湖州燃气
HUZHOU GAS

湖 州 燃 氣 股 份 有 限 公 司
Huzhou Gas Co., Ltd.*

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 6661)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

- The sales volume of natural gas for the Year was 562.33 million m^3, representing an increase of 2.83% as compared with the previous year.
- Revenue for the Year was RMB2,579.46 million, representing an increase of 38.77% as compared with the previous year.
- Profit attributable to owners of the Company for the Year was RMB104.09 million, representing a decrease of 13.05% as compared with the previous year.
- The Board has proposed to pay the final dividend of RMB0.30 (tax inclusive) per share for the year ended 31 December 2022.

The board (the "**Board**") of directors (the "**Directors**") of Huzhou Gas Co., Ltd.* (the "**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2022 (the "**Reporting Period**" or the "**Year**"), together with comparative figures for the corresponding year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	**2022** *RMB'000*	2021 *RMB'000*
REVENUE	*5*	**2,579,459**	1,858,737
Cost of sales		**(2,465,002)**	(1,573,265)
GROSS PROFIT		**114,457**	285,472
Other income and gains	*6*	**146,204**	19,520
Selling and distribution expenses		**(32,430)**	(35,056)
Administrative expenses		**(49,060)**	(40,210)
Impairment losses on financial assets, net		**(187)**	214
Other expenses		**(2,648)**	(4,965)
Finance costs	*8*	**(2,468)**	(1,235)
Share of losses of:			
Joint ventures		**(2,972)**	(2,052)
PROFIT BEFORE TAX	*7*	**170,896**	221,688
Income tax expense	*9*	**(41,650)**	(54,996)
PROFIT FOR THE YEAR		**129,246**	166,692
Attributable to:			
Owners of the parent		**104,091**	119,714
Non-controlling interests		**25,155**	46,978
		129,246	166,692
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**149**	24
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**129,395**	166,716
Attributable to:			
Owners of the parent		**104,216**	119,741
Non-controlling interests		**25,179**	46,975
		129,395	166,716
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic			
– For profit for the year *(RMB)*	*11*	**0.60**	0.80

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	**2022** **RMB'000**	2021 RMB'000
NON-CURRENT ASSETS			
Lease receivables		**3,563**	3,607
Property, plant and equipment		**896,881**	835,650
Investment properties		**1,638**	1,947
Right-of-use assets		**48,151**	26,960
Goodwill		**28,506**	28,506
Other intangible assets		**84,344**	91,705
Investments in joint ventures		**5,581**	8,553
Deferred tax assets		**1,662**	1,365
Other non-current assets		**9,900**	–
Total non-current assets		**1,080,226**	998,293
CURRENT ASSETS			
Inventories		**29,254**	29,347
Lease receivables		**1,607**	807
Trade and bills receivables	*12*	**58,255**	66,357
Prepayments, other receivables and other assets		**35,401**	36,829
Due from related parties		**14,373**	22,569
Financial assets at fair value through profit or loss		**–**	150,000
Pledged deposits		**24**	24
Cash and cash equivalents		**1,079,703**	588,673
Total current assets		**1,218,617**	894,606
CURRENT LIABILITIES			
Trade payables	*13*	**101,348**	140,407
Other payables and accruals		**448,970**	255,650
Contract liabilities		**279,241**	291,477
Due to related parties		**10,264**	642
Tax payables		**26,417**	40,521
Lease liabilities		**700**	535
Total current liabilities		**866,940**	729,232

	Notes	**2022**	2021
		RMB'000	*RMB'000*
NET CURRENT ASSETS		**351,677**	165,374
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,431,903**	1,163,667
NON-CURRENT LIABILITIES			
Contract liabilities		**110,289**	90,404
Deferred tax liabilities		**40,623**	38,705
Deferred income		**2,942**	1,000
Other non-current liabilities		**72,679**	15,239
Lease liabilities		**8,055**	570
Total non-current liabilities		**234,588**	145,918
NET ASSETS		**1,197,315**	1,017,749
EQUITY			
Equity attributable to owners of the parent			
Share capital	*14*	**202,715**	150,000
Other reserves		**928,297**	793,916
		1,131,012	943,916
Non-controlling interests		**66,303**	73,833
TOTAL EQUITY		**1,197,315**	1,017,749

