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CHINA GAS INDUSTRY INVESTMENT HOLDINGS CO. LTD.

(Incorporated in the Cayman Islands with members' limited liability)

(Stock code: 1940)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

FINANCIAL HIGHLIGHTS

- The revenue of the Group for the Reporting Period amounted to approximately RMB640.75 million, representing a decrease of approximately 9.51% from the revenue of approximately RMB708.08 million for the six months ended 30 June 2023.
- The gross profit of the Group for the Reporting Period was approximately RMB165.16 million, representing an increase of approximately 0.65% from the gross profit of approximately RMB164.10 million for the six months ended 30 June 2023.
- The net profit of the Group for the Reporting Period amounted to approximately RMB51.79 million, representing a decrease of approximately 25.48% from the net profit of approximately RMB69.50 million for the six months ended 30 June 2023.
- The basic and diluted earnings per Share attributable to equity shareholders of the Company for the Reporting Period were approximately RMB0.04 and RMB0.04, respectively, compared with basic and diluted earnings per Share of approximately RMB0.06 and RMB0.06, respectively, for the six months ended 30 June 2023.
- As at 30 June 2024, the gearing ratio of the Group was 33.5% as compared to 35.5% as at 31 December 2023.
- The Board does not recommend the payment of an interim dividend for the year ending 31 December 2024 (2023: Nil).

UNAUDITED CONSOLIDATED INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Gas Industry Investment Holdings Co. Ltd. (the “**Company**”) announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2024 (the “**Reporting Period**”) as set out below:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 RMB (Unaudited)	2023 RMB (Unaudited)
Revenue	4	640,754,255	708,078,203
Cost of revenue	8	(475,592,095)	(543,975,093)
Gross profit		165,162,160	164,103,110
Selling and marketing expenses	8	(1,518,914)	(907,970)
Administrative expenses	8	(23,458,503)	(25,236,573)
Credit loss allowance for trade receivables		(1,875,760)	(5,659,408)
Impairment losses of property, plant and equipment	12	(37,891,436)	–
Research expenses	8	(29,774,650)	(36,644,128)
Other income	5	4,111,187	46,728
Other (losses)/gains, net	6	(1,235,805)	2,844,889
Operating profit		73,518,279	98,546,648
Finance income	7	914,037	1,599,306
Finance costs	7	(10,275,016)	(14,238,859)
Finance costs, net		(9,360,979)	(12,639,553)
Profit before income tax		64,157,300	85,907,095
Income tax expense	9	(12,365,862)	(16,405,588)
Profit for the period attributable to owners of the Company		51,791,438	69,501,507
Other comprehensive income, net of tax			
<i>Item that may be subsequently reclassified to profit or loss:</i>			
Currency translation differences		1,098,107	(1,111,343)
Total comprehensive income for the period		52,889,545	68,390,164
Total comprehensive income attributable to owners of the Company		52,889,545	68,390,164
Earnings per share – Basic and diluted	11	0.04	0.06

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		As at 30 June 2024 <i>RMB</i> (Unaudited)	As at 31 December 2023 <i>RMB</i> (Audited)
Non-current assets			
Property, plant and equipment	12	1,494,375,037	1,527,518,212
Right-of-use assets	13	42,376,213	43,587,482
Deferred tax assets		10,250,061	4,956,487
Rental deposit		175,235	173,994
Other assets		82,842,700	43,865,825
		1,630,019,246	1,620,102,000
Current assets			
Inventories		7,321,084	9,709,236
Trade receivables	14	534,406,969	543,918,046
Deposits, prepayments and other receivables	15	20,089,528	16,955,555
Financial assets at fair value through other comprehensive income		49,922,839	79,658,832
Cash and cash equivalents	16	177,775,048	202,617,643
		789,515,468	852,859,312
Current liabilities			
Trade and other payables	17	272,992,384	371,046,210
Contract liabilities		4,806,342	6,225,082
Borrowings		278,193,112	287,000,000
Lease liabilities	13	2,070,451	2,128,151
Current tax liabilities		1,844,787	1,838,049
		559,907,076	668,237,492
Net current assets		229,608,392	184,621,820

	<i>Notes</i>	As at 30 June 2024 RMB (Unaudited)	As at 31 December 2023 RMB (Audited)
Total assets less current liabilities		1,859,627,638	1,804,723,820
Non-current liabilities			
Borrowings		242,500,000	246,000,000
Lease liabilities	<i>13</i>	2,211,032	2,659,874
Deferred tax liabilities		48,596,791	42,633,676
		293,307,823	291,293,550
NET ASSETS		1,566,319,815	1,513,430,270
Capital and reserves			
Equity attributable to owners of the Company			
Share capital		836,016	836,016
Other reserves		1,352,859,502	1,345,135,711
Retained earnings		212,624,297	167,458,543
TOTAL EQUITY		1,566,319,815	1,513,430,270

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 4 August 2006 as an exempted company with limited liability. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of its subsidiaries is the People's Republic of China (the "PRC").

The principal activity of the Company is investment holding. The Group is engaged in the production and supply of industrial gases and the provision of related services in the PRC.

The interim condensed consolidated financial information comprises the interim condensed consolidated statement of financial position as at 30 June 2024, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six months then ended, and selected explanatory notes (the "Interim Financial Information"). The Interim Financial Information is presented in Renminbi ("RMB"), unless otherwise stated.

The Interim Financial Information have been reviewed, not audited.

2. BASIS OF PREPARATION

The Interim Financial Information of the Group has been prepared in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" and applicable disclosure provisions of the Rules Governing the Listing of Securities ("the Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The preparation of the Interim Financial Information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing the Interim Financial Information, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2023.

