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JY GAS LIMITED
交运燃气有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1407)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2022 (the “**Reporting Period**” or “**Year**”) amounted to RMB475.5 million, an increase of 7.9% as compared to 2021.
- Net profit for the Year amounted to RMB52.0 million, a decrease of 24.0% as compared to 2021. The net profit margin for the Year was 10.9%.
- Non-HKFRS adjusted net profit for the Year amounted to RMB69.1 million, a decrease of 7.0% as compared to 2021. The non-HKFRS adjusted net profit margin for the Year was 14.5%.^(Note)
- Basic earnings per share for the Year amounted to RMB15 cents, a decrease of RMB5 cents from 2021.
- The Board has recommended a final dividend of RMB3.9 cents (equivalent to HK\$4.4 cents) per ordinary share for the Year.

Note: Non-HKFRS adjusted net profit was derived from the net profit adjusted by excluding Listing expenses for the Year. For more details, please see the section headed “Management Discussion and Analysis Operation Review - Financial Overview - Non-HKFRS Adjusted Net Profit” in this announcement.

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of JY GAS LIMITED (the “**Company**”) announces the audited consolidated financial results of the Company and its subsidiaries (the “**Group**”) for the Year with comparative figures for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December	
		2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	475,531	440,894
Cost of sales	4	<u>(374,865)</u>	<u>(343,677)</u>
Gross profit		100,666	97,217
Administrative expenses	4	(34,007)	(19,161)
Reversal of net impairment losses on financial assets		2,462	800
Other income	5	3,578	15,396
Other gains, net	6	<u>15</u>	<u>863</u>
Operating profit		72,714	95,115
Finance income	7	743	512
Finance costs	7	<u>(1,576)</u>	<u>(4,119)</u>
Finance income and costs, net	7	(833)	(3,607)
Profit before income tax		71,881	91,508
Income tax expense	8	<u>(19,905)</u>	<u>(23,134)</u>
Profit and total comprehensive income for the year		<u><u>51,976</u></u>	<u><u>68,374</u></u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
	Note	2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
Profit and total comprehensive income			
attributable to:			
Owners of the Company		50,801	67,505
Non-controlling interests		1,175	869
		<u>51,976</u>	<u>68,374</u>
Basic and diluted earnings per share for			
profit attributable to owners of the Company			
(expressed in RMB per share)	10	<u>0.15</u>	<u>0.20</u>

CONSOLIDATED BALANCE SHEET

		As at 31 December	
	Note	2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
Assets			
Non-current assets			
Property, plant and equipment		135,541	118,179
Investment properties		69,900	69,720
Right-of-use assets		10,707	11,358
Intangible assets		5,378	4,332
Trade receivables	11	26,185	19,099
Other non-current assets		5,686	4,027
		<u>253,397</u>	<u>226,715</u>
Current assets			
Inventories		9,800	9,338
Trade and other receivables	11	39,800	14,663
Prepayments and other current assets		25,354	30,129
Cash and bank balances		173,023	37,370
		<u>247,977</u>	<u>91,500</u>
Total assets		<u><u>501,374</u></u>	<u><u>318,215</u></u>

CONSOLIDATED BALANCE SHEET (CONTINUED)

	Note	As at 31 December	
		2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
Equity			
Share capital		310	—*
Share premium and reserves		170,734	33,391
Retained earnings		103,080	61,026
		<hr/>	<hr/>
Equity attributable to owners of the Company		274,124	94,417
Non-controlling interests		15,078	14,803
		<hr/>	<hr/>
Total equity		<u>289,202</u>	<u>109,220</u>
Liabilities			
Non-current liabilities			
Lease liabilities		1,961	2,340
Trade payables	12	9,458	7,306
Deferred income tax liabilities		7,268	7,080
		<hr/>	<hr/>
		18,687	16,726
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	12	58,842	47,817
Contract liabilities		112,906	101,303
Current income tax liabilities		3,217	5,639
Borrowings	13	18,000	37,000
Lease liabilities		520	510
		<hr/>	<hr/>
		193,485	192,269
		<hr/>	<hr/>
Total liabilities		<u>212,172</u>	<u>208,995</u>
		<hr/>	<hr/>
Total equity and liabilities		<u>501,374</u>	<u>318,215</u>

* The amount is less than RMB1,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 General Information

JY GAS LIMITED was incorporated in the Cayman Islands on 9 March 2021 as an exempted company with limited liability under the Companies Act (Cap. 22, Act 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is 3-212 Governors Square, 23 Lime Tree Bay Avenue, P.O. Box 30746, Seven Mile Beach, Grand Cayman, KY1-1203, Cayman Islands.