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

For the year ended 31 December 2022

1. CORPORATE AND GROUP INFORMATION

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

During the Year, the Group was involved in the following principal activities:

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

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

In the opinion of the Directors, the holding company and the ultimate holding company of the Company is Huzhou City Investment and Development Group Co., Ltd., which was established in Mainland China.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("**IASB**"), and International Accounting Standards ("**IASs**") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention except for bills receivable and wealth management products which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**"), and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest, and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained, and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRSs Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021*

The nature and the impact of the revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "**Conceptual Framework**") issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition condition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the Year, the amendments did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and determines the cost of those items in accordance with IAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since no items produced were sold in the process of bringing the property, plant and equipment available for use, the amendments did not have any significant impact on the financial position or performance of the Group.

(c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any significant impact on the financial position or performance of the Group.

(d) *Annual Improvements to IFRSs Standards 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:

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

(e) Amendment to IFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendments did not have any significant impact on the financial position and performance of the Group.

4. OPERATING SEGMENT INFORMATION

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

Geographical information

Geographical information is not presented since all of the Group's revenue from external customers is generated in Mainland China and all of the non-current assets of the Group are located in Mainland China.

Information about major customers

Revenue of approximately RMB326,602,000 (2021: RMB178,809,000) was derived from sales by the natural gas operation segment to one customer, Group A. Group A represents three customers under the control of a same shareholder.

5. REVENUE

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

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of goods	**2,401,902**	1,641,702
Provision of construction and installation services	**174,290**	213,134
Others	**5,066**	6,707
Revenue from other sources		
Gross rental income from investment property operating leases	**602**	926
	2,581,860	1,862,469
Less: Government surcharges	**(2,401)**	(3,732)
	2,579,459	1,858,737

Revenue from contracts with customers

(a) Disaggregated revenue information

Segment	**2022**	2021
	RMB'000	*RMB'000*
Types of goods or services		
Sale of PNG	**2,337,854**	1,609,853
Sale of LNG	**29,296**	14,246
Sale of household gas appliances and relevant equipment	**19,955**	5,137
Sale of energy	**12,460**	12,466
Sale of distributed photovoltaic power	**2,337**	–
Provision of construction and installation services	**174,290**	213,134
Others	**5,066**	6,707
	2,581,258	1,861,543
Less: Government surcharges	**(2,401)**	(3,732)
	2,578,857	1,857,811

Segment	**2022**	2021
	RMB'000	*RMB'000*
Geographical market		
Mainland China	**2,578,857**	1,857,811
Timing of revenue recognition		
Goods or services transferred at a point in time	**2,406,968**	1,648,409
Services transferred over time	**174,290**	213,134
	2,581,258	1,861,543
Less: Government surcharges	**(2,401)**	(3,732)
	2,578,857	1,857,811

The following table shows the amounts of revenue recognised in this Reporting Period that were included in the contract liabilities at the beginning of the Reporting Period and recognised from performance obligations satisfied in previous periods:

	2022	2021
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the Reporting Period:		
Sale of natural gas	**124,332**	121,285
Construction and installation services	**162,919**	138,630
Sale of household gas appliances and relevant equipment	**4,226**	504
	291,477	260,419

There was no revenue recognised from performance obligations satisfied in previous years or not previously recognised due to constraints on variable consideration.

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of the PNG, LNG, energy, distributed photovoltaic power, household gas appliances and relevant equipment, and payment is generally due within 30 to 90 days from delivery except for customers who purchased prepaid cards.

Construction and installation services

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before or during the rendering of the services. The remaining percentage of payment generally should be paid before completion of construction and installation.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2022	2021
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**279,241**	291,477
After one year	**110,289**	90,404
	389,530	381,881

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised after one year relate to construction and installation services of gas pipelines, sale of natural gas and sale of household gas appliances and relevant equipment, of which the performance obligations are to be satisfied within two to three years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

6. OTHER INCOME AND GAINS

	2022	2021
	RMB'000	*RMB'000*
Other income		
Bank interest income	**20,742**	6,256
Finance income on the net investment in a lease	**756**	763
Government grants	**109,895**	2,807
Others	**95**	126
	131,488	9,952
Other gains		
Gain on foreign exchange differences	**5,801**	–
Gain on disposal of items of property, plant and equipment	**2,327**	2,018
Fair value gains on wealth management products	**6,588**	7,443
Gain on disposal of materials	**–**	107
	14,716	9,568
	146,204	19,520