The Interim Financial Information does not include all the information and disclosures required in the audited annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2023.

3. ACCOUNTING POLICIES

The accounting policies and basis of preparation used in the preparation of the Interim Financial Information for the six months ended 30 June 2024 are consistent with those used in the annual financial statements for the year ended 31 December 2023 except for the adoption of the new and amendments to International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board and interpretations (collectively "IFRS Accounting Standards") as set out below.

New and amendments to standards adopted by the Group

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7	Supplier Finance Arrangements

The Directors concluded that the application of the amendments have no significant impact on the interim condensed consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

The executive Directors have been identified as the chief operating decision-makers (“CODM”) of the Group who review the Group’s internal reporting in order to assess the performance of the Group on a regular basis and allocate resources.

The Group is primarily engaged in the production and supply of industrial gas in the mainland China. Additionally, the Group is involved in production and supply of liquefied natural gas (“LNG”) and related gas transmission service. The Group also provides technical support and management services. The CODM assesses the performance of the business based on a measure of operating results and considers the business from the product perspective. Accordingly, the Group has identified three (six months ended 2023: two) operating segments during the six months period ended 2024 as follows:

- Supply of industrial gas
- LNG and gas transmission service
- Technical support and management services

The CODM assesses the performance of the reportable segments based on their revenue and gross profit. No analysis of the reportable segments’ assets and liabilities is regularly provided to the CODM for review.

- (i) The segment information provided to the CODM for the reportable segments for the six months ended 30 June 2024 and 2023 are as follows:

	Six months ended 30 June 2024 (Unaudited)			
	Supply of industrial gas (pipeline and liquefied) <i>RMB</i>	LNG and gas transmission service <i>RMB</i>	Technical support and management service <i>RMB</i>	Total <i>RMB</i>
External revenue	550,011,507	83,712,633	7,030,115	640,754,255
Inter-segment revenue	6,432,316	–	–	6,432,316
Segment revenue	<u>556,443,823</u>	<u>83,712,633</u>	<u>7,030,115</u>	<u>647,186,571</u>
Segment profit	<u>161,058,615</u>	<u>791,704</u>	<u>3,311,841</u>	<u>165,162,160</u>
Impairment losses of property, plant and equipment	<u>37,891,436</u>	<u>–</u>	<u>–</u>	<u>37,891,436</u>

Six months ended 30 June 2023 (Unaudited)

	Supply of industrial gas (pipeline and liquefied) <i>RMB</i>	LNG and gas transmission service <i>RMB</i>	Technical support and management service <i>RMB</i>	Total <i>RMB</i>
External revenue	564,887,336	143,190,867	–	708,078,203
Inter-segment revenue	8,953,384	–	–	8,953,384
Segment revenue	<u>573,840,720</u>	<u>143,190,867</u>	<u>–</u>	<u>717,031,587</u>
Segment profit	<u>159,969,044</u>	<u>4,134,066</u>	<u>–</u>	<u>164,103,110</u>

(ii) **Geographic information**

The Company is domiciled in the Cayman Islands while the Group mainly operates its business in mainland China and all its revenue is derived in mainland China. Accordingly, no geographical information on the total revenue is presented.

(iii) **Information about major customers**

Revenue from customers contributing over 10% or more of the Group's revenue is as follow:

	Six months ended 30 June	
	2024 <i>RMB</i> (Unaudited)	2023 <i>RMB</i> (Unaudited)
Customer A	<u>523,944,975</u>	<u>513,088,429</u>

(iv) **Revenue**

All the Group's revenue is derived from contracts with customers.

The Group is principally engaged in the production and supply of industrial gases, LNG and related gas transmission service in the PRC. An analysis of the Group's revenue by category for the six months ended 30 June 2024 and 2023 is disclosed as follows:

	Six months ended 30 June	
	2024 <i>RMB</i> (Unaudited)	2023 <i>RMB</i> (Unaudited)
Supply of pipeline industrial gas	462,324,549	474,525,842
Supply of liquefied industrial gas	82,397,763	79,972,753
Supply of LNG and gas transmission service	83,712,633	143,190,867
Technical support and management services	7,030,115	–
Others	5,289,195	10,388,741
	<u>640,754,255</u>	<u>708,078,203</u>

Except for gas transmission service of RMB26,924,265 as well as technical support and management services of RMB7,030,115 which is recognised over time, all of the Group's revenue is recognised at a point in time.

(v) **Contract liabilities**

The Group presents advances from customers for which the Group has an obligation to transfer goods or service to a customer.

The Group has recognised the following contract liabilities:

	As at 30 June 2024 RMB (Unaudited)	As at 31 December 2023 RMB (Audited)
Contract liabilities arising from:		
– Supply of liquefied industrial gas	2,602,147	3,542,269
– Supply of LNG	1,609,209	2,112,083
– Others	594,986	570,730
	<u>4,806,342</u>	<u>6,225,082</u>

Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in each of the period relates to carried-forward contract liabilities at the beginning of the period:

	Six months ended 30 June	
	2024 RMB (Unaudited)	2023 RMB (Unaudited)
Supply of liquefied industrial gas	2,424,978	3,544,043
Supply of LNG	1,720,647	3,482,741
Others	522,497	168,056
	<u>4,668,122</u>	<u>7,194,840</u>

5. OTHER INCOME

	Six months ended 30 June	
	2024 RMB (Unaudited)	2023 RMB (Unaudited)
Government grants (<i>note</i>)	2,825,522	–
Others	1,285,665	46,728
	<u>4,111,187</u>	<u>46,728</u>

Note: Government grants are all income related and there are no unfulfilled conditions or other contingencies attached to these government grants.

