



中裕能源控股有限公司
ZHONGYU ENERGY HOLDINGS LIMITED

(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)
(Stock Code:3633)

INTERIM REPORT
FOR THE SIX MONTHS ENDED
30TH JUNE, 2024

FINANCIAL AND OPERATIONAL HIGHLIGHTS

(Unaudited)	For the six months ended 30th June,		
	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>	changes %
Turnover	7,255,090	7,021,363	3.3%
Profit attributable to owner of the Company	239,077	235,747	1.4%
Basic earnings per share (HK cents)	8.57	8.34	2.8%
Unit of natural gas sold ('000 m³)	1,738,419	1,492,148	16.5%
New piped gas connections made for residential households	171,112	187,445	(8.7)%
Sales volume of integrated energy (million kWh)	1,255	582	115.6%

The board of directors (the “Board” or the “Directors”) of Zhongyu Energy Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30th June, 2024, together with the comparative figures for the corresponding period in 2023, which are set out below.

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

For the six months ended 30th June, 2024

		For the six months ended 30th June,	
	NOTES	2024 (unaudited) HK\$'000	2023 (unaudited) HK\$'000
Turnover	3	7,255,090	7,021,363
Cost of sales		(6,240,798)	(5,789,791)
Gross profit		1,014,292	1,231,572
Other gains and losses	5	(57,746)	(243,428)
Other income		115,812	94,486
Selling and distribution costs		(119,746)	(116,395)
Administrative expenses		(278,418)	(297,749)
Impairment losses on financial assets		(405)	—
Finance costs	6	(277,435)	(238,653)
Share of results of associates		13,950	15,339
Share of results of joint ventures		(127)	(169)
Profit before tax		410,177	445,003
Income tax expenses	7	(147,339)	(164,255)
Profit for the period	8	262,838	280,748
Other comprehensive (expense) income			
Items that will not be reclassified subsequently to profit or loss:			
Exchange differences on translation from functional currency to presentation currency		(103,361)	(491,113)
Fair value (loss) gain on revaluation of pipelines included in property, plant and equipment		(71,141)	165,853
Deferred tax arising from revaluation of pipelines included in property, plant and equipment		17,785	(41,463)
Other comprehensive expense for the period		(156,717)	(366,723)
Total comprehensive income (expense) for the period		106,121	(85,975)

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

(Continued)

For the six months ended 30th June, 2024

		For the six months ended 30th June,	
	NOTE	2024 (unaudited) HK\$'000	2023 (unaudited) HK\$'000
Profit for the period attributable to:			
Owners of the Company		239,077	235,747
Non-controlling interests		23,761	45,001
		<u>262,838</u>	<u>280,748</u>
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		91,661	(122,702)
Non-controlling interests		14,460	36,727
		<u>106,121</u>	<u>(85,975)</u>
Earnings per share	10		
Basic		<u>HK8.57 cents</u>	<u>HK8.34 cents</u>
Diluted		<u>HK8.57 cents</u>	<u>HK8.34 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2024

	NOTE	30th June, 2024 (unaudited) HK\$'000	31st December, 2023 (audited) HK\$'000
Non-current assets			
Investment properties		6,601	7,115
Property, plant and equipment		15,237,932	15,368,744
Right-of-use assets		661,199	668,265
Goodwill		455,529	459,052
Other intangible assets		1,355,248	1,407,561
Long-term deposits, prepayments and other receivables		1,217,274	1,139,828
Interests in associates		782,084	774,137
Interests in joint ventures		14,510	14,750
Financial assets at fair value through other comprehensive income		77,610	78,190
		19,807,987	19,917,642
Current assets			
Inventories		694,038	596,231
Properties under development for sale		313,108	289,675
Trade receivables	11	2,072,896	2,134,904
Deposits, prepayments and other receivables		1,681,372	1,561,408
Amount due from a non-controlling shareholder of a subsidiary		8,224	8,287
Contract assets		461,584	395,476
Tax recoverable		3,770	3,800
Bank balances and cash		1,051,799	1,522,684
		6,286,791	6,512,465

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 30th June, 2024

	NOTE	30th June, 2024 (unaudited) HK\$'000	31st December, 2023 (audited) HK\$'000
Current liabilities			
Trade payables	12	1,398,300	1,611,662
Other payables and accrued charges		694,679	815,757
Amounts due to non-controlling shareholders of subsidiaries		4,178	1,215
Amount due to an associate		981	988
Contract liabilities		1,349,292	1,621,314
Borrowings		7,821,773	7,621,571
Lease liabilities		5,534	3,284
Tax payables		89,450	110,551
		11,364,187	11,786,342
Net current liabilities		(5,077,396)	(5,273,877)
Total assets less current liabilities		14,730,591	14,643,765
Capital and reserves			
Share capital		27,849	27,942
Reserves		7,719,015	7,673,371
Equity attributable to owners of the Company		7,746,864	7,701,313
Non-controlling interests		996,198	992,114
Total equity		8,743,062	8,693,427
Non-current liabilities			
Deferred income and advance received		4,208	4,523
Borrowings		4,665,430	4,582,122
Lease liabilities		21,685	17,449
Deferred taxation		1,296,206	1,346,244
		5,987,529	5,950,338
		14,730,591	14,643,765

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2024

	Attributable to owners of the Company								Non-controlling interests	Total
	Share capital HK\$'000	Share premium HK\$'000	Share option reserve HK\$'000	Property revaluation reserve HK\$'000	Other reserve HK\$'000 (Note i)	Statutory surplus reserve HK\$'000 (Note ii)	Translation reserve HK\$'000	Accumulated profits HK\$'000	Sub-total HK\$'000	
At 1st January, 2023 (audited)	28,297	2,707,098	13,027	2,077,378	(611,503)	246,499	(91,748)	3,759,175	8,128,223	9,135,242
Profit for the period	-	-	-	-	-	-	-	235,747	235,747	280,748
Other comprehensive income (expense) for the period	-	-	-	28,768	-	-	(387,217)	-	(358,449)	(360,723)
Total comprehensive income (expense) for the period	-	-	-	28,768	-	-	(387,217)	235,747	(122,702)	(85,975)
Repurchase of shares	(72)	(41,909)	-	-	-	-	-	-	(41,981)	(41,981)
Transfer to statutory surplus reserve	-	-	-	-	-	36,049	-	(36,049)	-	-
Dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	(9,097)	(9,097)
Capital contribution from non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	14,773	14,773
At 30th June, 2023 (unaudited)	28,225	2,665,189	13,027	2,106,146	(611,503)	282,548	(478,905)	3,958,873	7,963,540	9,012,962
At 1st January, 2024 (audited)	27,842	2,588,703	12,534	1,942,512	(605,493)	300,012	(437,772)	3,952,875	7,701,313	8,693,427
Profit for the period	-	-	-	-	-	-	-	239,077	239,077	262,838
Other comprehensive expense for the period	-	-	-	(63,764)	-	-	(83,652)	-	(147,416)	(156,717)
Total comprehensive (expense) income for the period	-	-	-	(63,764)	-	-	(83,652)	239,077	91,661	106,121
Repurchase of shares	(93)	(46,017)	-	-	-	-	-	-	(46,110)	(46,110)
Transfer to statutory surplus reserve	-	-	-	-	-	10,155	-	(10,155)	-	-
Dividends paid by subsidiaries to non-controlling interests	-	-	-	-	-	-	-	-	(10,376)	(10,376)
At 30th June, 2024 (unaudited)	27,849	2,462,686	12,534	1,878,748	(605,493)	310,167	(521,424)	4,181,797	7,746,864	8,743,062

Notes: (i) Other reserve mainly represents the difference between the fair values of the considerations paid and the carrying amounts of the non-controlling interests arising from acquisition of additional interest in subsidiaries.

