

# JY GAS LIMITED

## 交运燃气有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1407



# 2022

# ANNUAL REPORT

# CONTENTS

Corporate Information	2
Management Discussion and Analysis	4
Profile of Directors and Senior Management	14
Directors' Report	23
Corporate Governance Report	40
Independent Auditor's Report	57
Consolidated Statement of Comprehensive Income	62
Consolidated Balance Sheet	63
Consolidated Statement of Changes in Equity	65
Consolidated Statement of Cash Flows	67
Notes to the Consolidated Financial Statements	68
Summary of Financial Information	147
Definitions	148



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Chairman and executive Director

Mr. Luan Linjiang

#### Executive Directors

Mr. Luan Xiaolong

Mr. Luan Linxin

#### Independent non-executive Directors

Mr. Wei Yi

Mr. Tian Qiang

Ms. Liu Xiaoye

### BOARD COMMITTEE

#### Audit Committee

Ms. Liu Xiaoye (Chairlady)

Mr. Tian Qiang

Mr. Wei Yi

#### Remuneration Committee

Mr. Tian Qiang (Chairman)

Mr. Wei Yi

Mr. Luan Xiaolong

#### Nomination Committee

Mr. Luan Linjiang (Chairman)

Mr. Tian Qiang

Ms. Liu Xiaoye

#### Risk Management Committee

Ms. Liu Xiaoye (Chairlady)

Mr. Luan Xiaolong

Mr. Wei Yi

#### ESG Committee

Mr. Luan Xiaolong (Chairman)

Mr. Luan Linjiang

Mr. Wei Yi

Mr. Tian Qiang

### REGISTERED OFFICE IN THE CAYMAN ISLANDS

3-212 Governors Square

23 Lime Tree Bay Avenue

P.O. Box 30746

Seven Mile Beach

Grand Cayman, KY1-1203

Cayman Islands

### HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

3/F, Jiaoyun Group Building

No. 2568 Shi'an Road

Gaomi City

Weifang Municipality

Shandong Province

PRC

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE

46/F., Hopewell Centre

183 Queen's Road East

Wan Chai

Hong Kong

## COMPANY'S WEBSITE

www.gmjytrq.com

## JOINT COMPANY SECRETARIES

Mr. Zhang Yupeng  
Ms. Ho Wing Nga FCG HKFCG (PE)

## AUTHORIZED REPRESENTATIVES (UNDER THE LISTING RULES)

Mr. Luan Xiaolong  
Ms. Ho Wing Nga

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

### ICS Corporate Services (Cayman) Limited

3-212 Governors Square  
23 Lime Tree Bay Avenue  
P.O. Box 30746  
Seven Mile Beach  
Grand Cayman, KY1-1203  
Cayman Islands

## HONG KONG SHARE REGISTRAR

### Computershare Hong Kong Investor Services Limited

Shops 1712-1716  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

## PRINCIPAL BANKS

China Construction Bank Corporation,  
Gaomi Branch  
BANK OF RIZHAO CO., LTD, Gaomi Branch  
Shandong Gaomi Rural Commercial  
Bank Co., Ltd., Business Department

## LEGAL ADVISORS TO OUR COMPANY

### As to Hong Kong law:

Hogan Lovells

### As to Cayman Islands law:

Conyers Dill & Pearman

## COMPLIANCE ADVISOR

China Industrial Securities International Capital Limited

## AUDITOR

### PricewaterhouseCoopers

*Certified Public Accountants and  
Registered Public Interest Entity Auditor*

## STOCK CODE

1407

## DATE OF LISTING

16 November 2022

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 m<sup>3</sup> 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 m<sup>3</sup> for the Year as compared to approximately 102.1 million m<sup>3</sup> 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### BUSINESS REVIEW (continued)

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 report, 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 m<sup>3</sup> for the Year as compared to approximately 102.1 million m<sup>3</sup> 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 m<sup>3</sup>, 21.4 million m<sup>3</sup> and 4.8 million m<sup>3</sup>, 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 m<sup>3</sup>, 18.4 million m<sup>3</sup> and 5.9 million m<sup>3</sup>, 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/m<sup>3</sup> for the 2021-2022 heating season to RMB5.00/m<sup>3</sup> for the 2022-2023 heating season.

### SEGMENTAL ANALYSIS (continued)

#### 1. PNG Sales (continued)

**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 m<sup>3</sup>, representing an increase of 34.2% from 2.2 million m<sup>3</sup> 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 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 an increase in the per unit selling price of PNG to non-residential PNG 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 users 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.

### FINANCIAL OVERVIEW (continued)

#### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### FINANCIAL OVERVIEW (continued)

#### Non-HKFRS Adjusted Net Profit (continued)

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

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.

### FINANCIAL OVERVIEW (continued)

#### Liquidity, Financial Position and Capital Structure

As at 31 December 2022, the share capital of the Group comprised only ordinary shares. The capital structure of the Group mainly consists of bank borrowings, lease liabilities and equity attributable to owners of the Group, comprising issued share capital, share premium and reserves and retained earnings.

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 which were denominated in RMB and HK\$.

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 fixed interest rate of 5.66% which will be matured within one year. 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 the Group's businesses are principally denominated in RMB, it has certain deposits denominated in HK\$ 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### FINANCIAL OVERVIEW (continued)

#### 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.

#### Charge on Assets

As at 31 December 2022, the Group had no charge on assets.

#### 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.

#### Treasury Policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Year. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time. Surplus cash will be invested appropriately so that the Group's cash requirements for the Group's strategy or direction from time to time can be met.

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

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 report.

### MATERIAL LITIGATION AND ARBITRATION

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 report.

### NET PROCEEDS FROM THE GLOBAL OFFERING

The Shares were listed on the Main Board of the Stock Exchange on 16 November 2022, 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	Allocated amount (RMB million)	Net Proceeds from the Global Offering		Expected to be utilised prior to the following date
			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 report, the unutilised Net Proceeds are deposited in an interest-bearing account opened with a licensed bank. The unused proceeds are expected to be used for the above purposes within the specific timeframe, though it may be subject to changes in accordance with changes in market conditions from time to time.

# PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

## Executive Directors

**Mr. Luan Linjiang (樂林江先生)**, aged 60, is the Chairman and an executive Director. He was appointed as our Director on 9 March 2021, and was appointed as the chairman of our Board and re-designated as our executive Director on 16 August 2021. Mr. Luan is mainly responsible for the overall direction, management and supervision of our Group. Mr. Luan is the father of Mr. Luan Xiaolong (an executive Director and chief executive officer of the Company) and the brother of Mr. Luan Linxin (an executive Director of the Company). Mr. Luan Linjiang is also a chairman of the Nomination Committee and a member of the ESG Committee.

Mr. Luan joined our Group in July 2003. From July 2003 to September 2006 and from August 2009 to February 2016, Mr. Luan served as the legal representative, chairman of the board, executive director and general manager of Jiaoyun Gas, mainly responsible for the overall leadership, management and supervision of Jiaoyun Gas. He has been the legal representative and chairman of the board of Jiaoyun Shihua since April 2013, and general manager of the same since March 2016, where he is responsible for the overall leadership, management and supervision of the company. Mr. Luan is also a director of our other subsidiaries, namely QMRIG LIMITED and QMHC LIMITED since July 2021.

Mr. Luan has over 18 years of experience in natural gas industry, over 40 years of experience in transportation industry and over 25 years of experience in the operation and management of companies. Prior to joining our Group, Mr. Luan worked as the chief of dispatching section at the Automobile Third Team of Weifang Automobile Transportation Corporation\* (濰坊汽車運輸總公司汽車三隊) from November 1979 to April 1991, where he was responsible for vehicle dispatching. From May 1991 to July 1993, he was the deputy supervisor in the same company, primarily responsible for the management of vehicle operations. From August 1993 to December 1993, he served as the assistant to the manager at Third Transportation Company of Weifang Automobile Transportation Corporation\* (濰坊汽車運輸總公司第三運輸公司), where he was mainly responsible for assisting the manager in the overall management and supervision of the company and its related business. From January 1994 to August 1994, he successively served as the deputy manager and manager at Third Transportation Company of Weifang Automobile Transportation Corporation, mainly responsible for the overall leadership, management and supervision of the company and its related business. From September 1994 to December 2000, he served as the manager in Gaomi Coach Transportation Company\* (高密市長途汽車運輸公司), where he was responsible for the overall leadership, management and supervision of the company and its related business. From September 1996 to March 2007, he served as the legal representative, chairman of the board, principal in Gaomi Traffic Transportation (Group) Co., Ltd.\* (高密市交通運輸(集團)有限公司), where he was responsible for the overall leadership, management and supervision of the company and its business. Since January 2001, he has been serving as the legal representative, executive director and general manager in Shandong Gaomi Traffic Car Transport Co., Ltd.\* (山東高密市交運汽車運輸有限公司), where he is responsible for the overall leadership, management and supervision of the company and its business. He served as the chairman of the board and a director of Jiaoyun Property from April 2006 to January 2014, its legal representative from April 2006 to December 2014, its executive director from January 2014 to December 2014, and its general manager from January 2014 to November 2016, where he was mainly responsible for the overall leadership, management and supervision of the company and its business. Since January 2014, he has been serving as the legal representative, executive director and general manager in Jiaoyun Group, where he is mainly responsible for the overall leadership, management and supervision of Jiaoyun Group and its related business. Since February 2014, he has been serving as the chairman of the board and legal representative of Gaoyun Investment (Shandong) Co., Ltd.\* (高運投資(山東)有限公司), (formerly known as Weifang Gaoyun Private Capital Management Co., Ltd.\* (濰坊市高運民間資本管理有限公司)), where he is mainly responsible for the overall leadership, management and supervision of the company and its business. Since September 2014, he has been serving as the executive director, general manager and legal representative of Gaomi Jiaoyun Market Co., Ltd.\* (高密市交運市場有限公司), where he is mainly responsible for the overall leadership, management and supervision of the company and its business.

## PROFILE OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

### Executive Directors (CONTINUED)

Mr. Luan was the legal representative, director, principal, manager and/or member of the management of the following companies which were incorporated in the PRC and were subsequently dissolved. The relevant details are as follows:

Name of company	Place of incorporation	Nature of business before dissolution	Position	Reason for dissolution	Current status and date of dissolution
Weifang Automobile Transport Company Gaomi Gas Station* (濰坊汽運公司 高密加油站)	The PRC	Gasoline, diesel and motor oil retail	Legal representative and member of the management	Cessation of business operation	Business license was revoked on 11 December 2000
Real Estate Project Development Branch of Gaomi Transportation Group* (高密市交通運輸集團房地產項目開發分公司)	The PRC	Property development, operation and leasing	Legal representative	Cessation of business operation	Deregistered on 26 February 2004
Gaomi Traffic Transportation (Group) Co., Ltd.* (高密市交通運輸(集團)有限公司)	The PRC	Transportation, automobile maintenance and sale of auto parts	Legal representative, chairman of the board and principal	Cessation of business operation	Business license was revoked on 23 March 2007
Shandong Gaomi Coach Transportation Company* (山東省高密市長途汽車運輸公司)	The PRC	Transportation and cargo handling	Legal representative and member of the management	Cessation of business operation	Business license was revoked on 23 March 2007

## PROFILE OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

### Executive Directors (continued)

Name of company	Place of incorporation	Nature of business before dissolution	Position	Reason for dissolution	Current status and date of dissolution
Shandong Gaomi Car Transport Co., Ltd. Pipeline Network Branch* (山東高密市交運汽車運輸有限公司管道網絡分公司)	The PRC	Design and construction of underground pipeline network for strong and weak current	Legal representative	Cessation of business operation	Business license was revoked on 23 March 2007
Shandong Gaomi Car Transport Co., Ltd. Logistics Center* (山東高密市交運汽車運輸有限公司物流中心)	The PRC	Design and construction of underground pipeline network for strong and weak current	Principal	Cessation of business operation	Deregistered on 14 February 2011

Save as disclosed, to the best knowledge, information and belief of Mr. Luan, he confirmed that (i) the above companies were solvent immediately prior to the dissolution; (ii) the business licenses of the above companies were revoked due to the relevant staff's failure of conducting annual inspection timely according to relevant regulations but not Mr. Luan's personal liability and there was no wrongful act on his part leading to the dissolution of the above companies; (iii) he is not aware of any actual or potential claim that has been or will be made against him as a result of the dissolution of the above companies; (iv) no misconduct or misfeasance has been involved in the dissolution of the above companies; and (v) he has not been restricted or prohibited to serve as a director, supervisor or senior management of any company by the competent authority.

## PROFILE OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

### Executive Directors (continued)

Mr. Luan has been successively awarded as “Advanced Individual Respecting Teachers and Attaching Importance to Education”\* (尊師重教先進個人) in Gaomi City in September 2004, “Excellent Constructor of Socialism with Chinese Characteristics”\* (優秀中國特色社會主義事業建設者) in Weifang Municipality in April 2008, “Labour Model in Gaomi City”\* (高密市勞動模範) in May 2008, “Outstanding People’s Congress Representative in Weifang Municipality”\* (優秀濰坊市人大代表) in October 2010, and “Outstanding Entrepreneur of the Year of 2011”\* (2011年度優秀企業家) in Gaomi City in January 2012.

**Mr. Luan Xiaolong (樂小龍先生)** (with former name as Luan Xiaolong (樂曉龍)), aged 36, is an executive Director, chief executive officer and Controlling Shareholder. He was appointed as our Director on 9 March 2021, and was re-designated as our executive Director and appointed as our chief executive officer on 16 August 2021. Mr. Luan is mainly responsible for the overall direction, management, supervision and development strategies of our Group. Mr. Luan is the son of Mr. Luan Linjiang (the chairman and executive Director of the Company), and nephew of Mr. Luan Linxin (an executive Director of the Company). Mr. Luan Xiaolong is also a member of the Remuneration Committee, Risk Management Committee and ESG Committee.

Mr. Luan joined our Group in January 2016. Since November 2015, Mr. Luan has been serving as the deputy general manager in Jiaoyun Group, where he is primarily responsible for the overall leadership, management and supervision of Jiaoyun Group and its related business, and is also put in charge of the overall leadership, management and supervision of Jiaoyun Natural Gas. Since 1 January 2016, he has been officially appointed as the deputy manager of Jiaoyun Gas and is mainly responsible for the development strategies of Jiaoyun Gas. Mr. Luan also holds various positions in our other subsidiaries, namely director of JY GAS HOLDING LIMITED, JY GAS HK Limited, QMRIG Limited and QMHC Limited since March 2021, April 2021, July 2021 and July 2021, respectively, as well as executive director and manager of Jiaoneng Energy Investment (Shandong) Co., Ltd.\* (交能能源投資(山東)有限公司) since May 2021.

Mr. Luan has over six years of experience in natural gas industry and the operation and management of companies and over three years of experience in banking business and the management of companies fields. Prior to joining our Group, Mr. Luan had held various positions in Industrial Bank Co., Ltd. Weifang Branch (興業銀行股份有限公司濰坊分行) (a company listed on the Shanghai Stock Exchange, stock code: 601166), including (i) as the corporate finance account manager from April 2012 to May 2014; (ii) as the account manager of corporate business department of Gaomi Sub-Branch from May 2014 to March 2015; and (iii) as the chief of the first division of corporate business of Gaomi Sub-Branch from March 2015 to September 2015.

Mr. Luan obtained a diploma in business administration from Shandong University (山東大學) in the PRC in July 2009 and a bachelor’s degree in business administration from Pacific Lutheran University in the United States in May 2010. He later obtained a master of business administration degree from Pace University in the United States in December 2011.

## PROFILE OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

### Executive Directors (continued)

**Mr. Luan Linxin (樂林新先生)**, aged 70, is an executive Director of our Company. He was appointed as our Director on 16 August 2021, and was re-designated as our executive Director on 14 February 2022. Mr. Luan is mainly responsible for the overall direction, management and supervision of our Group. Mr. Luan is the brother of Mr. Luan Linjiang (the chairman and executive Director of the Company), and the uncle of Mr. Luan Xiaolong (an executive Director and chief executive officer of the Company).

Mr. Luan joined our Group in February 2016. Since February 2016, Mr. Luan has been the legal representative, executive director and general manager of Jiaoyun Gas and is mainly responsible for the overall leadership, management and supervision of Jiaoyun Gas.

Mr. Luan has over 17 years of experience in the operation and management of companies. From October 1995 to April 2004, he served as the chief of dispatching section in Shandong Gaomi Intermodal Transport Company\* (山東省高密市聯運公司), a company engaging in the provision of road transport services, where he was responsible for vehicle dispatching. From May 2004 to June 2008, he served as the deputy manager in Shandong Baotong Communication Engineering Co., Ltd. Gaomi Branch\* (山東寶通通信工程有限公司高密分公司), a company engaging in software and information technology, where he was responsible for the management of the construction of network communication engineering. He then served as the deputy manager in Gaomi Jiaoyun Thermal Co., Ltd.\* (高密市交運熱力有限公司, “**Jiaoyun Thermal**”) from July 2008 to April 2013, and subsequently served as the legal representative, executive director and general manager in the same company since May 2013, primarily responsible for the overall leadership, management and supervision of Jiaoyun Thermal and its related business. From December 2014 to November 2016, Mr. Luan served as the legal representative, executive director and general manager in Jiaoyun Property, where he was mainly responsible for the overall leadership, management and supervision of Jiaoyun Property and its related business. From January 2015 to July 2021, he served as the supervisor in Gaomi Rongtong Private Financing Registration Service Co., Ltd.\* (高密市融通民間融資登記服務有限公司), where he was mainly responsible for the supervision of the company and its related business.