Pursuant to a group reorganisation which was completed on 20 July 2021 (the "**Reorganisation**"), the Company became the holding company of the subsidiaries now comprising the Group. Details on the Reorganisation are set out in the prospectus of the Company dated 31 October 2022.

The shares of the Company (the "**Shares**") have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 16 November 2022.

The Company and its subsidiaries are principally engaged in the sale of natural gas, mainly piped natural gas ("**PNG**"), compressed natural gas ("**CNG**") and liquefied natural gas ("**LNG**"), the provision of construction and installation services and the sale of gas-burning appliances in Gaomi City, Shandong Province.

These consolidated financial statements are presented in Renminbi Yuan ("**RMB**"), unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board on 30 March 2023.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") and disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622 of the laws of Hong Kong).

Historical cost convention

These consolidated financial statements have been prepared under the historical cost convention except that investment properties are measured at fair value.

New or amended standards adopted by the Group

The Hong Kong Institute of Certified Public Accountants has issued the following new or amended standards that are applicable to the Group and are first effective for the year beginning on or after 1 January 2022:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Annual improvements	Annual improvements to HKFRS Standards 2018 - 2020
Revised Accounting Guideline 5	Merger Accounting for Common Control Combinations

The new or amended standards listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New or amended standards and annual improvements not yet adopted

Certain new or amended standards and annual improvements have been published but are not mandatory for the year beginning 1 January 2022. The Group has not early adopted these new or amended standards and annual improvements in these consolidated financial statements and will apply these new or amended standards and annual improvements in accordance with their respective effective dates.

3. Revenue and segment information

The Company's executive directors are the Group's chief operating decision makers ("CODM"). The CODM reviews the performance of the Group on a regular basis.

As substantial business operations of the Group relate to the sale of PNG, the CODM makes decisions about resources allocation and performance assessment based on the entity-wide consolidated financial information. Accordingly, there is only one single operating segment for the Group qualified as reportable segment under HKFRS 8 "Operating Segments". No separate segmental analysis is presented in these consolidated financial statements. The Group's total revenues are all from domestic customers in the PRC. Accordingly, no geographical information is presented.

Revenue from external customers

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue recognised at a point in time:		
Revenue from PNG sales	364,763	305,150
Revenue from CNG and LNG sales	27,057	22,023
Revenue from sales of gas-burning appliances	34,257	52,834
	<u>426,077</u>	<u>380,007</u>
Revenue recognised over time:		
Revenue from construction and installation services	<u>49,454</u>	<u>60,887</u>
Total	<u><u>475,531</u></u>	<u><u>440,894</u></u>

During the years ended 31 December 2022 and 2021, there was no revenue derived from transactions with a single customer representing 10% or more of the Group's total revenue.

4. Expenses by nature

Expenses included in cost of sales and administrative expenses are analysed as follows:

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of natural gas	319,913	265,800
Materials used in construction and installation services	15,557	23,906
Cost of gas-burning appliances sold	18,815	28,367
Employee benefit expenses	8,426	9,399
Depreciation and amortisation		
– Property, plant and equipment	9,369	8,742
– Right-of-use assets	651	608
– Intangible assets	369	6
Taxes and surcharges	1,816	2,002
Repairs and maintenance costs	1,086	520
Utility costs	1,187	888
Vehicle costs	812	653
Outsourced construction labour costs	5,618	11,591
Auditor's remuneration	1,124	—
Listing expenses	17,077	5,838
Other expenses	7,052	4,518
Total cost of sales and administrative expenses	408,872	362,838

5. Other income

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Rental income from a related party	3,578	1,941
Government subsidy	—	13,455
	<u>3,578</u>	<u>15,396</u>

6. Other gains, net

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Foreign exchange losses	(814)	—
Fair value gain on investment properties	180	1,080
Losses on disposal of property, plant and equipment	—	(266)
Others	649	49
	<u>15</u>	<u>863</u>

7. Finance income and costs, net

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income:		
– Bank deposits	172	512
– Other interest income	571	—
	<u>743</u>	<u>512</u>
Total finance income	<u>743</u>	<u>512</u>
Interest expense:		
– Bank borrowings	(1,410)	(3,938)
– Interest expense of lease liabilities	(166)	(181)
	<u>(1,576)</u>	<u>(4,119)</u>
Total finance costs	<u>(1,576)</u>	<u>(4,119)</u>
Finance income and costs, net	<u>(833)</u>	<u>(3,607)</u>

8. Income tax expense

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax:		
– PRC enterprise income tax	19,717	22,486
– Deferred income tax	188	648
	<u>19,905</u>	<u>23,134</u>
	<u>19,905</u>	<u>23,134</u>

9. Dividends

In November 2022, Gaomi Jiaoyun Shihua Natural Gas Co., Ltd.* (高密市交運實華天然氣有限公司) declared dividends of RMB2,100,000 and RMB900,000 to Gaomi Jiaoyun Natural Gas Co., Ltd.* (高密市交運天然氣有限公司) (“**Jiaoyun Gas**”) and Shandong Shihua Natural Gas Co., Ltd.* (山東實華天然氣有限公司) (“**Shandong Shihua**”), respectively. The dividend of Shandong Shihua has been paid in November 2022.