Government grants mainly represent: 1) the receipt of the gas supply guarantee subsidy of RMB85,000,000 from Huzhou Finance Bureau, which was used to compensate for the loss caused by the purchase and sale price inversion (the gap between purchase price and sale price) arose from the sales of natural gas during the period from April 2022 to May 2022; 2) the government grants of RMB14,455,000 from Huzhou Finance Bureau, which were used to compensate for the loss caused by the purchase and sale price inversion generated from residential gas sale during the heating season.

7. PROFIT BEFORE TAX

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

	2022	2021
	RMB'000	*RMB'000*
Cost of inventories sold	**2,353,938**	1,345,306
Cost of services provided	**111,064**	128,394
Depreciation of property, plant and equipment	**56,763**	50,149
Depreciation of investment properties	**60**	44
Depreciation of right-of-use assets	**2,250**	1,702
Amortisation of other intangible assets	**7,495**	7,437
	2,531,570	1,533,032
Lease payments not included in the measurement of lease liabilities	**206**	701
Auditor's remuneration	**2,260**	2,723
Employee benefit expense (excluding Directors' and chief executive's remuneration):		
Wages and salaries	**63,671**	71,313
Pension scheme contributions	**6,627**	7,017
Social security contributions and accommodation benefits	**10,002**	9,076
	82,766	90,830
Impairment of financial assets, net:		
Impairment of trade receivables	**214**	(103)
Impairment of financial assets included in prepayments, other receivables and other assets	**(27)**	(111)
	187	(214)
Gain on foreign exchange differences	**(5,801)**	–
Bank interest income	**(20,742)**	(6,256)
Fair value gains on wealth management products	**(6,588)**	(7,443)
Government grants	**(109,895)**	(2,807)
Interest on lease liabilities	**173**	59
Gain on disposal of items of property, plant and equipment	**(2,327)**	(2,018)
Write-down of inventories to net realisable value	**(535)**	(823)

8. FINANCE COSTS

An analysis of finance costs from continuing operations is set out as follows:

	2022	2021
	RMB'000	*RMB'000*
Interest on bank loans, overdrafts and other loans	**819**	–
Interest expenses arising from discounted bills receivable	**1,476**	1,176
Interest on lease liabilities	**173**	59
Total interest expenses on financial liabilities not at fair value through profit or loss	**2,468**	1,235

9. INCOME TAX EXPENSE

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

The provision for current income tax in Mainland China is calculated based on the statutory rate of 25% (2021: 25%) of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008 (the "**New Corporate Income Tax Law**"), except for two certain subsidiaries of the Group in Mainland China, which are subject to a preferential rate of 0%.

In accordance with the relevant provisions of the *Notice on the Implementation of the Catalogue of Enterprise Income Tax Preferences for Public Infrastructure Projects* issued by the Ministry of Finance and the State Administration of Taxation, the subsidiaries of the Company, Huzhou Huran New Energy Development Co., Ltd. ("**Huran New Energy**") and Deqing Xinrui New Energy Co., Ltd. ("**Deqing Xinrui**") enjoy the preferential policy of enterprise income tax. For enterprises engaged in public infrastructure projects that meet the relevant conditions and technical standards and the relevant provisions of the state investment management in the Catalogue of Enterprise Income Tax Preferences for Public Infrastructure Projects approved on 1 January 2008, their income from investment and operation will be exempted from enterprise income tax from the first tax year in which the first production and operation income is generated, and the enterprise income tax will be reduced by half for another three years. As the year ended 31 December 2022 is the tax year in which the first production and operation income is generated, the enterprise income tax of Huran New Energy and Deqing Xinrui will be exempted from 2022 to 2024 and the applicable tax rate will be reduced by half from 2025 to 2027.