### Independent Non-executive Directors

**Mr. Wei Yi (韋禕先生)**, aged 45, was appointed as our independent non-executive Director on 22 October 2022. Mr. Wei is primarily responsible for providing independent judgment on the strategies, policies, performance, accountability, resources, key appointments and standard of conduct of our Group. Mr. Wei Yi is also a member of the Audit Committee, Remuneration Committee, Risk Management Committee and ESG Committee.

Mr. Wei has over 18 years of experience in the legal industry. From July 2003 to July 2016, he worked successively as a lecturer and an associate professor at the Law School of Tianjin Normal University (天津師範大學) in the PRC, where he was responsible for teaching and research of laws. From 2008 to 2016, he worked as a part-time lawyer at Grandall Law Firm Tianjin Office (國浩律師(天津)事務所), where he has been serving successively as a partner and a managing partner since 2016 and 2019, respectively. His practice areas cover capital markets, banking and finance, investment, mergers and acquisitions. His main expertise includes asset securitisation and structured finance.

## PROFILE OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

### Independent Non-executive Directors (continued)

Mr. Wei was a supervisor of Tianjin Falian Education Information Consulting Co., Ltd.\* (天津法聯教育信息諮詢有限公司), a company established in the PRC and whose business license was revoked on 26 November 2013.

Mr. Wei obtained his bachelor's degree in economic law from Zhongnan Institute of Politics and Law (中南政法學院) (currently known as Zhongnan University of Economics and Law (中南財經政法大學)) in the PRC in June 1999. He later obtained a master's degree and a doctoral degree in civil and commercial law from Zhongnan University of Economics and Law in June 2003 and June 2009, respectively.

Mr. Wei received the PRC Certificate of Lawyer Qualification granted by Tianjin Municipal Bureau of Justice (天津市司法局) in October 2008. He was conferred the title of lecturer by the Faculty Position Review Committee of Tianjin Normal University (天津師範大學教師職務評審委員會) in October 2005, and obtained the Qualification for Intermediate Professional and Technical Positions (中級專業技術職務任職資格) issued by Tianjin Municipal Human Resources Bureau in March 2006. He was then conferred the title of associate professor by the Faculty Senior Position Review Committee of Tianjin Normal University (天津師範大學教師高級職務評審委員會) in October 2010, and obtained the Qualification Certificate for Senior Professional and Technical Positions (高級專業技術職務資格證書) issued by Tianjin Municipal Human Resources and Social Security Bureau in June 2011. He also obtained the qualification certification of independent directors (獨立董事資格證書) from the Shenzhen Stock Exchange in January 2015. He has been appointed as an arbitrator of Tianjin Arbitration Commission (天津仲裁委員會) since June 2019.

**Mr. Tian Qiang (田強先生)**, aged 36, was appointed as our independent non-executive Director on 22 October 2022. Mr. Tian is primarily responsible for providing independent judgment on the strategies, policies, performance, accountability, resources, key appointments and standard of conduct of our Group. Mr. Tian Qiang is the chairman of the Remuneration Committee, and a member of the Audit Committee, Nomination Committee and ESG Committee.

Mr. Tian has over ten years of experience in business management and operations. Since August 2011, he has been serving as the general manager in Qingdao Jiaoping Foods Co., Ltd.\* (青島膠平食品有限公司), where he is primarily responsible for the daily operation and management of the company. Since April 2016, he has been serving as the executive director, general manager and legal representative in Qingdao Guomengyuan Food Co., Ltd.\* (青島果夢緣食品有限公司), where he is primarily responsible for the overall leadership, management and supervision of the company and its business. Since May 2016, he has been serving as the executive director, legal representative and supply chain director in Qingdao Shilida Foods Co., Ltd.\* (青島食利達食品有限公司), where he is primarily responsible for the procurement of raw and auxiliary materials and supplier management as well as the daily management of the factory. Since December 2017, he has been serving as the supervisor in Qingdao Haofengjinting Trading Co., Ltd.\* (青島浩豐金霆貿易有限公司), where he is primarily responsible for the overall supervision of the company. Since April 2020, he has been serving as the general manager and supervisor in Qingdao Jiaoping Agricultural Product Co., Ltd.\* (青島膠平農產有限公司), where he is primarily responsible for the daily operation and management as well as the overall supervision of the company.

Mr. Tian obtained a master of commerce degree in finance from The University of New South Wales in Australia in August 2011. Mr. Tian received the certificate of financial planner (理財規劃師) issued by the Occupational Skill Testing Authority Ministry of Human Resources and Social Security (人力資源和社會保障部職業技能鑒定中心) in April 2015.

## PROFILE OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

### Independent Non-executive Directors (continued)

**Ms. Liu Xiaoye (劉霄曄女士)**, aged 31, was appointed as our independent non-executive Director on 22 October 2022. Ms. Liu is primarily responsible for providing independent judgment on the strategies, policies, performance, accountability, resources, key appointments and standard of conduct of our Group. Ms. Liu Xiaoye is the chairlady of the Audit Committee and Risk Management Committee, and a member of the Nomination Committee.

Ms. Liu has over seven years of experience in the accounting and tax-related legal industry. From October 2014 to June 2017, she worked in PricewaterhouseCoopers Business Consulting (Shanghai) Co., Limited Qingdao Branch (普華永道商務諮詢(上海)有限公司青島分公司). From July 2017 to January 2019, she served as an assistant manager of audit business department in Ruihua Certified Public Accountants (Special General Partnership) Qingdao Branch (瑞華會計師事務所(特殊普通合夥)青島分所). From January 2019 to November 2019, she worked as a trainee solicitor in Zhong Lun Law Firm (Qingdao Office) (北京市中倫(青島)律師事務所). Since November 2019, she has been the deputy general manager in Tuowei (Shanghai) Tax Agent Co., Limited\* (拓韋(上海)稅務師事務所有限公司), a company engaging in the provision of tax and financial consulting services, where she is responsible for (i) the operational management of the company's daily affairs and is also put in charge of the human resources, administrative business and legal affairs of the company; and (ii) providing clients with tax consulting, tax compliance and tax due diligence services, etc. She has gained extensive experience in accounting tax-related legal services and financial management consulting services.

Ms. Liu obtained her bachelor's degree in accounting from Ocean University of China (中國海洋大學) in the PRC in June 2013. She later obtained a master's degree in accounting and finance from University of Bath in the United Kingdom in November 2014.

Ms. Liu received the Certificate For Passing All The Required Subjects Of The National Uniform CPA Examination (註冊會計師全國統一考試全科合格證) issued by the Certified Public Accountant Examination Committee of the Ministry of Finance, PRC in December 2015. She also passed the National Accounting Professional and Technical Intermediate Qualification Examination (全國會計專業技術中級資格考試) in 2017. She received the Certificate of Tax Adviser (稅務師證) issued by the China Certified Tax Agents Association (中國註冊稅務師協會) in November 2018 and the Legal Profession Qualification Certificate (法律職業資格證書) of the PRC issued by the Ministry of Justice of the PRC in March 2019.

\* for identification purpose only 僅供識別

## PROFILE OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

### SENIOR MANAGEMENT

For details of **Mr. Luan Xiaolong (樂小龍先生)** (with former name as Luan Xiaolong (樂曉龍)), please refer to the above paragraph headed “Executive Directors”.

**Mr. Wang Peng (王鵬先生)**, aged 41, was appointed as the general manager of our Group on 16 August 2021. Mr. Wang is primarily responsible for the daily management and supervision of our Group.

Mr. Wang joined our Group in January 2018. Since January 2018, he has been the deputy manager of Jiaoyun Gas and is mainly responsible for the daily management of Jiaoyun Gas. Mr. Wang has over 13 years of experience in finance and accounting industry. From May 2008 to April 2016, he held various positions in Industrial Bank Co., Ltd. Weifang Branch (興業銀行股份有限公司濰坊分行) (a company listed on the Shanghai Stock Exchange, stock code: 601166), including (i) as a member of the preparation team from May to October 2008; (ii) as head of retail business department from October 2008 to May 2012; (iii) as the controller of Gaomi business department from May 2012 to May 2013; (iv) as the president of Gaomi Sub-Branch from May 2013 to April 2015; and (v) as the president of Shouguang Sub-Branch from April 2015 to April 2016. From April 2016 to January 2018, he served as the assistant to the president in Industrial Bank Co., Ltd. Linyi Branch (興業銀行股份有限公司臨沂分行). Mr. Wang later joined Jiaoyun Group in January 2018 and since then, he has been the deputy general manager of Jiaoyun Group and is mainly responsible for the daily management and supervision of Jiaoyun Group and its related business, and is also in charge of the daily management and supervision of Jiaoyun Gas.

Mr. Wang obtained his bachelor’s degree in finance from Shandong University of Finance (山東財政學院) (which was later merged with Shandong Economic University (山東經濟學院) and currently known as Shandong University of Finance and Economics (山東財經大學) on 4 July 2011) in the PRC in July 2003.

**Mr. Du Chaolei (杜超雷先生)**, aged 34, was appointed as the financial controller of our Group on 16 August 2021. Mr. Du is primarily responsible for financial management of our Group. Mr. Du joined our Group in January 2018. Since January 2018, he has been the deputy manager of Jiaoyun Gas and is mainly responsible for overseeing the financial management of Jiaoyun Gas.

Mr. Du has over nine years of experience in the accounting industry. From August 2012 to December 2017, he worked in various positions in Hexin Certified Public Accountants LLP (Special General Partnership) Jinan Branch (和信會計師事務所(特殊普通合夥)濟南分所), including (i) as senior auditor from August 2012 to August 2015; (ii) as project manager from August 2015 to August 2016; and (iii) as senior project manager from August 2016 to December 2017. He then joined Jiaoyun Group in January 2018 and since then, he has been serving as the financial controller of Jiaoyun Group, and is in charge of the financial management of Jiaoyun Gas. Mr. Du obtained his bachelor’s degree in accounting from Lanzhou Jiaotong University (蘭州交通大學) in the PRC in June 2012.

## PROFILE OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

### SENIOR MANAGEMENT (continued)

**Mr. Li Hong (李宏先生)**, aged 51, was appointed as the operations manager of our Group on 16 August 2021. Mr. Li is primarily responsible for operations management of our Group.

Mr. Li joined our Group in November 2010. From November 2010 to December 2015, he served as the chief of office of Jiaoyun Gas. Since January 2016, he has been the deputy manager of Jiaoyun Gas and is mainly responsible for the business operations of Jiaoyun Gas. Prior to joining our Group, Mr. Li has over ten years of experience in the management of automobile transportation enterprises. From March 2000 to October 2010, he worked successively as the assistant to the factory manager and the deputy factory manager in Shandong Gaomi Car Transport Co., Ltd. Repair Factory\* (山東高密市交運汽車運輸有限公司修理廠), a company engaging in the provision of automobile repair and maintenance services, where he was mainly responsible for the management of automobile repair and maintenance business.

**Mr. Li Wanmin (李萬敏先生)**, aged 53, was appointed as the safety manager of our Group on 16 August 2021. Mr. Li is primarily responsible for business security management and inspection of our Group.

Mr. Li joined our Group in July 2003. He joined Jiaoyun Gas in July 2003, taking charge of gas safety and inspection work and he worked as the deputy chief of the safety inspection department of Jiaoyun Gas in January 2009, and then he was promoted to serve as the chief of the safety inspection department of Jiaoyun Gas in January 2013. Since January 2016, he has been the deputy manager of Jiaoyun Gas and is mainly responsible for the business safety management and inspection of Jiaoyun Gas.

Prior to joining our Group, Mr. Li has over 15 years of experience in the passenger transportation industry. From January 1988 to February 1994, he worked at the Eleventh Team of Weifang Automobile Transportation Corporation\* (濰坊汽車運輸公司十一隊), where he was mainly responsible for the maintenance of automobiles. From March 1994 to June 2003, he worked as the team leader of passenger transportation in Jiaoyun Car Transport, where he was mainly responsible for the operation of passenger transportation lines for towns and villages.

**Ms. Gao Yan (高燕女士)**, aged 44, was appointed as the integration manager of our Group on 16 August 2021. Ms. Gao is primarily responsible for the management of the administrative affairs of our Group.

Ms. Gao joined our Group in July 2004. Since July 2004, she has been responsible for the administrative affairs of Jiaoyun Gas, and was promoted to serve as the deputy manager of Jiaoyun Gas in January 2018 and is mainly responsible for the management of the administrative affairs of Jiaoyun Gas. Prior to joining our Group, Ms. Gao has over five years of experience in the administrative management field. From September 1998 to June 2004, she worked as the deputy chief of office in Shandong Tianda Biological Co., Ltd.\* (山東天達生物股份有限公司), a company engaging in the production and sale of agricultural fertiliser and biotechnological products, where she was mainly responsible for office works.

Ms. Gao obtained a diploma in human resources management by attending online courses from Dongbei University of Finance & Economics (東北財經大學) in the PRC on 1 January 2020.



## DIRECTORS' REPORT

The Board presents this report with the audited financial statements of the Group for the financial year ended 31 December 2022.

### CORPORATE INFORMATION AND LISTING

The Company 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 Company's Shares were listed on the Main Board of the Stock Exchange on 16 November 2022.

### PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in the sale of natural gas, mainly PNG, CNG and LNG, the provision of construction and installation services and the sale of gas-burning appliances in Gaomi City, Shandong Province. Details of the principal activities of the Company's subsidiaries are set out in note 35 to the consolidated financial statements in this report.

### BUSINESS REVIEW AND FUTURE DEVELOPMENT

A review of the Group's business during the year ended 31 December 2022, which includes an analysis of the Company's performance using financial key performance indicators, particulars of important events affecting the Company during the year, and an indication of likely future developments in the Company's business, are set out in the section headed "Management Discussion and Analysis" in this report. Discussions on the Group's environmental policies and performance, the Group's compliance with the relevant laws and regulations that have a significant impact on the Group and the Group's key relationships with its employees, customers and suppliers and others that have a significant impact on the Group and on which the Group's success depends are set out in the "Environmental, Social and Governance Report" of the Company for the year ended 31 December 2022, published at the same time as the publication of this report in accordance with the Listing Rules. The Group's financial risk management objectives and policies are set out in note 3 to the consolidated financial statements in this report. Save as disclosed below, there is no subsequent event after the Reporting Period which has material impact to the Group. These discussions form part of this directors' report.

## **DIRECTORS' REPORT** (CONTINUED)

### **USE OF NET PROCEEDS FROM THE LISTING**

As at 31 December 2022, none of the net proceeds from the Listing had been utilised by the Company. Further details of the breakdown and description of the proceeds are set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus and the section headed "Management Discussion and Analysis" in this report. As at the date of this report, the Directors were not aware of any material change to the planned use of proceeds. It is currently expected that the unutilised net proceeds will be applied according to the purposes, allocations and timetable mentioned in the section headed "Management Discussion and Analysis" in this report.

### **COMPLIANCE WITH LAWS AND REGULATIONS**

As far as the Directors are aware, during the Reporting Period and up to the date of this report, the Group has complied in all material respects with the relevant laws and regulations that have a significant impact on its business and operations.

### **TAX RELIEF AND EXEMPTION AVAILABLE TO HOLDERS OF LISTED SECURITIES**

The Company is not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the Company's securities.

### **CONSOLIDATED FINANCIAL STATEMENTS**

The Group's profit for the year ended 31 December 2022 and the Group's financial position at that date are set out in the Group's audited financial statements on pages 62 to 146 of this report.

### **DIVIDENDS**

The Board recommended a final dividend of RMB3.9 cents (equivalent to HK\$4.4 cents) per ordinary share totalling approximately RMB17.2 million (equivalent to approximately HK\$19.36 million) for the year ended 31 December 2022 out of the Company's share premium account. The proposed final dividend will be payable to Shareholders whose names appear on the register of members of the Company on Tuesday, 27 June 2023. The proposed final dividend is subject to the approval of the Shareholders at the AGM, and is expected to be paid by cash on or around Friday, 7 July 2023.

Further details of the dividend payment will be announced after the conclusion of the AGM. As at the date of this report, there was no arrangement under which a Shareholder had waived or agreed to waive any dividends.

## **MATERIAL LITIGATION AND ARBITRATION**

For the year ended 31 December 2022, the Company was not involved in any litigation, arbitration or claims of material importance and there was no litigation or claim of material importance which was known to the Directors to be pending or threatened by or against the Company.

## **SHARE CAPITAL**

Details of movements in the share capital of the Company during the year ended 31 December 2022 are set out in note 23 to the consolidated financial statements in this report.

## **RESERVES**

Details of the movements in the reserves of the Company and the Group during the year ended 31 December 2022 are set out in note 34 to the consolidated financial statements in this report and in the consolidated statement of changes in equity, respectively. As at 31 December 2022, the Company's reserves available for distribution as dividends, calculated in accordance with the relevant rules and regulations, amounted to approximately RMB124.0 million.