For details of the final dividend proposed by the Directors at the meeting held on 30 March 2023, please see the section headed “Final Dividend” in this announcement.

10. Earnings per share

Basic earnings per share for the years ended 31 December 2022 and 2021 are calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares has been retrospectively adjusted for the effect of the capitalisation issue of shares on 16 November 2022.

	Year ended 31 December	
	2022	2021
Profit attributable to owners of the Company (RMB'000)	50,801	67,505
Weighted average number of issued ordinary shares	343,863,000	330,000,000
Basic earnings per share (expressed in RMB per share)	<u>0.15</u>	<u>0.20</u>

As the Company has no dilutive instruments during the year ended 31 December 2022 (2021: nil), the Group’s diluted earnings per share equals to its basic earnings per share.

11. Trade and other receivables

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Non-current		
Trade receivables		
– Third parties	26,690	19,469
Less: provision for impairment of trade receivables	(505)	(370)
	<u>26,185</u>	<u>19,099</u>
Current		
Trade receivables		
– Related parties	3,286	—
– Third parties	34,225	13,443
Less: provision for impairment of trade receivables	(656)	(284)
	<u>36,855</u>	<u>13,159</u>
Trade receivables - net		
	<u>36,855</u>	<u>13,159</u>
Other receivables		
– Amounts due from a related party	2,600	—
– Amounts due from third parties	25,749	29,877
	<u>28,349</u>	<u>29,877</u>
Less: provision for impairment of other receivables	(25,404)	(28,373)
Other receivables - net	<u>2,945</u>	<u>1,504</u>
	<u>39,800</u>	<u>14,663</u>
Total trade and other receivables, net	<u><u>65,985</u></u>	<u><u>33,762</u></u>

Aging analysis of trade receivables at each balance sheet date based on their initial recognition dates were as follows:

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	32,836	32,874
1 - 2 years	31,327	—
Over 3 years	38	38
	<u>64,201</u>	<u>32,912</u>

Trade receivables are mainly recorded based on the dates of transaction. The aging of trade receivables based on their initial recognition dates is basically by reference to their respective dates of invoice.

Most of the Group's trade receivables are related to its construction and installation services, for which the credit period is implemented in accordance with the relevant contracts.

Movements in allowance for impairment of the trade receivables is as follows:

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of the year	654	38
Provision	535	616
Reversal	(28)	—
	<u>1,161</u>	<u>654</u>

12. Trade and other payables

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Non-current		
Trade payables		
– Third parties	9,458	7,306
	<u> </u>	<u> </u>
Current		
Trade payables		
– Third parties	38,384	25,337
– Related parties	712	4,093
	<u> </u>	<u> </u>
	39,096	29,430
	<u> </u>	<u> </u>
Other payables		
– Value-added tax payable	10,679	9,074
– Other taxes payable	374	3,630
– Amounts due to related parties	975	590
– Listing expenses payable	3,644	2,152
– Salaries and staff welfare payable	1,548	1,621
– Others	2,526	1,320
	<u> </u>	<u> </u>
	19,746	18,387
	<u> </u>	<u> </u>
	58,842	47,817
	<u> </u>	<u> </u>
Total trade and other payables	<u> </u> <u> </u>	<u> </u> <u> </u>
	68,300	55,123

Aging analysis of trade payables at each balance sheet date based on their initial recognition dates were as follows:

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Less than 1 year	24,941	34,754
1 - 2 years	22,708	1,106
2 - 3 years	176	438
Over 3 years	729	438
	<u>48,554</u>	<u>36,736</u>

Trade payables are mainly recorded based on the dates of transaction. The aging of trade payables based on their recording dates is basically by reference to their respective dates of invoice.