The major components of income tax expense are set out as follows:

	2022	2021
	RMB'000	*RMB'000*
Current tax – Mainland China		
Charge for the year	**40,079**	55,665
Deferred tax	**1,571**	(669)
Total tax charge for the year	**41,650**	54,996

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2022	2021
	RMB'000	*RMB'000*
Profit before tax	**170,896**	221,688
Tax at the statutory tax rate	**42,724**	55,422
Lower tax rate for specific subsidiaries	**(426)**	–
Expenses not deductible for tax	**301**	101
Adjustments in respect of current tax of previous periods	**(9)**	20
Income tax credit for special equipment	**(44)**	(255)
Loss on cancellation of a subsidiary	**(1,180)**	–
Extra tax deduction for research and development expenses	**(466)**	(812)
Loss attributable to a joint venture	**743**	513
Temporary difference not recognised	**7**	7
Tax charge at the Group's effective rate	**41,650**	54,996

10. DIVIDENDS

	2022	2021
	RMB'000	*RMB'000*
Interim – RMB1.41 (2021: Nil) per ordinary share	**211,975**	–
Proposed final – RMB0.30 (2021: RMB0.47) per ordinary share	**60,814**	70,524
	272,789	70,524

On 30 March 2023, the Board of Directors proposed the payment of a final dividend of RMB0.30 per share, amounting to RMB60,814,350 (tax inclusive), for the year ended 31 December 2022. The source of the proposed dividend payment is from the retained profits. The proposed final dividend is subject to the approval by shareholders of the Company at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 174,647,444 (2021: 150,000,000) in issue during the Year, as adjusted to reflect the rights issue during the Year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

The calculation of basic earnings per share is based on:

	2022	2021
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation:	**104,091**	119,714

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**174,647,444**	150,000,000

12. TRADE AND BILLS RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**28,329**	20,030
Impairment	**(1,170)**	(956)
	27,159	19,074
Bills receivable	**31,096**	47,283
	58,255	66,357

The Group's trading terms with its customers are mainly on credit except for certain new customers, where payment in advance is required. The average credit period range for trade receivables is within 30 to 90 days. The average maturity period of bills receivable is 3 to 12 months. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly and actively monitored by senior management to minimise credit risk. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**36,747**	39,912
3 months to 6 months	**17,515**	23,902
6 months to 1 year	**3,993**	2,543
	58,255	66,357

The movements in the loss allowance for impairment of trade receivables are as follows:

	2022	2021
	RMB'000	*RMB'000*
At beginning of year	**956**	1,203
Impairment losses, net	**214**	(103)
Amount written off as uncollectible	**–**	(144)
At end of year	**1,170**	956

An impairment analysis is performed at each reporting date using a provision matrix to measure the expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on trade receivables using a provision matrix:

As at 31 December 2022

		Past due			
	Current	**Less than 6 months**	**6 to 12 months**	**Over 1 year**	**Total**
Expected credit loss rate	**0.78%**	**2.01%**	**100.00%**	**100.00%**	**4.13%**
Gross carrying amount *(RMB'000)*	**26,635**	**747**	**41**	**906**	**28,329**
Expected credit losses *(RMB'000)*	**208**	**15**	**41**	**906**	**1,170**

As at 31 December 2021

		Past due			
	Current	Less than 6 months	6 to 12 months	Over 1 year	Total
Expected credit loss rate	1.01%	–	100.00%	100.00%	4.77%
Gross carrying amount *(RMB'000)*	19,268	–	1	761	20,030
Expected credit losses *(RMB'000)*	194	–	1	761	956

13. TRADE PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Trade payables	**101,348**	140,407

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

	2022	2021
	RMB'000	*RMB'000*
Within 1 year	**96,012**	134,243
Over 1 year	**5,336**	6,164
	101,348	140,407

14. SHARE CAPITAL

Shares

	2022 *RMB'000*	2021 *RMB'000*
Issued and fully paid:		
202,715 (2021: 150,000) ordinary shares	**202,715**	150,000

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue ***'000***	Share capital *RMB'000*
At 1 January 2021	**–**	98,947
Conversion into a joint stock company upon restructuring	**150,000**	51,053
At 31 December 2021 and 1 January 2022	**150,000**	150,000
Issue of shares	**52,715**	52,715
At 31 December 2022	**202,715**	202,715

Note: In connection with the global offering of the Company's H Shares on the Stock Exchange ("**Global Offering**"), on 13 July 2022, 50,000,000 ordinary shares of RMB1.00 each were issued at a subscription price of HK$6.08 per share, and on 8 August 2022, 2,714,500 ordinary shares of RMB1.00 each were issued by partial exercise of an over-allotment option at a price of HK$6.08 per share. After deducting expenses related to issue of shares, the share capital and share premium of the Company increased by RMB52,715,000 and RMB206,241,000, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