(ii) The articles of association of the Company's subsidiaries established in the People's Republic of China (the "PRC") state that they may make an appropriation of 10% of their profit for each year (prepared under generally accepted accounting principles in the PRC) to the statutory surplus reserve until the balance reaches 50% of the paid-in capital. The statutory surplus reserve shall only be used for making up losses, capitalization into paid-in capital and expansion of their production and operation.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June, 2024

	For the six months ended 30th June,	
	2024 (unaudited) HK\$'000	2023 (unaudited) HK\$'000
Net cash from operating activities	317,004	615,979
Net cash used in investing activities	(593,836)	(511,936)
Net cash (used in) from financing activities	(170,438)	547,450
Net (decrease) increase in cash and cash equivalents	(447,270)	651,493
Cash and cash equivalents at 1st January	1,522,684	1,336,976
Effect of foreign exchange rate changes	(23,615)	(77,296)
Cash and cash equivalents at 30th June, represented by bank balances and cash	<u>1,051,799</u>	<u>1,911,173</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31st December, 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to HKFRSs and application of certain accounting policies which became relevant to the Group in the current interim period, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2024 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31st December, 2023.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1st January, 2024 for the preparation of the Group’s condensed consolidated financial statements.

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

3. TURNOVER

Disaggregation of revenue from contracts with customers

	For the six months ended 30th June,	
	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Types of goods or services		
Sales of gas	5,860,550	5,700,194
Gas pipeline construction	580,215	668,838
Smart energy	548,680	346,421
Value-added services	169,567	182,652
Sales of compressed natural gas or liquefied natural gas ("CNG/LNG") in vehicle filling stations	96,078	123,258
Total	7,255,090	7,021,363
Timing of revenue recognition		
A point in time	6,674,875	6,352,525
Over time	580,215	668,838
Total	7,255,090	7,021,363

All the revenue from contracts with customers are derived from the PRC.

4. SEGMENT INFORMATION

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

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

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

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

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

4. SEGMENT INFORMATION (Continued)

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

For the six months ended 30th June, 2024

	Sales of gas	Gas pipeline construction	Smart energy	Value-added services	Operation of CNG/LNG vehicle filling stations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	5,860,550	580,215	548,680	169,567	96,078	7,255,090
Segment profit	290,763	307,699	38,642	61,930	1,847	700,881
Unallocated other income						108,880
Unallocated other gains and losses						(57,951)
Unallocated central corporate expenses						(63,806)
Impairment losses on other receivables						(392)
Finance costs						(277,435)
Profit before tax						410,177

For the six months ended 30th June, 2023

	Sales of gas	Gas pipeline construction	Smart energy	Value-added services	Operation of CNG/LNG vehicle filling stations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue	5,700,194	668,838	346,421	182,652	123,258	7,021,363
Segment profit	430,834	358,024	15,941	76,493	4,175	885,467
Unallocated other income						94,486
Unallocated other gains and losses						(243,431)
Unallocated central corporate expenses						(52,866)
Finance costs						(238,653)
Profit before tax						445,003

4. SEGMENT INFORMATION *(Continued)*

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

5. OTHER GAINS AND LOSSES

	For the six months ended 30th June,	
	2024 HK\$'000	2023 HK\$'000
Net foreign exchange losses	(57,176)	(242,242)
Net losses on disposal of property, plant and equipment	(570)	(1,109)
Others	—	(77)
	<u>(57,746)</u>	<u>(243,428)</u>

6. FINANCE COSTS

	For the six months ended 30th June,	
	2024 HK\$'000	2023 HK\$'000
Interest on borrowings and lease liabilities	321,570	250,682
Amortisation on loan facilities fees relating to bank borrowings	<u>34,385</u>	<u>32,039</u>
Total borrowing costs	355,955	282,721
Less: Amounts capitalised in construction in progress included in property, plant and equipment	<u>(78,520)</u>	<u>(44,068)</u>
	<u>277,435</u>	<u>238,653</u>

7. INCOME TAX EXPENSES

	For the six months ended 30th June,	
	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
PRC Enterprise Income Tax	<u>147,339</u>	<u>164,255</u>

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

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

Under the EIT Law of the PRC, withholding tax is imposed on the dividend declared to non-PRC tax residents in respect of profits earned by PRC subsidiaries from 1st January, 2008 onwards. During the six months ended 30th June, 2024, withholding tax amounting to HK\$17,493,000 (2023: HK\$2,045,000) was charged by the PRC tax authority on the dividends paid to overseas group entities.

8. PROFIT FOR THE PERIOD

	For the six months ended 30th June,	
	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Profit for the period has been arrived at after charging:		
Amortisation of other intangible assets (included in cost of sales)	42,010	43,360
Depreciation of right-of-use assets	9,948	12,477
Depreciation of property, plant and equipment	<u>250,214</u>	<u>278,330</u>

9. DIVIDENDS

No dividend was paid, declared or proposed for ordinary shareholders of the Company during the six months ended 30th June, 2024 and 2023.

Subsequent to the end of the current interim period, the Directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2024.

10. EARNINGS PER SHARE

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

	For the six months ended 30th June,	
	2024 HK\$'000	2023 HK\$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share, being profit for the period attributable to owners of the Company	239,077	235,747
	<u>239,077</u>	<u>235,747</u>
	For the six months ended 30th June,	
	2024 '000	2023 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,790,825	2,826,779
Effect of dilutive potential ordinary shares:		
Share options issued by the Company	—	684
	<u>—</u>	<u>684</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	2,790,825	2,827,463
	<u>2,790,825</u>	<u>2,827,463</u>

11. TRADE RECEIVABLES

Other than certain major customers with good payment history which the Group allows a large credit period or settlement by installment basis, the Group generally allows an average credit period of 30 to 180 days to its trade customers. The following is an aged analysis of trade receivables from contracts with customers net of allowance for credit losses presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates for sales of gas and the respective construction contracts completion dates, as appropriate:

	30th June, 2024 <i>HK\$'000</i>	31st December, 2023 <i>HK\$'000</i>
0 – 180 days	1,143,348	1,184,012
181 – 360 days	188,618	182,093
Over 360 days	740,930	768,799
	<u>2,072,896</u>	<u>2,134,904</u>
Trade receivables	<u>2,072,896</u>	<u>2,134,904</u>

As at 30th June, 2024, total bills received amounting to HK\$181,825,000 (2023: HK\$149,041,000) are held by the Group for future settlement of trade receivables. All bills received by the Group are with a maturity period of less than one year.