6. OTHER (LOSSES)/GAINS, NET

	Six months ended 30 June	
	2024 RMB (Unaudited)	2023 RMB (Unaudited)
Net foreign exchange (losses)/gains	(1,157,908)	3,171,946
Others	(77,897)	(327,057)
	<u>(1,235,805)</u>	<u>2,844,889</u>

7. FINANCE COSTS, NET

	Six months ended 30 June	
	2024 RMB (Unaudited)	2023 RMB (Unaudited)
<i>Finance income:</i>		
Interest income from bank deposits	914,037	1,599,306
<i>Finance costs:</i>		
Interest expenses on bank borrowings	(12,508,500)	(14,817,918)
Interest expenses on discount of note receivables	–	(526,923)
Interest expense on lease liabilities	(96,996)	(82,886)
Add: amount capitalised	2,330,480	1,188,868
Finance costs expensed	<u>(10,275,016)</u>	<u>(14,238,859)</u>
Finance costs, net	<u>(9,360,979)</u>	<u>(12,639,553)</u>

Finance costs have been capitalized on qualifying assets at average interest rates of 4.69% per annum for the six months ended 30 June 2024 (six months ended 30 June 2023: 4.99% per annum).

8. EXPENSES BY NATURE

	Six months ended 30 June	
	2024	2023
	<i>RMB</i>	<i>RMB</i>
	(Unaudited)	(Unaudited)
Auditor's remuneration	900,000	900,000
Consumption of power and utilities	362,441,557	387,715,851
Consumption of raw materials and low value consumables	38,578,698	86,944,340
Changes in inventories of finished goods	1,015,272	1,549,389
Depreciation of property, plant and equipment	65,087,470	62,583,575
Amortisation of right-of-use assets	1,211,269	886,127
Employee benefits expenses	28,622,247	25,985,120
Freight expenses	4,092,457	5,067,591
Equipment maintenance expenses	13,344,598	16,311,210
Operating service charges	3,145,198	2,907,047
Tax surcharges	2,770,471	4,423,912
Outsourcing labour costs	2,969,389	2,278,635
Professional service fee	802,535	3,929,614
Others	5,363,001	5,281,353
	<u>530,344,162</u>	<u>606,763,764</u>

9. INCOME TAX EXPENSE

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory tax rate of 25% in mainland China, being the tax rate applicable to the majority of consolidated entities as follows:

	Six months ended 30 June	
	2024	2023
	<i>RMB</i>	<i>RMB</i>
	(Unaudited)	(Unaudited)
Current tax		
– PRC enterprise income tax	11,696,321	9,028,186
Deferred tax		
– Charged to profit or loss for the period	669,541	7,377,402
Income tax expense	<u>12,365,862</u>	<u>16,405,588</u>

Notes:

(a) Cayman Islands income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Islands Companies Law and is not subject to income tax. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed.

(b) PRC enterprise income tax

Income tax provision of the Group in respect of operations in mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the period, based on the existing legislation, interpretations and practises in respect thereof. The general corporate income tax rate in the PRC is 25%. Tangshan Tangsteel Gases Co., Ltd., a subsidiary of the Group, was approved as High and New Technology Enterprise in the PRC and was entitled to a preferential income tax rate of 15% in the years of 2022, 2023 and 2024. Luanxian Tangsteel Gases Co., Ltd., a subsidiary of the Group, was approved as High and New Technology Enterprise in the PRC in 2022, and is entitled to a preferential income tax rate of 15% in the years of 2022, 2023 and 2024.

(c) PRC withholding tax

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding income tax. The Company has recognised deferred tax liabilities for undistributed profits of its subsidiaries in the PRC.

(d) Super Deduction for research and development expense

According to the relevant laws and regulations promulgated by the State Tax Bureau of the People's Republic of China that was effective from 2008 onwards, enterprises engaging in research and development activities are entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that period (“**Super Deduction**”). In March 2023, the State Tax Bureau of the People's Republic of China issued a notice to announce enterprises engaging in research and development activities are entitled to claim 200% of their research and development expenses so incurred as Super Deduction from 1 January 2023. The Group has made its best estimate for the Super Deduction to be claimed for the Group's entities in ascertaining their assessable profits during the period.

(e) Income not subject to tax

According to the relevant laws and regulations promulgated by the State Tax Bureau of the People's Republic of China, the Group's subsidiaries in mainland China are entitled to deduct 10% of their revenue generated from supply of self-produced industrial hydrogen gas when determining their assessable profits during the period.

10. DIVIDENDS

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

11. EARNINGS PER SHARE

The calculation of basic and diluted earnings per ordinary share of USD0.0001 each in the capital of the Company (the “Share”) is based on the following data:

	Six months ended 30 June	
	2024	2023
	<i>RMB</i>	<i>RMB</i>
	(Unaudited)	(Unaudited)
Earnings		
Profit for the period attributable to owners of the Company	<u>51,791,438</u>	<u>69,501,507</u>
	Six months ended 30 June	
	2024	2023
	<i>Number</i>	<i>Number</i>
	(Unaudited)	(Unaudited)
Number of shares		
Weighted average number of ordinary shares	<u>1,200,000,000</u>	<u>1,200,000,000</u>

Diluted earnings per Share were the same as the basic earnings per Share as there was no dilutive potential Share existed during the six months ended 30 June 2024 and 2023.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired items of property, plant and equipment including construction in progress with an aggregate cost of amounting to RMB69,835,731 (six months ended 30 June 2023: RMB60,677,571). No property, plant and equipment were disposed of during the six months ended 30 June 2024 and 2023.