The low-carbon transformation of the global energy system has brought broad development prospects to the natural gas industry. With the global warming caused by the atmospheric greenhouse effect, more and more national governments have turned net-zero emissions into national strategies and put forward a vision of a carbon-free future. In this context, in October 2022, the State Council released the Action Plan for Carbon Peaking before 2030 (《2030年前碳達峰行動方案》), which proposed to promote the replacement of fossil energies such as coal and oil with natural gas in more fields and industries, so as to accelerate the realization of the "double carbon" goal; to incorporate natural gas into the key areas of energy transformation; and to increase the efforts in the construction of oil and gas pipeline network facilities.

Under the guidance of the "double carbon" goal, in recent years, the construction of "Clean Energy Demonstration Province" in Zhejiang has been continuously promoted, and the proportion of natural gas consumption in primary energy has increased year by year. In the Zhejiang Province 14th Five-Year Plan for Coal, Petroleum and Natural Gas Development (《浙江省煤炭石油天然氣發展「十四五」規劃》), it has been proposed that the proportion of natural gas consumption volume of Zhejiang Province in the primary energy structure will increase to about 13% by 2025; the gasification rate of natural gas pipeline for the urban population in the whole province will reach about 60%; and the scale of natural gas pipeline network will reach 4,500 kilometers.

In the National Economic and Social Development Plan of Huzhou City for 2022 (《湖州市2022年國民經濟和社會發展計劃》) issued in June 2022 by the government of Huzhou City, where the Company is located, it has been proposed to conscientiously strengthen the energy conservation and carbon reduction, put into effect the carbon peaking and carbon neutrality plan, and comprehensively implement the "6+1" action plan for carbon peaking in key areas. The Company shall actively develop the clean energy, and the proportion of the non-fossil energy consumption in the primary energy consumption shall reach 20%.

DEVELOPMENT STRATEGY AND OUTLOOK

The Company has always been committed to creating a better and convenient life for customers, creating long-term and stable value for shareholders, relying on the "double carbon" development goal, coordinating development and safety, constantly improving the production, supply, storage and sales system, consolidating the foundation for main businesses of gas equipment installation and natural gas sales, meeting the incremental demand of economic and social development for clean energy, and realizing the coordinated supply of multiple energies and the comprehensive cascade utilization of energy according to the demands of the customers such as energy consumption demand, energy consumption law, energy conservation and emission reduction, so as to optimize the comprehensive operation of clean energies and the complementation of multiple energies, and play a greater role in promoting pollution and carbon reduction.

BUSINESS REVIEW

Since 2004 and 2009, the Group has been the exclusive distributor of PNG in its operating areas in Wuxing District and Nanxun District of Huzhou, respectively. The Group's main businesses include the sale of gas, mainly PNG, under concession rights granted to the Group by government authorities in Huzhou City, the provision of services to construct and install end-user pipeline network and gas facilities and others, including sale of household gas appliances. As at the end of the Reporting Period, the number of residential users and industrial and commercial users served by the Group amounted to 257,866 and 3,422, respectively, with a gas sales volume of approximately 562.33 million m^3, representing an increase of approximately 2.83% as compared with the corresponding period of the previous year.

As at the end of the Reporting Period, the Group was the largest PNG distributor in Huzhou City, Zhejiang Province, the PRC, and the length of the natural gas pipeline network operated within the Group's operating areas in Huzhou was approximately 1,442 kilometers.

FINANCIAL OVERVIEW

Revenue

The Group's revenue for the Year was RMB2,579.46 million, representing an increase of 38.77% as compared with RMB1,858.74 million in the previous year. The increase in revenue was mainly resulting from the increase in unit selling price of PNG and the increase in the sales volume of natural gas during the Year.

Gross Profit

The Group's gross profit for the Year was RMB114.46 million, representing a decrease of 59.90% as compared with RMB285.47 million in the previous year. The decrease in gross profit was mainly attributable to the PNG purchase and sale price inversion (the "**PNG Price Inversion**") during the period from April to May 2022 resulting from Zhejiang Province's coordination and adjustment of gas supply price to ensure stable gas supply, in order to hedge the sharp hike in energy prices caused by Russia-Ukraine War and other tensions in international relations, and the loss from the purchase and sale price inversion generated from residential gas consumption.

