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中裕能源控股有限公司

ZHONGYU ENERGY HOLDINGS LIMITED

(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

(Stock Code:3633)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE, 2022

FINANCIAL AND OPERATIONAL HIGHLIGHTS

(Unaudited)	For the six months ended 30th June,		
	2022 HK\$'000	2021 HK\$'000	changes %
Turnover	6,614,982	5,824,692	13.6%
Non-HKFRS profit attributable to owners of the Company (as defined in page 27)	574,985	545,799	5.3%
Non-HKFRS EBITDA (as defined in page 27)	1,170,441	1,150,546	1.7%
Proposed interim dividend (HK cents)	3.00	3.00	—
Sales volume of integrated energy (million kWh)	29.00	8.21	253.2%

The board of directors (the “Board” or the “Directors”) of Zhongyu Energy Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30th June, 2022, together with the comparative figures for the corresponding period in 2021, which are set out below.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 30th June, 2022

		For the six months ended	
		30th June,	
		2022	2021
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	3	6,614,982	5,824,692
Cost of sales		<u>(5,432,576)</u>	<u>(4,600,133)</u>
Gross profit		1,182,406	1,224,559
Other gains and losses	5	(360,724)	98,226
Other income		94,657	50,518
Selling and distribution costs		(124,125)	(113,474)
Administrative expenses		(282,719)	(273,857)
Finance costs	6	(104,801)	(75,836)
Share of results of associates		19,345	13,631
Share of results of joint ventures		<u>(385)</u>	<u>(901)</u>
Profit before tax		423,654	922,866
Income tax expenses	7	<u>(153,452)</u>	<u>(227,482)</u>
Profit for the period	8	<u>270,202</u>	<u>695,384</u>
Profit for the period attributable to:			
Owners of the Company		213,982	644,172
Non-controlling interests		<u>56,220</u>	<u>51,212</u>
		<u>270,202</u>	<u>695,384</u>

		For the six months ended	
		30th June,	
		2022	2021
NOTE		HK\$'000	HK\$'000
Profit for the period		270,202	695,384
Other comprehensive income (expense)			
Items that will not be reclassified subsequently to profit or loss:			
Exchange differences on translation from functional currency to presentation currency		(349,411)	67,758
Fair value gain on revaluation of pipelines included in property, plant and equipment		522,182	–
Deferred tax arising from revaluation of pipelines included in property, plant and equipment		(130,546)	–
Other comprehensive income for the period		42,225	67,758
Total comprehensive income for the period		312,427	763,142
Profit for the period attributable to:			
Owners of the Company		213,982	644,172
Non-controlling interests		56,220	51,212
		270,202	695,384
Total comprehensive income for the period attributable to:			
Owners of the Company		232,878	708,705
Non-controlling interests		79,549	54,437
		312,427	763,142
Earnings per share	10		
Basic		HK7.55 cents	HK24.35 cents
Diluted		HK7.54 cents	HK24.32 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2022

		30th June, 2022 (unaudited) HK\$'000	31st December, 2021 (audited) HK\$'000
	NOTES		
Non-current assets			
Investment properties		8,580	8,942
Property, plant and equipment		15,183,005	14,995,812
Right-of-use assets		597,363	616,721
Goodwill		449,607	468,579
Other intangible assets		1,361,481	1,406,259
Long-term deposits, prepayments and other receivables		1,255,466	1,247,331
Interests in associates		704,178	714,292
Interests in joint ventures		17,240	18,358
Financial assets at fair value through other comprehensive income		82,875	86,257
		<u>19,659,795</u>	<u>19,562,551</u>
Current assets			
Inventories		678,200	689,895
Properties under development for sale		228,914	225,809
Trade receivables	11	2,180,250	2,047,401
Deposits, prepayments and other receivables		1,577,809	1,748,685
Amount due from a related party		8,802	9,173
Contract assets		422,668	515,356
Tax recoverable		4,035	4,206
Pledged bank deposits		46,943	48,924
Bank balances and cash		1,800,993	1,820,864
		<u>6,948,614</u>	<u>7,110,313</u>
Current liabilities			
Trade payables	12	1,620,996	1,730,216
Other payables and accrued charges		692,070	779,694
Amount due to an associate		1,050	1,094
Contract liabilities		1,564,415	1,838,540
Borrowings		6,135,235	3,948,904
Lease liabilities		5,981	4,670
Tax payables		113,301	125,361
		<u>10,133,048</u>	<u>8,428,479</u>
Net current liabilities		<u>(3,184,434)</u>	<u>(1,318,166)</u>
Total assets less current liabilities		<u>16,475,361</u>	<u>18,244,385</u>

	30th June, 2022 (unaudited) HK\$'000	31st December, 2021 (audited) HK\$'000
Capital and reserves		
Share capital	28,338	28,338
Reserves	<u>8,863,537</u>	<u>8,630,659</u>
Equity attributable to owners of the Company	8,891,875	8,658,997
Non-controlling interests	<u>929,939</u>	<u>858,001</u>
Total equity	<u>9,821,814</u>	<u>9,516,998</u>
Non-current liabilities		
Deferred income and advance received	5,404	6,258
Borrowings	5,260,917	7,372,076
Lease liabilities	16,203	16,886
Deferred taxation	<u>1,371,023</u>	<u>1,332,167</u>
	<u>6,653,547</u>	<u>8,727,387</u>
	<u>16,475,361</u>	<u>18,244,385</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31st December, 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain property, plant and equipment, financial instruments and investment properties which are measured at revalued amounts or fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to HKFRSs and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31st December, 2021.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1st January, 2022 for the preparation of the Group’s condensed consolidated financial statements.

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. TURNOVER

Disaggregation of revenue from contracts with customers

	For the six months ended	
	30th June,	
	2022	2021
	HK\$'000	HK\$'000
Types of goods or services		
Sales of gas	5,658,724	4,493,678
Gas pipeline construction	678,471	997,781
Value-added services	140,519	203,849
Sales of compressed natural gas or liquefied natural gas ("CNG/LNG") in vehicle filling stations	118,804	116,360
Smart energy	18,464	13,024
Total	6,614,982	5,824,692
Timing of revenue recognition		
A point in time	5,936,511	4,826,911
Over time	678,471	997,781
Total	6,614,982	5,824,692

All the revenue from contracts with customers are derived from the People's Republic of China ("PRC").

4. SEGMENT INFORMATION

The Group's executive Directors are the chief operating decision makers ("CODM") as they collectively make strategic decisions on resources allocation and performance assessment. Majority of identifiable assets of the Group are located in the PRC.