13. Borrowings

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Current		
Bank borrowings		
– Secured by properties	<u>18,000</u>	<u>37,000</u>

As at 31 December 2022, bank borrowings of RMB18,000,000 (2021: RMB37,000,000) were secured by investment properties of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS OPERATION REVIEW

INDUSTRY OVERVIEW

In Gaomi City, where the Group operates, natural gas consumption levels have grown rapidly in recent years, positively impacted by economic development in Shandong Province and various policies implemented at national, provincial and city level. At national and provincial level, various action plans and guidance have stipulated the use of natural gas as a clean energy alternative to traditional energy sources such as coal. All of these policies fall in line with the PRC government's broader efforts to promote sustainable development and reduce carbon emissions. For example, following the promulgation of the Clean Winter Heating Plan for Northern China (2017-2021) in 2017, which is aimed at reducing air pollution during the winter months in Northern China, a series of "coal-to-gas" policies have been implemented which require industrial and residential energy users in Shandong Province to switch from coal to gas for a range of activities such as heating, cooking and hot water supply. Owing to these policies, as well as the rapid development of gas-fired power stations, the consumption volume of natural gas in Shandong Province is expected to reach 38.7 billion m³ in 2026. At city level, pursuant to the "zero-coal policy" set out in the "Opinions on Promoting the Clearing of Coal in the Zero Coal-Burning Restricted Area and Unheated Households" promulgated by the Gaomi City government in 2020 (the "**Zero-coal Policy**"), a RMB2,200 subsidy for installation fees is provided to each residential household which installs gas-burning appliances for their home. Such favourable government policies encouraged the increased use of natural gas in Gaomi City.

The natural gas industry in Gaomi City has also benefitted from significant urbanisation in recent years. Such urbanisation has primarily resulted from industrialisation and the development of infrastructure, as well as general economic and population growth. The urbanisation rate in Gaomi City was 59.3% in 2016 and is predicted to grow to 69.0% in 2026. Urbanisation in Gaomi City and the PRC in general presents notable opportunities for downstream natural gas operators such as the Group to expand their user bases and grow their business.

DEVELOPMENT STRATEGY AND OUTLOOK

As natural gas continues to play a significant role in the PRC's energy mix, the Group will continue to capitalise on its natural gas supply capabilities and experience in promoting the increasingly recognised goal of clean energy transition. The Group will invest in expanding its pipeline network to improve its customer reach in Gaomi City, which has continued to experience rapid urbanisation and a rise in natural gas demand in recent years. Strongly supported by favourable government policies, the Group recognises opportunities in the accelerated implementation of clean energy projects (which are government subsidised construction projects in the rural areas of Gaomi City) ("**Clean Energy Projects**") in particular. At the same time, the Group will continue to strengthen the efficiency and safety of its operations to solidify its market position as the largest natural gas operator in Gaomi City.

BUSINESS REVIEW

The Group is a natural gas operator in Gaomi City, Weifang Municipality of Shandong Province, the PRC. The Group has an exclusive right under its concession agreement with Gaomi City Bureau of Municipal Affairs Administration to operate PNG sales and related businesses within a specified operating area which represents approximately 70% of the total administrative area of Gaomi City (the "**Operating Area**"). The concession has an effective term of 30 years until August 2039.

During the Year, the Group primarily generated revenue from its sale of natural gas in Gaomi City. The sale of PNG is its principal business. As at the end of the Year, the Group's customers of its sale of PNG business included (a) retail customers which comprised 141,471 active residential PNG end-users, 374 active industrial PNG end-users and 4,092 active commercial PNG end-users, representing an increase of approximately 13.8%, 15.1% and 17.7% from that as at the year end of 2021; and (b) one wholesale customer which is a natural gas refuelling station operator in Gaomi City. The Group's sales volume of PNG remained stable at approximately 101.3 million m³ for the Year as compared to approximately 102.1 million m³ for the year ended 31 December 2021. As at the end of the Year, the Group's urban pipeline network was comprised of approximately 685.2 kilometres of completed mid-pressure pipelines.

The Group also engages in the sale of CNG and LNG at its CNG and LNG refuelling stations, the provision of construction and installation services, and the sale of gas-burning appliances.

Throughout 2022, the adverse impacts of COVID-19 continued to generally affect the operation of businesses in a range of industries in Gaomi City. In March to April of 2022, a temporary suspension of business for certain industries and a partial lockdown was imposed in Gaomi City as a result of the resurgence of COVID-19, which affected the demand for PNG from the Group's commercial and industrial PNG end-users. The Group's construction and installation services were temporarily suspended and there was a temporary drop in the Group's sale of gas-burning appliances during March and April 2022. However, demand for PNG from the Group's residential PNG end-users was higher than usual in March and April 2022, which was reflected by an increase in the Group's PNG sales volume to residential PNG end-users during this period. In December 2022, government restrictions in relation to COVID-19 were largely lifted across the PRC, leading to a surge of COVID-19 infections in Gaomi City. Due to the high rate of COVID-19 infections during this month, the Group temporarily suspended its construction and installation services and no revenue was generated from the Group's construction and installation services in December 2022. There was also a temporary drop in the Group's sale of PNG to commercial and industrial PNG end-users, sale of LNG and CNG, and sale of gas-burning appliances during this month. Nonetheless, demand from our customers remained robust during other times of the Year. Since there were only two periods (March to April and December 2022) during which the Group's operations had been affected by the COVID-19 outbreak, the Directors consider that COVID-19 did not have a material impact on the Group's financial position and business operations for 2022 as a whole. Since January 2023, COVID-19 infections in Gaomi City gradually decreased. Business and daily activities in Gaomi City have generally resumed to normal levels by March 2023.