Other Income and Gains

The Group's other income and gains for the Year were RMB146.20 million, representing an increase of 648.98% as compared with RMB19.52 million in the previous year. It was mainly due to the receipt of the gas supply guarantee subsidy of RMB85.00 million from the special fiscal fund of Huzhou Finance Bureau, which was used to compensate the natural gas sales units for the loss caused by the PNG Price Inversion from April to May 2022; and the government grants of RMB14.46 million, which were used to compensate for the loss from the purchase and sale price inversion generated from residential gas consumption during the heating season.

Finance Costs

The Group's finance costs for the Year were RMB2.47 million, representing an increase of 99.19% as compared with RMB1.24 million in the previous year. It was mainly due to the increase in interest expenses arising from the increase in bank borrowings in the Year.

Income Tax Expense

The Group's income tax expense for the Year decreased by 24.27% to RMB41.65 million from RMB55.00 million in the previous year. The effective tax rate for the Year was 24.37% (2021: 24.81%). The decrease in income tax expense was mainly due to the decrease of 22.91% in profit before tax as compared with the previous year.

Profit attributable to Owners of the Parent

Profit attributable to owners of the parent for the Year was RMB104.09 million, representing a decrease of 13.05% as compared with RMB119.71 million in the previous year, which was mainly due to the PNG Price Inversion during the period from April to May 2022 resulting in the decrease in the gross profit from the Group's sale of PNG as compared with the previous year.

Liquidity and Financial Position

As at 31 December 2022, the current assets of the Group amounted to RMB1,218.62 million (31 December 2021: RMB894.61 million), of which cash and bank balance was equivalent to RMB1,079.70 million.

As at 31 December 2022, the current ratio (current assets/current liabilities) of the Group was 1.41 (31 December 2021: 1.23) and the asset-liability ratio (total liabilities/total assets) was 47.92% (31 December 2021: 46.24%). As at 31 December 2022, there were no utilised bank loans; as at 31 December 2022, the unutilised bank credit balance was RMB805.00 million. The Group issued a letter of guarantee of RMB30.00 million for the performance bond required to be paid to National Oil and Gas Pipeline Network Group Co., Ltd.* (國家石油天然氣管網集團有限公司) under the Agreement on the Access of New Download Point Off-load Facilities of Natural Gas Infrastructure (《天然氣基礎設施新增下載點分輸設施接入協議》) entered into by Huzhou Nanxun Xinao Gas Company Limited* (湖州南潯新奧燃氣有限公司), a subsidiary of the Company, and National Pipeline Network Group Sichuan to East Natural Gas Pipeline Co., Ltd.* (國家管網集團川氣東送天然氣管道有限公司), and the term of the letter of guarantee was from 1 September 2022 to 30 June 2027.

As at 31 December 2022, the gearing ratio of the Group was approximately 0.73% (as at 31 December 2021: 0.11%). The ratio was calculated by dividing total interest-bearing liabilities by the total equity of the Group. As at 31 December 2022, the Group maintained a net cash position.

Exchange Rate Fluctuation Risk

As the Group operates all its businesses in the PRC, substantially all of its revenues and expenses are denominated in RMB. The foreign exchange risks the Group faces are mainly related to cash and cash equivalents (mainly denominated in Hong Kong dollars), which are the proceeds from the initial public offering of the Company. The Group will closely monitor the interest rate and exchange rate in the market and take appropriate measures when necessary.

Contingent Liabilities

As at 31 December 2022, the Group had no material contingent liabilities.

Financial Guarantee Obligations

As at 31 December 2022, the Group had no material financial guarantee obligations.

Pledge of Assets

As at 31 December 2022, the Group had no pledge of assets.

Material Acquisition and Disposal

During the Reporting Period, the Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures.

Human Resources and Employee Compensation

As at 31 December 2022, the Group employed a total of 435 employees in China (31 December 2021: 422). During the Reporting Period, the total employee costs of the Group were approximately RMB86.89 million. The Group further strengthened the training of employees to enhance their professional level and overall quality, by providing targeted training courses to the management, management personnel at various positions, professional technical personnel and service personnel, and by distributing relevant policies and regulations, industry information and knowledge documents to employees. The Group also provided employees with competitive remuneration packages to encourage them to work hard and show their talents when serving customers.