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

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

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

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

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

For the six months ended 30th June, 2022

	Sales of gas <i>HK\$'000</i>	Gas pipeline construction <i>HK\$'000</i>	Value-added services <i>HK\$'000</i>	Operation of CNG/LNG vehicle filling stations <i>HK\$'000</i>	Smart energy <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	<u>5,658,724</u>	<u>678,471</u>	<u>140,519</u>	<u>118,804</u>	<u>18,464</u>	<u>6,614,982</u>
Segment profit	<u>436,827</u>	<u>368,461</u>	<u>45,604</u>	<u>1,366</u>	<u>12,189</u>	864,447
Unallocated other income						94,657
Unallocated other gains and losses						(380,641)
Unallocated central corporate expenses						(50,008)
Finance costs						<u>(104,801)</u>
Profit before tax						<u>423,654</u>

For the six months ended 30th June, 2021

	Sales of gas <i>HK\$'000</i>	Gas pipeline construction <i>HK\$'000</i>	Value-added services <i>HK\$'000</i>	Operation of CNG/LNG vehicle filling stations <i>HK\$'000</i>	Smart energy <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	<u>4,493,678</u>	<u>997,781</u>	<u>203,849</u>	<u>116,360</u>	<u>13,024</u>	<u>5,824,692</u>
Segment profit (loss)	<u>270,161</u>	<u>572,059</u>	<u>66,224</u>	<u>(4,169)</u>	<u>(5,477)</u>	898,798
Unallocated other income						50,518
Unallocated other gains and losses						98,373
Unallocated central corporate expenses						(48,987)
Finance costs						<u>(75,836)</u>
Profit before tax						<u>922,866</u>

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

5. OTHER GAINS AND LOSSES

	For the six months ended 30th June,	
	2022	2021
	HK\$'000	HK\$'000
Net foreign exchange (losses) gains	(361,003)	98,373
Net gains (losses) on disposal of property, plant and equipment	254	(147)
Others	25	—
	<u>(360,724)</u>	<u>98,226</u>

6. FINANCE COSTS

	For the six months ended 30th June,	
	2022	2021
	HK\$'000	HK\$'000
Interest on borrowings and lease liabilities	166,362	147,743
Amortisation on loan facilities fees relating to bank borrowings	28,807	23,133
Total borrowing costs	195,169	170,876
Less: Amounts capitalised in construction in progress included in property, plant and equipment	(90,368)	(95,040)
	<u>104,801</u>	<u>75,836</u>

7. INCOME TAX EXPENSES

	For the six months ended 30th June,	
	2022	2021
	HK\$'000	HK\$'000
PRC Enterprise Income Tax	<u>153,452</u>	<u>227,482</u>

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

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. No provision for Hong Kong Profits Tax has been made in the condensed consolidated financial statements as the Company and its subsidiaries had no assessable profits arising in Hong Kong for both periods.

Under the EIT Law of the PRC, withholding tax is imposed on the dividend declared to non-PRC tax residents in respect of profits earned by PRC subsidiaries from 1st January, 2008 onwards. During the six months ended 30th June, 2022, withholding tax amounting to HK\$5,629,000 (2021: nil) was levied by the PRC tax authority on the dividends paid to overseas group entities.

8. PROFIT FOR THE PERIOD

For the six months ended
30th June,
2022 2021
HK\$'000 HK\$'000

Profit for the period has been arrived at after charging:

Amortisation of other intangible assets (included in cost of sales)	41,381	36,166
Depreciation of right-of-use assets	11,526	10,817
Depreciation of property, plant and equipment	<u>228,076</u>	<u>203,234</u>

9. DIVIDENDS

During the six months ended 30th June, 2022, a final dividend of HK8 cents per ordinary share and special dividend of HK5 cents per ordinary share in respect of the year ended 31st December, 2021 (2021: final dividend of HK7 cents per ordinary share in respect of the year ended 31st December, 2020), in an aggregate amount of HK\$368,398,000 (2021: HK\$185,159,000), has been proposed by the Directors and approved by the shareholders in the annual general meeting.

No dividend was paid during the six months ended 30th June, 2022 (2021: nil).

Subsequent to the end of the current interim period, an interim dividend of HK3 cents per ordinary share for 2022 (2021: HK3 cents), in an aggregate amount of HK\$85,015,000 (2021: HK\$79,375,000), has been proposed by the Directors.

10. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

For the six months ended
30th June,
2022 2021
HK\$'000 HK\$'000

Earnings

Earnings for the purposes of basic and diluted earnings per share, being profit for the period attributable to owners of the Company	<u>213,982</u>	<u>644,172</u>
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For the six months ended
30th June,
2022 2021
'000 '000

Number of shares

Weighted average number of ordinary shares for the purpose of basic earnings per share	2,833,832	2,644,963
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	<u>3,978</u>	<u>3,296</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>2,837,810</u>	<u>2,648,259</u>

11. TRADE RECEIVABLES

The Group allows an average credit period of 30 days (2021: 30 days) to its trade customers. The following is an aged analysis of trade receivables from contracts with customers net of allowance for credit losses presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates for sales of gas and the respective construction contracts completion dates, as appropriate:

	30th June, 2022 HK\$'000	31st December, 2021 HK\$'000
0 – 30 days	1,034,625	784,715
31 – 90 days	117,187	161,349
91 – 180 days	144,030	162,539
181 – 360 days	290,439	481,316
Over 360 days	593,969	457,482
	<hr/>	<hr/>
Trade receivables	<u>2,180,250</u>	<u>2,047,401</u>

As at 30th June, 2022, total bills received amounting to HK\$163,356,000 (2021: HK\$132,287,000) are held by the Group for future settlement of trade receivables. All bills received by the Group have a maturity period of less than one year.

The amounts due from certain PRC local governments for the “Coal-to-gas” projects under the “gas pipeline construction” segment are included in the carrying amount of trade receivables.

As at 30th June, 2022, included in the Group’s trade receivables balance are debtors with aggregate carrying amount of HK\$1,087,631,000 (2021: HK\$1,195,151,000) which are past due as at the reporting date. Out of the past due balances, HK\$1,005,520,000 (2021: HK\$1,079,493,000) has been past due 90 days or more and is not considered as in default as these are represented by the debtors without bad debt history or the PRC local governments with low credit risks. The Group does not hold any collateral over these balances.

12. TRADE PAYABLES

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

	30th June, 2022 <i>HK\$'000</i>	31st December, 2021 <i>HK\$'000</i>
0 – 30 days	580,834	815,426
31 – 90 days	144,807	290,799
91 – 180 days	206,446	189,433
Over 180 days	<u>688,909</u>	<u>434,558</u>
Trade payables	<u><u>1,620,996</u></u>	<u><u>1,730,216</u></u>

The average credit period on purchase of goods is 90 days (2021: 90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

LIQUIDITY, FINANCIAL RESOURCES AND WORKING CAPITAL

Liquidity

As at 30th June, 2022, the total assets of the Group decreased by HK\$64,455,000 or 0.2% to HK\$26,608,409,000 (2021: HK\$26,672,864,000).

As at 30th June, 2022, the Group has net current liabilities of HK\$3,184,434,000 (2021: HK\$1,318,166,000).

As at 30th June, 2022, the Group's current ratio, represented by a ratio of total current assets to total current liabilities, was approximately 0.7 (2021: 0.8).