Owing to the continued implementation of the relocation plan of the HBIS Tangshan branch of HBIS Co., Ltd., the controlling shareholder of the Company and a major customer of the Group, the management evaluated the Group’s production plan and identified the impairment indicators for certain machinery and equipment at the headquarters plant and the iron-making branch plant under Tangshan Tangsteel Gases Co. Ltd., a wholly-owned subsidiary of the Company. Certain property, plant, and equipment used specifically to serve a particular customer had no further alternative use and could not be transferred to a different cash generated unit. In addition, the Group’s automobile LNG filling station suffered an operating loss. As a result, certain property, plant, and equipment previously housed in the Iron-Making Plant and used in industrial gas production and the LNG filling station are planned to be disposed after the Reporting Period. Impairment indicators were identified by the management of the Group and these assets were written down to their recoverable amounts of RMB28,402,509, which were measured based on their estimated fair value less cost of disposal. Cost approach was adopted by the management to estimate the fair values of these assets. The valuation model considers the cost to acquire or construct a substitute asset of comparable utility. Adjustment is then made for obsolescence, which encompasses physical deterioration as well as functional and economic obsolescence. The fair values upon which the recoverable amounts of these assets were based are categorised as a Level 3 measurement under fair value hierarchy. Key unobservable inputs used included replacement cost, obsolescence, and physical deterioration.

The Group made an impairment provision of RMB37,891,436 on these assets during the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

13. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

During the six months ended 30 June 2024, no addition of right-of-use assets and lease liabilities were recognised by the Group respectively (six months ended 30 June 2023: right-of-use asset and lease liability amounting to RMB1,861,270 and RMB1,861,270 respectively).

	Leased liabilities RMB
As at 1 January 2023 (Audited)	13,263,373
Addition	1,861,270
Interest expenses	203,336
Lease payments	(482,557)
Exchange alignment	2,967
Other non-cash movement	(10,060,364)
	<hr/>
As at 31 December 2023 and 1 January 2024 (Audited)	4,788,025
Interest expenses	96,996
Lease payments	(613,821)
Exchange alignment	10,283
	<hr/>
As at 30 June 2024 (Unaudited)	<u>4,281,483</u>

	As at 30 June 2024 RMB (Unaudited)	As at 31 December 2023 RMB (Audited)
Current liabilities	2,070,451	2,128,151
Non-current liabilities	2,211,032	2,659,874
	<hr/>	<hr/>
	<u>4,281,483</u>	<u>4,788,025</u>

14. TRADE RECEIVABLES

	As at 30 June 2024 RMB (Unaudited)	As at 31 December 2023 RMB (Audited)
Trade receivables	559,781,499	567,416,816
Less: loss allowance for impairment	(25,374,530)	(23,498,770)
	<hr/>	<hr/>
	<u>534,406,969</u>	<u>543,918,046</u>

Note: As at 30 June 2024 and 31 December 2023, the fair values of the trade receivables of the Group approximated their carrying amounts.

An aging analysis of trade receivables (net of allowance), based on the invoice dates is as follows:

	As at 30 June 2024 <i>RMB</i> (Unaudited)	As at 31 December 2023 <i>RMB</i> (Audited)
Up to 6 months	463,983,200	519,639,415
6 months to 1 year	69,175,327	3,253,126
1 to 2 years	1,214,843	2,833,423
Over 2 years	33,599	18,192,082
	<u>534,406,969</u>	<u>543,918,046</u>

The Group's trade receivables are generally settled within 180 days from the invoice date. No interest is charged on the trade receivables.

As at 30 June 2024 and 31 December 2023, the carrying amount of the Group's gross trade receivables are denominated in RMB.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses, which requires expected lifetime losses to be recognised from initial recognition. The expected loss rates are based on the payment profiles of related customers and the corresponding historical credit losses. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

15. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2024 <i>RMB</i> (Unaudited)	As at 31 December 2023 <i>RMB</i> (Audited)
Value-added tax recoverable	5,297,894	4,327,575
Receivables due from related parties	46,512	54,241
Utilities and other prepayments	11,966,205	9,709,593
Deposits	2,267,175	2,310,885
Others	686,977	727,255
	<u>20,264,763</u>	<u>17,129,549</u>
Less: non-current portion	175,235	173,994
	<u>20,089,528</u>	<u>16,955,555</u>

16. CASH AND CASH EQUIVALENTS

	As at 30 June 2024 <i>RMB</i> (Unaudited)	As at 31 December 2023 <i>RMB</i> (Audited)
Denominated in:		
RMB	168,965,297	195,342,532
USD	4,791,812	4,758,799
HKD	4,017,939	2,516,312
	<u>177,775,048</u>	<u>202,617,643</u>

17. TRADE AND OTHER PAYABLES

	As at 30 June 2024 <i>RMB</i> (Unaudited)	As at 31 December 2023 <i>RMB</i> (Audited)
Trade payables	115,391,956	227,881,226
Payables for construction and equipment	52,744,792	43,323,575
Dividend payable	50,671,500	50,671,500
Payables for operating service fee	28,705,109	25,288,109
Other taxes payable	6,324,837	3,455,654
Salaries and bonus payable	4,962,972	4,103,594
Payables for professional service fee	3,278,431	5,904,579
Deposits	1,474,769	1,798,802
Interests payable	–	1,290,173
Others	9,438,018	7,328,998
	<u>272,992,384</u>	<u>371,046,210</u>

An ageing analysis of trade payables of the Group, based on invoice dates, was as follows:

	As at 30 June 2024 RMB (Unaudited)	As at 31 December 2023 RMB (Audited)
Less than 1 year	79,381,629	198,543,206
1 to 2 years	19,850,663	19,974,792
2 to 3 years	7,366,057	6,271,121
Over 3 years	8,793,607	3,092,107
	<u>115,391,956</u>	<u>227,881,226</u>

18. EVENTS AFTER THE REPORTING PERIOD

On 19 July 2024, a resolution was passed by the Board to sell certain property, plant, and equipment with a carrying amount of RMB28,402,509.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the production and supply of industrial gases in the PRC.