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

As at 30th June, 2024, included in the Group’s trade receivables balance are debtors with aggregate carrying amount of HK\$929,548,000 (2023: HK\$950,892,000) which are past due as at the reporting date and is not considered as in default as these are represented by the debtors without bad debt history or the PRC local governments with low credit risks. The Group does not hold any collateral over these balances.

12. TRADE PAYABLES

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

	30th June, 2024 <i>HK\$'000</i>	31st December, 2023 <i>HK\$'000</i>
0 – 90 days	547,726	951,183
91 – 180 days	154,290	144,564
Over 180 days	696,284	515,915
	<u>1,398,300</u>	<u>1,611,662</u>
Trade payables	<u>1,398,300</u>	<u>1,611,662</u>

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

LIQUIDITY, FINANCIAL RESOURCES AND WORKING CAPITAL

Treasury Management and Cash Funding

The Group's funding and treasury policy is designed to maintain a diversified and balanced debt profile and financing structure. The Group continues to monitor its cash flow position and debt profile, and to enhance the cost-efficiency of funding initiatives by its centralised treasury function. In order to maintain financial flexibility and adequate liquidity for the Group's operations, potential investments and growth plans, the Group has built a strong base of funding resources and will keep exploring cost-efficient ways of financing.

Liquidity

As at 30th June, 2024, the total assets of the Group decreased by HK\$335,329,000 or 1.3% to HK\$26,094,778,000 (2023: HK\$26,430,107,000).

As at 30th June, 2024, the Group has net current liabilities of HK\$5,077,396,000 (2023: HK\$5,273,877,000). Decrease in net current liabilities was mainly due to decrease in contract liabilities.

As at 30th June, 2024, the Group's current ratio, represented by a ratio of total current assets to total current liabilities, was approximately 0.6 (2023: 0.6).

As at 30th June, 2024, the total borrowings and lease liabilities increased by HK\$289,996,000 or 2.4% to HK\$12,514,422,000 (2023: HK\$12,224,426,000).

As at 30th June, 2024, the Group had total net debts of HK\$11,462,623,000 (2023: HK\$10,701,742,000), measured as total borrowings and lease liabilities minus the bank balances and cash. As at 30th June, 2024, the Group had net gearing ratio of approximately 1.31 (2023: 1.23), measured as total net debts to total equity of HK\$8,743,062,000 (2023: HK\$8,693,427,000).

Financial resources

During the period under review, the Group entered into several loan agreements with several banks in Hong Kong, pursuant to which loan facilities of up to HK\$714,748,000 in total were made available to the Group.

During the six months ended 30th June, 2024, the Group generally financed its operations with internally generated resources and bank and other borrowings. As at 30th June, 2024, all of the bank and other borrowings were on normal commercial terms.

The Group's borrowing was not affected by seasonality.

Capital structure

As at 30th June, 2024, approximately 63% of total borrowings and lease liabilities were repayable within one year and approximately 37% of total borrowings and lease liabilities were repayable after one year. Approximately 40%, 35% and 25% of total borrowings and lease liabilities were denominated in Renminbi ("RMB"), United States dollars ("US\$") and Hong Kong dollars ("HK\$") respectively. Approximately 81% and 19% of total borrowings were carried at floating interest rate and fixed interest rate respectively.

Working capital

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

EXPOSURE TO EXCHANGE RATE FLUCTUATIONS

During the period under review, the Group's monetary assets and liabilities are principally denominated in either RMB, HK\$ or US\$ and the Group conducted its business transactions principally in RMB. As a result of the further depreciation of RMB in the first half of 2024, exchange loss arising from the Group's bank borrowings denominated in US\$ and HK\$ was recognised during the period under review. The Group may, as it thinks fit, seek suitable financial instruments to hedge against potential depreciation of RMB. As at 30th June, 2024, the Group did not, but was actively exploring opportunities to, employ any financial instruments for hedging purposes.

EMPLOYEE INFORMATION

As at 30th June, 2024, the Group had a total of 5,111 employees (2023: 5,062) in Hong Kong and the PRC, and the total employee benefit expenses (other than directors) for the period under review was approximately HK\$317,661,000 (2023: HK\$316,994,000). The growth was mainly due to the increase in the number of headcount of the Group. Around 99.7% of the Group's employees are based in the PRC.

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

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

Share option schemes

On 24th October, 2003, the Company adopted a share option scheme ("First Share Option Scheme") pursuant to which the Directors were authorised to grant share option to its employees (including executive directors and employees of any of its subsidiaries) or any person who has contributed or will contribute to the Group. The First Share Option Scheme was terminated and replaced by a new share option scheme ("Second Share Option Scheme") on 3rd May, 2013 by an ordinary resolution passed by the shareholders of the Company at the annual general meeting held on 3rd May, 2013. As at 30th June, 2024, there was no share option outstanding under the First Share Option Scheme.

The Second Share Option Scheme was valid and effective for a period of ten years commencing on 3rd May, 2013 and expired on 2nd May, 2023. Under the Second Share Option Scheme, the Directors may offer to any employees or any eligible person, who has made or will make contributions to the Group, share options to subscribe for shares in the Company in accordance with the terms of the Second Share Option Scheme. Such scheme was terminated and replaced by another new share option scheme (“Third Share Option Scheme”) on 2nd June, 2023 by an ordinary resolution passed by the shareholders of the Company at the annual general meeting held on 2nd June, 2023.

No options were exercised, cancelled or lapsed under the Second Share Option Scheme in the period under review. As at 30th June, 2024, 126,730,800 share options were granted, 3,526,100 share options have lapsed in accordance with the terms of the Second Share Option Scheme, 107,614,800 shares have been issued under the Second Share Option Scheme and the number of share options outstanding was 15,589,900. The outstanding share options, if converted in full into shares of the Company, represent approximately 0.56% of the number of issued shares of the Company as at 30th June, 2024. The number of options available for grant under the scheme mandate limit of the Second Share Option Scheme was nil as at 1st January and 30th June, 2024.