As at 30th June, 2022, the total borrowings and lease liabilities increased by HK\$75,800,000 or 0.7% to HK\$11,418,336,000 (2021: HK\$11,342,536,000).

As at 30th June, 2022, the Group had total net debts of HK\$9,570,400,000 (2021: HK\$9,472,748,000), measured as total borrowings and lease liabilities minus the bank balances and cash and pledged bank deposits. As at 30th June, 2022, the Group had net gearing ratio of approximately 0.97 (2021: 1.00), measured as total net debts to total equity of HK\$9,821,814,000 (2021: HK\$9,516,998,000).

Financial resources

During the period under review, the Group entered into a loan agreement with a bank in Hong Kong, pursuant to which loan facility of up to HK\$200,000,000 in total was made available to the Group.

During the six months ended 30th June, 2022, the Group generally financed its operations with internally generated resources and bank and other borrowings. As at 30th June, 2022, all of the bank and other borrowings were on normal commercial terms.

Working capital

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

EXPOSURE TO EXCHANGE RATE FLUCTUATIONS

During the period under review, the Group's monetary assets and liabilities are principally denominated in either Renminbi ("RMB"), Hong Kong dollars ("HK\$") or United States dollars ("US\$") and the Group conducted its business transactions principally in RMB. As a result of the depreciation of RMB in the first half of 2022, exchange loss arising from the Group's bank borrowings denominated in United States dollars and Hong Kong dollars was recognised during the period under review. The Group may, as it thinks fit, seek suitable financial instruments to hedge against potential depreciation of RMB in the future. As at 30th June, 2022, the Group did not, but was actively exploring opportunities to employ any financial instruments for hedging purposes.

EMPLOYEE INFORMATION

As at 30th June, 2022, the Group had a total of 4,907 employees (2021: 4,799) in Hong Kong and the PRC, and the total employee benefit expenses (other than directors) for the period under review was approximately HK\$319,453,000 (2021: HK\$286,396,000). The growth was mainly due to increase in the number of headcount of the Group. Around 99.8% of the Group's employees are based in the PRC.

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

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

Share option scheme

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

As at 30th June, 2022, there was no share option outstanding under the Old Share Option Scheme.

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

The scheme mandate limit of the New Share Option Scheme is 252,400,768. As at 30th June, 2022, 126,730,800 share options were granted, 3,023,200 share options have lapsed in accordance with the terms of the New Share Option Scheme and the number of share options outstanding was 16,092,800. The maximum number of share options which may be granted under the New Share Option Scheme is 128,693,168. The outstanding share options, if converted in full into shares of the Company, and the number of options available for future grant, if granted and converted in full, represent approximately 0.57% and 4.54% of the number of issued shares of the Company as at 30th June, 2022, respectively.

The following table discloses movements of the Company's share options granted to the eligible participants (including Directors) under the New Share Option Scheme during the period under review:

Name of participants who are Directors and category of other participants	Date of grant	Exercise/vesting period	Exercise price HK\$	Number of share options granted under the New Share Option Scheme				
				Outstanding at 1st January, 2022	Granted during the period under review	Exercised during the period under review	Lapsed/ Cancelled during the period under review	Outstanding at 30th June, 2022
Lui Siu Keung	5th January, 2018	5th January, 2018 to 4th January, 2028	5.468	7,543,500	–	–	–	7,543,500
Lu Zhaoheng	5th January, 2018	5th January, 2018 to 4th January, 2028	5.468	3,017,400	–	–	–	3,017,400
Li Chunyan	5th January, 2018	5th January, 2018 to 4th January, 2028	5.468	502,900	–	–	–	502,900
Luo Yongtai	5th January, 2018	5th January, 2018 to 4th January, 2028	5.468	502,900	–	–	–	502,900
Liu Yu Jie	5th January, 2018	5th January, 2018 to 4th January, 2028	5.468	502,900	–	–	–	502,900
				12,069,600	–	–	–	12,069,600
Employees	5th January, 2018	5th January, 2018 to 4th January, 2028	5.468	2,514,500	–	–	–	2,514,500
Employees	5th January, 2018	17th December, 2019 to 4th January, 2028	5.468	1,508,700	–	–	–	1,508,700
				16,092,800	–	–	–	16,092,800
Exercisable at the end of the period								16,092,800
Weighted average exercise price				HK\$5.468	–	–	–	HK\$5.468

CHARGE ON THE GROUP'S ASSETS

As at 30th June, 2022, pledged bank deposit of RMB40,000,000 (equivalent to HK\$46,943,000) (2021: RMB40,000,000) was used to secure the short-term general banking facilities granted to the Group.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES

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

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

As at 30th June, 2022, the Board did not have any specific plans for material investment or capital assets.

CAPITAL AND OTHER COMMITMENTS

As at 30th June, 2022, the capital expenditure in respect of the acquisition of property, plant and equipment and right-of-use assets contracted for but not provided in the condensed consolidated financial statements is HK\$152,926,000 (2021: HK\$149,021,000).

CONTINGENT LIABILITIES

As at 30th June, 2022, the Group did not have any contingent liabilities (2021: nil).

BUSINESS REVIEW

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

New Downstream Natural Gas Distribution Projects

As at 30th June, 2022, the Group had 74 gas projects with exclusive rights in the PRC. During the period under review, the Group obtained concession right to operate 2 additional natural gas projects in Jilin Province and Jiangxi Province.

Major Operational Data

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

The major operational data of the Group for the period under review together with the comparative figures for the corresponding period last year are as follows:

	Six months ended 30th June, (unaudited)		Increase/ (Decrease)
	2022	2021	
Number of operational locations (<i>Note a</i>)	74	73	1
– Henan Province	28	28	–
– Hebei Province	21	21	–
– Jiangsu Province	7	7	–
– Shandong Province	4	4	–
– Jilin Province	4	3	1
– Fujian Province	1	1	–
– Heilongjiang Province	2	2	–
– Zhejiang Province (<i>Note e</i>)	2	3	(1)
– Anhui Province	3	3	–
– Inner Mongolia	1	1	–
– Jiangxi Province	1	–	1
Connectable population (’000) (<i>Note b</i>)	22,769	21,664	5.1%
Connectable residential households (’000)	6,492	6,176	5.1%
New piped gas connections by the Group made during the period			
– Residential households	206,395	296,760	(30.5)%
(i) “Coal-to-gas” projects	24,286	70,168	(65.4)%
(ii) Non “Coal-to-gas” projects	182,109	226,592	(19.6)%
– Industrial customers	163	122	33.6%
– Commercial customers	850	729	16.6%
Accumulated number of connected piped gas customers			
– Residential households	4,563,719	4,253,102	7.3%
– Industrial customers	3,682	3,329	10.6%
– Commercial customers	18,573	16,299	14.0%
Penetration rate of residential pipeline connection (<i>Note c</i>)	70.3%	68.9%	1.4%
Unit of piped natural gas sold to retail customers (’000 m ³)			
– Residential households	448,003	376,817	18.9%
– Industrial customers	660,764	648,619	1.9%
– Commercial customers	76,952	80,748	(4.7)%