Since February 2022, the Russia-Ukraine military conflict resulted in tightened natural gas supply globally, which led to generally higher prices and increased volatility in the global natural gas market, including the PRC. In particular, such conflict caused disruptions to natural gas supplies from Russia to the rest of Europe (which relied significantly on Russian natural gas). Some of those European countries turned to Chinese suppliers for the procurement of natural gas, which indirectly affected LNG supply for PRC natural gas distributors such as the Group and led to higher LNG procurement prices in the PRC. Although the Group's PNG procurement price had not been materially impacted by the Russia-Ukraine military conflict, its average cost of PNG (comprising PNG procured directly and PNG converted from LNG during periods of high demand) experienced unexpected increases from time to time throughout 2022. From January 2023 up until the date of this announcement, the Group's LNG procurement prices and average cost of PNG generally remained high due to tight supply conditions and high demand during winter, but are expected to gradually subside as the 2022-2023 heating season ends in March 2023.

SEGMENTAL ANALYSIS

1. PNG Sales

The Group supplies PNG to retail customers comprising residential, industrial and commercial PNG end-users, as well as wholesale customers. During the Year, the total revenue of the Group generated from its PNG sales business was RMB364.8 million, representing an increase of 19.5% as compared to RMB305.2 million for the year ended 31 December 2021. The Group's sales volume of PNG remained stable at approximately 101.3 million m³ for the Year as compared to approximately 102.1 million m³ for the year ended 31 December 2021.

Sales to retail customers: Revenue generated from PNG sales to retail customers was RMB356.4 million for the Year, representing an increase of 18.7% from RMB300.3 million for the year ended 31 December 2021. During the Year, PNG sales to industrial PNG end-users accounted for the largest portion of the Group's total PNG sales. During the Year, PNG sales volume to the Group's industrial, residential and commercial PNG end-users was 72.1 million m³, 21.4 million m³ and 4.8 million m³, respectively, accounting for approximately 73.3%, 21.8% and 4.9% of the Group's total PNG sales volume to retail customers. Comparatively, for the year ended 31 December 2021, PNG sales volume to industrial, residential and commercial PNG end-users was 75.6 million m³, 18.4 million m³ and 5.9 million m³, respectively, representing approximately 75.7%, 18.4% and 5.9% of the Group's total PNG sales volume to retail customers. The aforementioned increase in revenue generated from the Group's PNG sales to retail customers was mainly due to (i) an increase in revenue from sales to the Group's residential PNG end-users (from RMB48.1 million for the year ended 31 December 2021 to RMB56.2 million for the Year) resulting from the continued implementation of the Zero-coal Policy; and (ii) an increase in the Group's per unit price of PNG sold to industrial and commercial PNG end-users. The maximum non-residential regulatory PNG selling price had been increased by the government from RMB4.36/m³ for the 2021-2022 heating season to RMB5.00/m³ for the 2022-2023 heating season.

Sales to our wholesale customer: Revenue generated from PNG sales to our wholesale customer was RMB8.4 million for the Year, representing a significant increase of 71.8% from RMB4.9 million for the year ended 31 December 2021. During the Year, PNG sales volume to our wholesale customer was 3.0 million m³, representing an increase of 34.2% from 2.2 million m³ for the year ended 31 December 2021. The aforementioned increase in revenue generated from the Group's PNG sales to our wholesale customer was mainly due to a notable increase in the Group's per unit price of PNG sold to our wholesale customer, coupled with an increase in sales volume to such customer.

2. CNG and LNG Sales

The Group supplies CNG and LNG to vehicle users at its CNG and LNG refuelling stations in Gaomi City. During the Year, revenue of the Group generated from its CNG and LNG sales business was RMB27.1 million, representing an increase of 22.9% as compared to RMB22.0 million for the year ended 31 December 2021. Such increase was primarily attributable to an increase in our procurement price of LNG (as a result of tightened LNG supply due to the Russia-Ukraine military conflict), which caused us to increase the selling price of CNG and LNG to our customers. This was partially offset by a decrease in the Group's sales volume of CNG and LNG during the Year.

3. Construction and Installation Services

The Group provides construction and installation services to property developers, residential PNG end-users and non-residential PNG end-users. During the Year, revenue of the Group generated from its construction and installation services was RMB49.5 million, representing a decrease of 18.8% as compared to RMB60.9 million for the year ended 31 December 2021. Such decrease was primarily attributable to temporary suspensions of the Group's construction and installation services resulting from (i) the temporary partial lockdown measures imposed in Gaomi City in response to the outbreak of COVID-19 in March to April of 2022; and (ii) the surge of COVID-19 infections in Gaomi City in December 2022 as government restrictions in relation to COVID-19 were largely lifted across the PRC.