## **FINANCIAL SUMMARY**

A summary of the consolidated results and of the consolidated assets, liabilities and non-controlling interests of the Group for the last four financial years is set out on page 147 of this report. This summary does not form part of the audited financial statements.

## **DONATIONS**

During the year ended 31 December 2022, the Group did not make any charitable and other donations.

## **PROPERTY, PLANT AND EQUIPMENT**

Details of movements in the property, plant and equipment of the Group during the year ended 31 December 2022 are set out in note 13 to the consolidated financial statements in this report.

## **DIRECTORS' REPORT** (CONTINUED)

### **BANK AND OTHER BORROWINGS**

Details of the Group's bank and other borrowings are set out in the section headed "Management Discussion and Analysis" in this report and in note 26 to the consolidated financial statements in this report.

### **SUBSIDIARIES**

Particulars of the Company's subsidiaries are set out in note 35 to the consolidated financial statements in this report.

### **EVENTS AFTER THE REPORTING PERIOD**

Details of events after the Reporting Period are set out in the section headed "Management Discussion and Analysis" in this report.

### **SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

Save as disclosed in this report, the Group did not have any significant investment or material acquisition or disposal of subsidiaries, associates and joint ventures during the year ended 31 December 2022. Save as disclosed in this report, as at the date of this report, the Group did not have any future plans for material investments or capital assets approved by the Board.

### **MAJOR CUSTOMERS AND SUPPLIERS**

For the year ended 31 December 2022, purchases from the Group's five largest suppliers accounted for approximately 92.0% of the Group's total purchases and purchases from the Group's largest supplier amounted to approximately 54.5% of the Group's total purchases.

For the year ended 31 December 2022, sales to the Group's five largest customers accounted for less than 30% of the Group's total turnover.

Save as disclosed in note 31 to the consolidated financial statements in this report, to the best knowledge of the Directors, none of the Directors or their close associates, or any Shareholder owning more than 5% of the Company's share capital, had any interest in the Group's five largest customers or five largest suppliers.

### DIRECTORS

The Directors in office from the Listing Date and up to the date of this report are as follows:

#### Chairman and executive Director

Mr. Luan Linjiang

#### Executive Directors

Mr. Luan Xiaolong

Mr. Luan Linxin

#### Independent non-executive Directors

Mr. Wei Yi

Mr. Tian Qiang

Ms. Liu Xiaoye

Pursuant to article 84 of the Articles of Association, at each annual general meeting one third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. In accordance with articles 84(1) and 84(2) of the Articles of Association, Mr. Luan Linjiang and Mr. Luan Xiaolong will retire from their office at the AGM, and being eligible, offer themselves for re-election.

The Company has received from each of the independent non-executive Directors, an annual written confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. Based on such information, the Company considers the independent non-executive Directors to be independent.

### ANNUAL GENERAL MEETING

The AGM will be held on Friday, 16 June 2023. Notice of the AGM has been published and issued to the Shareholders.

## **DIRECTORS' REPORT** (CONTINUED)

### **CLOSURE OF THE REGISTER OF MEMBERS**

For the purposes of determining the Shareholders' eligibility to attend and vote at the 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 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 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 Wednesday, 21 June 2023, for registration.

### **DIRECTORS' BIOGRAPHIES**

Biographical details of the Directors are set out on pages 14 to 20 of this report.

### **DIRECTORS' SERVICE CONTRACTS**

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other. Our executive Directors' service contracts are also subject to termination in certain circumstances as stipulated in the relevant service agreement. In certain other circumstances, the service contract can also be terminated by us, including but not limited to certain breaches of our Directors' obligations under the contract or certain misconducts. The appointments of our executive Directors are also subject to the provisions of retirement and rotation of Directors under the Articles of Association. The salary of each executive Director after each financial year is subject to adjustment as determined by the Remuneration Committee and approved by a majority of the members of our Board (excluding the Director whose salary is under review).

Each of our independent non-executive Directors has entered into a letter of appointment with our Company for a period of three years commencing from the Listing Date (subject to termination in certain circumstances as stipulated in the relevant letter of appointment). The appointments of the independent non-executive Directors are also subject to the provisions of retirement and rotation of Directors under the Articles of Association.

None of the Directors has any existing or proposed service contract with any member of the Group that is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## **MANAGEMENT CONTRACTS**

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended 31 December 2022.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

During the year ended 31 December 2022, none of the Directors or any of their respective associates was considered to be interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

## **PERMITTED INDEMNITY PROVISIONS**

Pursuant to the Company's Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

## **DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS**

All Directors are entitled to a fee as approved by the Board with reference to the prevailing market conditions. Executive Directors are entitled to fees, salaries, housing benefits, contributions to pension schemes, social insurance and bonuses, which are determined by the Board having regard to the Group's performance and the prevailing market conditions and approved by the Remuneration Committee. Details of Directors' emoluments and emoluments of the five highest paid individuals of the Group are set out in notes 9(a) and 32 to the consolidated financial statements in this report.

During the Year, the Group did not pay any emoluments to any of the Directors or the five highest paid individuals of the Group as an inducement to join the Group, or upon joining the Group, or as compensation for loss of office.

During the year, there was no arrangement under which a Director waived or agreed to waive any emoluments.

## DIRECTORS' REPORT (CONTINUED)

### CONTINUING CONNECTED TRANSACTIONS

During the Reporting Period, our Group engaged in certain transactions with the following persons that constituted continuing connected transactions under the Listing Rules:-

Connected Person	Connected Relationship
Mr. Luan Linjiang	Our substantial Shareholder, executive Director and chairman of our Board. Hence, Mr. Luan Linjiang is our connected person. He is also the father of Mr. Luan Xiaolong.
Mr. Luan Xiaolong	Our Controlling Shareholder, executive Director and chief executive officer. Hence, Mr. Luan Xiaolong is our connected person. He is also the son of Mr. Luan Linjiang.
Gaomi Jiaoyun Market Co., Ltd.* (高密市交運市場有限公司) ("Jiaoyun Market")	Jiaoyun Market, a company established in the PRC with limited liability, is principally engaged in the operation and management of the Gaomi City Jiaoyun Market (高密市交運市場) and provision of rental and property management services in the PRC. It is directly held as to 99% by Mr. Luan Linjiang and 1% by Mr. Luan Xiaolong, therefore, it is an associate of Mr. Luan Linjiang and Mr. Luan Xiaolong and hence a connected person of our Company.
Jiaoyun Property	Jiaoyun Property, a company established in the PRC with limited liability, is principally engaged in real estate development in the PRC. It is directly held as to approximately 99.98% by Mr. Luan Linjiang and approximately 0.02% by Mr. Luan Xiaolong, therefore, it is an associate of Mr. Luan Linjiang and Mr. Luan Xiaolong and hence a connected person of our Company.
Gaomi Guorui Real Estate Co., Ltd.* (高密國瑞置業有限公司) ("Guorui Real Estate")	Guorui Real Estate, a company established in the PRC with limited liability, is principally engaged in real estate development in the PRC. It is indirectly wholly owned by Mr. Luan Xiaolong, therefore, it is an associate of Mr. Luan Xiaolong and hence a connected person of our Company.
Shandong Shihua Natural Gas Co., Ltd.* (山東實華天然氣有限公司) ("Shandong Shihua")	Shandong Shihua, a company established in the PRC with limited liability, is principally engaged in the sale of natural gas in the PRC. It is a substantial shareholder of our subsidiary, Jiaoyun Shihua, and hence a connected person of our Company at the subsidiary level by virtue of its 30% equity interest in our subsidiary.

## CONTINUING CONNECTED TRANSACTIONS (continued)

### 1. Jiaoyun Market Tenancy Agreement

Jiaoyun Gas (a subsidiary of our Company) and Jiaoyun Market entered into a tenancy agreement dated 1 January 2022 (the “**Jiaoyun Market Tenancy Agreement**”), pursuant to which Jiaoyun Gas (as landlord) agreed to lease to Jiaoyun Market (as tenant) certain properties (the “**Jiaoyun Market Properties**”) at a fixed annual rent of RMB3,900,000 for a three-year term commencing from 1 January 2022 to 31 December 2024. The Jiaoyun Market Properties are used as a market with various stalls and booths for the public.

Further details of each transaction under the Jiaoyun Market Tenancy Agreement, including description of the transaction, historical transaction amounts, pricing policy and annual caps set are set out in the “Connected Transactions” section of the Prospectus.

Our Directors estimate that the maximum annual rent (including value-added tax) payable by Jiaoyun Market to Jiaoyun Gas in relation to the Jiaoyun Market Tenancy Agreement for each of the years ending 31 December 2022, 2023 and 2024 will not exceed RMB3,900,000.

For the year ended 31 December 2022, the total amount of rent payable by Jiaoyun Market under the Jiaoyun Market Tenancy Agreement is RMB3,900,000, which did not exceed the annual cap of RMB 3,900,000 for the year of 2022.

### 2. Construction and Installation Services Framework Agreements

#### (a) Construction and Installation Services Framework Agreement with Jiaoyun Property

On 22 October 2022, Jiaoyun Gas (a subsidiary of our Company) entered into a pipeline construction and installation services framework agreement (the “**Construction and Installation Services Framework Agreement with Jiaoyun Property**”) with Jiaoyun Property, pursuant to which Jiaoyun Gas has agreed to provide services for installation of gas pipelines to our Group’s pipeline network (the “**Construction and Installation Services to Jiaoyun Property**”) for real estate development projects undertaken by Jiaoyun Property within our Operating Area, for a term commencing from the Listing Date to 31 December 2023. Such Construction and Installation Services to Jiaoyun Property comprise the procurement of appropriate gas pipeline, gas meters and relevant parts, the installation of such equipment and devices into the property building infrastructure, and the overall engineering design and feasibility planning as well as supervision of work. With respect to each gas pipeline installation project or work, Jiaoyun Property will, based on its actual operational needs, further enter into an individual agreement with us that prescribes the specific terms and conditions of each project or work.

Further details of each transaction under the Construction and Installation Services Framework Agreement with Jiaoyun Property, including description of the transaction, historical transaction amounts, pricing policy and annual caps set are set out in the “Connected Transactions” section of the Prospectus.

## DIRECTORS' REPORT (CONTINUED)

### CONTINUING CONNECTED TRANSACTIONS (continued)

#### 2. Construction and Installation Services Framework Agreements (continued)

##### (a) Construction and Installation Services Framework Agreement with Jiaoyun Property (continued)

Our Directors estimate that the maximum annual fee (including value-added tax) payable by Jiaoyun Property in relation to the Construction and Installation Services to Jiaoyun Property to be provided by our Group under the Construction and Installation Services Framework Agreement with Jiaoyun Property for each of the years ending 31 December 2022 and 2023 will not exceed RMB2,041,000 and RMB4,059,000, respectively.

For the year ended 31 December 2022, the total amount of the annual fee payable by Jiaoyun Property under the Construction and Installation Services Framework Agreement is RMB2,030,000, which did not exceed the annual cap of RMB2,041,000 for the year of 2022.

##### (b) Construction and Installation Services Framework Agreement with Guorui Real Estate

On 22 October 2022, Jiaoyun Gas (a subsidiary of our Company) entered into a pipeline construction and installation services framework agreement (the "**Construction and Installation Services Framework Agreement with Guorui Real Estate**") with Guorui Real Estate, pursuant to which Jiaoyun Gas, as supplier, has agreed to provide services for installation of gas pipelines to our Group's pipeline network (the "**Construction and Installation Services to Guorui Real Estate**") for real estate development projects undertaken by Guorui Real Estate within our Operating Area, for a term commencing from the Listing Date to 31 December 2022. Such Construction and Installation Services to Guorui Real Estate comprise the procurement of appropriate gas pipeline, gas meters and relevant parts, the installation of such equipment and devices into the property building infrastructure, and the overall engineering design and feasibility planning as well as supervision of work. With respect to each gas pipeline installation project or work, Guorui Real Estate will, based on its actual operational needs, further enter into an individual agreement with us that prescribes the specific terms and conditions of each project or work.

Further details of each transaction under the Construction and Installation Services Framework Agreement with Guorui Real Estate, including historical transaction amounts, pricing policy and annual caps set are set out in the "Connected Transactions" section of the Prospectus.

Our Directors estimate that the maximum annual fee (including value-added tax) payable by Guorui Real Estate in relation to the Construction and Installation Services to Guorui Real Estate to be provided by our Group under the Construction and Installation Services Framework Agreement with Guorui Real Estate for the year ending 31 December 2022 will not exceed RMB2,150,000.

For the year ended 31 December 2022, the total amount of the annual fee payable by Guorui Real Estate under the Construction and Installation Services to Guorui Real Estate is RMB369,000, which did not exceed the annual cap of RMB2,150,000 for the year of 2022.

## CONTINUING CONNECTED TRANSACTIONS (continued)

### 3. Subcontracting Framework Agreement

On 22 October 2022, Jiaoyun Gas (a subsidiary of our Company) entered into a subcontracting framework agreement (the “**Subcontracting Framework Agreement**”) with Jiaoyun Property, pursuant to which we have engaged Jiaoyun Property as our subcontractor to provide construction workers to carry out certain natural gas supply facilities installation and gas meter replacement works to our customers (the “**Subcontracting Work**”), for a term commencing from the Listing Date to 31 December 2023. With respect to each natural gas supply facilities installation project or work, we will, based on our actual operational needs, further enter into an individual agreement with Jiaoyun Property that prescribes the specific terms and conditions of each project or work.

Further details of each transaction under the Subcontracting Framework Agreement, including historical transaction amounts, pricing policy and annual caps set are set out in the “Connected Transactions” section of the Prospectus.

Our Directors estimate that the maximum annual fee (including value-added tax) payable by our Group in relation to the Subcontracting Work to be provided by Jiaoyun Property under the Subcontracting Framework Agreement for each of the years ending 31 December 2022 and 2023 will not exceed RMB2,383,000 and RMB2,663,000, respectively.

For the year ended 31 December 2022, the total amount of the annual fee payable by our Group under the Subcontracting Framework Agreement is RMB2,352,000, which did not exceed the annual cap of RMB2,383,000 for the year of 2022.

### 4. Natural Gas Sale and Purchase Agreements

On 1 April 2020, Jiaoyun Gas (a subsidiary of our Company) entered into a natural gas sale and purchase agreement (the “**Master Natural Gas Sale and Purchase Agreement**”) with Shandong Shihua, pursuant to which Shandong Shihua agreed to supply PNG to Jiaoyun Gas for a term commencing from 1 April 2020 to 31 December 2025, which may be terminated by either party in the event of a material breach or the other party’s failing to perform its obligations under the agreement and with 30 days’ prior written notice. Jiaoyun Gas also entered into supplemental agreements (the “**Supplemental Agreements**”, together with the Master Natural Gas Sale and Purchase Agreement, the “**Natural Gas Sale and Purchase Agreements**”) annually with Shandong Shihua to prescribe the supply amount and price of PNG in accordance with the benchmark gate price for each year. For details, please refer to the “Business — Procurement of PNG” section of the Prospectus.

Further details of each transaction under the Natural Gas Sale and Purchase Agreements, including historical transaction amounts, pricing policy and annual caps set are set out in the “Connected Transactions” section of the Prospectus.

## DIRECTORS' REPORT (CONTINUED)

### CONTINUING CONNECTED TRANSACTIONS (continued)

#### 4. Natural Gas Sale and Purchase Agreements (continued)

Our Directors estimate that the maximum annual fee (including value-added tax) payable by our Group under the Natural Gas Sale and Purchase Agreements for each of the years ending 31 December 2022, 2023, 2024 and 2025 will not exceed RMB213,950,000, RMB226,320,000, RMB228,382,000 and RMB230,443,000, respectively.

For the year ended 31 December 2022, the total amount of the annual fee payable by our Group under the Natural Gas Sale and Purchase Agreements is RMB213,899,000, which did not exceed the annual cap of RMB213,950,000 for the year of 2022.

### REVIEW OF CONTINUING CONNECTED TRANSACTIONS BY INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors of the Company have reviewed the continuing connected transactions and have confirmed that such continuing connected transactions were:

- a) entered into in the ordinary and usual course of business of the Group;
- b) conducted on normal commercial terms or better terms; and
- c) carried out pursuant to the agreements of the relevant transactions, the terms of which are fair and reasonable, and in the interests of the Shareholders and the Company as a whole.

### REVIEW OF CONTINUING CONNECTED TRANSACTIONS BY THE AUDITOR

The Company's auditor was engaged to report on the Group's continuing connected transactions for the Year in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

### RELATED PARTY TRANSACTIONS

Details of material related party transactions of the Group undertaken in the normal course of business are set out in note 31 to the consolidated financial statements in this report. Save for the continuing connected transactions disclosed above, none of these related party transactions are required to be disclosed under Chapter 14A of the Listing Rules and the Company has complied with the disclosure requirements set out in Chapter 14A of the Listing Rules.

## **DIRECTORS'/CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE**

Except as disclosed in note 31 to the consolidated financial statements in this report and the sub-section headed "Continuing Connected Transactions" above, none of the Directors or entities connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party during the year ended 31 December 2022, nor has any contract of significance been entered into between the Company or any of its subsidiaries and a Controlling Shareholder or any of its subsidiaries, or for the provision of services to the Company or any of its subsidiaries by a Controlling Shareholder or any of its subsidiaries, during the year ended 31 December 2022.