	Six months ended 30th June, (unaudited)		Increase/ (Decrease)
	2022	2021	
Unit of gas sold to wholesale customers ('000 m ³)			
– Piped natural gas	91,859	189,605	(51.6)%
– LNG	107,730	127,283	(15.4)%
Total unit of gas sold ('000 m ³)	1,385,308	1,423,072	(2.7)%
Number of CNG/LNG vehicle filling stations			
– Accumulated	64	64	–
– Under construction	7	7	–
Unit of natural gas sold to vehicles ('000 m ³)	26,496	33,116	(20.0)%
Total length of existing intermediate and main pipelines (km)	26,706	25,915	3.1%
Average selling price of natural gas (pre-tax) (RMB per m ³)			
– Residential households	2.53	2.47	2.4%
– Industrial customers	3.76	2.78	35.3%
– Commercial customers	3.75	3.19	17.6%
– Wholesale customers	3.20	2.11	51.7%
– Wholesale customers (LNG)	4.35	2.62	66.0%
– CNG/LNG vehicle filling stations	4.00	2.93	36.5%
Average purchase cost of natural gas (RMB per m ³) (Note d)	2.83	2.22	27.5%
Average connection fee for residential households (RMB)			
– “Coal-to-gas” projects	3,061	2,960	3.4%
– Non “Coal-to-gas” projects	2,456	2,574	(4.6)%
Accumulated number of integrated energy projects in operation	76	23	230.4%
Sales volume of integrated energy (million kWh)	29.00	8.21	253.2%

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

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

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

Note d: The amounts do not include the average distribution costs of natural gas, which is RMB0.18 per m³ (2021: RMB0.18 per m³).

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

FINANCIAL REVIEW

Overall

The Group's turnover for the six months ended 30th June, 2022 increased by 13.6% to HK\$6,614,982,000 (2021: HK\$5,824,692,000). The Group's profit attributable to owners of the Company decreased by 66.8% to HK\$213,982,000 (2021: HK\$644,172,000). The basic and diluted earnings per share attributable to the owners of the Company were HK7.55 cents and HK7.54 cents respectively for the six months ended 30th June, 2022, as compared with that of HK24.35 cents and HK24.32 cents respectively for the corresponding period last year.

Non-HKFRS profit attributable to owners of the Company amounted to HK\$574,985,000 (2021: HK\$545,799,000). Non-HKFRS basic and diluted earnings per share attributable to the owners of the Company for the period under review were HK20.29 cents (2021: HK20.64 cents) and HK20.26 cents (2021: HK20.61 cents) respectively.

Turnover

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

	For the six months ended 30th June,				
	2022 HK\$'000	% of total	2021 HK\$'000	% of total	Increase/ (Decrease)
Sales of Gas	5,658,724	85.5%	4,493,678	77.1%	25.9%
Gas Pipeline Construction	678,471	10.3%	997,781	17.1%	(32.0)%
Value-added Services	140,519	2.1%	203,849	3.5%	(31.1)%
Sales of CNG/LNG in Vehicle Filling Stations	118,804	1.8%	116,360	2.0%	2.1%
Smart Energy	18,464	0.3%	13,024	0.3%	41.8%
Total	<u>6,614,982</u>	<u>100%</u>	<u>5,824,692</u>	<u>100%</u>	<u>13.6%</u>

The turnover for the period under review amounted to HK\$6,614,982,000 (2021: HK\$5,824,692,000). The increase in revenue from sales of gas was partially offset by the decline in revenue from gas pipeline construction and valued-added services.

Sales of gas

Sales of gas for the six months ended 30th June, 2022 amounted to HK\$5,658,724,000 (2021: HK\$4,493,678,000), representing an increase of 25.9% over the corresponding period last year. Sales of gas for the period under review contributed 85.5% of the total turnover of the Group, as compared with the percentage of 77.1% during the corresponding period last year. Sales of gas continued to be the major source of turnover for the Group. The following table set forth the breakdown of revenue from sales of gas by customers.

Sales of gas by customers

For the six months ended 30th June,					Increase/ (Decrease)
	2022 HK\$'000	% of total	2021 HK\$'000	% of total	
Industrial customers	3,009,247	53.2%	2,184,876	48.6%	37.7%
Residential households	1,370,814	24.2%	1,119,403	24.9%	22.5%
Commercial customers	349,045	6.2%	309,550	6.9%	12.8%
Wholesale customers	929,618	16.4%	879,849	19.6%	5.7%
Total	<u>5,658,724</u>	<u>100%</u>	<u>4,493,678</u>	<u>100%</u>	<u>25.9%</u>

Industrial customers

The sales of gas to the Group's industrial customers for the period under review increased by 37.7% to HK\$3,009,247,000 from HK\$2,184,876,000 for the corresponding period last year. During the period under review, the Group connected 163 new industrial customers. Since 2021, global economy gradually recovered and certain social distancing measures were relaxed after COVID-19 vaccine worldwide rollout. Benefiting from the effective pandemic prevention and control, domestic consumption in the PRC rebounded and the demand for natural gas boosted. During the period under review, the piped natural gas usage provided by the Group to its industrial customers increased by 1.9% to 660,764,000 m³ (2021: 648,619,000 m³). In response to higher cost of natural gas from suppliers for gas sales, the average selling price of natural gas for industrial customers for the period under review was adjusted upward by 35.3% to RMB3.76 per m³ (2021: RMB2.78 per m³) when compared to the corresponding period last year.

The sales of gas to our industrial customers for the period under review contributed 53.2% of the total sales of gas of the Group (2021: 48.6%) and continues to be the major source of sales of gas of the Group.

Residential households

The sales of gas to our residential households for the period under review increased by 22.5% to HK\$1,370,814,000 from HK\$1,119,403,000 for the corresponding period last year. The growth in sales of gas to residential households was supported by increase in construction work for gas pipeline connection and the growth in population in the Group's existing project cities in the PRC. Since the outbreak of the COVID-19 pandemic, people developed new lifestyle and spent more time at home both working and learning. Furthermore, after years of promotion of clean energy heating plan, more residential households are willing to use natural gas for indoor heating in the winter, which increased the gas consumption of residential households for indoor as well. During the period under review, the Group provided new natural gas connections for 206,395 residential households and the piped natural gas usage provided by the Group to residential households increased by 18.9% to 448,003,000 m³ (2021: 376,817,000 m³). The average selling price of natural gas for residential customers increased by 2.4% to RMB2.53 per m³ (2021: RMB2.47 per m³).

The sales of gas to our residential households for the period under review contributed 24.2% of the total sales of gas of the Group (2021: 24.9%).