EVENTS AFTER THE REPORTING PERIOD

In the meeting of the Board of Directors held on 30 March 2023, the Board of Directors proposed the payment of a final dividend of RMB0.30 per share, amounting RMB60,814,350 (tax inclusive), for the year ended 31 December 2022. The source of the proposed dividend payment is from the retained profits. The proposed final dividend is subject to the approval by shareholders of the Company at the forthcoming annual general meeting ("**AGM**").

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the Reporting Period. The Directors were also not aware of any material litigation or claims that were pending or threatened against the Group during the Reporting Period and up to the date of this announcement.

PROCEEDS FROM THE GLOBAL OFFERING AND USE OF PROCEEDS

The H shares of the Company (the "**H Share(s)**") were officially listed on the Stock Exchange on 13 July 2022 ("**Listing Date**"). The net proceeds from the Global Offering (including proceeds from the additional H Shares issued and allotted pursuant to the exercise of the over-allotment option, and deducting the underwriting commissions and other estimated expenses in connection with the Global Offering and exercise of the over-allotment option) were approximately HK$276.3 million (equivalent to RMB236.9 million) (the "**Net Proceeds**"). The Company will utilise the Net Proceeds in accordance with the proportion of use allocation as stated under the section headed "Future Plans and Use of Proceeds" in the prospectus. As at 31 December 2022, the details of the use of the above Net Proceeds were as follows:

Designated use of Net Proceeds	% of Net Proceeds from the Global Offering	Net Proceeds from the Global Offering and use of proceeds			Expected to be utilised prior to the following date
		Amount allocated *(RMB'000)*	Utilised *(RMB'000)*	Unutilised *(RMB'000)*	
Enhance the sales volume of PNG by upgrading our pipeline network and operational facilities	20%	47,400	47,400	0	
Expand our business to other geographical areas through strategic acquisition	30%	71,000	0	71,000	By the end of 2024
Expand into distributed photovoltaic power generation business	30%	71,000	20,774	50,226	By the end of 2023
Promote the use of heat energy from vapour generated by our natural gas through natural gas boilers	10%	23,800	0	23,800	By the end of 2024
Working capital and general corporate purposes	10%	23,700	23,700	0	
Total	**100%**	**236,900**	**91,874**	**145,026**	

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

AGM

The AGM of the Company will be held on Thursday, 8 June 2023. A notice convening the AGM will be published and dispatched to the shareholders of the Company in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") in due course.

FINAL DIVIDEND

The Board resolved to propose the payment of a final dividend of RMB0.30 (tax inclusive) per share for the Year (the "**2022 Final Dividend**") with an aggregate amount of RMB60,814,350 (tax inclusive) to shareholders (whether holders of H Shares or holders of domestic shares) of the Company with their names appearing on the Company's register of members on Thursday, 15 June 2023, subject to the approval by the shareholders of the Company at the AGM. Subject to the passing of the relevant resolution at the AGM, the 2022 Final Dividend is expected to be paid around Wednesday, 28 June 2023.

Dividends will be paid in Renminbi for holders of domestic shares of the Company, and dividends will be paid in Hong Kong dollars for holders of H Shares of the Company (the "**H Shareholders**"). The relevant exchange rate will be the average of the mid-point rates of Renminbi to Hong Kong dollars as announced by the People's Bank of China for the week prior to the date of approval of declaration of dividends at the AGM.

TAX

Under the requirements of the Law of the People's Republic of China on Enterprise Income Tax (《中華人民共和國企業所得税法》) and the Regulations for the Implementation of the Law of the People's Republic of China on Enterprise Income Tax (《中華人民共和國企業所得税法實施條例》) implemented in 2008, the Company has the obligation to withhold enterprise income tax at a rate of 10% on dividends when it pays the 2022 Final Dividend to H Shareholders who are overseas non-resident enterprises (including HKSCC Nominees Limited, other enterprise nominees or trustees, or other organizations and groups) with their names appearing on the H Share register of members on Thursday, 15 June 2023.