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

		Number of share options granted under the Second Share Option Scheme						
Name of participants who are Directors and category of other participants	Date of grant	Exercise period	Exercise price HK\$	Cancelled/				
				Outstanding at 1st January, 2024	Granted during the period under review	Exercised during the period under review	Lapsed during the period under review	Outstanding at 30th June, 2024
Lui Siu Keung	5th January, 2018	5th January, 2018 to 4th January, 2028 (Note a)	5.468	7,543,500	–	–	–	7,543,500
Lu Zhaozheng	5th January, 2018	5th January, 2018 to 4th January, 2028 (Note a)	5.468	3,017,400	–	–	–	3,017,400
Li Chunyan	5th January, 2018	5th January, 2018 to 4th January, 2028 (Note a)	5.468	502,900	–	–	–	502,900
Liu Yu Jie	5th January, 2018	5th January, 2018 to 4th January, 2028 (Note a)	5.468	502,900	–	–	–	502,900
				11,566,700	–	–	–	11,566,700
Employees	5th January, 2018	5th January, 2018 to 4th January, 2028 (Note a)	5.468	2,514,500	–	–	–	2,514,500
Employees	5th January, 2018	17th December, 2019 to 4th January, 2028 (Note b))	5.468	1,508,700	–	–	–	1,508,700
				15,589,900	–	–	–	15,589,900
Exercisable at the end of the period								15,589,900
Weighted average exercise price				HK\$5.468	–	–	–	HK\$5.468

Note a: The options became vested immediately on 5th January, 2018.

Note b: Pursuant to an ordinary resolution passed by the shareholders on 17th December, 2019, the options became vested immediately upon passing of the resolution.

The Third Share Option Scheme shall be valid and effective for a period of ten years commencing on 2nd June, 2023 and will expire on 1st June, 2033. Under the Third Share Option Scheme, the Directors may offer to any employees or any participant who is a director or employee of any related entity in accordance with Chapter 17 of the Listing Rules, who has made or will make contributions to the Group, share options to subscribe for shares in the Company in accordance with the terms of the Third Share Option Scheme. The exercise price shall be determined by the Directors, and shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheets issued by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on the date of grant which must be a business day; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company’s shares. The scheme mandate limit of the Third Share Option Scheme is 282,975,315. Since the adoption of the Third Share Option Scheme and during the period under review, no share options have been granted, exercised, cancelled or lapsed. The number of options available for grant under the scheme mandate limit of the Third Share Option Scheme was 282,975,315 as at 1st January and 30th June, 2024.

CHARGE ON THE GROUP’S ASSETS

As at 30th June, 2024 and 31st December, 2023, there was no pledged bank deposit to secure the short-term general banking facilities granted to the Group.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITION AND DISPOSALS

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

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

As at 30th June, 2024, the Board did not have any specific plans for material investment or capital assets.

CAPITAL AND OTHER COMMITMENTS

As at 30th June, 2024, the capital expenditure in respect of the acquisition of property, plant and equipment and right-of-use assets contracted for but not provided in the condensed consolidated financial statements was HK\$113,788,000 (2023: HK\$138,112,000).

CONTINGENT LIABILITIES

As at 30th June, 2024, the Group did not have any contingent liabilities (2023: nil).

BUSINESS REVIEW

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

Piped Gas Distribution Projects

As at 30th June, 2024, the Group had 75 gas projects with exclusive rights in the PRC.

Major Operational Data

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

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

	Six months ended 30th June, (unaudited)		Increase/ (Decrease)
	2024	2023	
Number of operational locations (<i>Note a</i>)	75	75	—
– Henan Province	28	28	—
– Hebei Province	21	21	—
– Jiangsu Province	8	8	—
– Shandong Province	4	4	—
– Jilin Province	4	4	—
– Fujian Province	1	1	—
– Heilongjiang Province	2	2	—
– Zhejiang Province	2	2	—
– Anhui Province	3	3	—
– Inner Mongolia	1	1	—
– Jiangxi Province	1	1	—
Connectable population ('000) (<i>Note b</i>)	25,244	24,252	4.1%
Connectable residential households ('000)	7,199	6,915	4.1%
New piped gas connections by the Group made during the period			
– Residential households	171,112	187,445	(8.7)%
– Industrial customers	138	185	(25.4)%
– Commercial customers	1,207	1,051	14.8%
Accumulated number of connected piped gas customers			
– Residential households	5,109,629	4,849,837	5.4%
– Industrial customers	4,409	4,104	7.4%
– Commercial customers	24,323	21,096	15.3%
Penetration rate of residential pipeline connection (<i>Note c</i>)	71.0%	70.1%	0.9%
Unit of piped natural gas sold to retail customers ('000 m ³)			
– Residential households	466,566	440,857	5.8%
– Industrial customers	654,231	642,867	1.8%
– Commercial customers	84,245	80,429	4.7%

	Six months ended 30th June, (unaudited)		Increase/ (Decrease)
	2024	2023	
Unit of gas sold to wholesale customers (’000 m ³)			
– Piped natural gas	331,808	69,465	377.7%
– LNG	178,291	232,356	(23.3)%
Total unit of gas sold (’000 m ³)	1,715,141	1,465,974	17.0%
Number of CNG/LNG vehicle filling stations			
– Accumulated	56	56	–
– Under construction	7	7	–
Unit of natural gas sold to vehicles (’000 m ³)	23,278	26,174	(11.1)%
Total length of existing intermediate and main pipelines (km)	27,897	27,474	1.5%
Average selling price of natural gas (pre-tax) (RMB per m ³)			
– Residential households	2.66	2.56	3.9%
– Industrial customers	3.62	3.98	(9.0)%
– Commercial customers	3.96	4.23	(6.4)%
– Wholesale customers	2.50	3.39	(26.3)%
– Wholesale customers (LNG)	3.08	3.23	(4.6)%
– CNG/LNG vehicle filling stations	3.75	4.14	(9.4)%
Average purchase cost of natural gas (RMB per m ³) (Note d)	2.69	2.87	(6.3)%
Average connection fee for residential households (RMB)	2,712	2,815	(3.7)%
Accumulated number of integrated energy projects in operation	216	120	80.0%
Sales volume of integrated energy (million kWh)	1,255	582	115.6%

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

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

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

Note d: The amounts do not include the average distribution costs of natural gas, which is RMB0.19 per m³ (2023: RMB0.19 per m³).

FINANCIAL REVIEW

Overall

The Group's turnover for the six months ended 30th June, 2024 increased by 3.3% to HK\$7,255,090,000 (2023: HK\$7,021,363,000). The Group's profit attributable to owners of the Company increased by 1.4% to HK\$239,077,000 (2023: HK\$235,747,000). The basic and diluted earnings per share attributable to the owners of the Company were HK8.57 cents and HK8.57 cents respectively for the six months ended 30th June, 2024, as compared with that of HK8.34 cents and HK8.34 cents respectively for the corresponding period last year.

Turnover

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

	For the six months ended 30th June,				
	2024 <i>HK\$'000</i>	% of total	2023 <i>HK\$'000</i>	% of total	Increase/ (Decrease)
Sales of Gas	5,860,550	80.8%	5,700,194	81.2%	2.8%
Gas Pipeline Construction	580,215	8.0%	668,838	9.5%	(13.3)%
Smart Energy	548,680	7.6%	346,421	4.9%	58.4%
Value-added Services	169,567	2.3%	182,652	2.6%	(7.2)%
Sales of CNG/LNG in Vehicle Filling Stations	96,078	1.3%	123,258	1.8%	(22.1)%
Total	<u>7,255,090</u>	<u>100%</u>	<u>7,021,363</u>	<u>100%</u>	<u>3.3%</u>

The turnover for the period under review amounted to HK\$7,255,090,000 (2023: HK\$7,021,363,000). Such increase was mainly attributable to the increase in revenue from sales of gas and smart energy.