Commercial customers

The sales of gas to our commercial customers for the period under review increased by 12.8% to HK\$349,045,000 from HK\$309,550,000 for the corresponding period last year. The sales of gas to commercial customers for the period under review contributed 6.2% of the total sales of gas of the Group (2021: 6.9%). During the period under review, the Group connected 850 new commercial customers. As at 30th June, 2022, the number of commercial customers of the Group reached 18,573, representing an increase of 4.8% as compared with 17,723 commercial customers as at 31st December, 2021.

The demand for gas from commercial customers were adversely impacted during the COVID-19 pandemic in 2020. But such demand resumed since 2021 in the wake of the re-opening of restaurants, schools and recreational facilities. The gas consumption of commercial customers remained stable of 76,952,000 m³ (2021: 80,748,000 m³) for the period under review. In response to the higher cost of natural gas from suppliers for gas sales, the average selling price of natural gas for commercial customers was adjusted upward by 17.6% to RMB3.75 per m³ (2021: RMB3.19 per m³) when compared to the corresponding period last year.

Wholesale customers

The sales of gas to our wholesale customers for the period under review increased by 5.7% to HK\$929,618,000 from HK\$879,849,000 for the corresponding period last year. The sales of gas to wholesale customers for the period under review contributed 16.4% of the total sales of gas of the Group (2021: 19.6%).

During the period under review, piped natural gas usage provided by the Group to its wholesale customers declined by 51.6% to 91,859,000 m³ (2021: 189,605,000 m³); at the same time, the LNG provided by the Group to its wholesale customers declined by 15.4% to 107,730,000 m³ (2021: 127,283,000 m³). The impact of decline in natural gas sold was offset with the increase in selling price. The average selling price of natural gas and LNG for wholesales customers for the period under review was adjusted upward by 51.7% to RMB3.2 per m³ (2021: RMB2.11 per m³) and 66.0% to RMB4.35 per m³ (2021: RMB2.62 per m³) respectively.

Gas Pipeline Construction

Revenue from gas pipeline construction for the six months ended 30th June, 2022 amounted to HK\$678,471,000 (2021: HK\$997,781,000), representing a decrease of 32.0% over the corresponding period last year. It contributed 10.3% of the total turnover of the Group, as compared with the percentage of 17.1% during the corresponding period last year. The following table set forth the breakdown of revenue from gas pipeline construction by customers.

Revenue from gas pipeline construction by customers

	For the six months ended 30th June,				
	2022	% of total	2021	% of total	Increase/
	HK\$'000		HK\$'000		(Decrease)
Residential households					
– “Coal-to-gas” projects	89,737	13.2%	249,059	25.0%	(64.0)%
– Non “Coal-to-gas” projects	539,828	79.6%	699,409	70.1%	(22.8)%
Non-residential customers	48,906	7.2%	49,313	4.9%	(0.8)%
Total	678,471	100%	997,781	100%	(32.0)%

In 2017, the PRC government launched the “coal-to-gas” policy as one of its major priorities to fight against air pollution. The Group has followed the “coal-to-gas” conversion policy and carried out a number of conversion projects in different regions of the PRC. The Group carefully selected new projects and focused on projects with better profitability and recoverability, such as projects partly sponsored by local governments. Since 2021, the decline in government-sponsored projects available caused a drop in the connections made by the Group. The revenue from gas pipeline construction for residential households for “coal-to-gas” projects for the six months ended 30th June, 2022 decreased by 64.0% to HK\$89,737,000 from HK\$249,059,000 for the corresponding period last year. During the period under review, the Group provided new natural gas connections for 24,286 residential households (2021: 70,168) under “coal-to-gas” projects and the average connection fee was RMB3,061 (2021: RMB2,960).

During the period under review, revenue from gas pipeline construction for residential households for non “coal-to-gas” projects decreased by 22.8% to HK\$539,828,000 (2021: HK\$699,409,000). The drop was mainly attributable to the decrease in construction work for gas pipeline connection completed by the Group for residential households for non “coal-to-gas” projects to 182,109 from 226,592 for the corresponding period last year. The average connection fee slightly dropped to RMB2,456 in 2022 from RMB2,574 in 2021.

The gross profit margin for gas pipeline construction remained relatively stable at 73.4%.

The connection fee charged to industrial/commercial customers by the Group was significantly higher than that charged to residential households and was determined on a case-by-case basis. During the period under review, revenue from gas pipeline construction for non-residential customers slightly decreased by 0.8% to HK\$48,906,000 from HK\$49,313,000 for the corresponding period last year.

As at 30th June, 2022, the Group’s penetration rates of residential pipeline connection amounted to 70.3% (2021: 68.9%) (calculated by the accumulated number of the Group’s connected residential households over the estimated aggregate number of connectable residential households in regions it operates in and expressed in percentages). In view of the favourable energy policies in the PRC, the Group is aiming to continue to increase its market coverage by acquisitions when suitable opportunities arise.

Value-added Services

Revenue from value-added services for the six months ended 30th June, 2022 amounted to HK\$140,519,000 (2021: HK\$203,849,000), representing a decrease of 31.1% over the corresponding period last year. It contributed 2.1% of the total turnover of the Group, as compared with the percentage of 3.5% during the corresponding period last year.

Since 2017, the Group has placed greater emphasis on value-added services such as sales of stoves and safe and reliable kitchenware, including gas water heaters, gas cooking appliances and wall-hang boilers under its own brand name, “Zhongyu Phoenix” (中裕鳳凰), to residential customers. The decrease in revenue of value-added services for the period under review was mainly due to a decrease in the sales of wall-hang boilers by 96.9% to HK\$2,015,000 from HK\$65,203,000 for the corresponding period last year, as a result of reduced number of “coal-to-gas” projects. During the period under review, other than sales of wall-hang boilers, revenue from sales of stoves and provision of other related services amounting to HK\$138,504,000 (2021: HK\$138,646,000) remained stable as compared to the corresponding period last year. With the increasing number of connected residential customers and brand recognition built in recent years, as well as the establishment of the online shopping platform “Zhongyu iFamille” (中裕i家), the independent supply platform, customer service platform and customer online community, the value-added services is expected to contribute stable revenue to the Group.

Sales of CNG/LNG in Vehicle Filling Stations

Revenue from operating CNG/LNG vehicle filling stations for the six months ended 30th June, 2022 amounted to HK\$118,804,000 (2021: HK\$116,360,000), representing an increase of 2.1% over the corresponding period last year. The unit of natural gas sold to vehicles declined by 20.0% to 26,496,000 m³ (2021: 33,116,000 m³) and the average selling price of natural gas for CNG/LNG vehicle filling stations for the period under review increased by 36.5% to RMB4.00 per m³ (2021: RMB2.93 per m³) when compared to the corresponding period last year.

During the period under review, the turnover derived from operating CNG/LNG vehicle filling stations accounted for 1.8% (2021: 2.0%) of the total turnover of the Group. As at 30th June, 2022, the Group had 64 CNG/LNG vehicle filling stations and 7 CNG/LNG vehicle filling stations under construction in the PRC.