## **EQUITY-LINKED AGREEMENTS**

No equity-linked agreements were entered into by the Group or existed during the year ended 31 December 2022.

## **DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES**

At no time during the year ended 31 December 2022 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, the Company's holding companies or any of the Company's subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 December 2022, the Group had 102 employees. The Company has established the Remuneration Committee for reviewing the Group's remuneration policy and the remuneration structure of the Directors and senior management of the Group taking into consideration the Group's operating results, individual performance of each of the Directors and senior management and comparable market practices.

The remuneration package of our employees includes basic salary, performance salary and allowances. We generally determine employee remuneration based on factors such as qualifications, positions and years of experience. We must comply with PRC laws and regulations relating to social welfare. In accordance with the applicable PRC regulations, we currently participate in a social insurance contribution plan organised by the relevant local government. We currently provide employees with a pension insurance program, medical insurance program, unemployment insurance program, individual work injury program, maternity insurance contributions and employee public housing reserve contributions and other welfare benefit.

## **RETIREMENT BENEFITS PLAN**

Details of the retirement benefits plan of the Group for the year ended 31 December 2022 are set out in note 2.21 to the consolidated financial statements in this report.

## DIRECTORS' REPORT (CONTINUED)

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at 31 December 2022, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures (the "Debentures") of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or pursuant to the Model Code in Appendix 10 to the Listing Rules were as follows:

#### Interests in Shares and underlying Shares

Name of Director or chief executive	Capacity and nature of interest	Number of Shares held	Approximate percentage of the interest in the Company's issued share capital <sup>(1)</sup>
Mr. Luan Xiaolong	Interest in a controlled corporation <sup>(3)</sup>	217,800,000 (L) <sup>(2)</sup>	49.50%
Mr. Luan Linjiang	Interest in a controlled corporation <sup>(4)</sup>	108,900,000 (L) <sup>(2)</sup>	24.75%

Note:

1. The approximate percentage of the interest in the Company's issued share capital is based on a total of 440,000,000 Shares of the Company in issue as at 31 December 2022.
2. The letter "L" denotes the person's long position in the shares.
3. SEGM Holding is wholly-owned by SDJY Holding, which is in turn wholly-owned by Mr. Luan Xiaolong. Therefore, by virtue of the SFO, both SDJY Holding and Mr. Luan Xiaolong are deemed to be interested in 33,000,000 Shares held by SEGM Holding. LXL Phoenix is wholly-owned by Mr. Luan Xiaolong. Under the SFO, Mr. Luan Xiaolong is deemed to be interested in 184,800,000 Shares held by LXL Phoenix. Mr Luan Xiaolong is deemed, or taken to be interested, in all the Shares held by LXL Phoenix and SEGM Holding (through SDJY Holding) for the purpose of the SFO.
4. LLJ Phoenix is wholly-owned by Mr. Luan Linjiang. Under the SFO, Mr. Luan Linjiang is deemed to be interested in 108,900,000 Shares held by LLJ Phoenix. Mr Luan Linjiang is deemed, or taken to be interested, in all the Shares held by LLJ Phoenix for the purpose of the SFO.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES (continued)

### Interests in Shares and underlying Shares (CONTINUED)

Save as disclosed above, as at 31 December 2022, none of the Directors or chief executive of the Company or their associates had any interests or short positions in any Shares, underlying Shares and Debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive were deemed or taken to have under the provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

So far as is known to any Directors or chief executive of the Company, as at 31 December 2022, other than the interests and short positions of the Directors or chief executive of the Company as disclosed in the section headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares or Debentures" above, the following persons had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company under Section 336 of the SFO:

#### Long positions in the Shares

Name of Shareholder	Capacity and nature of interest	Number of Shares held	Approximate percentage of the interest in the Company's issued share capital <sup>(6)</sup>
LXL Phoenix <sup>(1)</sup>	Beneficial owner	184,800,000 (L) <sup>(7)</sup>	42.00%
SDJY Holding <sup>(2)</sup>	Interest in a controlled corporation	33,000,000 (L) <sup>(7)</sup>	7.50%
SEGM Holding <sup>(2)</sup>	Beneficial owner	33,000,000 (L) <sup>(7)</sup>	7.50%
Zhou Zhan ("Ms. Zhou") <sup>(3)</sup>	Interest of spouse	217,800,000 (L) <sup>(7)</sup>	49.50%
LLJ Phoenix <sup>(4)</sup>	Beneficial owner	108,900,000 (L) <sup>(7)</sup>	24.75%
Cui Shuhua ("Ms. Cui") <sup>(5)</sup>	Interest of spouse	108,900,000 (L) <sup>(7)</sup>	24.75%

## DIRECTORS' REPORT (CONTINUED)

### SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY (continued)

#### Long positions in the Shares (continued)

Notes:

1. LXL Phoenix is wholly-owned by Mr. Luan Xiaolong. Therefore, LXL Phoenix is a controlled corporation of Mr. Luan Xiaolong and Mr. Luan Xiaolong is deemed to be interested in the same number of Shares that LXL Phoenix is interested in under the SFO.
2. SEGM Holding is wholly-owned by SDJY Holding, which is in turn wholly-owned by Mr. Luan Xiaolong. Therefore, by virtue of the SFO, both SDJY Holding and Mr. Luan Xiaolong are deemed to be interested in the same number of Shares held by SEGM Holding.
3. Ms. Zhou is the spouse of Mr. Luan Xiaolong. Under the SFO, Ms. Zhou is deemed to be interested in the same number of Shares in which Mr. Luan Xiaolong is interested.
4. LLJ Phoenix is wholly-owned by Mr. Luan Linjiang. Therefore, LLJ Phoenix is a controlled corporation of Mr. Luan Linjiang and Mr. Luan Linjiang is deemed to be interested in the same number of Shares that LLJ Phoenix is interested in under the SFO.
5. Ms. Cui is the spouse of Mr. Luan Linjiang. Under the SFO, Ms. Cui is deemed to be interested in the same number of Shares in which Mr. Luan Linjiang is interested.
6. The approximate percentage of the interest in the Company's issued share capital is based on a total of 440,000,000 Shares of the Company in issue as at 31 December 2022.
7. The letter "L" denotes a person's "long position" (as defined under Part XV of the SFO) in such Shares.

Save as disclosed above, as at 31 December 2022, the Company had not been notified of any entities/persons (other than the Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register required to be kept by the Company under Section 336 of the SFO.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the company law of the Cayman Islands.

### CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report at pages 40 to 56 of this report.

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

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

### PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed level of public float during the year ended 31 December 2022 and up to the date of this report as required under the Listing Rules.

### AUDITOR

PricewaterhouseCoopers will retire and, being eligible, will offer themselves for reappointment. A resolution for the reappointment of PricewaterhouseCoopers as auditor of the Company will be proposed at the AGM.

### AUDIT COMMITTEE

The Audit Committee has reviewed the annual results of the Company for the year ended 31 December 2022, including the accounting principles and practices adopted by the Group, and discussed auditing, risk management and internal control systems and financial reporting matters with the management as well as reviewed the consolidated financial statements for the year ended 31 December 2022.

By order of the Board

**Luan Linjiang**

Chairman

Hong Kong, 30 March 2023

## CORPORATE GOVERNANCE REPORT

The Board of Directors are pleased to report to the Shareholders on the corporate governance of the Company for the period from the Listing Date to 31 December 2022.

### CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving good corporate governance standards. The Board believes that good corporate governance principles and practices should emphasise accountability and an increase in transparency which will enable the Group's stakeholders, including shareholders, investors, customers, suppliers, employees and the community to have trust and faith in the Group to take care of their needs, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions set out in the CG Code contained in Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices. 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) with the exception of code provision C.1.8 during the period from the Listing Date to 31 December 2022.

### Culture and Value

The Company commits to the promotion and application of low-carbon energy natural gas to improve the quality of life of residents and create a harmonious living environment. Integrity, responsibility, dedication and gratitude are the foundation of corporate development. The Board is also committed towards the lawful, ethical and responsible operation of our business by monitoring and evaluating our corporate culture from time to time to provide a solid guarantee regarding the sustainable development of the Company, and drives partners to fulfill their compliance responsibilities with their own compliant operation, so as to create a healthy and honest operating environment.

The Group has a whistle-blowing channel in place to support employees and other contacts, such as customers or suppliers, to anonymously raise their concerns with the Audit Committee about any possible improprieties. The Group also maintains a smooth channel for reporting anti-corruption complaints, against unfair competition.

### MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct for securities transactions conducted by the relevant Directors. Specific enquiries have been made to all Directors and each of the Directors has confirmed that they have complied with the required standards set out in the Model Code during the period from the Listing Date to 31 December 2022.

No incident of non-compliance of the Model Code by the Directors and employees of the Group was noted during the period from the Listing Date to 31 December 2022.

### BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the businesses, strategic decisions and performance of the Group and takes decisions objectively in the best interests of the Company.

The Board regularly reviews the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Directors are spending sufficient time performing such responsibilities.

### BOARD COMPOSITION

As at the date of this report, the Board consists of six Directors, including three executive Directors and three independent non-executive Directors as follows:

#### Chairman and executive Director

Mr. Luan Linjiang<sup>1</sup>

#### Executive Directors

Mr. Luan Xiaolong<sup>2</sup>

Mr. Luan Linxin<sup>3</sup>

#### Independent non-executive Directors

Mr. Wei Yi

Mr. Tian Qiang

Ms. Liu Xiaoye

<sup>1</sup>Father of Luan Xiaolong and brother of Luan Linxin

<sup>2</sup>Son of Luan Linjiang and nephew of Luan Linxin

<sup>3</sup>Brother of Luan Linjiang and uncle of Luan Xiaolong

The biographical information of the Directors are set out in the section headed "Profile of Directors and Senior Management" on pages 14 to 20 of this report.

Save as disclosed in this report, to the best knowledge of the Company, there has been no financial, business, family, or other material/relevant relationship(s) among the Directors.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### BOARD AND BOARD COMMITTEES MEETINGS AND DIRECTORS' ATTENDANCE RECORDS

The Company has adopted the practice of holding Board meetings regularly. Notice of not less than 14 days is given of all regular Board meetings to provide all Directors with the opportunity to attend and include matters in the agenda. The agenda and accompanying board papers are despatched to the Directors or Board Committee members at least three days before meetings to ensure that they have sufficient time to review these documents and be adequately prepared. When Directors or Board Committee members are unable to attend a meeting, they are advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting.

Minutes of the Board meetings and the Board Committee meetings are recorded in detail and include the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are sent to the Directors within a reasonable time after the date on which the meeting is held so that they have an opportunity to request amendments.

Code provision C.2.7 of the CG Code provides that the chairman of the Company (the “**Chairman**”) should at least annually hold a meeting with the independent non-executive Directors without the presence of other Directors. As the Company was only listed on the Stock Exchange on 16 November 2022, which is less than two months away from 31 December 2022, the Chairman did not hold any meeting with the independent non-executive Directors since the Listing Date and up to 31 December 2022.

Code provision C.5.1 of the CG Code provides that Board meetings should be held at least four times a year at approximately quarterly intervals. As the Company was only listed on the Stock Exchange on 16 November 2022, which is less than two months away from 31 December 2022, no Board meeting, Audit Committee meeting, Remuneration Committee meeting, Nomination Committee meeting, Risk Management Committee meeting, ESG Committee meeting and general meeting has been held by the Company since the Listing Date and up to 31 December 2022.

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The position of Chairman is held by Mr. Luan Linjiang and the position of chief executive officer is held by Mr. Luan Xiaolong. Mr. Luan Linjiang is the father of Mr. Luan Xiaolong and brother of Mr. Luan Linxin. The Chairman is responsible for the overall direction, management and supervision of our Group. The chief executive officer is primarily responsible for the overall direction, management, supervision and development strategies of our Group.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Throughout the period from the Listing Date to 31 December 2022, the Board at all times met the requirements of Rules 3.10(1), 3.10(2) and 3.10(A) of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise. The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

### APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of our independent non-executive Directors has entered into a letter of appointment with our Company for a period of three years commencing from the Listing Date (subject to termination in certain circumstances as stipulated in the relevant letter of appointment). The appointments of the independent non-executive Directors are also subject to the provisions of retirement and rotation of Directors under the Articles of Association.

Our executive Directors' service contracts have a term of three years commencing from the Listing Date (subject to termination in certain circumstances as stipulated in the relevant service agreement). In certain other circumstances, the service contract can also be terminated by us, including but not limited to certain breaches of our Directors' obligations under the contract or certain misconducts. The appointments of our executive Directors are also subject to the provisions of retirement and rotation of Directors under the Articles of Association. The salary of each executive Director after each financial year is subject to adjustment as determined by the Remuneration Committee and approved by a majority of the members of our Board (excluding the Director whose salary is under review).

All the Directors are subject to retirement by rotation and re-election at the annual general meetings of the Company. Under the Articles of Association of the Company, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Company's Articles of Association also provide that all Directors appointed to fill a casual vacancy on the Board or as an addition to the existing Board shall hold office until the first general meeting of members after his/her appointment and be subject to re-election at such meeting.

### RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is the primary decision-making body of our Company, setting fundamental business strategies and policies for the management and operation of our business and monitoring their implementation.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors can bring independent judgment to the decision-making process of our Board.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT (continued)

The Company has implemented different mechanisms to ensure independent views and input are available to the Board as mentioned under “INDEPENDENT NON-EXECUTIVE DIRECTORS” of the Corporate Governance Report. The Company has also established channels of communication to ensure that independent views and inputs are available to the Board including regularly holding meetings between the chairman and independent non-executive Directors; regularly reviews the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Directors are spending sufficient time performing such responsibilities; and no Director or member of senior management of the Company is involved in deciding his/her own remuneration in Remuneration Committee. Our Articles of Association and the terms of reference of various board committees have set out a formal framework to ensure that the independent non-executive Directors remain independent and free to express their views, and their views are systematically considered by the Board. The implementation and effectiveness of the above mechanisms are reviewed on an annual basis. The Board considers that such mechanisms had been implemented properly and effectively in the year ended 31 December 2022.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to management team.

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.

### CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Each newly appointed Director is provided with necessary induction and information to ensure that he/she has a proper understanding of the Company’s operations and businesses as well as his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements upon commencement of their directorship in the Company.

To ensure that each Director has a better understanding of the Company’s conduct and business activities to perform their responsibilities as a Director, the Company will arrange appropriate training, including arranging and funding suitable training and professional development programme for the Directors.

According to the records kept by the Company, all the Directors (a) attended seminars and/or trainings that are relevant to the Directors’ professional knowledge and skills and in performing their duties and responsibilities as Directors; and (b) read materials that are relevant to the Directors’ professional knowledge and skills and in performing their duties and responsibilities as Directors.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS (continued)

The training records of the Directors for the year ended 31 December 2022 are as follows:

Directors	Attending training sessions, including but not limited to briefings, seminars, conferences and workshops	Reading relevant news alerts, newspapers, journals, magazines and relevant publications
<b>Executive Directors</b>		
Mr. Luan Linjiang	✓	✓
Mr. Luan Xiaolong	✓	✓
Mr. Luan Linxin	✓	✓
<b>Independent non-executive Directors</b>		
Mr. Wei Yi	✓	✓
Mr. Tian Qiang	✓	✓
Ms. Liu Xiaoye	✓	✓

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company has from time to time updated and provided written training materials relating to the roles, functions and duties of a director.

### BOARD COMMITTEES

The Board has established five committees, namely, the Audit Committee, Remuneration Committee, Nomination Committee, Risk Management Committee and ESG Committee, for overseeing particular aspects of the Company's affairs. All Board Committees are established with specific written terms of reference which deal clearly with their authority and duties.

The terms of reference of the Audit Committee, Remuneration Committee, Nomination Committee, Risk Management Committee and ESG Committee are posted on the Company's website and the Stock Exchange's website and are available to shareholders of the Company upon request. The list of the chairman and members of each Board Committee is set out under "Corporate Information" on pages 2 to 3 of this report.

### AUDIT COMMITTEE

The Audit Committee was established by the Board with its written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. As at the date of this report, the Audit Committee consists of three independent non-executive Directors, namely Ms. Liu Xiaoye, Mr. Tian Qiang and Mr. Wei Yi. Ms. Liu Xiaoye is the chairlady of the Audit Committee.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### AUDIT COMMITTEE (continued)

The functions and primary duties of the Audit Committee are set out in the written terms of reference which include reviewing and supervising the financial reporting process, risk management and internal control systems of the Group, and overseeing the audit process. The written terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

Code provision D.3.3(e)(i) of the CG Code provides that members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's auditor. As the Company was only listed on the Stock Exchange on 16 November 2022, which is less than two months away from 31 December 2022, no meeting was held by the Audit Committee since the Listing Date and up to 31 December 2022.