According to the data released by National Bureau of Statistics of China, China's gross domestic product (GDP) in the first half of 2024 was approximately RMB61.68 trillion, representing a year-on-year increase of 5.0%.

The Group's key industrial gas products are mainly used in iron and steel production and hence, the Group's revenue is derived mainly from iron and steel production companies. In the first half of 2024, the iron and steel industry in China was stable in general.

According to the data released by China Iron and Steel Association, from January to June this year, China's crude steel output was 530.57 million tons, representing a year-on-year decrease of 1.1%; pig iron output was 435.62 million tons, representing a year-on-year decrease of 3.6%; and steel output was 701.02 million tons, representing a year-on-year increase of 2.8%.

The Group's pipeline and liquefied industrial gas business during the Reporting Period decreased slightly in aggregate as compared to the corresponding period last year, while the revenue of the LNG products and pipeline transmission from Luanxian plant decreased significantly. The Group's revenue in the first half of 2024 was approximately RMB640.75 million.

Supply of pipeline industrial gas

The Group's pipeline industrial gas is produced and transmitted to its customers via pipelines. The Group's production facilities are located on, or in close proximity to, the production facilities of its pipeline industrial gas customers to ensure convenient and efficient supply of industrial gas products. During the Reporting Period, the Group had two pipeline industrial gas production plants in operation, namely the TTG Laoting Branch (唐鋼氣體樂亭分公司) plant and TTG New District plant.

Supply of liquefied industrial gas

To maximise the utilisation of its designed production capacity and increase its revenue, the Group also engages in the supply of liquefied industrial gas. The Group's liquefied industrial gas products include oxygen, nitrogen, argon and carbon dioxide. Oxygen and nitrogen in gas form and liquefied oxygen, nitrogen and argon are generated in its air separation units (ASUs), and liquefied oxygen, nitrogen and argon can be sold directly as liquid products. Liquefied oxygen and nitrogen are obtained after oxygen and nitrogen in gas form are generated at the ASUs and further processed through liquefiers. After meeting all the demand for oxygen and nitrogen in gas form in the pipeline, the Group utilises the spare designed capacity to produce and sell liquefied industrial gas, thereby maximising the use of the ASUs. Carbon dioxide is produced in a separate production line independent from the production of oxygen, nitrogen and argon.

Supply of LNG and the provision of gas transmission service

The Group's LNG-related business includes the supply of LNG and the provision of gas transmission service. The supply of LNG refers to the production and sales of LNG products by the Group. The provision of gas transmission service refers to the Group's coke oven gas pressurisation and transmission service provided via pipelines which are independent from the pipelines used for its supply of pipeline industrial gas. The Group's Luanxian plant produces LNG and also provides gas transmission service, and has relevant equipment and machinery used for the Group's LNG-supply business.

Provision of technical support and management services

The Group provides technical support and management services. Such services include managing the organisation and planning, equipment inspections, equipment maintenance, daily maintenance, safety, labour and personnel etc. in respect of the production and supply of the industrial gas products.

The revenue and gross profit of the Group from each segment for the Reporting Period are set out as follows:

	Six months ended 30 June 2024 (Unaudited)			Six months ended 30 June 2023 (Unaudited)		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	<i>RMB</i>	<i>RMB</i>		<i>RMB</i>	<i>RMB</i>	
Supply of industrial gas (pipeline and liquefied)	550,011,507	161,058,615	29.28%	564,887,336	159,969,044	28.32%
LNG and gas transmission service	83,712,633	791,704	0.95%	143,190,867	4,134,066	2.89%
Technical support and management services	7,030,115	3,311,841	47.11%	–	–	–
The Group	<u>640,754,255</u>	<u>165,162,160</u>	<u>25.78%</u>	<u>708,078,203</u>	<u>164,103,110</u>	<u>23.18%</u>

Operation of the Group

In the first half of 2024, the total sales of the Group's pipeline industrial gas reached approximately 1,784.70 million Nm³ (same period in 2023: approximately 1,858.41 million Nm³), with revenue of approximately RMB462.32 million (same period in 2023: approximately RMB474.53 million); the sales of liquefied industrial gas totalled approximately 133,745 tons (same period in 2023: approximately 115,327 tons), with revenue of approximately RMB82.40 million (same period in 2023: approximately RMB79.97 million); the revenue generated from LNG and gas transmission service was approximately RMB83.71 million (same period in 2023: approximately RMB143.19 million); the revenue from technical support and management service was approximately RMB7.03 million (same period in 2023: Nil); and other revenue was approximately RMB5.29 million (same period in 2023: approximately RMB10.39 million).

The Group generated revenue from technical support and management service as it rendered such service following a change in arrangement as a result of the complete shutdown of the former steelmaking branch of Tangsteel. There was no such service being rendered previously.

OUTLOOK

Opportunities brought by industry development prospect

China's industrial gas industry is expected to enjoy steady growth driven by national policies, foreign investment, and high and new technology development. In the past five years, China's air separations production capacity has been expanding, reaching 37.42 million Nm³/h in 2023, representing a year-on-year increase of 5.0%. Such increase was driven by the development of related downstream industries, primarily those ancillary to the steel, coal chemical and other industries as well as from the petrochemical, non-ferrous, electronic and other sectors. In the next five years, it is expected that the industrial gas consumption in China will continue to increase, especially in the electronic, medical, lithium batteries and other industries where the increase in demand for noble gases and special gases will be significant.