Smart Energy

Revenue from smart energy for the six months ended 30th June, 2022 amounted to HK\$18,464,000 (2021: HK\$13,024,000), representing an increase of 41.8% over the corresponding period last year. Taking on the advantages of huge market and customer base of its gas projects, the Group is currently establishing an extensive network of new businesses in China, including natural gas-fired distributed energy, photovoltaic power generation and charging stations. It seeks to comprehensively utilise energy with years of cumulative experience in market development and technical innovation, in an effort to provide customers with highly efficient integrated energy that addresses their needs for gas, heating, electricity and cooling. The smart energy business contributed 0.3% (2021: 0.3%) of the total turnover of the Group for the period under review. The Group will continuously explore the operation model of energy business, and promote the expansion of energy projects to meet the diversified energy demand of customers.

Gross profit margin

The overall gross profit margin for the six months ended 30th June, 2022 was 17.9% (2021: 21.0%). The decline in overall gross profit margin in current period was mainly due to the decrease of gross profit margin of gas pipeline construction.

The gross profit margin for the sales of piped natural gas increased to 11.9% (2021: 9.0%) as the increment of average selling price of natural gas for residential households, industrial and commercial customers outweighed the increment of average purchase cost of natural gas. The Group's energy trading business has been strengthened to secure stable gas supply from different sources and contracts have been signed with suppliers to secure more piped gas with lower average cost. The gross profit margin for the gas pipeline construction remained stable at 73.4% for the period under review (2021: 76.2%). The gross profit margin for value-added services increased to 79.2% (2021: 56.5%) because of the reduction in the sales of low-gross-profit-margin wall hung boilers in 2022 and increase in the value-added services fee and selling price of other gas appliances. The gross profit margin for the sales of CNG/LNG in vehicle filling stations increased to 8.6% (2021: 5.0%) as a result of increase in average selling price of CNG/LNG sold in vehicle filling station. The gross profit margin for the smart energy increased to 31.9% (2021: 29.2%) as a result of increase in number of integrated energy projects and increase in supply of integrated energy during the period under review.

Other gains and losses

The Group recognised other net losses of HK\$360,724,000 during the period under review (2021: other net gains of HK\$98,226,000). The amount is mainly derived from net foreign exchange losses of HK\$316,003,000 (2021: gains of HK\$98,373,000) mainly arising from the Group's bank borrowings denominated in United States dollars and Hong Kong dollars as a result of the depreciation of RMB in 2022.

Selling and distribution costs and administrative expenses

Selling and distribution costs increased by 9.4% to HK\$124,125,000 for the period under review from HK\$113,474,000 for the corresponding period last year. Administrative expenses increased by 3.2% to HK\$282,719,000 for the period under review from HK\$273,857,000 for the corresponding period last year. The increase was mainly attributable to (i) increased staff costs and related expenses as a result of increased number of headcount and increased society security contribution; (ii) increased commission expenses for value-added services; and (iii) additional depreciation expenses arisen from the revaluation of pipelines in prior year.

Finance costs

Finance costs increased by 38.2% to HK\$104,801,000 for the six months ended 30th June, 2022 compared to HK\$75,836,000 for the corresponding period last year. The increase was mainly attributable to increment of effective interest rate.

Income tax expenses

For the six months ended 30th June, 2022, income tax expenses decreased by 32.5% to HK\$153,452,000 (2021: HK\$227,482,000), mainly due to a decrease in taxable profit.

Non-HKFRS EBITDA

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

The Group's non-HKFRS EBITDA was approximately HK\$1,170,441,000 for the six months ended 30th June, 2022, representing an increase of 1.7% as compared with that of approximately HK\$1,150,546,000 for the corresponding period last year.

Profit attributable to owners of the Company

As a result of the above, profit attributable to owners of the Company was HK\$213,982,000 for the six months ended 30th June, 2022, representing a decrease of 66.8% as compared with that of HK\$644,172,000 for the corresponding period last year.

Excluding the net foreign exchange losses of HK\$361,003,000 (2021: gains of HK\$98,373,000), non-HKFRS profit attributable to owners of the Company would amount to HK\$574,985,000 (2021: HK\$545,799,000). Similar to the non-HKFRS EBITDA, the non-HKFRS profit attributable to owners of the Company is a non-HKFRS measure used by the management for monitoring the actual operating performance of the Group and may not be comparable to similar measures presented by other companies.

Net profit margin

For the six months ended 30th June, 2022, the net profit margin, being the ratio of profit attributable to owners of the Company to turnover, was 3.2% (2021: 11.1%).

Earnings per share

The basic and diluted earnings per share attributable to the owners of the Company were HK7.55 cents and HK7.54 cents respectively for the six months ended 30th June, 2022, as compared with that of HK24.35 cents and HK24.32 cents respectively for the corresponding period last year.

The non-HKFRS basic and diluted earnings per share attributable to the owners of the Company (calculated by reference to the non-HKFRS profit attributable to owners of the Company which excludes the net foreign exchange gain/loss, impairment losses/reversal of impairment losses and share option expenses, if any, as the numerator) for the six months ended 30th June, 2022 were HK20.29 cents (2021: HK20.64 cents) and HK20.26 cents (2021: HK20.61 cents) respectively. Similar to the non-HKFRS EBITDA, the non-HKFRS basic and diluted earnings per share attributable to the owners of the Company are non-HKFRS measures used by the management for monitoring the actual operating performance of the Group and may not be comparable to similar measures presented by other companies.

Net assets value per share

The net assets value per share attributable to the owners of the Company was HK\$3.14 as at 30th June, 2022, representing an increase of 2.6% as compared with that of HK\$3.06 as at 31st December, 2021.

PROSPECTS

In the first half of 2022, various unexpected factors including the worldwide high inflation and the conflict between Russia and Ukraine caused a serious impact on the global economy. Against the backdrop of the recurring COVID-19 pandemic in the world and the real estate industry downturn in China, economic stability becomes the top priority in China. In such a complex and dynamic domestic and international situation, the energy industry in China faced unprecedented turbulence and challenges.

In respect of the natural gas industry, in the first half of 2022, the international oil and gas industry faced new uncertainties. In addition to the COVID-19 pandemic and the tight supply, the geopolitical risk further increased and fuel prices in the international market shot up several times, compounded by the regional imbalance between energy supply and demand and the increased volatility of energy and fuel prices in the short term. Facing many uncertainties in the international oil and gas market, China's total natural gas supply amounted to 184.848 billion cubic meters ("m³") in the first half of 2022, representing a decrease of 1.98% as compared with the corresponding period last year. China's total apparent natural gas consumption amounted to 182.438 billion m³, representing a decrease of 1.93% as compared with the corresponding period last year. Nevertheless, against the backdrop of rising oil prices, China's oil exploration and development is expected to further accelerate. In the first half of 2022, China's natural gas output amounted to 109.62 billion m³, representing an increase of 5.10% as compared with the corresponding period last year. Domestic oil and natural gas companies will focus on increasing reserves in key areas and continue to promote efficient development.