Sales of gas

Sales of gas for the six months ended 30th June, 2024 amounted to HK\$5,860,550,000 (2023: HK\$5,700,194,000), representing an increase of 2.8% over the corresponding period last year. Revenue from sales of gas expressed in RMB for the period under review, excluding the impact of HK\$ conversion, further increased by 6.1%. Sales of gas for the period under review contributed 80.8% of the total turnover of the Group, as compared with 81.2% during the corresponding period last year. Sales of gas continued to be the major source of turnover for the Group. The following table set forth the breakdown of revenue from sales of gas by customers.

Sales of gas by customers

	For the six months ended 30th June,				
	2024 HK\$'000	% of total	2023 HK\$'000	% of total	Increase/ (Decrease)
Industrial customers	2,609,084	44.5%	2,908,288	51.0%	(10.3)%
Residential households	1,367,314	23.3%	1,283,744	22.5%	6.5%
Commercial customers	367,219	6.3%	387,042	6.8%	(5.1)%
Wholesale customers	1,516,933	25.9%	1,121,120	19.7%	35.3%
Total	5,860,550	100%	5,700,194	100%	2.8%

Industrial customers

The sales of gas to the Group's industrial customers for the period under review decreased by 10.3% to HK\$2,609,084,000 from HK\$2,908,288,000 for the corresponding period last year. Revenue from sales of gas to industrial customers expressed in RMB for the period under review decreased by 7.4%. The further decrease in revenue from sales of gas to industrial customers expressed in HK\$ was mainly due to the impact of the depreciation of RMB against HK\$ in the first half of 2024. During the period under review, the Group connected 138 new industrial customers and the piped natural gas usage provided by the Group to its industrial customers increased by 1.8% to 654,231,000 m³ (2023: 642,867,000 m³). In response to lower cost of natural gas from suppliers for gas sales, the average selling price of natural gas for industrial customers for the period under review was adjusted downwards by 9.0% to RMB3.62 per m³ (2023: RMB3.98 per m³).

The sales of gas to our industrial customers for the period under review contributed 44.5% of the total sales of gas of the Group (2023: 51.0%) and continues to be the major source of sales of gas of the Group.

Residential households

The sales of gas to our residential households for the period under review increased by 6.5% to HK\$1,367,314,000 from HK\$1,283,744,000 for the corresponding period last year. Revenue from sales of gas to residential households expressed in RMB for the period under review, excluding the impact of HK\$ conversion, further increased by 9.9%. The performance remains stable as it was supported by continuous construction work for gas pipeline connection and the growth in population in the Group's existing project cities in the PRC. In recent years, as the PRC have been promoting the establishment of the price linkage mechanism for natural gas, governments at local level have made price adjustment to the natural gas consumed by residential households, leading to an increase in the price of natural gas consumed for residential households. Furthermore, after years of promotion of clean energy heating plan, more residential households are willing to use natural gas for indoor heating in the winter, which led to stable gas consumption of residential households for indoor as well. During the period under review, the Group provided new natural gas connections for 171,112 residential households and the piped natural gas usage provided by the Group to residential households increased by 5.8% to 466,566,000 m³ (2023: 440,857,000 m³). The average selling price of natural gas for residential customers increased by 3.9% to RMB2.66 per m³ (2023: RMB2.56 per m³).

The sales of gas to our residential households for the period under review contributed 23.3% of the total sales of gas of the Group (2023: 22.5%).

Commercial customers

The sales of gas to our commercial customers for the period under review decreased by 5.1% to HK\$367,219,000 from HK\$387,042,000 for the corresponding period last year. Revenue from sales of gas to commercial customers expressed in RMB for the period under review decreased by 2.1%. The further decrease in revenue from sales of gas to commercial customers expressed in HK\$ was due to the impact of the depreciation of RMB against HK\$ in the first half of 2024. The sales of gas to commercial customers for the period under review contributed 6.3% of the total sales of gas of the Group (2023: 6.8%). During the period under review, the Group connected 1,207 new commercial customers. As at 30th June, 2024, the number of commercial customers of the Group reached 24,323, representing an increase of 5.2% as compared with 23,116 commercial customers as at 31st December, 2023.

The demand of gas by restaurants, schools and recreational facilities increased in the first half of 2024. The gas consumption of commercial customers increased by 4.7% to 84,245,000 m³ (2023: 80,429,000 m³) for the period under review. In response to the lower cost of natural gas from suppliers for gas sales, the average selling price of natural gas for commercial customers was adjusted downwards by 6.4% to RMB3.96 per m³ (2023: RMB4.23 per m³) when compared to the corresponding period last year.

Wholesale customers

The sales of gas to our wholesale customers for the period under review increased by 35.3% to HK\$1,516,933,000 from HK\$1,121,120,000 for the corresponding period last year. Revenue from sales of gas to wholesale customers expressed in RMB for the period under review, excluding the impact of HK\$ conversion, further increased by 39.6%. The sales of gas to wholesale customers for the period under review contributed 25.9% of the total sales of gas of the Group (2023: 19.7%).

During the period under review, piped natural gas usage provided by the Group to its wholesale customers increased by 377.7% to 331,808,000 m³ (2023: 69,465,000 m³). The increase in volume of natural gas sold was offset by the decline in selling price. The average selling price of natural gas for wholesales customers for the period under review was adjusted downwards by 26.3% to RMB2.50 per m³ (2023: RMB3.39 per m³) in response to the lower cost of natural gas from gas suppliers.

During the period under review, the LNG provided by the Group to its wholesale customers declined by 23.3% to 178,291,000 m³ (2023: 232,356,000 m³). The average selling price of LNG for wholesale customers for the period under review, which was affected by the decrease of international LNG price, was adjusted downwards by 4.6% to RMB3.08 per m³ (2023: RMB3.23 per m³).

Gas Pipeline Construction

Revenue from gas pipeline construction for the six months ended 30th June, 2024 amounted to HK\$580,215,000 (2023: HK\$668,838,000), representing a decrease of 13.3% over the corresponding period last year. Revenue from gas pipeline construction expressed in RMB for the period under review decreased by 10.5%. The further decrease in revenue from gas pipeline construction expressed in HK\$ was mainly due to the impact of the depreciation of RMB against HK\$ in the first half of 2024. Furthermore, given the impact brought by the fact that the coal-to-gas projects nearly came to an end and that the real estate industry in the PRC was recorded poor performance, there was a decline in the revenue from gas pipeline construction.

Gas pipeline construction contributed 8.0% of the total turnover of the Group, as compared with 9.5% during the corresponding period last year. The following table set forth the breakdown of revenue from gas pipeline construction by customers.