As a leading industrial gas company in Northern China, the Group has a huge advantage in the bulk industrial gas market. Meanwhile, the Group also keeps abreast of industry development trends, actively develops noble gas and special gas products, and expands the market share of electronic special gas products, so as to enhance its prospects for future development.

Opportunities brought by gas supply model development

The industrial gas supply model includes self-established equipment gas supply and outsourced gas supply. As compared to the self-established equipment gas supply model, the outsourced gas supply model has lower operating cost and one-off financial cost with high stability in gas supply and efficient resources utilisation. Therefore, the market share of outsourced gas supply has been growing steadily over the years.

The Group will leverage on its successful experience and technical advantages as an outsourced gas supplier to keep pace with the changing market trends of the gas supply model and explore external development opportunities.

However, with general higher expectation on steel production capability and output, some smaller-scale steel mills are being eliminated. Therefore, the growth of consumption amount of liquid oxygen may slow down. Meanwhile, with the increase in use of small nitrogen generators and other machines in the chemical industry, the future sales of liquefied gas will also be impacted. Furthermore, the growth of consumption of liquid argon will also decline with argon recycling becoming more popular and slower growth of stainless steel production capacity.

The Group's business development

The Group's business development is supported by customers with strong background. Based on the increasing demand for industrial gas products driven by the expansion of the production capacity of the Group's customers, the future business development of the Group is expected to grow steadily.

The increase in demand for the Group's industrial gas products will mainly be underpinned by the following aspects:

1. The construction of the fourth blast furnace in the coastal base of a branch company of HBIS Tangshan branch.

Currently, this fourth blast furnace is at the stage of construction and the 60,000Nm³/h oxygen generation equipment that Tangshan Tangsteel Gas Co., Ltd. (唐山唐鋼氣體有限公司) (“TTG”) establishes therefore as ancillary is expected to be ready for operation at the end of this year.

2. The construction of cold-rolled production line in the coastal base of HBIS Tangshan branch.

The hydrogen generation equipment that TTG establishes as ancillary for the cold-rolled production lines in the two areas are currently under construction.

FINANCIAL REVIEW

The revenue of the Group for the Reporting Period amounted to approximately RMB640.75 million (same period in 2023: approximately RMB708.08 million), representing a decrease of approximately 9.51% as compared with the same period in 2023. The gross profit for the Reporting Period amounted to approximately RMB165.16 million (same period in 2023: approximately RMB164.10 million), representing an increase of approximately 0.65% as compared with the same period in 2023. For the Reporting Period, the Company recorded a profit attributable to owners of approximately RMB51.79 million (same period in 2023: profit attributable to owners of approximately RMB69.50 million). The earnings per Share attributable to equity shareholders of the Company for the Reporting Period amounted to approximately RMB0.04 (same period in 2023: earnings per Share of approximately RMB0.06).

Revenue

The revenue of the Group for the Reporting Period amounted to approximately RMB640.75 million, representing a decrease of approximately 9.51% as compared to approximately RMB708.08 million for the same period in 2023. For the Reporting Period, the revenue derived from supply of pipeline industrial gas amounted to approximately RMB462.32 million, representing a decrease of approximately 2.57% as compared to approximately RMB474.53 million for the same period in 2023, mainly due to the decrease in sales of pipeline industrial gases as a result of the complete shutdown of the former steelmaking branch of Tangsteel, which was replaced by the provision of technical support and management service. The revenue derived from supply of liquefied industrial gas for the Reporting Period amounted to approximately RMB82.40 million, representing an increase of approximately 3.03% as compared to approximately RMB79.97 million for the same period in 2023, mainly due to the higher demand for gas usage. The revenue derived from supply of LNG and gas transmission service for the Reporting Period amounted to approximately RMB83.71 million, representing a decrease of approximately 41.54% as compared to approximately RMB143.19 million for the same period in 2023, which was mainly due to the decrease in LNG production as a result of insufficient supply of coke oven gas source, and normal production of LNG was resumed during the Reporting Period. The revenue derived from technical support and management service for the Reporting Period was approximately RMB7.03 million. The Group only commenced the provision of technical support and management service in the second half of 2023 for the reason explained above and therefore there was no related revenue for the same period in 2023. The revenue derived from other sales for the Reporting Period was approximately RMB5.29 million, representing a decrease of approximately 49.09% as compared to approximately RMB10.39 million for same period in 2023. Such decrease in other sales revenue was primarily due to the decrease in sales volume of LNG filling stations as vehicles such as sprinkler trucks are now replaced by electric vehicles instead of being fuelled by LNG.

Other income and other net losses or gains

The other income of the Group for the Reporting Period amounted to approximately RMB4.11 million (same period in 2023: approximately RMB0.05 million), representing an increase of approximately 8,698.12%. The increase in other income was mainly due to the government grant policy. The other net losses of the Group for the Reporting Period were approximately RMB1.24 million, as compared to net gains of approximately RMB2.84 million for the same period in 2023, which was mainly due to foreign exchange loss.

Selling and marketing expenses

The selling and marketing expenses of the Group for the Reporting Period increased by approximately 67.04% to approximately RMB1.52 million (same period in 2023: approximately RMB0.91 million), mainly due to the increase in the benefits expenses of sales staff.

Administrative expenses

The administrative expenses of the Group for the Reporting Period decreased by approximately 7.05% to approximately RMB23.46 million (same period in 2023: approximately RMB25.24 million). The decrease in administrative expenses was mainly due to the reduction in legal and professional fees related to the recovery of outstanding amounts in the same period last year.