In respect of new energy, as China expedites the clean and low-carbon energy transformation, many energy companies accelerate the development of high-end low-carbon downstream businesses to expand new energy businesses in multiple fields. Driven by technological innovation, such low-carbon investment has achieved remarkable results. According to statistics from the National Energy Administration, in the first half of 2022, the proportion of clean energy consumption rose from 16.9% to 25.5% over the corresponding period, accounting for more than 60% of the increase in total energy consumption in China. In the first half of 2022, China's newly installed renewable energy power generation capacity was 54.75 million kWh, accounting for 80.0% of the newly total installed power generation capacity of the country. Renewable energy becomes the largest contributor to the newly installed power generation capacity in China. Over the past decade, China's total installed renewable energy power generation capacity amounted to 1.1 billion kWh. The rise of hydropower, wind power, photovoltaic power generation and biomass power generation enables leapfrog development of the renewable energy sector with steadily increasing proportion of power generation and rank first in terms of installed capacity in the world, gradually showing the effect of energy restructuring and carbon reduction in China. Promoting the development of new and clean energy has been given a prominent position in the national energy strategy.

In view of various macro environment uncertainties, the Group has been determined to forge ahead toward goals, seeing stable performance in both gas business and smart energy business in the first half of the year and a “two-wheel driving coordinated development” pattern taking initial shape, which has laid a solid foundation for the achievement of the annual business goals.

As the core business of the Group, the town gas business remained robust in operations and development, with safe and stable production performance in the first half of the year. In the second half of the year, the Group will continue to take stable growth and safe supply as the top priority of its operations to achieve production safety and operation efficiency. The Group will make further efforts to seek breakthroughs in gas supply assurance, price management, market development, engineering construction, etc., and start to examine the gas demand of winter at an earlier time to ensure sufficient resources and reserves and capture development opportunities under the new situation.

In respect of safety operation, the Group will make unremitting efforts in pandemic prevention and control, including preparing emergency plans for pandemics, natural disasters and other unexpected incidents to ensure the resumption of work and production in a quality and efficient manner. Meanwhile, as always, the Group will strictly identify potential gas safety hazards, renovate old pipeline networks timely, continue to increase investment in safety equipment, and prevent with both manpower and technologies to ensure the safety operation of the gas pipeline networks.

In respect of energy trading business, with the Group's continuous efforts to optimize the gas source structure, the accuracy of downstream gas demand forecast has been improved, and the gas supply has been maintained at a high level. In the second half of 2022, the Group will make early deployment and planning to ensure the safety and stability of the heating supply work for this winter and next spring. Besides, the Group will pay close attention to the changes brought by geopolitical conflicts to the oil and gas cooperation and trade pattern and minimize the adverse impact. In response to the requirement of policies, the Group will strengthen the overall allocation of resources, reduce costs and increase efficiency to improve profitability.

In respect of smart energy business, in the first half of the year, the Group has made a breakthrough progress, taking a solid step towards the transformation to comprehensive energy services. In the future, the Group will employ the concentric diversification strategy to further expand the comprehensive energy services, including the centralized thermal power, decentralized energy, energy storage, microgrid, hydrogen energy, and integrated energy projects, such as EPC and EMC. Starting with photovoltaic business, energy-saving and low-carbon transformation business and energy trust business and focusing on high-quality energy-using enterprises, the Group will develop demonstration projects to accumulate experience and secure customer base rapidly. In the industrial parks, leveraging the complementary advantage of “steam, gas and electricity”, the Group will establish an energy local area network in support of the green and low-carbon development of the parks by mobilizing different resources in the network and in a bid to maximize the economic benefits by multi-energy complementation and intelligent dispatching. With the continuous transformation from “single product thinking” to “intelligent energy comprehensive service thinking”, the Group will adopt a customer-oriented approach with a focus on customer needs to gain a better understanding of the volume, practice, quality and pattern of customer energy consumption, fully understand the energy facilities, resources, relevant policies, and overall environment of customers, accurately identify customers’ pain points to create customer value, gain customer trust and establish long-lasting service contracts and relationships to create mutual benefit for both parties and multiple parties.

In respect of the value-added business and new retail business, despite various uncertainties brought by the pandemic, the Group will make an effort to promote innovative business and innovative modes such as live broadcasts and promotions, accelerate market expansion outside of the areas with concession rights, and actively develop sub-brand product agency business, and continue to optimize its retail platform “Zhongyu iFamille” (中裕i家) to bring new momentum to its performance growth.

In respect of environmental, social and governance (“ESG”), in the first half of 2022, the Group completed several sustainable financial frameworks and made significant breakthroughs in green finance, and also won various awards related to sustainable finance, including the Green Finance Innovation Breakthrough Award of the “Carbon Neutrality Pioneer” (「碳中和先鋒」綠色金融創新突破獎). The Group will continue to expand its presence in the clean energy industry and keep improving the ESG policy system, with a view to improving internal management in various aspects, including greenhouse gas emissions, climate change, talent training, anti-corruption, etc., and gradually aligning with international standards. The Group will make further preparations to reduce the potential negative impacts of climate change, improve employee benefits and ability development, further optimize the Group’s governance structure, and identify and respond to opportunities and risks brought about by sustainable development. Meanwhile, the Group will continue to update its ESG information disclosure, enhance recognition by the capital market, reduce financing costs, and promote stable and sustainable development of the Group.

The Group will continue to improve its ability in regional synergy, strengthen the collaboration of its gas business with its smart energy business, follow the comprehensive energy development trend and focus on the new energy market business, in order to realize the “two-wheel driving coordinated development” of its gas and smart energy business in an effectively manner.

Save as discussed above, there is no important event affecting the Group which have occurred since 31st December, 2021.

INTERIM DIVIDEND

The Board proposed the payment of an interim dividend of HK3 cents (2021: HK3 cents) per ordinary share for 2022 to shareholders whose names appear on the register of members of the Company on 20th October, 2022 and the proposed interim dividend is expected to be paid in cash on 15th November, 2022.

DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at 30th June, 2022, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) (a) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in the Listing Rules were as follows:

Long positions in the shares/underlying shares of the Company

Name of Directors	Notes	Number of shares and/or underlying shares	Type of interests	Approximate shareholding interest as disclosed under the SFO (Note 10)
Mr. Wang Wenliang	1	797,125,206	Beneficial/Interest in controlled corporation/ Interest of spouse	28.13%
Mr. Yiu Chi Shing	2	188,000,000	Interest in controlled corporation	6.63%
Mr. Lui Siu Keung	3	19,102,179	Beneficial	0.67%
Mr. Jia Kun	4	7,055,031	Beneficial	0.25%
Mr. Lu Zhaoheng	5	6,040,984	Beneficial	0.21%
Mr. Li Yan	6	9,013,063	Beneficial	0.32%
Mr. Li Chunyan	7	1,510,761	Beneficial	0.05%
Dr. Luo Yongtai	8	502,900	Beneficial	0.02%
Ms. Liu Yu Jie	9	502,900	Beneficial	0.02%

Notes:

1. Among these shares and/or underlying shares, 764,862,289 shares were held by Hezhong Investment Holding Company Limited (“Hezhong”). Mr. Wang Wenliang was beneficially interested in 100% of the issued share capital of Hezhong. The remaining 21,324,616 shares and 10,938,301 shares were directly held by Mr. Wang Wenliang and his spouse respectively.
2. These shares were held by Fundway International Investment Limited (“Fundway”). Mr. Yiu Chi Shing was beneficially interested in 100% of the issued share capital of Fundway.
3. These comprise 11,558,679 shares directly held by Mr. Lui Siu Keung and 7,543,500 underlying shares issuable upon exercise of the rights attaching to the 7,543,500 share options at an exercise price of HK\$5.468 per share granted under the New Share Option Scheme.
4. These shares were directly held by Mr. Jia Kun.
5. These comprise 3,023,584 shares directly held by Mr. Lu Zhaoheng and 3,017,400 underlying shares issuable upon exercise of the rights attaching to the 3,017,400 share options at an exercise price of HK\$5.468 per share granted under the New Share Option Scheme.
6. These shares were directly held by Mr. Li Yan.
7. These comprise 1,007,861 shares directly held by Mr. Li Chunyan and 502,900 underlying shares issuable upon exercise of the rights attaching to the 502,900 share options at an exercise price of HK\$5.468 per share granted under the New Share Option Scheme.
8. These represent underlying shares issuable upon exercise of the rights attaching to the 502,900 share options at an exercise price of HK\$5.468 per share granted under the New Share Option Scheme.
9. These represent underlying shares issuable upon exercise of the rights attaching to the 502,900 share options at an exercise price of HK\$5.468 per share granted under the New Share Option Scheme.
10. As at 30th June, 2022, the total number of issued shares of the Company was 2,833,832,157.

Save as disclosed above, as at 30th June, 2022, none of the Directors and chief executive of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Interests of substantial shareholders of the Company

So far as is known to the Directors, as at 30th June, 2022, the following entities (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in the shares of the Company

Name of shareholder	Notes	Type of interests	Number of shares	Approximate shareholding interest as disclosed under the SFO
				(Note 5)
China Gas Holdings Limited	1	Interest of controlled corporation	1,057,905,071	37.33%
Hezhong	2	Beneficial	764,862,289	26.99%
Ms. Feng Haiyan	3	Beneficial/Interest of spouse	797,125,206	28.13%
Fundway	4	Beneficial	188,000,000	6.63%

Notes:

1. According to the disclosure of interests filings as shown in the website of the Stock Exchange as at 30th June, 2022, China Gas Holdings Limited held these shares through Rich Legend International Limited (“Rich Legend”), its wholly-owned subsidiary, and is therefore deemed to be interested in the 1,057,905,071 shares held by Rich Legend.
2. Hezhong was beneficially interested in 764,862,289 shares. Mr. Wang Wenliang was beneficially interested in 100% of the issued share capital of Hezhong.
3. Ms. Feng Haiyan directly held 10,938,301 shares and was deemed to be interested in 786,186,905 shares under the SFO as she is the spouse of Mr. Wang Wenliang.
4. Fundway was beneficially interested in 188,000,000 shares. Mr. Yiu Chi Shing was beneficially interested in 100% of the issued share capital of Fundway.
5. As at 30th June, 2022, the total number of issued shares of the Company was 2,833,832,157.

Save as disclosed above, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO as at 30th June, 2022.

CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Part 2 of Appendix 14 of the Listing Rules. During the period under review, the Company has complied with all the applicable code provisions under the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted and complied with the Model Code as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry of all Directors, they have all confirmed their compliance with the required standard of dealings and the Model Code regarding securities transactions by Directors adopted by the Company during the six months ended 30th June, 2022.

AUDIT COMMITTEE

The Company’s Audit Committee, comprising Mr. Li Chunyan, Dr. Luo Yongtai and Ms. Liu Yu Jie, all being the independent non-executive Directors, has reviewed with the Company’s management the accounting principles and practices adopted by the Group and financial reporting matters including a review of the unaudited consolidated results of the Group for the six months ended 30th June, 2022. There were no disagreements within the Audit Committee in relation to the accounting treatment adopted by the Company.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30th June, 2022.

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

The interim results announcement is required to be published on the website of The Hong Kong Exchanges and Clearing Limited (“HKEX”) at www.hkex.com.hk under “Latest Listed Company Information” and the Company at www.zhongyuenergy.com under “Announcements and Circulars” respectively. The interim report of the Company for the six months ended 30th June, 2022 will be despatched to the shareholders as soon as possible and will be published on the websites of the HKEX and the Company accordingly.

CLOSURE OF REGISTER OF MEMBERS

Shareholders whose names appear on the Company's register of members on Thursday, 20th October, 2022 will qualify for the proposed interim dividend. The Company's transfer books and register of members will be closed from Wednesday, 19th October, 2022 to Thursday, 20th October, 2022 (both days inclusive) for the purpose of ascertaining shareholders' entitlement to the proposed interim dividend. In order to qualify for the proposed interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Secretaries Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on Tuesday, 18th October, 2022. The proposed interim dividend is expected to be paid on or about Tuesday, 15th November, 2022 to shareholders whose names appear on the register of members of the Company on Thursday, 20th October, 2022.

SUPPLEMENTAL INFORMATION IN RELATION TO ANNUAL REPORT FOR THE YEAR ENDED 31ST DECEMBER, 2021

Reference is made to the annual report of the Company for the year ended 31st December, 2021 published on 28th April, 2022 (the "**Annual Report**").

The Company would like to supplement the Annual Report with the following information:

In October 2021, the Company raised gross proceeds and net proceeds of approximately HK\$1,090.4 million and approximately HK\$1,080.8 million (the "**Placing Proceeds**") from its placing (the "**Placing**") of 188,000,000 shares of the Company (the "**Placing Shares**") to Fundway (an investment holding company incorporated in the British Virgin Islands with limited liability and wholly and beneficially owned by Mr. Yiu Chi Shing) at the placing price of HK\$5.80 each per Placing Share under the Company's general mandate.

It was intended that Hong Kong dollar equivalent of US\$100 million (approximately HK\$779 million) will be used to repay the indebtedness of the Group (comprising outstanding bank loans and an interest-free loan from a substantial shareholder of the Company in the amount of approximately US\$50 million) and the remaining net proceeds of approximately HK\$301.8 million be utilised as general working capital of the Group, including payment of salary and rental expenses (the "**Intended Use**").

As at 31st December, 2021, all of the Placing Proceeds had been utilised. The actual use of all Placing Proceeds was the same as the Intended Use.

For further details of the Placing, please refer to the Company's announcements dated 6th October, 2021 and 20th October, 2021 respectively.

The above additional information does not affect other information contained in the Annual Report. Save as disclosed above, the contents of the Annual Report remain unchanged.

BOARD OF DIRECTORS

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

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

Hong Kong, 26th August, 2022