Revenue from gas pipeline construction by customers

	For the six months ended 30th June,				
	2024 <i>HK\$'000</i>	% of total	2023 <i>HK\$'000</i>	% of total	Increase/ (Decrease)
Residential households	511,051	88.1%	599,566	89.6%	(14.8)%
Non-residential customers	69,164	11.9%	69,272	10.4%	(0.2)%
Total	<u>580,215</u>	<u>100%</u>	<u>668,838</u>	<u>100%</u>	<u>(13.3)%</u>

During the period under review, revenue from gas pipeline construction for residential households decreased by 14.8% to HK\$511,051,000 (2023: HK\$599,566,000). The drop was mainly attributable to the decrease in construction work for gas pipeline connection completed by the Group for residential households to 171,112 from 187,445 for the corresponding period last year. The average connection fee decreased to RMB2,712 in 2024 from RMB2,815 in 2023.

The gross profit margin for gas pipeline construction for the period under review remained relatively stable at 74.7% (2023: 72.6%).

The connection fee charged to industrial/commercial customers by the Group was significantly higher than that charged to residential households and was determined on a case-by-case basis. During the period under review, revenue from gas pipeline construction for non-residential customers slightly decreased by 0.2% to HK\$69,164,000 from HK\$69,272,000 for the corresponding period last year. Revenue from gas pipeline construction for non-residential customers expressed in RMB for the period under review increased by 3.0%. The decrease in revenue from gas pipeline construction for non-residential customers expressed in HK\$ was mainly due to the impact of the depreciation of RMB against HK\$ in the first half of 2024.

As at 30th June, 2024, the Group's penetration rates of residential pipeline connection amounted to 71.0% (2023: 70.1%) (calculated by the accumulated number of the Group's connected residential households over the estimated aggregate number of connectable residential households in regions it operates in and expressed in percentages). In view of the favourable energy policies in the PRC, the Group aims to continuously increase its market coverage by acquisitions when suitable opportunities arise.

Smart Energy

Revenue from smart energy for the six months ended 30th June, 2024 amounted to HK\$548,680,000 (2023: HK\$346,421,000), representing a significant increase of 58.4% over the corresponding period last year. Leveraging the huge market and customer base of its gas projects, the Group is currently establishing an extensive network of new businesses in the PRC, including natural gas-fired distributed energy, photovoltaic power generation, incremental distribution network and charging stations. It seeks to comprehensively utilise energy with years of cumulative experience in market development and technical innovation, in an effort to provide customers with highly efficient integrated energy that addresses their needs for gas, heating, electricity and cooling. The smart energy business contributed 7.6% (2023: 4.9%) of the total turnover of the Group for the period under review. The Group will continuously explore the operation model of energy business, and promote the expansion of energy projects to meet the diversified energy demand of customers.

Value-added Services

Revenue from value-added services for the six months ended 30th June, 2024 amounted to HK\$169,567,000 (2023: HK\$182,652,000), representing a decrease of 7.2% over the corresponding period last year. Revenue from valued-added services expressed in RMB for the period under review decreased by 4.2%. The further decrease in revenue from valued-added services expressed in HK\$ was due to the impact of the depreciation of RMB against HK\$ in the first half of 2024. Revenue from valued-added services contributed 2.3% of the total turnover of the Group, as compared with 2.6% during the corresponding period last year.

Since 2017, the Group put greater efforts into value-added services such as sales of stoves and safe and reliable kitchenware, including gas water heaters, gas cooking appliances and wall-hang boilers under its own brand name, “Zhongyu Phoenix” (中裕鳳凰), to residential customers. The decrease in revenue of value-added services for the period under review was mainly due to decrease in sales of gas stoves and wall-hang boilers by 32.1% to HK\$24,505,000 from HK\$36,065,000 for the corresponding period last year. During the period under review, other than sales of gas stoves and wall-hang boilers, revenue from sales of stoves and provision of other related services expressed in RMB, increased by 2.1% as compared to the corresponding period last year. With the increasing number of connected residential customers and brand recognition developed in recent years, as well as the establishment of the online shopping platform “Zhongyu iFamille” (中裕i家), the independent supply platform, customer service platform and customer online community, the value-added services are expected to contribute stable revenue to the Group.

Sales of CNG/LNG in Vehicle Filling Stations

Revenue from operating CNG/LNG vehicle filling stations for the six months ended 30th June, 2024 amounted to HK\$96,078,000 (2023: HK\$123,258,000), representing a decrease of 22.1% over the corresponding period last year. Revenue from operating CNG/LNG vehicle filling stations expressed in RMB for the period under review decreased by 19.6%. The further decrease in revenue from operating CNG/LNG vehicle filling stations expressed in HK\$ was due to the impact of the depreciation of RMB against HK\$ in the first half of 2024. The unit of natural gas sold to vehicles declined by 11.1% to 23,278,000 m³ (2023: 26,174,000 m³) and the average selling price of natural gas for CNG/LNG vehicle filling stations decreased by 9.4% to RMB3.75 per m³ (2023: RMB4.14 per m³) for the period under review.

During the period under review, the turnover derived from operating CNG/LNG vehicle filling stations accounted for 1.3% (2023: 1.8%) of the total turnover of the Group. As at 30th June, 2024, the Group had 56 CNG/LNG vehicle filling stations and 7 CNG/LNG vehicle filling stations under construction in the PRC.

Gross profit margin

The overall gross profit margin for the six months ended 30th June, 2024 was 14.0% (2023: 17.5%). The decline in overall gross profit margin in current period was mainly due to the decrease of gross profit margin of sales of gas and sales of CNG/LNG in vehicle filling stations.

The gross profit margin for the sales of piped natural gas decreased to 7.6% (2023: 11.7%) as the decrement of average selling price of natural gas for industrial, commercial and wholesale customers outweighed the decrement of average purchase cost of natural gas. The Group's energy trading business has been strengthened to secure stable gas supply from different sources and contracts have been signed with suppliers to secure more piped gas with lower average cost. The gross profit margin for the gas pipeline construction remained stable at 74.7% for the period under review (2023: 72.6%). The gross profit margin for the smart energy increased to 10.2% (2023: 8.7%) mainly because of the rapid development of the Group's comprehensive energy business in the first half of 2024 which provides multiple forms of energy such as steam, coldness, heat, electricity, hydrogen and photovoltaic in order to meet the diversified energy demand of customers. Additionally, the comprehensive energy business of the Group is becoming mature, with the number of projects being put into operation increased year by year, the close relationship between city gas and smart energy business, and the continuously improving management and operation, contributing to a higher gross profit margin in such business. Such comprehensive energy business offers a range of smart energy product and services with varying gross profit margins. The gross profit margin for value-added services remained stable at 80.2% (2023: 79.1%). The gross profit margin for the sales of CNG/LNG in vehicle filling stations decreased to 2.8% (2023: 11.2%) as a result of the decline in average selling price outweighed the decline in average purchase cost of CNG/LNG sold in vehicle filling stations.