4. Sale of Gas-burning Appliances

The Group sells gas-burning appliances such as gas stoves, wall-hung gas boilers and water heaters, primarily to property owners and property occupiers. During the Year, revenue of the Group generated from its sale of gas-burning appliances was RMB34.3 million, representing a decrease of 35.2% as compared to RMB52.8 million for the year ended 31 December 2021. Such decrease was primarily attributable to the temporary suspensions of the Group's construction and installation services as mentioned above, which led to lower sales of gas-burning appliances.

FINANCIAL OVERVIEW

Revenue

The Group's revenue for the Year was RMB475.5 million, representing an increase of 7.9% as compared to RMB440.9 million for the year ended 31 December 2021. The increase in revenue was mainly attributable to an increase in revenue from the Group's sale of PNG, particularly in respect of non-residential PNG end-users due to an increase in the per unit selling price of PNG to such end-users.

Gross Profit

The Group's gross profit for the Year was RMB100.7 million, representing an increase of 3.5% as compared to RMB97.2 million for the year ended 31 December 2021. The increase in gross profit was mainly due to an increase in revenue from the Group's sale of PNG for the reasons described above. The Group's gross profit margin declined slightly from 22.0% for the year ended 31 December 2021 to 21.2% for the Year, primarily attributable to (i) the temporary suspension of the Group's construction and installation services, as well as the temporary decline in the Group's sale of gas-burning appliances, in March to April and December of 2022 owing to the adverse impacts of the COVID-19 outbreak and related government measures. The Group's construction and installation services and sale of gas-burning appliances typically have a higher gross profit margin as compared to other business segments due to greater pricing flexibility since pricing is not regulated; and (ii) a decline in the Group's profit margin for its PNG sales to residential PNG end-users, caused by an increase in the average cost of PNG coupled with its inability to adequately adjust its residential PNG selling price to compensate for the increased procurement cost of PNG, as residential PNG selling price is fixed by the government.

Other Income

The Group's other income for the Year was RMB3.6 million, representing a decrease of 76.8% as compared to RMB15.4 million for the year ended 31 December 2021. The Group's other income was higher for the year ended 31 December 2021 as it received a one-off government subsidy of RMB13.5 million for certain construction and installation projects pursuant to the implementation of the local government's Zero-Coal Policy. The Group did not receive such subsidy during the Year.

Finance Costs

The Group's finance costs for the Year were RMB1.6 million, representing a decrease of 61.7% as compared to RMB4.1 million for the year ended 31 December 2021. This was primarily due to a decrease in the Group's bank borrowings.

Income Tax Expense

The Group's income tax expense for the Year was RMB19.9 million, representing a decrease of 14.0% as compared to RMB23.1 million for the year ended 31 December 2021. Such decrease was primarily attributable to a decrease in the Group's profit before income tax. The effective tax rate for the Year was 27.7% (the effective tax rate for the year ended 31 December 2021 was 25.3%).

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company for the Year was RMB50.8 million, representing a decrease of 24.7% as compared to RMB67.5 million for the year ended 31 December 2021, which was mainly due to (i) a decrease in other income as the Group did not receive government subsidies for the implementation of the Zero-coal Policy as aforementioned; and (ii) an increase in the Group's Listing expenses during the Year.

Non-HKFRS Adjusted Net Profit

To supplement the Group's consolidated financial statements which are presented in accordance with HKFRS, the Company also used unaudited non-HKFRS adjusted net profit as an additional financial measure in order to evaluate its financial performance by eliminating the impact of items that it does not consider indicative of the performance of its business. The Company believes that this additional financial measure provides useful guidance as it reflects its net profit position relating to its normal business operations by having eliminated the potential impact of its Listing expenses. The term "adjusted net profit" is not defined under HKFRS. Other companies in the industry in which the Group operates may calculate such non-HKFRS item differently from the Group. The use of adjusted net profit has material limitations as an analytical tool, as adjusted net profit does not include all items that impact the Group's net profit for the Year and should not be considered in isolation or as a substitute for analysis of the Group's results as reported under HKFRS.

The following table sets out the calculation of the Group's non-HKFRS adjusted net profit for the years indicated:

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Profit and total comprehensive income for the year	51,976	68,374
<i>Add:</i>		
Listing expenses	17,077	5,838
Adjusted net profit	<u>69,053</u>	<u>74,212</u>

Adjusted net profit, adjusted by excluding the Group's Listing expenses, was RMB69.1 million for the Year, representing a decrease of 7.0% as compared to RMB74.2 million for the year ended 31 December 2021.