According to the requirement under Guo Shui Han [2011] No. 348 from the State Taxation Administration (國家税務總局國税函[2011]348號) and the relevant laws and regulations, for individual H Shareholders who are residents in Hong Kong or Macau, and residents in other countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company will withhold the individual income tax at the rate of 10%. For individual H Shareholders who are residents in the countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate lower than 10%, the Company will withhold the individual income tax on the dividends at the rate of 10%. For individual H Shareholders who are residents in the countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate higher than 10% but lower than 20%, the Company will withhold the individual income tax at the effective tax rate under the relevant tax treaty. For individual H Shareholders who are residents in the countries which have entered into a tax treaty with the PRC stipulating a dividend tax rate higher than 20%, or residents in the countries which have not entered into any tax treaties with the PRC, or under any other circumstances, the Company will withhold the individual income tax at the rate of 20%.

The Company will determine the residential status of the individual H Shareholders based on the registered address as recorded in the H Share register of members of the Company on Thursday, 15 June 2023. If the residential status of individual H Shareholders is not the same as their registered address or if the individual H Shareholders would like to apply for a refund of the additional amount of tax that has been withheld, the individual H Shareholders shall notify and provide relevant supporting documents to the Company on or before Tuesday, 13 June 2023. Upon the supporting documents being reviewed by the relevant tax authorities, the Company will follow the guidance from the tax authorities to implement relevant withholding provisions and arrangements. Individual H Shareholders may either personally or appoint an agent to handle the relevant procedures in accordance with the relevant requirements under the tax treaties notice if they fail to provide the relevant supporting documents to the Company before the time limit stated above.

The Company assumes no responsibility and disclaims any liabilities whatsoever in relation to the tax status or tax treatment of the H Shareholders and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the H Shareholders or any disputes relating to the withholding mechanism or arrangements.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the rights of H Shareholders to attend and vote at the AGM and their entitlements to the 2022 Final Dividend, the H Share register of members of the Company will be closed in the following periods, the details of which are set out as below:

(1) For determining the rights of H Shareholders to attend and vote at the AGM

Latest time to lodge transfer documents of shares for registration	4:30 p.m. on Friday, 2 June 2023
Closure of register of members (both days inclusive)	Monday, 5 June 2023 to Thursday, 8 June 2023
Record date	Thursday, 8 June 2023

(2) For determining the entitlements of H Shareholders to the 2022 Final Dividend

Latest time to lodge transfer documents of shares for registration	4:30 p.m. on Tuesday, 13 June 2023
Closure of register of members (both days inclusive)	Wednesday, 14 June 2023 to Thursday, 15 June 2023
Record date	Thursday, 15 June 2023

During the above relevant periods, the H Share register of members of the Company will be closed. In order to ascertain the right to be eligible to attend and vote at the AGM, and to qualify for the 2022 Final Dividend, all transfer documents of shares, accompanied by the relevant share certificates, must be lodged with the Company's H Share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration, by no later than the aforementioned latest times.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date up to 31 December 2022.

CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the principles and code provisions set out in Part 2 of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Listing Rules as the basis of the Company's corporate governance practices and the CG Code has been applicable to the Company with effect from the Listing Date. The Company has complied with all the principles and code provisions set out in the CG Code throughout the period from the Listing Date up to 31 December 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct regarding dealings in the Company's securities by the Directors and supervisors of the Company (the "**Supervisors**") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "**Code of Conduct**").

Having made specific enquiries to all Directors and Supervisors, they have confirmed that all of them have complied with the Code of Conduct throughout the period from the Listing Date up to 31 December 2022.

The Code of Conduct also applies to employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Code of Conduct by the employees was noted by the Company throughout the period from the Listing Date up to 31 December 2022.

AUDIT COMMITTEE AND REVIEW OF ANNUAL FINANCIAL STATEMENTS

The audit committee comprising three independent non-executive Directors was established by the Company with its terms of reference in compliance with the requirements under the CG Code.

The audit committee of the Company has reviewed together with the management and external auditor of the Group, Ernst & Young, the accounting principles and policies adopted by the Group and the audited consolidated annual results of the Group for the Year.

PUBLICATION OF ANNUAL RESULTS AND 2022 ANNUAL REPORT

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

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

Huzhou, the PRC, 30 March 2023

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

* *For identification purposes only*