Other gains and losses

The Group recognised other net losses of HK\$57,746,000 during the period under review (2023: HK\$243,428,000). The amount was mainly derived from net foreign exchange losses of HK\$57,176,000 (2023: HK\$242,242,000) mainly arising from the Group's bank borrowings denominated in US\$ and HK\$ as a result of the depreciation of RMB in first half of 2024.

Selling and distribution costs and administrative expenses

Selling and distribution costs increased by 2.9% to HK\$119,746,000 for the period under review from HK\$116,395,000 for the corresponding period last year. The increase was mainly attributable to the increase in commission expenses due to more revenue derived from businesses with higher commission rate when compared to the corresponding period last year. Administrative expenses decreased by 6.5% to HK\$278,418,000 for the period under review from HK\$297,749,000 for the corresponding period last year. The decrease was mainly attributable to the decrease in professional fee in the first half of 2024; and the decrease in depreciation expenses arisen from the revaluation loss of pipelines in the prior year.

Finance costs

Finance costs increased by 16.3% to HK\$277,435,000 for the six months ended 30th June, 2024 compared to HK\$238,653,000 for the corresponding period last year. The increase was mainly attributable to increment of effective interest rate.

Income tax expenses

For the six months ended 30th June, 2024, income tax expenses decreased by 10.3% to HK\$147,339,000 (2023: HK\$164,255,000), mainly due to a decrease in taxable profit.

Profit attributable to owners of the Company

As a result of the above, profit attributable to owners of the Company was HK\$239,077,000 for the six months ended 30th June, 2024, representing an increase of 1.4% as compared with that of HK\$235,747,000 for the corresponding period last year.

Net profit margin

For the six months ended 30th June, 2024, the net profit margin, representing a ratio of profit attributable to owners of the Company to turnover, was 3.3% (2023: 3.4%).

Earnings per share

The basic and diluted earnings per share attributable to the owners of the Company were HK8.57 cents and HK8.57 cents respectively for the six months ended 30th June, 2024, as compared with that of HK8.34 cents and HK8.34 cents respectively for the corresponding period last year.

Net assets value per share

The net assets value per share attributable to the owners of the Company was HK\$2.78 as at 30th June, 2024, representing an increase of 0.7% as compared with that of HK\$2.76 as at 31st December, 2023.

PROSPECTS

In the first half of 2024, the global economy continued to face multiple challenges, international economic environment has been complicated by geopolitical conflicts, persistent high inflation and high interest rates. Meanwhile, the domestic economy in the PRC has generally been stable and progressing but the need for an effective macro-policy assistance still exists due to the short-term impact caused by the deepened restructuring. During the period, the security of supply and the green and low-carbon transformation remained to be the top priorities of domestic energy work, which led to continuous improvement in energy supply security capability and optimisation of the energy production and consumption structure.

Amid the complicated macro-environment and business climate, the Group took active steps adhering to the principle of “ruling changes with changes”, including continuously optimising its business management strategy to be scientific and efficient and promoting the continuous refinement of management with a top-down approach, while implementing the strategy of “two wheels driving integrated development” to turn strategic concepts into actual business results. In the first half of the year, the Group achieved a solid improvement in operating results attributable to its flexibility in response to market changes.

Closely following the general direction of the national energy policy, the Group maintains high standards and stringent requirements in implementing “safety-first and prevention-focused comprehensive management” as its production safety policy, strengthens the digital management and operation of both existing and new businesses, and ensure the safety of the supply of natural gas. As a result, no major or serious production safety accidents were recorded in the first half of the year. Going into the second half of the year, the Group will comprehensively promote regular pipeline testing, mapping and inspections, accelerate the renovation of old pipeline networks and the upgrading of key infrastructures, and efficiently push forward the development of “smart gas” business to build an intelligent and information-based safety management and operation platform. Besides, the Group will continue to strengthen the work related to both “human” and “technical” security by enhancing the risk awareness of all employees, organising them to study leading experiences, and optimising protection equipment. Additionally, the Group will explore new quality productivity that meet its own needs, and seek to improve the efficiency and safety of energy supply with the use of such new quality productivity.

The city gas segment, as the most core business segment of the Group, made a significant contribution to the Group’s performance growth in the first half of the year with the refined management, flexible response to market changes, favourable policies and cost optimisation. In the second half of the year, the Group will conduct gas supply studies in order to have an earlier understanding of the supply and demand risks and formulate countermeasures in a timely manner, and intensify the interconnections of various operating regions to be well-positioned to secure winter supply. In terms of the sales of gas, the Group will explore the market for industrial and commercial customers and assist the government in implementing the reform on residential gas pricing, while continuing to optimise the structure of the upstream gas sources to reduce the comprehensive procurement costs and improve profitability. In terms of energy trading, in addition to coordinating internal gas demand and improving forecast management, the Group will facilitate the integration of LNG and pipeline gas wholesale business, gain external city gas customers and customers from energy-intensive industries, and attempt to establish cooperation with international suppliers in respect of international LNG trading. In terms of value-added services, on the basis of boosting the sales of its own brand continuously through offline promotion campaigns, community activities, online live broadcasting and the point reward systems of its online platform, the Group will innovatively expand its business to gas appliance installation and maintenance, security product testing and other technical service businesses to explore new business growth points, and identify more out-of-region partners to establish all-round cooperation in respect of, inter alia, security inspection, maintenance and sales of gas appliance, with a view to discover the potential of the nation-wide market.

In terms of the smart energy business, in the first half of the year, with the implementation of the “integrated development” strategy in all respects and relying on the user profiles established in the past, the Group identified and capitalised on business opportunities in the region to expand various smart energy businesses in an orderly manner, which, along with innovative mechanisms and refined operations, continuously shored up the productivity of existing projects and greatly increased the contribution of the segment to the overall performance of the Group. In the second half of the year, the Group will further synergize with the two business segments of city gas and smart energy, promote the orderly development of boiler entrustment, distributed photovoltaic and charging station projects, develop market for low-carbon heating, smart microgrids and energy efficiency services business, and efficiently replicate the experience of demonstration projects such as biomass energy supply and E&M energy efficiency. At the same time, the Group will also focus on long-term development by actively exploring and stockpiling cutting-edge technologies in the new energy sector, cultivating professional talents for operation, and strengthening the construction of digital operation and maintenance platform, aiming to safeguard the operation of existing projects while expanding the emerging businesses from time to time.

In terms of environmental, social and governance (ESG), the Group will endeavour to develop the smart energy business to provide downstream customers with a greener, lower-carbon energy supply, and also strengthen its methane management efforts to minimise the impact of greenhouse gas emissions on the climate and the environment, thereby contributing to the sustainable development of the whole society. The Group will continue to practice the “people-oriented” concept, effectively safeguard the rights and interests of employees, increase investment in employee training and development, improve the working environment of employees, and provide them with safe, healthy, fair and diversified working conditions. Besides, the internal control systems will be further optimised to enhance the Group’s risk prevention and response capabilities; and the internal audit and supervision systems will be refined to strengthen the Group’s business process management and approval procedures, thereby, coupled with the intensified anti-corruption training efforts, providing a strong support for the healthy and stable development of the Group. Taking into account external trends and its own transformation needs, the Group will proactively explore green financial cooperation, continue to optimise ESG information disclosure, and establish more diversified communication channels with external parties to learn and spread the concept of sustainable development.