Subsequent to 31 December 2022 and up to the date of this report, two Audit Committee meetings were held on 9 February 2023 and 30 March 2023, respectively, to review the appointment of the independent auditor, the consolidated annual financial statements of the Group for the year ended 31 December 2022 and the opinion and report of the independent auditor, as well as the independence of the independent auditor, to review and discuss the risk management and internal control system and financial reporting matters of the Group, the effectiveness of the Group's internal audit and risk control function, to review the Group's continuing connected transactions and to review the effectiveness of the Company's whistle-blowing policy. The aforementioned Audit Committee meetings were attended by Ms. Liu Xiaoye, Mr. Tian Qiang and Mr. Wei Yi.

The Company's annual results announcement and annual report have been reviewed by the Audit Committee.

### REMUNERATION COMMITTEE

The Remuneration Committee was established by the Board with its written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code adopting the model of making recommendations to the Board on the remuneration packages, bonuses and other compensation payable to individual Directors and members of senior management. As at the date of this report, the Remuneration Committee consists of three members, being one executive Director and two independent non-executive Directors, namely Mr. Luan Xiaolong, Mr. Tian Qiang and Mr. Wei Yi. The majority of the members are independent non-executive Directors. Mr. Tian Qiang is the chairman of the Remuneration Committee.

The functions and primary duties of the Remuneration Committee are set out in the written terms of reference which include making recommendations on the Company's remuneration policy and structure, remuneration packages of Directors and senior management, and reviewing and approving the management's remuneration proposals with reference to the corporate goals and objectives resolved by the Board from time to time. The written terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

The remuneration of the Directors and senior management is determined with reference to the level of remuneration paid by comparable companies, the time commitment and responsibilities of the Directors and senior management, and the employment conditions of the Company and its subsidiaries, as well as the level of remuneration required to attract and retain adequate talent to manage the Company successfully. No Director or member of senior management of the Company is involved in deciding his/her own remuneration.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### REMUNERATION COMMITTEE (continued)

As the Company was only listed on the Stock Exchange on 16 November 2022, which is less than two months away from 31 December 2022, no meeting was held by the Remuneration Committee since the Listing Date and up to 31 December 2022.

Subsequent to 31 December 2022 and up to the date of this report, the Remuneration Committee held one meeting on 30 March 2023 to review the policy, package and structure of the remuneration of the Directors and senior management and make recommendations to the Board on the remuneration of the Directors and senior management. The Remuneration Committee meeting was attended by Mr. Luan Xiaolong, Mr. Tian Qiang and Mr. Wei Yi.

Details of the remuneration of the Directors for the year ended 31 December 2022 are set out in note 32 to the consolidated financial statements in this report.

Details of the remuneration of the members of senior management (excluding Directors) of the Company for the year ended 31 December 2022 is set out below:

Name	Salary RMB'000	Welfare and other expenses RMB'000	Social benefits RMB'000	Housing subsidies RMB'000	Total RMB'000
Mr. Wang Peng	64	4	16	3	87
Mr. Du Chaolei	63	4	16	3	86
Mr. Li Hong	57	4	14	3	77
Mr. Li Wanmin	77	4	18	4	97
Ms. Gao Yan	50	4	13	3	69
	305	20	76	15	416

### NOMINATION COMMITTEE

The Nomination Committee was established by the Board with its written terms of reference in compliance with Rule 3.27A of the Listing Rules and the CG Code. As at the date of this report, the Nomination Committee consists of three members, being our Chairman and executive Director and two independent non-executive Directors, namely Mr. Luan Linjiang, Ms. Liu Xiaoye, and Mr. Tian Qiang. The majority of the members are independent non-executive Directors. Mr. Luan Linjiang is the chairman of the Nomination Committee.

The functions and primary duties of the Nomination Committee are set out in the written terms of reference which include reviewing the structure, size and composition of the Board, selecting and recommending individuals for directorship to the Board and assessing the independence of the independent non-executive Directors. The written terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### NOMINATION COMMITTEE (CONTINUED)

In assessing the Board composition and identifying and selecting suitable candidates for directorships, the Nomination Committee would take into account various aspects contained in the Nomination Policy adopted by the Board, as well as factors concerning board diversity as set out in the Company's board diversity policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the board for adoption. In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria that are necessary to complement the Group's corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

As the Company was only listed on the Stock Exchange on 16 November 2022, which is less than two months away from 31 December 2022, no Nomination Committee meeting was held during the period from the Listing Date to 31 December 2022.

Subsequent to 31 December 2022 and up to the date of this report, the Nomination Committee held one meeting to, among other businesses, review the existing structure, size and composition of the Board, consider the retirement and re-election of Directors and assess the independence of the independent non-executive Directors. The Nomination Committee meeting was attended by Mr. Luan Linjiang, Ms. Liu Xiaoye, and Mr. Tian Qiang.

### RISK MANAGEMENT COMMITTEE

The Risk Management Committee was established by the Board with its written terms of reference in compliance with the Listing Rules and the CG Code. As at the date of this report, the Risk Management Committee consists of one executive Director and two independent non-executive Directors, namely Mr. Luan Xiaolong, Ms. Liu Xiaoye and Mr. Wei Yi. Ms. Liu Xiaoye is the chairlady of the Risk Management Committee.

The functions and primary duties of the Risk Management Committee are set out in the written terms of reference which include reviewing general goals and fundamental policies of our risk and compliance management, internal control and risk management system of our Group, improving the corporate governance of our Group, assessing the risks that our operations may be exposed to and make recommendations to our Board accordingly. In addition, matters in relation to all related party transactions and connected transactions will be reviewed by the Risk Management Committee. The written terms of reference of the Risk Management Committee are available on the websites of the Company and the Stock Exchange.

As the Company was only listed on the Stock Exchange on 16 November 2022, which is less than two months away from 31 December 2022, no meeting was held by the Risk Management Committee since the Listing Date and up to 31 December 2022.

Subsequent to 31 December 2022 and up to the date of this report, one Risk Management Committee meeting was held on 30 March 2023 to review the effectiveness of the internal control and risk management policies and procedures of the Company, review the reports submitted by the Company's independent internal control consultants on, among others, the Group's resources, staff qualifications and internal audit, accounting and financial reporting functions, and review the continuing connected transactions and related party transactions of the Company. The Risk Management Committee meeting was attended by Mr. Luan Xiaolong, Ms. Liu Xiaoye and Mr. Wei Yi.

Details of Company's the risk management and internal control are set out in the sub-section headed "Risk Management and Internal Controls" in this section.

### ESG COMMITTEE

The ESG Committee was established by the Board with its written terms of reference in compliance with the Listing Rules and the CG Code. As at the date of this report, the ESG Committee comprises two executive Directors and two independent non-executive Directors, namely Mr. Luan Xiaolong, Mr. Luan Linjiang, Mr. Wei Yi and Mr. Tian Qiang. Mr. Luan Xiaolong is the chairman of the ESG Committee.

The functions and primary duties of the ESG Committee are set out in the written terms of reference which include supporting the Board in formulating ESG policy and strategies, monitoring ESG issues, reviewing and evaluating sustainability performance, setting metrics and targets, preparing the ESG report and making recommendations to the Board. The written terms of reference of the ESG Committee are available on the websites of the Company and the Stock Exchange.

As the Company was only listed on the Stock Exchange on 16 November 2022, which is less than two months away from 31 December 2022, no meeting was held by the ESG Committee since the Listing Date and up to 31 December 2022.

Subsequent to 31 December 2022 and up to the date of this report, one ESG Committee meeting was held on 30 March 2023 to review the effectiveness of the Group's ESG policies and strategies and approve the draft ESG report. The ESG Committee meeting was attended by Mr. Luan Xiaolong, Mr. Luan Linjiang, Mr. Wei Yi and Mr. Tian Qiang.

Details of the ESG policy are set out in the "Environmental, Social and Governance Report" of the Company for the year ended 31 December 2022 published at the same time as the publication of this report in accordance with the Listing Rules.

### Nomination Policy

The Nomination Committee shall consider the following non-exhaustive selection criteria in assessing the suitability of a proposed candidate regarding the appointment or reappointment of a Director:

- (a) reputation for integrity;
- (b) accomplishment, experience and reputation in the business and industry;
- (c) meritocracy and contribution to the Board;
- (d) commitment in respect of sufficient time, interest and attention to the businesses of the Company and its subsidiaries;
- (e) diversity in all perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service;
- (f) compliance with the criteria of independence, in case for the appointment of an independent non-executive Director; and
- (g) any other relevant factors as may be determined by the Nomination Committee or the Board from time to time as appropriate.

The Nomination Policy also sets out the process and procedures for the selection and recommendation to the Board of the appointment or reappointment of a Director.

### BOARD DIVERSITY POLICY

The Nomination Committee is authorised by the Board to determine the nomination of Directors, the procedure, process and criteria to be adopted for the purposes of selecting and recommending candidates for directorship, and shall make recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors, in particular, the Chairman and the chief executive.

The Board has adopted a board diversity policy in accordance with Rule 13.92 of the Listing Rules. With a view to achieving sustainable and balanced development, we are committed to increasing diversity in our Board in order to bring in innovation, fresh and broad business perspectives and enhance the decision-making process of our Board. Our Board is of the view that having diversity will help our Company better understand and meet the needs of the customers and maintain our competitive advantages in the natural gas industry. Selection of Director candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy and contribution that the selected candidates may bring to our Board, and candidates will be considered against objective criteria, having due regard to the benefits of diversity to our Board. In the case of independent non-executive Directors, they must further satisfy the independence criteria set out within Rule 3.13 of the Listing Rules.

Pursuant to the Board Diversity Policy, the Nomination Committee will report annually on the Board's composition under diversified perspectives together with a summary of our Board diversity policy, the measurable objectives for implementing this policy and the progress of achieving our objectives to achieve Board diversity.

The Board comprises six members, including one female Director and five male Directors with a balanced mix of knowledge, skills and experiences in various aspects of business management. The Company has three independent non-executive Directors who have different industry backgrounds, including accounting, legal and business operation. Furthermore, the Board has a relatively wide range of ages, ranging from 31 to 70 years old.

The Company will conduct performance appraisals periodically by which we may identify and select female employees with a diverse range of knowledge, skills and experiences in different fields who are qualified to become our Board members. We are committed to promote our gender diversity continuously, from the Board downwards to workforce level, by (i) continuing to make appointments based on merits with reference to board diversity as a whole; (ii) by recruiting staff of different gender at all levels of our Group; (iii) providing career development opportunities and more resources in training female staff with the aim of promoting them to the senior management or board of our Company. The Company will maintain at least one female Director and at least 15% female representation in our Board.

As at 31 December 2022, the female-to-male ratio in the Group's workforce, including senior management, was approximately 1 to 3.17. The Group recognises the importance and benefit of having different genders in the working environment, and shall further strengthen the Group's gender diversity in the workplace in the future where possible.

### CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions set out in code provision A.2.1 of the CG Code. The Board recognizes that corporate governance should be the collective responsibility of Directors, which include:

- (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- (e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

As (i) there has been discussion among the Directors on the relevant matters prior to the Listing Date; and (ii) the Company was only listed on the Stock Exchange on 16 November 2022, which is less than two months away from 31 December 2022, there was no meeting convened by the Board since the Listing Date and up to 31 December 2022 for the purpose of code provision A.2.1 of the CG Code.

The Board held one meeting on 30 March 2023 to review the Company's compliance with the CG Code, the Model Code and the disclosure requirements in the Corporate Governance Report during the year ended 31 December 2022. The Board meeting was attended by Mr. Luan Linjiang, Mr. Luan Xiaolong, Mr. Luan Linxin, Mr. Wei Yi, Mr. Tian Qiang and Ms. Liu Xiaoye.

### RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for maintaining a sound and effective internal control system in order to safeguard the Group's assets and Shareholders' interests and reviewing the effectiveness of the Group's internal control and risk management systems (including ESG risks) on an annual basis so as to ensure that the internal control and risk management systems in place are adequate. The systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage rather than eliminate risks of failure in the Group's operational systems and in the achievement of the Group's business objectives.

The Group's internal control system includes various enhanced internal control measures as elaborated in "—Regulatory Compliance — Non-compliance incidents" in the Prospectus.

The Audit Committee and Risk Management Committee assists the Board at least annually in reviewing the design, implementation and monitoring of the Group's risk management and internal control systems.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### RISK MANAGEMENT AND INTERNAL CONTROLS (continued)

The Company has established an audit committee consisting of all of the independent non-executive Directors, as part of its measures to improve risk management and corporate governance. The primary duties of the Audit Committee are to annually review and supervise the financial reporting process and internal control system of our Group, and to advise our Board accordingly.

The Company has also established a risk management committee which is responsible for reviewing the general goals and fundamental policies of our risk and compliance management, internal control and risk management system of our Group and internal audit functions, assessing the risks our operations may be exposed to and making recommendations to our Board accordingly. It will also review matters in relation to all related party transactions and connected transactions.

In preparation for the Listing, our internal control consultant performed an initial review on our internal control system in October 2020 and identified certain deficiencies about the internal control measures in relation to the loan financing arrangements. Since then, we have fully implemented the remedial measures as suggested by the internal control consultant. Our internal control consultant completed a follow-up review on the above internal control measures in July 2021, and did not see the need to make further recommendation on our internal control measures relating to bill financing arrangements and loan financing matters.

To further ensure the implementation of our internal control measures, we engaged another internal control adviser, SHINEWING Risk Services Limited (“**Shinewing Risk**”), to review the effectiveness of our enhanced internal control measures regarding the Non-compliant Bill Financing Arrangements (as defined in the Prospectus) and the Deviation (as defined in the Prospectus) to cover the period from July 2021 to December 2021. Based on its review of our internal control system, particularly with regards to the Non-compliant Bill Financing Arrangements (as defined in the Prospectus) and the Deviation (as defined in the Prospectus), Shinewing Risk did not find any major defect in our Group’s current internal control system, and have no further recommendation as to internal control measures for addressing the Non-compliant Bill Financing Arrangements (as defined in the Prospectus) and the Deviation (as defined in the Prospectus). Shinewing Risk is of the view that our Group will be able to reasonably, adequately and effectively prevent the occurrence of future Non-compliant Bill Financing Arrangements (as defined in the Prospectus) and the Deviation (as defined in the Prospectus) if we continue the implementation of its enhanced internal control measures.

Taking into account the enhanced internal control measures implemented by us in relation to the Deviation (as defined in the Prospectus), and the reviews of such enhanced measures conducted by our internal control consultant and Shinewing Risk, the Directors were satisfied that the internal control system is adequate and effective for the current environment at both working and monitoring levels.

The Board, as supported by the Audit Committee as well as the management report and the internal control review findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the period from Listing Date to 31 December 2022, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

### RISK MANAGEMENT AND INTERNAL CONTROLS (continued)

In addition, the Company also implemented a comprehensive internal control policy which covers various major areas of our operations including approval process and authority, compliance risk management, capital investment management and contract management to identify, evaluate and manage significant risks including but not limited to the handling and dissemination of inside information. The Company, Directors and management closely monitor the implementation and assess the effectiveness of these guidelines and measures which are crucial to the Company's business sustainability. The Board has received assurance from the management of the Group regarding the effectiveness of the risk management and internal control systems of the Group.

### WHISTLE-BLOWING POLICY

The Company has in place a whistle-blowing policy to allow employees and those who deal with the Company to raise concerns, in confidence and anonymity, with the Audit Committee (or any designated committee comprising a majority of independent non-executive Directors) about possible improprieties in any matter related to the Company. Staff will approach the chairman of the Audit Committee directly for any complaint or concerns about any suspected fraud or irregularity and possible improprieties in matters of financial reporting or management against any other employees of the Group. He will ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow-up actions to be taken.

### DIRECTORS' RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2022.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 57 to 61 of this report.

### AUDITOR'S REMUNERATION

The remuneration paid to the Company's external auditor of the Company in respect of audit services and non-audit services for the year ended 31 December 2022 amounted to RMB1,124,000 and nil, respectively. An analysis of the remuneration paid to the external auditor of the Company, PricewaterhouseCoopers, in respect of audit services and non-audit services for the year ended 31 December 2022 is set out below:

Service Category	Fees Paid/ Payable RMB
Audit services	1,124,000
Non-audit services	—

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### COMPANY SECRETARY

Mr. Zhang Yupeng and Ms. Ho Wing Nga have been appointed as the Company's joint company secretaries. Ms. Ho Wing Nga is the Managing Director of the company secretarial services department of Computershare Hong Kong Development Limited.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices and matters. Mr. Zhang Yupeng, one of the joint company secretaries, has been designated as the primary contact person of the Company which would work and communicate with Ms. Ho Wing Nga on the Company's corporate governance and secretarial and administrative matters.

For the year ended 31 December 2022, Mr. Zhang Yupeng and Ms. Ho Wing Nga have undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

### CONSTITUTIONAL DOCUMENTS

The Articles of Association of the Company were adopted with effect from the Listing Date, and are available on the websites of the Company and the Stock Exchange. Save as disclosed above, there was no other change in the constitutional documents of the Company during the period from the Listing Date to 31 December 2022.

### DIVIDEND POLICY

With respect to dividend policy, the Company will declare and distribute approximately 33.0% of its net profit for a given year as dividends to Shareholders. The declaration and payment of dividends is subject to the discretion and approval of our Directors, depending on our results of operation, capital requirements and surplus, general business and financial conditions as well as any other factors which our Directors may consider relevant.