Credit loss allowance for trade receivables

During the Reporting Period, the credit loss allowance for trade receivables increased by approximately RMB1.88 million, which was mainly due to the increase in receivables aged from six months to one year.

Impairment losses of property, plant and equipment

During the Reporting Period, impairment indicators relating to certain machinery and equipment were identified by the management of the Group. Consequently, the impairment losses of approximately RMB37.89 million were recognised on property, plant and equipment. Details are set out in note 12 to the interim condensed consolidated financial statements in this announcement.

Finance costs, net

The net finance costs of the Group for the Reporting Period decreased by approximately 25.94% to approximately RMB9.36 million (same period in 2023: approximately RMB12.64 million), mainly due to the decrease in borrowings.

Income tax expense

The income tax expense of the Group for the Reporting Period amounted to approximately RMB12.37 million (same period in 2023: approximately RMB16.41 million). Such decrease in income tax expense of approximately 24.62% was mainly due to the decrease in the Group's deferred tax expenses.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group had total cash and bank balances of approximately RMB177.78 million as at 30 June 2024 (31 December 2023: approximately RMB202.62 million). As at 30 June 2024, the bank and other borrowings of the Group amounted to approximately RMB524.97 million (31 December 2023: approximately RMB537.79 million), which included bank borrowings of approximately RMB520.69 million (31 December 2023: approximately RMB533.00 million) and lease liabilities of approximately RMB4.28 million (31 December 2023: approximately RMB4.79 million). The bank borrowings bore interest rates at a range of the loan prime rate +4.35% to +4.90% and the benchmark interest rate of 4.35% of the People's Bank of China. The Group's gearing ratio (calculated as total debt divided by total equity) was approximately 33.5% as at 30 June 2024 (31 December 2023: 35.5%). Net debt, calculated as total borrowing as well as lease liabilities less cash and cash equivalents, was approximately RMB347.20 million as at 30 June 2024 (31 December 2023: approximately RMB335.17 million). There were available credit facilities of approximately RMB350.00 million as at 30 June 2024, which can be utilised as additional liquidity of the Group.

The Group recorded total current assets of approximately RMB789.52 million as at 30 June 2024, representing a decrease of approximately 7.43% as compared to approximately RMB852.86 million as at 31 December 2023; and total current liabilities of approximately RMB559.91 million as at 30 June 2024, representing a decrease of approximately 16.21% as compared to approximately RMB668.24 million as at 31 December 2023. The current ratio of the Group, calculated by dividing total current assets by total current liabilities, was approximately 1.41 as at 30 June 2024 (31 December 2023: approximately 1.28).

Currently, the Group's operating and capital expenditures are mainly financed by cash generated from operation, internal liquidity and bank borrowings.

RISK MANAGEMENT

The Group's principal financial instruments include financial assets at fair value through other comprehensive income, trade and other receivables and bank balances and cash, trade and other payables, borrowings and lease liabilities. The main purpose of these financial instruments is to support the Group's industrial gas business.

The Group also has various financial assets and financial liabilities arising from its business operations. The principal risks arising from its financial instruments are foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group intends to achieve an appropriate balance between these risks and the investment returns so as to minimise the potential adverse impact on its business and financial condition. The Group will not obtain collateral from counterparty.

As at 30 June 2024, the provision for impairment loss of approximately RMB25.37 million (31 December 2023: approximately RMB23.50 million) was made for trade receivables as part of the trade receivables was considered to be subject to certain credit risk due to their ageing of over six months. The management of the Group also evaluated all available forward-looking information, including but not limited to the expected growth rate of the industry and the settlement and expected and concluded that there is no significant increase in credit risk. As at 30 June 2024, approximately 97% of trade receivables of the Group was payable by HBIS Group Co., Ltd. (河鋼集團有限公司) (“**HBIS**”), together with its subsidiaries and their respective associates, but excluding the Group, “**HBIS Group**”) and HBIS Group (31 December 2023: approximately 97%). The credit period granted to the Group’s customers, including the HBIS Group, is usually no more than 180 days and the credit quality of these customers is assessed taking into account their financial position, past experience, business relationship with the Group and other factors. In view of the sound history of receivables, the management of the Group believes that the inherent credit risk of the Group’s unsettled trade receivables balance is insignificant, however, an impairment provision has been made for trade receivables in accordance with the principle of prudence.

The Group aims to maintain its current assets at appropriate level and is committed to a capital limit. This ensures that the Group can satisfy its short term and long term liquidity needs. The Group had been following its liquidity policy during the Reporting Period, which has been effective in managing liquidity risk. The cash flow generated from the Group’s operation is expected to be able to satisfy the Group’s needs for cash flow in the future.

Foreign currency risk

Other payables as well as cash and cash equivalents of the Group, which are denominated in other currencies different to the function currency of its related business, were mainly generated from the business outside China. The currencies that caused such exposure are primarily the United States dollars and Hong Kong dollars. The Group did not use derivative financial instruments to hedge against its foreign exchange risk.

The Group periodically reviews its foreign exchange risk and considers that there is no significant exposure to its foreign exchange risk.

Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from mismatches in amounts or time with regard to the financial assets and liabilities. The Group manages its liquidity risk through regular monitoring with the following objectives: maintaining the stability in developing the Group’s principal businesses, timely monitoring cash and bank position, projecting cash flows and evaluating the level of current assets to ensure liquidity of the Group.

Pledge of assets

As at 30 June 2024, the Group did not have any charge over its assets (31 December 2023: Nil).