In the future, the Group will continue to promote the refinement of management and operation to improve effectiveness and efficiency, and make strategic forecast to adapt to the uncertainties existed in the market in a more resilient manner, thus ensuring the sustainable and stable development of each business segment. The Group will also adhere to the strategy of “two wheels driving integrated development”, strengthen market research, seek to realize innovative business breakthroughs, capture opportunities as they arise in the market, promote strategic transformation and upgrading, and take a further step to become the “the most valuable integrated energy service provider”.

DISCLOSURE OF INTERESTS

(a) Interests of Directors

As at 30th June, 2024, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in the Listing Rules were as follows:

Long positions in the shares/underlying shares of the Company

Name of Directors	Notes	Number of shares and/or underlying shares	Type of interests	Approximate shareholding interest as disclosed under the SFO (Note 9)
Mr. Wang Wenliang	1	800,225,206	Beneficial/Interest in controlled corporation/Interest of spouse	28.73%
Mr. Yiu Chi Shing	2	188,000,000	Interest in controlled corporation	6.75%
Mr. Lui Siu Keung	3	19,002,179	Beneficial	0.68%
Mr. Jia Kun	4	7,055,031	Beneficial	0.25%
Mr. Lu Zhaoheng	5	6,040,984	Beneficial	0.22%
Mr. Li Yan	6	9,013,063	Beneficial	0.32%
Mr. Li Chunyan	7	1,510,761	Beneficial	0.05%
Ms. Liu Yu Jie	8	502,900	Beneficial	0.02%

Notes:

1. Among these shares and/or underlying shares, 767,962,289 shares were held by Hezhong Investment Holding Company Limited (“Hezhong”). Mr. Wang Wenliang was beneficially interested in 100% of the issued share capital of Hezhong. The remaining 21,324,616 shares and 10,938,301 shares were directly held by Mr. Wang Wenliang and his spouse respectively.
2. These shares were held by Fundway International Investment Limited (“Fundway”). Mr. Yiu Chi Shing was beneficially interested in 100% of the issued share capital of Fundway.
3. These comprise 11,458,679 shares directly held by Mr. Lui Siu Keung and 7,543,500 underlying shares issuable upon exercise of the rights attaching to the 7,543,500 share options at an exercise price of HK\$5.468 per share granted under the Second Share Option Scheme.
4. These shares were directly held by Mr. Jia Kun.
5. These comprise 3,023,584 shares directly held by Mr. Lu Zhaoheng and 3,017,400 underlying shares issuable upon exercise of the rights attaching to the 3,017,400 share options at an exercise price of HK\$5.468 per share granted under the Second Share Option Scheme.
6. These shares were directly held by Mr. Li Yan.
7. These comprise 1,007,861 shares directly held by Mr. Li Chunyan and 502,900 underlying shares issuable upon exercise of the rights attaching to the 502,900 share options at an exercise price of HK\$5.468 per share granted under the Second Share Option Scheme.
8. These represent underlying shares issuable upon exercise of the rights attaching to the 502,900 share options at an exercise price of HK\$5.468 per share granted under the Second Share Option Scheme.
9. As at 30th June, 2024, the total number of issued shares of the Company was 2,784,899,157.

Save as disclosed above, as at 30th June, 2024, none of the Directors and chief executive of the Company had or was deemed to have any interests and short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) are required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(b) Interests of substantial shareholders of the Company

So far as is known to the Directors, as at 30th June, 2024, the following entities (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in the shares of the Company

Name of shareholder	Notes	Type of interests	Number of shares	Approximate shareholding interest as disclosed under the SFO
				(Note 5)
China Gas Holdings Limited	1	Interest of controlled corporation	1,032,851,000	37.09%
Hezhong	2	Beneficial	767,962,289	27.58%
Ms. Feng Haiyan	3	Beneficial/Interest of spouse	800,225,206	28.73%
Fundway	4	Beneficial	188,000,000	6.75%

Notes:

1. According to the disclosure of interests filings as shown in the website of the Stock Exchange as at 30th June, 2024, China Gas Holdings Limited held these shares through Rich Legend International Limited (“Rich Legend”), its wholly-owned subsidiary, and is therefore deemed to be interested in the 1,032,851,000 shares held by Rich Legend.
2. Hezhong was beneficially interested in 767,962,289 shares. Mr. Wang Wenliang was beneficially interested in 100% of the issued share capital of Hezhong.
3. Ms. Feng Haiyan directly held 10,938,301 shares and was deemed to be interested in 789,286,905 shares under the SFO as she is the spouse of Mr. Wang Wenliang.
4. Fundway was beneficially interested in 188,000,000 shares. Mr. Yiu Chi Shing was beneficially interested in 100% of the issued share capital of Fundway.
5. As at 30th June, 2024, the total number of issued shares of the Company was 2,784,899,157.

Save as disclosed above, as at 30th June 2024, the Directors were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Part 2 of Appendix C1 of the Listing Rules. During the period under review, the Company has complied with all the applicable code provisions under the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted and complied with the Model Code as set out in Appendix C3 of the Listing Rules as the code of conduct regarding securities transactions by Directors. Having made specific enquiry of all Directors, they have all confirmed their compliance with the required standard of dealings and the Model Code regarding securities transactions by Directors adopted by the Company during the six months ended 30th June, 2024.

AUDIT COMMITTEE

The Company’s Audit Committee, comprising Mr. Li Chunyan, Dr. Key Ke Liu and Ms. Liu Yu Jie, all being the independent non-executive Directors, has reviewed with the Company’s management the accounting principles and practices adopted by the Group and financial reporting matters including a review of the unaudited consolidated results of the Group for the six months ended 30th June, 2024. There were no disagreements within the Audit Committee in relation to the accounting treatment adopted by the Company.

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

During the period ended 30th June, 2024, the Company repurchased on the Stock Exchange a total of 9,300,000 shares of the Company at a total consideration of HK\$45,944,750. The repurchase of the Company's shares was made for the benefit of the shareholders with a view to enhancing the net asset value per share and earnings per share of the Company. Such repurchased shares were cancelled on 21st June, 2024. Details of the share repurchases are summarized as follows:

Month of repurchase	Total number of shares repurchased	Repurchased price per share		Aggregate consideration (HK\$)
		Lowest (HK\$)	Highest (HK\$)	
April 2024	9,300,000	4.85	5.00	45,944,750

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30th June, 2024.

BOARD OF DIRECTORS

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

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

Hong Kong, 23rd August, 2024