We are a holding company incorporated under the laws of the Cayman Islands. Any final dividends for a financial year will be subject to Shareholders' approval upon our Board's recommendation. Payment and amount of any future dividend will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including HKFRS. PRC laws also require foreign-invested enterprises to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves, which are not available for distribution as cash dividends. Distributions from us and our subsidiaries may also become subject to any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries may enter into in the future.

### SHAREHOLDERS' RIGHTS

The Company engages with its Shareholders through various communication channels. To safeguard Shareholders' interests and rights, separate resolution(s) should be proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and the Company ensures that the detailed procedures for conducting a poll and any questions from Shareholders on voting by poll are explained and addressed. The poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

### **CONVENING AN EXTRAORDINARY GENERAL MEETING AT THE REQUEST OF SHAREHOLDERS**

Pursuant to article 58 of the Articles of Association of the Company, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, on a one vote per share basis, shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

### **PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS**

There is no provision allowing the Company's Shareholders to put forward new resolutions at general meetings under the companies law of the Cayman Islands or the Articles of Association of the Company. The Company's Shareholders who wish to put forward a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

For Shareholders' right to nominate candidates for directors, please refer to "Procedures for a Shareholder to propose a person for election as a Director of the Company" on the website of our Company.

### **PUTTING FORWARD ENQUIRIES TO THE BOARD**

For putting forward any enquiries to the Board, Shareholders of the Company may send written enquiries to the Company, the contact details of which are contained on the website of the Company (<http://www.gmjytrq.com/>).

### **COMMUNICATION WITH SHAREHOLDERS AND INVESTORS**

The Company considers that effective communication with its Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an ongoing dialogue with its Shareholders and in particular, through annual general meetings and other general meetings.

At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### POLICIES RELATING TO SHAREHOLDERS

The Company has in place a shareholder communication policy to ensure that its Shareholders and potential investors are provided with ready, equal and timely access to information about the Company, so that its Shareholders can exercise their rights in an informed manner and engage actively with the Company. The policy is regularly reviewed to ensure its effectiveness. The Group is of the view that the shareholders communication policy was implemented effectively during the year ended 31 December 2022 as the Company was able to understand the views of its Shareholders through the channels described below.

Under the shareholders communication policy, information shall be communicated to the Company's Shareholders and potential investors mainly through the Company's financial reports (interim and annual reports), annual general meetings and other general meetings that may be convened, as well as by making available all the disclosures submitted to the Stock Exchange and corporate communications on the Stock Exchange's website and the Company's website. Effective and timely dissemination of the Company's information to the Shareholders and potential investors shall be ensured at all times. The contact details of the Company are set out in the Company's website in order to enable its Shareholders make any query that they may have with respect to the Company. The Shareholders are also encouraged to participate in general meetings, and appropriate arrangements for the general meetings shall be in place to encourage the participation of the Company's Shareholders. The corporate website of the Company provides its Shareholders with information about the principle business activities and latest development of the Company and its subsidiaries, as well as information on the corporate governance of the group and the compositions and functions of the Board and the Board Committees.



# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of JY GAS LIMITED  
(incorporated in the Cayman Islands with limited liability)

## Opinion

### What we have audited

The consolidated financial statements of JY GAS LIMITED (the “Company”) and its subsidiaries (the “Group”), which are set out on pages 62 to 146, comprise:

- the consolidated statement of comprehensive income for the year ended 31 December 2022;
- the consolidated balance sheet as at 31 December 2022;
- the consolidated statement of changes in equity for the year ended 31 December 2022;
- the consolidated statement of cash flows for the year ended 31 December 2022; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

### Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in our audit is related to recognition of revenue from construction and installation services.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Recognition of revenue from construction and installation services</b></p> <p>Refer to notes 2.23, 4 and 5 to the consolidated financial statements.</p> <p>The Group had recognised revenue of RMB49,454,000 from construction and installation services for the year ended 31 December 2022.</p> <p>Revenue from construction and installation services is recognised over time, by measuring the contract progress towards complete satisfaction of the performance obligation. Management is required to exercise significant judgment in their review and assess of the estimates of the total contract costs and actual costs incurred up to the end of the reporting period for each contract as the contract progresses, based on past experience and specific circumstances.</p>	<p>We performed the following procedures in relation to the recognition of revenue from construction and installation services:</p> <ul style="list-style-type: none"><li>• We obtained an understanding of the management's internal control and assessment process of recognition of revenue from construction and installation services and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud;</li><li>• We evaluated and tested the controls over the revenue from construction and installation services, including the estimation of the budgeted total contract costs and the actual costs incurred;</li></ul>

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### Key Audit Matters (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>We focused on auditing the recognition of revenue from construction and installation services because the estimation of the contract progress is subject to high degree of estimation uncertainty. The inherent risk in relation to the recognition of such revenue is considered significant due to subjectivity of significant assumptions used and significant judgments involved.</p>	<ul style="list-style-type: none"><li>• We checked, on a sample basis, the underlying documents, including approved budgeted total contract costs, contracts, delivery notes of raw materials, invoices from sub-contractors and other relevant correspondences, to evaluate the project status, reasonableness of management's assessment of budgeted total contract costs, and to validate the actual contract costs incurred and the amounts of revenue recognised; and</li><li>• We evaluated the historical accuracy of the management's estimation of budgeted total contract costs by comparing against the actual costs of completed projects.</li></ul> <p>Based on the procedures performed, we found the management's estimations and judgments in the recognition of revenue from the construction and installation services were supported by available evidence.</p>

### Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yuen Kwok Sun.

**PricewaterhouseCoopers**

*Certified Public Accountants*

Hong Kong, 30 March 2023

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
Revenue	5(a)	475,531	440,894
Cost of sales	8	(374,865)	(343,677)
<b>Gross profit</b>		<b>100,666</b>	97,217
Administrative expenses	8	(34,007)	(19,161)
Reversal of net impairment losses on financial assets		2,462	800
Other income	6	3,578	15,396
Other gains, net	7	15	863
<b>Operating profit</b>		<b>72,714</b>	95,115
Finance income	10	743	512
Finance costs	10	(1,576)	(4,119)
Finance income and costs, net	10	(833)	(3,607)
<b>Profit before income tax</b>		<b>71,881</b>	91,508
Income tax expense	11	(19,905)	(23,134)
<b>Profit and total comprehensive income for the year</b>		<b>51,976</b>	68,374
<b>Profit and total comprehensive income attributable to:</b>			
Owners of the Company		50,801	67,505
Non-controlling interests		1,175	869
		<b>51,976</b>	68,374
<b>Basic and diluted earnings per share for profit attributable to owners of the Company (expressed in RMB per share)</b>	12	<b>0.15</b>	0.20

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

# CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2022

	Note	As at 31 December	
		2022 RMB'000	2021 RMB'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	135,541	118,179
Investment properties	14	69,900	69,720
Right-of-use assets	15	10,707	11,358
Intangible assets	16	5,378	4,332
Trade receivables	19	26,185	19,099
Other non-current assets	18	5,686	4,027
		<b>253,397</b>	226,715
<b>Current assets</b>			
Inventories	21	9,800	9,338
Trade and other receivables	19	39,800	14,663
Prepayments and other current assets	20	25,354	30,129
Cash and bank balances	22	173,023	37,370
		<b>247,977</b>	91,500
<b>Total assets</b>		<b>501,374</b>	318,215

## CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT 31 DECEMBER 2022

	Note	As at 31 December	
		2022 RMB'000	2021 RMB'000
<b>Equity</b>			
Share capital	23	310	—*
Share premium and reserves	24	170,734	33,391
Retained earnings		103,080	61,026
Equity attributable to owners of the Company		274,124	94,417
Non-controlling interests		15,078	14,803
<b>Total equity</b>		<b>289,202</b>	109,220
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities	27	1,961	2,340
Trade payables	25	9,458	7,306
Deferred income tax liabilities	28	7,268	7,080
		18,687	16,726
<b>Current liabilities</b>			
Trade and other payables	25	58,842	47,817
Contract liabilities	5(b)	112,906	101,303
Current income tax liabilities		3,217	5,639
Borrowings	26	18,000	37,000
Lease liabilities	27	520	510
		193,485	192,269
<b>Total liabilities</b>		<b>212,172</b>	208,995
<b>Total equity and liabilities</b>		<b>501,374</b>	318,215

\* The amount is less than RMB1,000.

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 62 to 146 were approved by the Board of Directors on 30 March 2023 and were signed on its behalf.

Luan Linjiang  
Chairman and executive director

Luan Xiaolong  
Executive director

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company					Non-controlling interests	Total equity
		Share capital	Share premium	Reserves	Retained earnings	Sub-total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
<b>Balance at 1 January 2022</b>		—*	128,002	(94,611)	61,026	94,417	14,803	109,220
<b>Comprehensive income</b>								
Profit for the year		—	—	—	50,801	50,801	1,175	51,976
<b>Total comprehensive income</b>		—	—	—	50,801	50,801	1,175	51,976
<b>Transactions with owners in their capacity as owners</b>								
Appropriation to safety fund	24(b)	—	—	3,838	(3,838)	—	—	—
Utilisation of safety fund	24(b)	—	—	(566)	566	—	—	—
Appropriation to statutory reserve	24(a)	—	—	5,475	(5,475)	—	—	—
Dividend paid to a non-controlling shareholder of a subsidiary	29	—	—	—	—	—	(900)	(900)
Capitalisation of share premium	23	232	(232)	—	—	—	—	—
Issue of new shares upon listing	23	78	140,379	—	—	140,457	—	140,457
Share issue expenses	23	—	(11,551)	—	—	(11,551)	—	(11,551)
<b>Total transactions with owners in their capacity as owners</b>		310	128,596	8,747	(8,747)	128,906	(900)	128,006
<b>Balance at 31 December 2022</b>		310	256,598	(85,864)	103,080	274,124	15,078	289,202

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to owners of the Company							
	Note	Share	Share	Reserves	Retained	Sub-total	Non-	Total
		capital	premium		earnings		controlling	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Balance at 1 January 2021</b>		—	—	57,975	73,484	131,459	13,934	145,393
<b>Comprehensive income</b>								
Profit for the year		—	—	—	67,505	67,505	869	68,374
<b>Total comprehensive income</b>		—	—	—	67,505	67,505	869	68,374
<b>Transactions with owners in their capacity as owners</b>								
Appropriation to safety fund	24(b)	—	—	3,531	(3,531)	—	—	—
Utilisation of safety fund	24(b)	—	—	(117)	117	—	—	—
Appropriation to statutory reserve	24(a)	—	—	6,549	(6,549)	—	—	—
Dividends to the then shareholders	29	—	—	—	(70,000)	(70,000)	—	(70,000)
Deemed contribution		—	—	25,500	—	25,500	—	25,500
Proceeds of a subsidiary		—	—	610	—	610	—	610
Completion of reorganisation		—*	128,002	(128,002)	—	—	—	—
Deemed distribution		—	—	(60,657)	—	(60,657)	—	(60,657)
<b>Total transactions with owners in their capacity as owners</b>		—*	128,002	(152,586)	(79,963)	(104,547)	—	(104,547)
<b>Balance at 31 December 2021</b>		—*	128,002	(94,611)	61,026	94,417	14,803	109,220

\* The amount is less than RMB1,000.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December	
		2022 RMB'000	2021 RMB'000
<b>Cash flows from operating activities</b>			
Cash generated from operations	30(a)	72,627	69,076
Interest received		172	512
Income tax paid		(17,295)	(29,691)
<b>Net cash inflow from operating activities</b>		<b>55,504</b>	39,897
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(29,806)	(18,244)
Payments for land use right		—	(3,620)
Proceeds from disposal of property, plant and equipment	30(b)	—	82
Advances to related parties	31(f)	—	(194,230)
Repayments from related parties	31(f)	—	399,163
Advances to third parties	30(c)	—	(1,759)
Repayments from third parties	30(c)	—	4,876
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(29,806)</b>	186,268
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		142,748	—
Proceeds from borrowings	30(f)	18,000	37,000
Repayments of borrowings	30(f)	(37,000)	(222,800)
Placement of bank deposits		(15,000)	—
Withdrawal of bank deposits restricted for borrowings		—	70,100
Interest paid	30(f)	(1,410)	(3,980)
Dividends paid to a non-controlling shareholder of a subsidiary		(900)	(1,500)
Dividends paid to the then shareholders		—	(70,000)
Deemed contribution		—	25,500
Deemed distribution		—	(60,657)
Payments for listing expenses		(8,714)	(2,403)
Principal elements of lease payments	30(f)	—	(244)
Capital injection from a shareholder		—	610
<b>Net cash inflow/(outflow) from financing activities</b>		<b>97,724</b>	(228,374)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>123,422</b>	(2,209)
Cash and cash equivalents at beginning of the year		37,370	39,579
Effects of exchange rate changes on cash and cash equivalents		(3,105)	—
<b>Cash and cash equivalents at end of the year</b>		<b>157,687</b>	37,370

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# 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 have been listed on the Main Board of the Stock Exchange since 16 November 2022.

The Group is principally engaged in the sale of natural gas, mainly PNG 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 RMB, unless otherwise stated.

These consolidated financial statements have been approved for issue by the Board of Directors 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

#### (a) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with HKFRSs and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622 ("**HKCO**").

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2 Summary of significant accounting policies (continued)

#### 2.1 Basis of preparation (continued)

##### (b) Historical cost convention

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

##### (c) New or amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2022:

HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions Beyond 30 June 2021
HKFRS 3, HKAS 16 and HKAS 37 (Amendments) Annual Improvements Project (Amendments)	Narrow-Scope Amendments Annual Improvements to HKFRS Standards 2018 - 2020
Accounting Guideline 5 (Revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations

The amendments 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2 Summary of significant accounting policies (continued)

#### 2.1 Basis of preparation (continued)

##### (d) New or amended standards and annual improvements not yet adopted

The following new accounting standards and interpretations have been published but are not mandatory for 31 December 2022 reporting periods, and have not been early adopted by the Group:

	New standards, amendments and interpretations	Effective for annual periods beginning on or after
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
HKFRS 17	Insurance Contract (New Standard)	1 January 2023
HKFRS 17	Amendments to HKFRS 17	1 January 2023
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information	1 January 2023
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-Current (Amendments)	1 January 2024
HKAS 1 (Amendments)	Non-current Liabilities with Covenants	1 January 2024
HKFRS 16 (Amendments)	Lease Liability in a Sale and Leaseback	1 January 2024
Hong Kong Interpretation 5 (2020)	Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Int 5 (Revised))	1 January 2024
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments)	To be determined

The Group has not early adopted the above mentioned 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. The Group has already commenced an assessment of the related impact to the Group but is not yet in a position to state whether any substantial changes to the Group's significant accounting policies or presentation of the Group's consolidated financial statements will be resulted.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2 Summary of significant accounting policies (continued)

#### 2.2 Principles of consolidation

##### (a) Subsidiaries

Subsidiaries are all entities (including a structured entity) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.3).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

##### (b) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to shareholders of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2 Summary of significant accounting policies (continued)

#### 2.3 Business combinations

The acquisition method of accounting is used to account for business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred,
- liabilities incurred to the former owners of the acquired business,
- equity interests issued by the Group,
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity.

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2 Summary of significant accounting policies (continued)

#### 2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

#### 2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM").

The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors who make strategic decisions.

#### 2.6 Foreign currency translation

##### (a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in RMB, which is the Groups functional currency and presentation currency.

##### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income within "Finance cost – net". All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within "Other gains/(losses), net".

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2 Summary of significant accounting policies (continued)

#### 2.7 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

– Buildings	10 - 20 years
– Gas pipelines	20 years
– Machinery and equipment	10 years
– Motor vehicles, furniture and fittings	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss and presented within "Other gains/(losses), net" in the consolidated statement of comprehensive income.

Construction in progress represents property, plant and equipment under construction or pending installation, and is stated at cost less impairment losses (if any). Cost comprises direct costs of construction including borrowing costs attributable to the construction during the period of construction. No provision for depreciation is made on construction in progress until such time as the relevant assets are completed and ready for intended use.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2 Summary of significant accounting policies (continued)

#### 2.8 Investment properties

Investment properties, principally comprising buildings and land, are held for long-term rental yields and are not occupied by the Group. Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, the Group measure all of its investment properties at fair value. A gain or loss arising from a change in the fair value of investment property shall be recognised in profit or loss for the period in which it arises.

#### 2.9 Intangible assets

##### (a) Goodwill

Goodwill is measured as described in Note 2.3. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

##### (b) Software licenses

Acquired software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. The Group amortises software with a limited useful life using the straight-line method over 10 years.

The softwares are well-developed off-the-shelf softwares without contractual term. The Group determines the estimated useful life of softwares by reference to the Group's asset management policy and historical experience of the actual useful lives of softwares with similar nature and functions.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2 Summary of significant accounting policies (continued)

#### 2.10 Impairment of non-financial assets

Goodwill is not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

#### 2.11 Investments and other financial assets

##### (a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

As of 31 December 2022 and 2021, the Group only has financial assets in the category of financial assets at amortised cost.

