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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 2024**

**FINANCIAL HIGHLIGHTS**

- Revenue for the Period was RMB1,192.0 million, representing an increase of 2.88% as compared with the corresponding period in 2023.
- Gross profit for the Period was RMB151.3 million, representing an increase of 28.99% as compared with the corresponding period in 2023.
- Profit attributable to owners of the Group for the Period was RMB58.6 million, representing an increase of 8.72% as compared with the corresponding period in 2023.
- Basic earnings per share for the Period amounted to RMB0.29, as compared with RMB0.27 in the corresponding period in 2023.

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 2024 (the “**Reporting Period**” or the “**Period**”), together with comparative figures for the corresponding period in 2023 as follows:

\* For identification purposes only

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the six months ended 30 June 2024*

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the six months ended 30 June 2024*

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*30 June 2024*

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

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

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 30 June 2024

### 1. CORPORATE INFORMATION

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

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

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

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

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

#### 2.1 Basis of Preparation

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

#### 2.2 Changes in Accounting Policies and Disclosures

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

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

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

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

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

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

### 3. OPERATING SEGMENT INFORMATION

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

#### Geographical information

	<b>For the six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Chinese Mainland	<b>1,192,008</b>	1,158,561

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

## Seasonality of operations

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

## 4. REVENUE

An analysis of revenue is as follows:

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



	<b>For the six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<i><b>RMB'000</b></i>	<i><b>RMB'000</b></i>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Timing of revenue recognition</b>		
Goods or services transferred at a point in time	<b>1,098,371</b>	1,056,433
Services transferred over time	<b>95,727</b>	103,436
	<hr/>	<hr/>
	<b>1,194,098</b>	1,159,869
Less: Government surcharges	<b>(2,304)</b>	(1,445)
	<hr/>	<hr/>
Total	<b>1,191,794</b>	1,158,424
	<hr/>	<hr/>

**5. OTHER INCOME AND GAINS**

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

## 6. PROFIT BEFORE TAX

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

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

## 7. INCOME TAX

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

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

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

The major components of income tax expense are as follows:

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

## 8. DIVIDENDS

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

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

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

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

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

The calculation of basic earnings per share is based on:

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

## 10. PROPERTY, PLANT AND EQUIPMENT

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

## 11. TRADE AND BILLS RECEIVABLES

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

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

## 12. PLEDGED DEPOSITS

	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Audited)
ETC deposits	24	24

### 13. TRADE AND BILLS PAYABLES

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

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

### 14. INTEREST-BEARING BANK BORROWINGS

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

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

### 15. SHARE CAPITAL

	<b>Number of shares</b>	<b>Nominal value RMB'000</b>
Ordinary shares as at:		
31 December 2023 (audited)	<u>202,714,500</u>	<u>202,715</u>
30 June 2024 (unaudited)	<u><b>202,714,500</b></u>	<u><b>202,715</b></u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY OVERVIEW

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

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

The report of the 20th National Congress of the Communist Party of China focused on carbon neutrality, stating that it was necessary to “gradually shift to a system of ‘dual control’ over the total volume and intensity of carbon emissions”, pointing out the direction for China to achieve a green and low-carbon energy transformation. At the Third Plenary Session of the 20th Central Committee of the Communist Party of China, the need to improve the green and low-carbon development mechanism was also further proposed. The development of green and low-carbon industries improves the incentive mechanism for green consumption, and promotes the construction of a green, low-carbon and recycling development economic system. With the enhanced role of market regulation, the domestic gas structure continues to be optimized, the effectiveness of multi-energy complementation has begun to show, and the market demand has also seen faster growth. In the first half of 2024, the national natural gas consumption volume amounted to 210.8 billion m<sup>3</sup>, representing a year-on-year increase of 8.7%.

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

## **DEVELOPMENT STRATEGY AND OUTLOOK**

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

## **BUSINESS REVIEW**

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

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



## **FINANCIAL OVERVIEW**

### **Revenue**

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

### **Gross Profit**

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

### **Other Income and Gains**

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

### **Finance Costs**

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

### **Income Tax Expense**

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

## **Profit attributable to Owners of the Parent**

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

## **Liquidity and Financial Position**

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

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

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

## **Exchange Rate Fluctuation Risk**

As the Group operates all its businesses in the PRC, substantially all of its revenue and expenses are denominated in RMB. The foreign exchange risks the Group faces are mainly related to cash and cash equivalents (mainly denominated in Hong Kong dollars), mainly the out-of-pocket expenses such as the payment of dividends and various future service fees to professional institutions, which have no significant exchange rate risk. The Group will closely monitor the interest rate and exchange rate in the market and take appropriate countermeasures when necessary.

## **Contingent Liabilities**

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

## **Financial Guarantee Obligations**

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

## **Pledge of Assets**

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

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

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

## **Human Resources and Employee Compensation**

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

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

## **EVENTS AFTER THE REPORTING PERIOD**

There have been no significant events since the end of the Reporting Period and up 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 of the Company (the “**H Share(s)**”) were officially listed on the Stock Exchange on 13 July 2022. The net proceeds from the global offering of the H Shares (the “**Global Offering**”) (including proceeds from the additional H Shares issued and allotted pursuant to the exercise of the over-allotment option, and deducting the underwriting commissions and other estimated expenses in connection with the Global Offering and exercise of the over-allotment option) were approximately HK\$276.3 million (equivalent to RMB236.9 million) (the “**Net Proceeds**”). The Company has utilised and will utilise the Net Proceeds in accordance with the proportion of use allocation as stated under the section headed “**Future Plans and Use of Proceeds**” in the prospectus. As at 30 June 2024, the details of the use of the above Net Proceeds were as follows:

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

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

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed the Company’s listed securities during the Reporting Period (including sales of treasury shares (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”))). As at the end of the Reporting Period, there were no treasury shares held by the Company or its subsidiaries.

## **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.

The Company has adopted the code provisions set out in Part 2 of the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Listing Rules as the basis of the Company's corporate governance practices. The Company has complied with all the code provisions set out in the CG Code during the Reporting Period.

### **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 (the "**Supervisors**") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to 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 during the Reporting Period.

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

### **INTERIM DIVIDEND**

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

### **AUDIT COMMITTEE AND REVIEW OF INTERIM FINANCIAL STATEMENTS**

The audit committee (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 2024 INTERIM REPORT**

This announcement is available at the websites of the Company ([www.hzrqgf.com](http://www.hzrqgf.com)) and the Stock Exchange (<http://www.hkexnews.hk>). The interim report of the Company during the Reporting Period 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, and will be despatched to shareholders in hard copy upon request.

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

Huzhou, Zhejiang Province, the PRC  
28 August 2024

*As at the date of this announcement, the Board comprises Mr. Wang Hua, Mr. Yang Fan and Ms. Sun Xiaohui as executive Directors; Mr. Liu Jianfeng and Mr. Wang Peng 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*