Trade and Other Receivables

The Group's trade and other receivables was RMB66.0 million as at 31 December 2022, representing an increase of 95.4% as compared to RMB33.8 million as at 31 December 2021, primarily because the Group's service fees payable by local governments under certain Clean Energy Projects (i.e. agreements with the local government in Gaomi City for the sales of certain gas-burning appliances and provision of certain construction and installation services) were generally to be settled by instalments over a three-year period after the completion of each project starting from the second half of 2021.

Trade and Other Payables

The Group's trade and other payables was RMB68.3 million as at 31 December 2022, representing an increase of 23.9% as compared to RMB55.1 million as at 31 December 2021, which was mainly due to an increase in third party trade payables relating to the Group's purchase of gas-burning appliances.

Liquidity and Financial Position

The Group's current assets amounted to RMB248.0 million as at 31 December 2022, representing an increase of 171.0% as compared to RMB91.5 million as at 31 December 2021. As at 31 December 2022, the Group's cash and bank balances amounted to RMB173.0 million.

As at 31 December 2022, the current ratio (current assets/current liabilities) of the Group was 128.2% (47.6% for the year ended 31 December 2021) and the debt ratio of the Group (total liabilities/total assets) was 42.3% (65.7% for the year ended 31 December 2021). As at 31 December 2022, the Group's utilised bank loans amounted to RMB18.0 million, all of which were denominated in RMB, bearing an annual interest rate of 5.66%. As at 31 December 2022, the Group did not have any unutilised bank credit. As at 31 December 2022, the Group had lease liabilities of RMB2.5 million, of which RMB0.5 million is analysed as current portion, and RMB2.0 million is analysed as non-current portion.

The gearing ratio of the Group was 7.1% as at 31 December 2022 (36.5% as at 31 December 2021). The ratio was calculated by dividing total debt (borrowings and lease liabilities) by total equity as at the end of the relevant year. As at 31 December 2022, the Group maintained a net cash position.

Exchange Rate Fluctuation Risk

While Group's businesses are principally denominated in RMB, it has certain deposits denominated in Hong Kong dollars which expose it to exchange rate fluctuation risk. Currently, the Group does not have any hedging policy on foreign currency. The Group's management will closely monitor the exchange rate fluctuation risk and take appropriate measures such as hedging measures to control the exchange rate fluctuation risk 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 pledged certain investment properties with the carrying amount of RMB69.9 million (RMB69.7 million as at 31 December 2021) as collateral for bank borrowings granted to the Group.

Significant Investment

During the Year, the Group did not hold any significant investment.

Material Acquisition and Disposal

During the Year, the Group did not make any material acquisition or disposal of subsidiaries, associates and joint ventures.

Human Resources and Employee Compensation

As at 31 December 2022, the Group employed a total of 102 employees in the PRC as compared to 99 as at 31 December 2021. During the Year, the total employee costs of the Group were RMB8.4 million. The Group manages its personnel actively, including but not limited to providing training on relevant policies and regulations, safety management and professional knowledge in order to improve management skills, strengthen employees' professional skills and enhance the competitiveness of the Group.

EVENTS AFTER THE REPORTING PERIOD

On 28 March 2023, the Company was allocated with 3,058,000 shares of Seacon Shipping Group Holdings Limited (“**Seacon**”) offered under its International Placing (as defined in the prospectus of Seacon dated 14 March 2023) at the offer price of HK\$3.27 per share pursuant to its application to subscribe for such shares on 17 March 2023. The total consideration paid by the Company for such shares was HK\$10,100,506.57 (including the brokerage fee, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy payable in connection with the subscription), and was internally funded by the Company.

Saved as disclosed above, there are no events causing material impact on the Group from the end of the Year to the date of this announcement.

MATERIAL LITIGATION

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

NET PROCEEDS FROM THE GLOBAL OFFERING

The Shares were listed on the Main Board of the Stock Exchange (“**Listing**”) on 16 November 2022 (the “**Listing Date**”), with a total of 110,000,000 Shares issued pursuant to the global offering of Shares (“**Global Offering**”). After deducting the underwriting fees and relevant expenses, net proceeds from the Global Offering (the “**Net Proceeds**”) amounted to approximately HK\$111.6 million (equivalent to RMB101.2 million). The following table sets out the intended use and actual use of the Net Proceeds as at 31 December 2022:

Designated use of Net Proceeds	% of Net Proceeds	Net Proceeds from the Global Offering			Expected to be utilised prior to the following date
		Allocated amount (RMB million)	Utilised (RMB million)	Unutilised (RMB million)	
Expanding the sale of PNG business through construction of new mid-pressure pipelines of approximately 101.0 km in the Operating Area	48.5%	49.1	—	49.1	By the end of 2025
Upgrading approximately 43.4 km of the urban pipeline network	20.5%	20.7	—	20.7	By the end of 2025
Replacing existing gas meters with Goldcard Meters for over 19,500 households in the Operating Area	6.9%	7.0	—	7.0	By the end of 2024
Construction of an aggregate of approximately 18.0 km PNG end-user pipelines that connect the urban pipeline network for implementing the Clean Energy Projects to serve over 5,500 households in the Operating Area	14.1%	14.3	—	14.3	By the end of 2024
Working capital and other general corporate purposes	10.0%	10.1	—	10.1	By the end of 2025

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

CORPORATE GOVERNANCE PRACTICES

The Group is committed to achieving high corporate governance standards to safeguard the interests of its stakeholders. The Company has applied the principles in the Corporate Governance Code (“**CG Code**”) in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) by conducting its business by reference to the principles of the CG Code and emphasising such principles in the Company’s governance framework. To the best knowledge of the Directors, the Company has complied with all applicable code provisions under the CG Code (as amended from time to time) during the period from the Listing Date to 31 December 2022, save for the deviation discussed below.

Pursuant to code provision C.1.8 of the CG Code, the Company should arrange appropriate insurance cover in respect of legal action against its directors. The Company has not arranged any insurance cover in respect of any potential legal action against the Directors. Given the nature of the Company’s business, the Directors believe that the likelihood of legal actions against the Directors is very slight, and the Company can still achieve adequate corporate governance through various management and monitoring mechanisms so as to reduce risk, including periodic reviews on the effectiveness of the Company’s internal control system, clear division of duties and training for staff and management. The Board will review, on a regular basis, whether it is necessary to arrange insurance cover in respect of potential legal action against the Directors.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) in Appendix 10 to the Listing Rules as the code of conduct for the Directors in their dealings in the Company’s securities. Having made specific enquires with each Director, the Company confirmed that the Directors had complied with the required standard as set out in the Model Code for the period from the Listing Date to 31 December 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the Year.

REVIEW OF ANNUAL RESULTS BY AUDIT COMMITTEE

The Company established the audit committee with written terms of reference in compliance with the Listing Rules and the CG Code (the “**Audit Committee**”). As at the date of this announcement, the Audit Committee consists of three independent non-executive Directors, namely Mr. Wei Yi, Mr. Tian Qiang and Ms. Liu Xiaoye. Ms. Liu Xiaoye is the chairlady of the Audit Committee.

The Audit Committee has discussed with the management and external auditors the accounting principles and policies adopted by the Group and has reviewed the Group’s audited consolidated results for the Year.

AUDITOR’S PROCEDURES PERFORMED ON THIS RESULTS ANNOUNCEMENT

The figures in respect of the Group’s consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto in this results announcement of the Group for the year ended 31 December 2022 have been agreed by the Company’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this results announcement.

FINAL DIVIDEND

The Board has resolved to recommend a final dividend (the “**Final Dividend**”) of RMB3.9 cents (equivalent to HK\$4.4 cents) per ordinary share of the Company for the Year, which will be paid out of the Company’s share premium account. The Final Dividend shall be subject to the approval of the shareholders of the Company and such dividend is expected to be paid on or before Friday, 7 July 2023 to the shareholders of the Company whose names appear on the register of members of the Company on Tuesday, 27 June 2023.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the “**2023 AGM**”) will be held on Friday, 16 June 2023. Notice of the 2023 AGM will be published and issued to the shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the eligibility of the Company’s shareholders to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Tuesday, 13 June 2023 to Friday, 16 June 2023 (both days inclusive), during which period no transfer of Shares will be registered. All properly completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Monday, 12 June 2023, for registration.

For the purposes of determining the entitlement of the Company’s shareholders to the proposed Final Dividend, the register of members of the Company will be closed from Friday, 23 June 2023 to Tuesday, 27 June 2023 (both days inclusive), during which no transfer of Shares will be registered. All properly completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong, no later than 4:30 p.m. on Wednesday, 21 June 2023, for registration.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The announcement has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.gmjtq.com). The annual report for the Year will be despatched to shareholders of the Company in due course and will be published on the aforesaid websites of the Stock Exchange and the Company.

By Order of the Board
JY GAS LIMITED
Luan Linjiang
Chairman of the Board

Hong Kong, 30 March 2023

As at the date of this announcement: (1) the chairman and executive Director is Mr. Luan Linjiang; (2) the executive Directors are Mr. Luan Xiaolong and Mr. Luan Linxin; and (3) the independent non-executive Directors are Mr. Wei Yi, Mr. Tian Qiang and Ms. Liu Xiaoye.