##### (b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2 Summary of significant accounting policies (continued)

#### 2.11 Investments and other financial assets (continued)

##### (c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented within "Other gains/(losses), net" in the consolidated statement of comprehensive income. Impairment losses are presented as separate line item in the statement of comprehensive income.

##### (d) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1(b) for details.

#### 2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

#### 2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. Costs of purchased inventories are determined after deducting rebates and discounts (if applicable). Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2 Summary of significant accounting policies (continued)

#### 2.14 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

#### 2.15 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term and highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### 2.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### 2.17 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2 Summary of significant accounting policies (continued)

#### 2.18 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

#### 2.19 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in profit or loss in the period in which they are incurred.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2 Summary of significant accounting policies (continued)

#### 2.20 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses.

##### (a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

##### (b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred income tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences.

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current income tax assets and liabilities and where the deferred income tax balances relate to the same taxation authority. Current income tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

### 2 Summary of significant accounting policies (continued)

#### 2.21 Employee benefits

##### (a) Short term obligations

Liabilities for wages and salaries that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

##### (b) Pension obligations

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in an independent fund managed by the PRC government. The Group's contributions to these plans are expensed as incurred.

If the employees leave the plans prior to vesting fully in such contributions, the Group has no right to utilise such contributions under the post-employment benefit plan to reduce the existing level of contributions.

##### (c) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plans. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

##### (d) Bonus plans

The Group recognises a liability and an expense for bonuses. The Group recognises a provision where contractually obliged or where there is a past practise that has created a constructive obligation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2 Summary of significant accounting policies (continued)

#### 2.22 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

#### 2.23 Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

If contracts involve the sale of multiple elements, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. In addition, when determining the transaction price, the Group consider factors such as whether there is any financing component. The Group considers whether the payment schedule is commensurate with the Group's performance and whether the delayed payment is for finance purpose.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2 Summary of significant accounting policies (continued)

#### 2.23 Revenue recognition (continued)

##### (a) Sale of goods

Revenue from the sale of gas and gas-burning appliances are recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the above goods.

##### (b) Provision of construction and installation services

Revenue from construction and installation services is recognised over time, using an input method. The input method recognises revenue by measuring the contract progress towards complete satisfaction of performance obligation, which is measured based on the Group's effort or inputs to the satisfaction of a performance obligation (for example, resources consumed, labour hours expended and cost incurred) relative to the total expected inputs to the satisfaction of that performance obligation.

Upon entering a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer.

The combination of those rights and performance obligations gives rise to a net contract asset or a net contract liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the cumulative revenue recognised in profit or loss exceeds cumulative payments made by customers. Conversely, the contract is a liability and recognised as contract liabilities if the cumulative payments made by customers exceeds the revenue recognised in profit or loss.

Contract assets are assessed for impairment under the same approach adopted for impairment assessment of trade receivables. A receivable is recognised when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due. Contract liabilities are recognised as revenue when the Group transfers the goods or services to the customers and therefore satisfied its performance obligation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2 Summary of significant accounting policies (continued)

#### 2.24 Interest income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 10 below.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

#### 2.25 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to purchases of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

#### 2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the period in which the dividends are approved by the Company's shareholders, where appropriate.

#### 2.27 Leases

##### As lessee

The Group have leases in respect of land use rights and leased office building in the PRC. Land use rights are with lease terms of 10 to 50 years. Office building rental contracts are typically made for a fixed period of 3 years.

Lease is recognised as a right-of-use assets and a corresponding lease liability at the date at which the leased asset is available for use by the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2 Summary of significant accounting policies (continued)

#### 2.27 Leases (continued)

##### As lessee (continued)

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. The Group uses the incremental borrowing rate, for the implicit rate cannot be readily determined, which is the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use assets in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2 Summary of significant accounting policies (continued)

#### 2.27 Leases (continued)

##### As lessee (continued)

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use assets is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option.

##### As lessor

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheets based on their nature.

#### 2.28 Earnings per share

##### (a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- (i) The profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares;
- (ii) By the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares (if any).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2 Summary of significant accounting policies (continued)

#### 2.28 Earnings per share (continued)

##### (b) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- (i) The after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- (ii) The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

### 3 Financial risk management

#### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. These risks are managed by the Group's financial management policies and practises described below.

##### (a) Market risk

###### (i) Foreign exchange risk

The Group principally operates in the PRC and RMB is the currency of the primary economic environment in which the Group operates. However, upon the initial listing on the Stock Exchange, proceeds from the IPO are in HKD. The Group has significant foreign currency balance of cash and cash equivalents denominated in HKD. Foreign exchange risk arises from cash and cash equivalents denominated in currencies other than the functional currency of the Group. Analyses of cash and cash equivalents by currencies are disclosed in Note 22.

The Group currently does not have a foreign currency hedging policy and manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

As at 31 December 2022, if HKD strengthened/weakened by 5% against RMB with all other variables held constant, the Group's post-tax profit would have been approximately RMB6,119,000 lower/higher which is due to cash and cash equivalents denominated in HKD (2021: nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (a) Market risk (continued)

###### (ii) Interest rate risk

The Group is exposed to fair value interest rate risk primarily in relation to fixed-rate borrowings and other financial assets at amortised cost. Management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. The fair value interest rate risk on bank deposits is insignificant as the fixed deposits are short-term.

The Group's interest rate profile as monitored by management is set out as below.

	As at 31 December	
	2022 RMB'000	2021 RMB'000
<b>Financial instruments with fixed interest rates</b>		
Bank borrowings	18,000	37,000

###### (iii) Price risk

The Group has no significant commodity price risk.

##### (b) Credit risk

Credit risk is managed on a group basis. Credit risk mainly arises from cash and cash equivalents, restricted bank deposits and trade and other receivables.

###### (i) Risk management

Credit risk is managed on group basis, except for credit risk relating to trade receivable balances. Each local entity is responsible for managing and analysing the credit risk for each of their new customers before standard payment and delivery terms and conditions are offered. The Group's credit sales are only made to customers with appropriate credit history. The Group has no significant concentration of credit risk. The carrying amounts of cash and cash equivalents, restricted bank deposits and trade and other receivables represent the Group's maximum exposure to credit risk in relation to financial assets.

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (b) Credit risk (continued)

###### (i) Risk management (continued)

The credit risk on Group's cash and cash equivalents and restricted bank deposits is limited because the counterparties are banks with high credit ratings. Management does not expect that there will be any significant losses from non-performance by these counterparties.

For gas sales and gas pipelines construction and installation services, the Group receives the advance payment from most of the customers except for certain arrangements with payment installments between the local governments. The Directors consider the local governments have high-credit quality and are of opinion that adequate provision for uncollectible receivables has been made. Further details of credit risks on trade and other receivables are disclosed in Note 19.

###### (ii) Impairment of financial assets

The Group has two types of financial assets that are subject to impairment assessment under the expected credit loss model as prescribed in HKFRS 9.

- Trade receivables, and
- Other receivables

While cash and cash equivalents and restricted cash are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

##### Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Trade receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are considered to be subjected to higher risk of default and are tested individually.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

Measurement of expected credit loss on individual basis

	As at 31 December	
	2022 RMB'000	2021 RMB'000
<b>Individually assessed trade receivables</b>	<b>38</b>	38
Loss allowance	(38)	(38)

Measurement of expected credit loss on collective basis

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a specific period before each year end date and the corresponding historical credit losses experienced within the periods. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The loss allowance in respect of these collectively assessed trade receivables amounted to approximately RMB1,123,000 and RMB616,000 both based on an average expected loss rate of approximately 1.75% and 1.87% as at 31 December 2022 and 2021, respectively.

Other receivables

Other receivables mainly include advances to related parties and third parties. Management of the Group makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences. The Group measures credit risk using Probability of Default, Exposure at Default and Loss Given Default.

- Other receivables that are not credit-impaired on initial recognition are classified in 'Stage 1' and have their credit risk continuously monitored by the Group. The expected credit loss is measured on a 12-month basis.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (b) Credit risk (continued)

##### (ii) Impairment of financial assets (continued)

##### Other receivables (continued)

- If a significant increase in credit risk (specifically, when the debtor is more than 1 day past due on its contractual payments) since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. The expected credit loss is measured on lifetime basis.
- If the financial instrument is credit-impaired (specifically, when the debtor is more than 90 days past due on its contractual payments), the financial instrument is then moved to 'Stage 3'. The expected credit loss is measured on lifetime basis.

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

As at 31 December 2022 and 2021, other receivables from related parties are not considered as credit-impaired and are classified in 'Stage 1'. The balances of other receivables from related parties are RMB2,600,000 and nil, and the loss allowance in respect of these receivables are immaterial.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (b) Credit risk (continued)

##### (ii) Impairment of financial assets (continued)

As at 31 December 2022 and 2021, the loss allowance provision for other receivables due from third parties was determined and the expected credit losses as recognised have also incorporated forward looking information. Other receivables due from third parties for which are overdue over 3 years are classified in "Stage 3". The related loss allowance provision as of 31 December 2022 and 2021, are determined as follows:

	Within credit period <i>RMB'000</i>	Up to 1 year <i>RMB'000</i>	1 to 2 years <i>RMB'000</i>	2 to 3 years <i>RMB'000</i>	Over 3 years <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Other receivables (excluding other receivables from related parties)</b>						
<b>As at 31 December 2022</b>						
Expected loss rate (%)	—	—	—	—	100%	99%
Gross carrying amount	345	—	—	—	25,404	25,749
Loss allowance provision	—	—	—	—	25,404	25,404
<b>As at 31 December 2021</b>						
Expected loss rate (%)	—	—	50%	—	100%	95%
Gross carrying amount	77	—	2,854	—	26,946	29,877
Loss allowance provision	—	—	1,427	—	26,946	28,373

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (b) Credit risk (continued)

###### (ii) *Impairment of financial assets* (continued)

Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and indicators of severe financial difficulty.

Impairment losses on trade and other receivables are separately presented as “Net impairment losses on financial assets” in the consolidated statement of comprehensive income. Subsequent recoveries of amounts previously written off are credited against the same line item.

##### (c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and the availability of funding through an adequate amount of borrowing facilities. Due to the dynamic nature of the underlying businesses, the Group maintains a reasonable level of cash and cash equivalents, and further supplements this by keeping committed credit lines available.

The Group’s primary cash requirements have been for purchases of materials, machinery and equipment and payment of related debts. The Group finances its working capital requirements through a combination of funds generated from operations, bank borrowings and other means of financing.

Management monitors rolling forecasts of the Group’s liquidity reserve (comprises undrawn borrowing facility) and cash and cash equivalents on the basis of expected cash flows.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (c) Liquidity risk (continued)

The table below analyses the undiscounted cash outflows relating to the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
<b>As at 31 December 2022</b>					
Bank and other borrowings	18,461	—	—	—	18,461
Trade and other payables (excluding salaries and staff welfare payable and taxes payable)	58,639	6,373	3,229	514	68,755
Lease liabilities (including interest payments)	546	205	639	2,427	3,817
	<b>77,646</b>	<b>6,578</b>	<b>3,868</b>	<b>2,941</b>	<b>91,033</b>
<b>As at 31 December 2021</b>					
Bank and other borrowings	38,010	—	—	—	38,010
Trade and other payables (excluding salaries and staff welfare payable and taxes payable)	33,493	3,944	3,287	657	41,381
Lease liabilities (including interest payments)	535	546	627	2,644	4,352
	<b>72,038</b>	<b>4,490</b>	<b>3,914</b>	<b>3,301</b>	<b>83,743</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3 Financial risk management (continued)

#### 3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings and lease liabilities less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated balance sheets plus net debt.

As at 31 December 2022 and 2021, the net debt to total capital ratios were as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Borrowings (Note 26)	18,000	37,000
Lease liabilities (Note 27)	2,481	2,850
Less: cash and cash equivalents (Note 22)	(157,687)	(37,370)
Net (cash)/debt	(137,206)	2,480
Total equity	289,202	109,220
Total capital	151,996	111,700
<b>Net debt to total capital ratio</b>	<b>N/A</b>	<b>2.2%</b>

Due to the decrease in the Group's net debt as a result of the proceeds from the IPO, the gearing ratio was significantly decreased in 2022.

#### 3.3 Fair value estimation

##### (a) Financial assets and liabilities

###### (i) Fair value hierarchy

This section explains the judgments and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3 Financial risk management (continued)

#### 3.3 Fair value estimation (continued)

##### (a) Financial assets and liabilities (continued)

###### (i) Fair value hierarchy (continued)

The Group analyses the financial instruments carried at fair value, by valuation method. The different levels have been defined as follow:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

###### (ii) Valuation techniques used to determine fair value

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments, and
- discounted cash flow analysis.

###### (iii) Fair value measurements using significant unobservable inputs (Level 3)

As at 31 December 2022 and 2021, the Group does not have any financial assets/liabilities which are required to be measured at fair value.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3 Financial risk management (continued)

#### 3.3 Fair value estimation (continued)

##### (b) Non-Financial assets and liabilities

###### (i) Fair value hierarchy

An independent valuation of the Group's investment properties was performed by the independent and professionally qualified valuer, to determine the fair value of the investment properties as at 31 December 2022 and 2021.

As certain of significant inputs used in the determination of fair value of investment properties are arrived at by reference to certain significant unobservable market data, the fair value of investment properties of the Group are included in level 3 of the fair value measurement hierarchy as follows.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
<b>As at 31 December 2022</b>				
– Investment properties	—	—	69,900	69,900
<b>As at 31 December 2021</b>				
– Investment properties	—	—	69,720	69,720

There were no transfers among different categories during the year.

###### (ii) Valuation techniques used to determine level 2 and level 3 fair values

The Group obtains independent valuations for its investment properties at least annually. At the end of each reporting period, the Directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The Directors determine a property's value within a range of reasonable fair value estimates.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3 Financial risk management (continued)

#### 3.3 Fair value estimation (continued)

##### (b) Non-Financial assets and liabilities (continued)

###### (ii) Valuation techniques used to determine level 2 and level 3 fair values (continued)

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available, the Directors consider information from a variety of sources including:

- current prices in an active market for properties of a different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences,
- discounted cash flow projections based on reliable estimates of future cash flows, and
- capitalised income projections based on a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

The level 3 fair value of investment properties has been derived using the direct comparison approach. The key inputs under this approach are the price per square metre from current year sales of comparable lots of properties in the area (location and size), supplementary land price (i.e. price for renewal of land use rights upon expiring of lease terms) and adjustments ratio for different location, floor and transaction date, etc.

###### (iii) Fair value measurements using significant unobservable inputs (level 3)

The movements in the level 3 investments properties during the years ended 31 December 2022 and 2021 are presented in Note 14.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3 Financial risk management (continued)

#### 3.3 Fair value estimation (continued)

##### (b) Non-Financial assets and liabilities (continued)

##### (iv) Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements (see (ii) above for the valuation techniques adopted):

	Fair value		Significant unobservable inputs	Range of inputs		Relationship of unobservable inputs to fair value
	As at 31 December			As at 31 December		
	2022	2021		2022	2021	
	RMB'000	RMB'000				
Investment properties	69,900	69,720	Supplementary land price (RMB)	165/m <sup>2</sup>	155/m <sup>2</sup>	The higher supplementary land price, the lower fair value
			Adjustments ratio for difference in – location	35%	23%-38%	The lower adjustments factor, the higher fair value
			- floor	80%-100%	80%-100%	The higher adjustments factor, the higher fair value
			- price after adjustments for valuation date (RMB)	6,866/m <sup>2</sup>	5,950/m <sup>2</sup>	The higher adjustments factor, the higher fair value

##### (v) Valuation processes

The Group engages external independent and qualified valuers to determine the fair value of the Group's investment properties at the end of every financial year. As at 31 December 2022 and 2021, the fair values of the investment properties have been determined by APAC Assets Valuation and Consulting Limited, an independent valuer.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4 Critical accounting estimates and judgments

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### (a) Recognition of revenue from construction and installation services

The Group recognised the revenue from construction and installation services over time, by measuring the contract progress towards complete satisfaction of the performance obligation. Management is required to exercise significant judgment in their review and assess of the estimates of the total contract costs and actual costs incurred up to the end of the reporting period for each contract as the contract progresses, based on past experience and specific circumstances. The eventual realisation of these estimates are subject to the finalisation of the costs. Any change in the estimate of the total contract costs, which determined the progress towards complete satisfaction of performance obligation, would affect the construction and installation services revenue recognition.

#### (b) Estimation of the useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature. Management will increase the depreciation charges where useful lives are less than previously estimated lives. Periodic review could result in a change in useful lives and therefore depreciation expense in the future periods.

#### (c) Deferred income tax

A deferred income tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognised based upon the likely timing and the level of future taxable profits of the individual entities together with tax planning strategies.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 5 Revenue and segment information

The Company's executive directors are the Group's 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 piped natural gas, 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 the consolidated financial statements. The Group's total revenues are all from domestic customers in the PRC. Accordingly, no geographical information is presented.

#### (a) Revenue from external customers

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 5 Revenue and segment information (continued)

#### (b) Contract liabilities

The Group has recognised the following liabilities related to contract with customers:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
PNG sales	105,262	87,577
Construction and installation services	5,346	12,386
CNG and LNG sales	1,634	1,193
Sales of gas-burning appliance	664	147
	<b>112,906</b>	101,303

Contract liabilities of the Group mainly represent the payments received in advance from customers while the underlying goods or services are yet to be delivered by the Group.

