on the financial position and performance of the Group.
- (b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any significant impact on the financial position or performance of the Group.
- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any significant impact on the financial position or performance of the Group.
- (d) *Annual Improvements to IFRS Standards 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

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

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

3. OPERATING SEGMENT INFORMATION

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

Geographical information

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Mainland China	<u>1,266,078</u>	<u>819,526</u>

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

Seasonality of operations

The principal business activities of the Group include the distribution and sale of PNG and LNG, sale of energy and provision of construction and installation services. Higher revenues and operating profits are usually expected in the first quarter and fourth quarter of the year. Higher sales revenue during the period from October to March is mainly attributed to the increased sales volume and selling price of natural gas due to the expected increase in demand during the peak season.

4. REVENUE

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

Segments

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue from contracts with customers		
Sale of goods	1,171,174	714,024
Provision of construction and installation services	92,454	103,173
Others	2,932	3,420
Revenue from other sources		
Gross rental income	383	407
	<u>1,266,943</u>	<u>821,024</u>
Less: Government surcharges	<u>(865)</u>	<u>(1,498)</u>
	<u>1,266,078</u>	<u>819,526</u>

Revenue from contracts with customers

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

5. OTHER INCOME AND GAINS

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

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

6. PROFIT BEFORE TAX

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

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

7. INCOME TAX EXPENSE

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

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008 (the “New Corporate Income Tax Law”).

The major components of income tax expense are as follows:

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

8. DIVIDENDS

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

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

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

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

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

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

The calculation of basic and diluted earnings per share is based on:

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

10. PROPERTY, PLANT AND EQUIPMENT

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

11. TRADE AND BILLS RECEIVABLES

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

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 1 year	<u>80,704</u>	<u>66,357</u>

12. TRADE PAYABLES

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

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

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

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

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

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

14. SHARE CAPITAL

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

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

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

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

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

DEVELOPMENT STRATEGY AND OUTLOOK

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

BUSINESS REVIEW

Since 2004 and 2009, the Group has been the exclusive distributor of PNG in its operating areas in Wuxing District and Nanxun District of Huzhou, respectively. The Group’s main businesses include the sale of gas, mainly PNG under concession rights granted to the Group by government authorities in Huzhou, the provision of services to construct and install end-user pipeline network and gas facilities and others, including sale of household gas appliances. As at the end of the Reporting Period, the number of residential users and industrial and commercial users served by the Group amounted to 243,000 and 3,404, respectively, with a gas sales volume of 271.2 million m³, representing an increase of 4.07% as compared with the corresponding period of previous year.

As at the end of the Reporting Period, the Group was the largest PNG distributor in Huzhou City, Zhejiang Province, the PRC, and the length of the natural gas pipeline network operated within the Group’s operating areas in Huzhou was approximately 1,419 kilometers.

FINANCIAL OVERVIEW

Revenue

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

Gross Loss

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

Other Income and Gains

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

Selling Expenses

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

Finance Costs

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

Income Tax Expense

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

Profit attributable to Owners of the Parent

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

Liquidity and Financial Position

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

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

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

Exchange Rate Fluctuation Risk

As the Group operates all its businesses in the PRC, and substantially all of its revenues and expenses are denominated in RMB, the Group faces no significant direct risk in relation to exchange rate fluctuations. The Group will closely monitor the interest rate and exchange rate in the market and take appropriate countermeasures when necessary.

Contingent Liabilities

As at 30 June 2022, the Group had no material contingent liabilities.

Financial Guarantee Obligations

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

Pledge of Assets

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

	30 June 2022 <i>(RMB million)</i> (Unaudited)	31 December 2021 <i>(RMB million)</i> (Audited)
Pledge of assets:		
Pledged deposits	50	–

Significant Investment

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

Material Acquisition and Disposal

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

Human Resources and Employee Compensation

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

EVENTS AFTER THE REPORTING PERIOD

The H shares (“**H Shares**”) of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 13 July 2022 (the “**Listing Date**”). In connection with the Global Offering, 50,000,000 new H Shares were issued and allotted at the offer price of HK\$6.08 per share. On 4 August 2022, the over-allotment option (the “**Over-allotment Option**”) as described in the prospectus of the Company dated 29 June 2022 (the “**Prospectus**”) was partially exercised and 2,714,500 additional new H Shares were issued and allotted at the offer price of HK\$6.08 per share. Please refer to the announcements of the Company dated 12 July 2022, 4 August 2022 and 5 August 2022 for details.

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

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 announcement.

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 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 2022, the Company has not yet been listed and has no details on the use of the Net Proceeds.

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

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

As the H Shares were not yet listed on the Stock Exchange as at 30 June 2022, the principles and code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") (as amended from time to time) were not applicable to the Company during the Reporting Period.

The Company has adopted the principles and code provisions of the CG Code set out in Appendix 14 of the Listing Rules as the basis of the Company's corporate governance practices, and the CG Code has been applicable to the Company with effect from the Listing Date. The Company has complied with all the code provisions set out in the CG Code throughout the period from the Listing Date up to the date of this announcement.

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 supervisors of the Company (the "**Supervisors**") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (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 throughout the period from the Listing Date up to the date of this announcement.

The Code of Conduct also applies to employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Code of Conduct by the employees was noted by the Company throughout the period from the Listing Date up to the date of this announcement.

INTERIM DIVIDEND

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

AUDIT COMMITTEE AND REVIEW OF INTERIM FINANCIAL STATEMENTS

The audit committee of the Board (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.

PUBLICATION OF INTERIM RESULTS AND 2022 INTERIM REPORT

This announcement is available at the websites of the Company (www.hzrqgf.com) and the Stock Exchange (<http://www.hkexnews.hk>). The 2022 interim report of the Company will be dispatched to the shareholders of the Company and will be published on the websites of the Company and the Stock Exchange in accordance with the requirements of the Listing Rules in due course.

By order of the Board
Huzhou Gas Co., Ltd.*
Wang Hua
Chairman

Huzhou, the PRC, 26 August 2022

As at the date of this announcement, the Board comprises Mr. Wang Hua, Ms. Su Li and Mr. Pan Haiming as executive Directors; Mr. Zhang Yuying and Ms. Wu Zhanghuan as non-executive Directors; and Mr. Chang Li Hsien Leslie, Dr. Lau Suet Chiu Frederic and Mr. Zhou Xinfu as independent non-executive Directors.

* For identification purposes only