TREASURY POLICIES

The bank balance and cash held by the Group were denominated in Hong Kong dollars, Renminbi and United States dollars. The Group currently does not have a foreign currency and interest rate hedging policy. However, the management of the Group monitors foreign currency and interest rate exposure from time to time and will consider hedging significant foreign currency and interest rate exposure when necessary.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no significant investments held, material acquisitions and disposals of subsidiaries or associated companies, or investment projects for sale during the Reporting Period.

CAPITAL COMMITMENTS

As at 30 June 2024, the total capital commitments of the Group amounted to approximately RMB85.66 million (31 December 2023: approximately RMB155.03 million). They were mainly contracted commitments in respect of purchase of property, plant and equipment.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2024 (31 December 2023: Nil).

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 19 July 2024, a resolution was passed by the Board for the disposal of certain fixed assets of the Group. The fixed assets to be disposed of include certain property, plant and equipment previously used in industrial gas production and LNG gas station. Details of the disposal are set out in note 12 to the interim condensed consolidated financial statements of this announcement.

Save as disclosed above, as at the date of this announcement, there had been no significant event of the Group after the Reporting Period.

STAFF AND REMUNERATION POLICIES

The Group believes that talent is one of the key factors which has led to its success. The Group has experienced management team members and employees to assist it in its business expansion. The Group plans to continue to attract and retain highly skilled personnel and further strengthen its corporate culture by continuing to invest in supporting employees in their career development. The Group also plans to provide its employees with trainings and professional development programmes and further align employees' interests with its own interest.

The Group places high emphasis on the training and development of its staff. The Group invests in continuing education and training programmes for its management and other staff members to update their skills and knowledge periodically. The Group provides trainings for its staff members with respect to its operation, technical knowledge and work safety standards and environmental protection.

To attract and retain the suitable personnel who are beneficial to the development of the Group, the Group has adopted a share option scheme by the written resolutions of its then shareholders on 17 June 2020 (the “**Share Option Scheme**”) and such scheme is effective for a period of 10 years commencing from 29 December 2020. Pursuant to the Share Option Scheme, share options may be granted to eligible employees of the Group as a long-term incentive. No share options were granted, cancelled or lapsed up to the date of this announcement.

The Group had 333 employees in total as at 30 June 2024 (31 December 2023: 323 employees) with total staff costs of approximately RMB28.62 million for the Reporting Period (same period in 2023: approximately RMB25.99 million). The Group offers competitive remuneration packages to its employees.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds from the Global Offering (as defined in the prospectus of the Company dated 16 December 2020) amounted to HK\$315.9 million (equivalent to RMB298.1 million) (the “**IPO Proceeds**”) after deducting the underwriting fees and commissions and other expenses payable by the Company in connection with the Global Offering. The IPO Proceeds had been fully utilised by June 2024. The following table sets out details of the use of the net IPO Proceeds:

Procurement and relocation of ASUs relating to the development at the Zhongqi Investment (Tangshan) plant	Utilised up to 30 June 2024 RMB'000
Phase I	
First ASU: payment for the remaining procurement and installation cost	64,990
Second ASU: payment for the remaining procurement and installation cost and relocation of certain existing ancillary equipment and machinery such as air compressors from the TTG headquarters plant	101,790
Third ASU: relocation and installation of a used ASU from the TTG headquarters plant	80,170
Phase II	
Fourth ASU: procurement and installation of a new ASU	50,553
Working capital and other general corporate purposes	27,300
Total	324,803

CORPORATE GOVERNANCE

The Board recognises the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. The Board is committed to achieving high standards of corporate governance with a view to safeguarding the interests of shareholders of the Company as a whole. The Company has adopted the principles of good corporate governance and code provisions of the Corporate Governance Code (the “**CG Code**”) contained in Part 2 of Appendix C1 to the Listing Rules as the basis of the Company’s corporate governance practices.

The Company has complied with all applicable code provisions set out in the CG Code throughout the Reporting Period.

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

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company’s listed securities (including sale of treasury shares).

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors’ securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules. Having made specific enquiry with the Directors, all Directors have confirmed that the required standards of the Model Code had been complied with throughout the Reporting Period.

REVIEW OF UNAUDITED INTERIM CONDENSED CONSOLIDATED RESULTS BY THE AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) has reviewed the unaudited interim condensed consolidated financial information of the Group for the Reporting Period and this announcement. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control and financial reporting matters.

In addition, the independent auditor of the Company, BDO Limited, has reviewed the unaudited interim financial information of the Group for the Reporting Period in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

Reference is made to page 27 of the Company’s annual report for the year ended 31 December 2023 (“**2023 Annual Report**”), which stated that barring any unforeseen circumstances, the Audit Qualification (as defined in the 2023 Annual Report) is expected to be removed from the consolidated financial statements of the Company for the year ending 31 December 2024. As at 30 June 2024, there is no change in such expectation.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the year ending 31 December 2024 (2023: Nil).

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.cgiihltd.com). The interim report of the Company for the six months ended 30 June 2024 will be despatched to the shareholders of the Company and published on the aforesaid websites in late September 2024.

By Order of the Board of
China Gas Industry Investment Holdings Co. Ltd.
Song Changjiang
Chairman and Executive Director

Tangshan, 29 August 2024

As of the date of this announcement, the Board comprises: (1) Mr. SONG Changjiang (Chairman) and Mr. SUN Changhuan as the executive Directors; (2) Ms. NG Shuk Ming and Mr. ZHANG Wenli as the non-executive Directors; and (3) Mr. SIU Chi Hung, Mr. XIAO Huan Wei and Ms. LI Chun Elsy as the independent non-executive Directors.