Revenue recognised that was included in the contract liabilities balance at the beginning of the year:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
PNG sales	85,554	71,313
Construction and installation services	12,386	40,114
CNG and LNG sales	1,193	1,387
Sales of gas-burning appliance	147	11,024
	<b>99,280</b>	123,838

#### (c) Unsatisfied performance obligations

There is no significant long-term unsatisfied performance obligations in the year ended 31 December 2022. For the above contracts with customers, they are rendered in a short period of time, which is generally less than one year, and the Group has elected the practical expedient for not to disclose the remaining performance obligations for these type of contracts.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6 Other income

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

Note:

- (a) Jiaoyun Gas which is a subsidiary of the Company has received the subsidy of RMB13,455,000 from the local government in June 2021 for the implementation of zero-coal services and there are no unfulfilled conditions or other contingencies attached to these grants.

### 7 Other gains, net

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Foreign exchange losses	(814)	—
Fair value gain on investment properties (Note 14)	180	1,080
Losses on disposal of property, plant and equipment	—	(266)
Others	649	49
	<b>15</b>	<b>863</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 8 Expenses by nature

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

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Cost of natural gas (Note 21)	319,913	265,800
Materials used in construction and installation services (Note 21)	15,557	23,906
Cost of gas-burning appliance sold (Note 21)	18,815	28,367
Employee benefit expenses (Note 9)	8,426	9,399
Depreciation and amortisation		
– Property, plant and equipment (Note 13)	9,369	8,742
– Right-of-use assets (Note 15)	651	608
– Intangible assets (Note 16)	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 cost	5,618	11,591
Auditor's remuneration	1,124	—
Listing expenses	17,077	5,838
Other expenses	7,052	4,518
<b>Total cost of sales and administrative expenses</b>	<b>408,872</b>	<b>362,838</b>

### 9 Employee benefit expenses

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Wages, salaries, bonuses and allowances	6,224	7,289
Welfare and other expenses	544	591
Social insurance	530	475
Contributions to pension schemes	897	804
Housing subsidies	231	240
	<b>8,426</b>	<b>9,399</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 9 Employee benefit expenses (continued)

#### (a) Five highest paid individuals

None of the Directors are the five individuals whose emoluments were the highest in the Group for the years ended 31 December 2022 and 2021. The emoluments paid or payable to the five highest paid individuals during the years ended 31 December 2022 and 2021 are as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Wages, salaries and allowances	351	499
Bonus	—	—
Welfare and other expenses	11	13
Social insurance	33	35
Contributions to pension schemes	55	60
Housing subsidies	18	19
	<b>468</b>	<b>626</b>

The emoluments to the five highest paid non-director individuals fell within the following bands:

	Year ended 31 December	
	2022	2021
Emolument bands		
Less than HKD1,000,000	5	5

For the years ended 31 December 2022 and 2021, there was no emolument paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 10 Finance income and costs, net

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

### 11 Income tax expense

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Current income tax:		
– PRC enterprise income tax	19,717	22,486
– Deferred income tax (Note 28)	188	648
	<b>19,905</b>	<b>23,134</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 11 Income tax expense (continued)

A reconciliation of the tax charge applicable to profit before income tax using the applicable tax rates for relevant tax jurisdictions to the tax expenses is as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
<b>Profit before income tax</b>	<b>71,881</b>	91,508
Tax calculated at PRC statutory income tax rates (25%)	<b>17,970</b>	22,877
– Differential income tax rates applicable to certain entities comprising the Group (Note (a))	<b>1,148</b>	—
– Expenses not deductible for taxation purposes	<b>787</b>	257
<b>Income tax expense</b>	<b>19,905</b>	23,134

#### (a) Cayman Islands Income Tax

The Company is incorporated under the law of the Cayman Islands as an exempted company with limited liability under the Companies Act of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

#### (b) British Virgin Islands Income Tax

Under the current laws of the BVI, the BVI subsidiary is not subject to tax on its income or capital gains. In addition, any payments of dividends are not subject to withholding tax in the BVI.

#### (c) Hong Kong Profits Tax

No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the year ended 31 December 2022 and 2021.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 11 Income tax expense (continued)

#### (d) PRC Enterprise Income Tax

The income tax of the Group in respect of its operations in PRC was calculated at the tax rate of 25% on the assessable profits for the year ended 31 December 2022 and 2021.

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profit derived after 1 January 2008 are generally subject to a 10% withholding tax (“WHT”). If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be 5%.

During the year ended 31 December 2022 and 2021, the Group does not have any plan for its PRC subsidiaries to distribute their retained earnings and intends to retain them to operate and expand its business in the PRC. Accordingly, no deferred income tax liability on WHT was accrued as of the end of each year.

### 12 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
<b>Basic earnings per share (expressed in RMB per share)</b>	<b>0.15</b>	0.20

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 13 Property, plant and equipment

	Buildings RMB'000	Gas pipelines RMB'000	Machinery and equipment RMB'000	Motor vehicles, furnitures and fittings RMB'000	Construction in progress RMB'000	Total RMB'000
<b>As at 1 January 2022</b>						
Cost	18,099	137,147	26,476	3,532	147	185,401
Accumulated depreciation	(7,251)	(38,475)	(18,832)	(2,664)	—	(67,222)
<b>Net book amount</b>	<b>10,848</b>	<b>98,672</b>	<b>7,644</b>	<b>868</b>	<b>147</b>	<b>118,179</b>
<b>Year ended 31 December 2022</b>						
Opening net book amount	10,848	98,672	7,644	868	147	118,179
Additions	—	—	1,328	434	25,111	26,873
Transfers	—	25,194	—	—	(25,194)	—
Depreciation charges	(851)	(6,848)	(1,593)	(219)	—	(9,511)
<b>Closing net book amount</b>	<b>9,997</b>	<b>117,018</b>	<b>7,379</b>	<b>1,083</b>	<b>64</b>	<b>135,541</b>
<b>As at 31 December 2022</b>						
Cost	18,099	162,341	27,804	3,966	64	212,274
Accumulated depreciation	(8,102)	(45,323)	(20,425)	(2,883)	—	(76,733)
<b>Net book amount</b>	<b>9,997</b>	<b>117,018</b>	<b>7,379</b>	<b>1,083</b>	<b>64</b>	<b>135,541</b>
<b>As at 1 January 2021</b>						
Cost	18,099	119,132	27,771	3,393	—	168,395
Accumulated depreciation	(6,349)	(32,690)	(17,828)	(2,503)	—	(59,370)
<b>Net book amount</b>	<b>11,750</b>	<b>86,442</b>	<b>9,943</b>	<b>890</b>	<b>—</b>	<b>109,025</b>
<b>Year ended 31 December 2021</b>						
Opening net book amount	11,750	86,442	9,943	890	—	109,025
Additions	—	—	—	197	18,162	18,359
Transfers	—	18,015	—	—	(18,015)	—
Disposals	—	—	(345)	(3)	—	(348)
Depreciation charges	(902)	(5,785)	(1,954)	(216)	—	(8,857)
<b>Closing net book amount</b>	<b>10,848</b>	<b>98,672</b>	<b>7,644</b>	<b>868</b>	<b>147</b>	<b>118,179</b>
<b>As at 31 December 2021</b>						
Cost	18,099	137,147	26,476	3,532	147	185,401
Accumulated depreciation	(7,251)	(38,475)	(18,832)	(2,664)	—	(67,222)
<b>Net book amount</b>	<b>10,848</b>	<b>98,672</b>	<b>7,644</b>	<b>868</b>	<b>147</b>	<b>118,179</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 13 Property, plant and equipment (continued)

Depreciation charged to profit or loss and capitalised as construction in progress is analysed as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Cost of sales	9,198	8,629
Administrative expenses	171	113
	9,369	8,742
Capitalised as construction in progress	142	115
	9,511	8,857

The Group was in the process of applying the ownership certificates for certain buildings as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Net book amount of buildings without ownership certificates	2,327	2,521

The Directors are of the view that the Group is entitled to the lawful and valid occupancy and uses of these buildings and the related ownership certificates will be obtained in due course. The Directors are also of the opinion that the uses of these buildings without the ownership certificates for the Group's business operations for the time being will not expose the Group to any significant penalties or unfavourable consequences.

The Directors of the Company considered that the Group is able to control the significant residual interests in its gas pipeline facilities at the expiry of the related concession agreements. As such, the Directors concluded that the gas pipeline facilities and the related concession do not fall within the scope of HK(IFRIC) Interpretation 12 "Service Concession Arrangements".

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 14 Investment properties

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Opening balance at beginning of the year	69,720	68,640
Gains from fair value adjustment	180	1,080
<b>Closing balance at end of the year</b>	<b>69,900</b>	69,720

During the year ended 31 December 2022 and 2021, rental income arising from leasing of investment properties and other gains from the fair value changes of the investment properties are as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Rental income (Notes 6 and 31(e)(i))	3,578	1,941
Fair value gains recognised for the year (Note 7)	180	1,080

An independent valuation of the investment properties was performed by an independent professionally qualified valuer, APAC Asset Valuation and Consulting Limited, who holds a recognised professional qualification and has experience of the investment properties valued. Investment properties were valued by sale comparison approach where comparison is made based on prices realised or market prices of comparable properties. Comparable properties of similar size, character and location are carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value.

As at 31 December 2022 and 2021, investment properties with carrying amount of approximately RMB69,900,000 and RMB69,720,000 have been pledged as collateral for bank borrowings of RMB18,000,000 and RMB 37,000,000, respectively (Note 26).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 15 Right-of-use assets

	Land use rights RMB'000	Leased properties RMB'000	Total RMB'000
<b>As at 1 January 2022</b>			
Cost	10,057	3,211	13,268
Accumulated amortisation	(1,143)	(767)	(1,910)
<b>Net book amount</b>	<b>8,914</b>	<b>2,444</b>	<b>11,358</b>
<b>Year ended 31 December 2022</b>			
Opening net book amount	8,914	2,444	11,358
Additions	—	—	—
Amortisation charges	(226)	(425)	(651)
<b>Closing net book amount</b>	<b>8,688</b>	<b>2,019</b>	<b>10,707</b>
<b>As at 31 December 2022</b>			
Cost	10,057	3,211	13,268
Accumulated amortisation	(1,369)	(1,192)	(2,561)
<b>Net book amount</b>	<b>8,688</b>	<b>2,019</b>	<b>10,707</b>
<b>As at 1 January 2021</b>			
Cost	6,081	2,275	8,356
Accumulated amortisation	(960)	(342)	(1,302)
<b>Net book amount</b>	<b>5,121</b>	<b>1,933</b>	<b>7,054</b>
<b>Year ended 31 December 2021</b>			
Opening net book amount	5,121	1,933	7,054
Additions	3,976	936	4,912
Amortisation charges	(183)	(425)	(608)
<b>Closing net book amount</b>	<b>8,914</b>	<b>2,444</b>	<b>11,358</b>
<b>As at 31 December 2021</b>			
Cost	10,057	3,211	13,268
Accumulated amortisation	(1,143)	(767)	(1,910)
<b>Net book amount</b>	<b>8,914</b>	<b>2,444</b>	<b>11,358</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 15 Right-of-use assets (continued)

Amortisation of the Group charged to profit or loss is analysed as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Cost of sales	461	418
Administrative expenses	190	190
	<b>651</b>	608

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 16 Intangible assets

	Goodwill RMB'000	Software licenses RMB'000	Total RMB'000
<b>As at 1 January 2022</b>			
Cost	4,218	203	4,421
Accumulated amortisation	—	(89)	(89)
<b>Net book amount</b>	<b>4,218</b>	<b>114</b>	<b>4,332</b>
<b>Year ended 31 December 2022</b>			
Opening net book amount	4,218	114	4,332
Additions	—	1,415	1,415
Amortisation charges	—	(369)	(369)
<b>Closing net book amount</b>	<b>4,218</b>	<b>1,160</b>	<b>5,378</b>
<b>As at 31 December 2022</b>			
Cost	4,218	1,618	5,836
Accumulated amortisation	—	(458)	(458)
<b>Net book amount</b>	<b>4,218</b>	<b>1,160</b>	<b>5,378</b>
<b>As at 1 January 2021</b>			
Cost	4,218	110	4,328
Accumulated amortisation	—	(83)	(83)
<b>Net book amount</b>	<b>4,218</b>	<b>27</b>	<b>4,245</b>
<b>Year ended 31 December 2021</b>			
Opening net book amount	4,218	27	4,245
Additions	—	93	93
Amortisation charges	—	(6)	(6)
<b>Closing net book amount</b>	<b>4,218</b>	<b>114</b>	<b>4,332</b>
<b>As at 31 December 2021</b>			
Cost	4,218	203	4,421
Accumulated amortisation	—	(89)	(89)
<b>Net book amount</b>	<b>4,218</b>	<b>114</b>	<b>4,332</b>

The amortisation of software licenses has been charged to administrative expenses.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 16 Intangible assets (continued)

#### (a) Goodwill

The goodwill was arisen from the acquisition of Jiaoyun Shihua and was allocated to the CGU of Jiaoyun Shihua for impairment testing.

Management performed an impairment assessment on the goodwill at the end of each year and concluded that no impairment charge has to be recognised. The recoverable amount of the CGU of Jiaoyun Shihua has been determined based on a value-in-use calculation using cash flow projection based on a financial budget covering a five-year period approved by management.

The following table sets out each key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill:

	As at 31 December	
	2022	2021
Revenue growth rate in perpetual period	2%	2%
Gross margin	19 - 20%	16 - 17%
Pre-tax discount rate	12%	11%

Based on the result of the goodwill impairment testing, the estimated recoverable amount of the CGU far exceeded its carrying amount and the headroom was as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Headroom	43,173	44,959

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 16 Intangible assets (continued)

#### (a) Goodwill (continued)

The management performed the sensitivity analysis based on the abovementioned key assumptions have been changed. Had the estimated key assumptions during the forecast period been changed as below, the headroom would be decreased to the amounts as set out below:

	Headroom Amounts As at 31 December	
	2022 RMB'000	2021 RMB'000
Revenue growth rate in perpetual period decreased by 5%	36,873	44,592
Gross margin decreased by 5%	24,768	26,991
Pre-tax discount rate increased by 5%	34,518	40,841

Management has also concluded that there is no reasonably possible change to a key assumption used in determining recoverable amount that would cause the CGU's carrying amount to exceed its recoverable amount.

### 17 Financial instruments by category

	As at 31 December	
	2022 RMB'000	2021 RMB'000
<b>Financial assets at amortised cost</b>		
Trade and other receivables (Note 19)	65,985	33,762
Cash and bank balances (Note 22)	173,023	37,370
	<b>239,008</b>	71,132
<b>Financial liabilities at amortised cost</b>		
Borrowings (Note 26)	18,000	37,000
Trade and other payables (excluding salaries and staff welfare payable and tax payable)	55,699	40,798
Lease liabilities (Note 27)	2,481	2,850
	<b>76,180</b>	80,648

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 18 Other non-current assets

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Prepayments for		
– Land use rights	4,027	4,027
– Gas pipelines maintenance services	1,376	—
– Software licenses	283	—
	<b>5,686</b>	4,027

### 19 Trade and other receivables

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 19 Trade and other receivables (continued)

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

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

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.

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Note 3.1 provides for details about the calculation of the allowance.

During the year ended 31 December 2022 and 2021, the Group has entered into agreements with local governments in Gaomi City for the sales of certain gas-burning appliance and the provision of certain construction and installation services (the “**clean energy projects**”). Pursuant to the settlement terms as set out in the aforesaid agreements, the local governments will settle the related receivable balances by annual instalments over a period of three years. As at 31 December 2022 and 2021, trade receivables of the clean energy projects amounted to RMB60,139,000 and RMB32,402,000 respectively. The portion which are not expected to be recovered by the Group within the next twelve months from the balance sheet date has been classified as non-current trade receivables.

- (b) Other receivables are unsecured, interest free and repayable on demand.
- (c) The carrying amounts of trade and other receivables are all denominated in RMB.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 19 Trade and other receivables (continued)

(d) Movements in allowance for impairment of trade receivables is as follows:

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

The carrying amounts of trade receivables approximate their fair values.

(e) Movement of provision for impairment of other receivables is as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
At beginning of the year	28,373	29,789
Provision	—	1,427
Reversal	(2,969)	(2,843)
At the end of the year	25,404	28,373

The carrying amounts of other receivables approximate their fair values.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 20 Prepayments and other current assets

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Prepayments for:		
– Natural gas and other construction materials	23,796	24,772
– Listing expenses	—	2,837
– Other expenses	269	344
Value-added tax recoverable	1,289	2,176
	<b>25,354</b>	<b>30,129</b>

### 21 Inventories

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Natural gas and other construction materials	7,653	6,936
Gas-burning appliance	2,147	2,402
	<b>9,800</b>	<b>9,338</b>

The inventories recognised as expenses and included in cost of sales are analysed as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Natural gas	319,913	265,800
Construction materials	15,557	23,906
Gas-burning appliance	18,815	28,367
	<b>354,285</b>	<b>318,073</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 22 Cash and bank balances

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Cash at banks and on hand	77,276	37,370
Bank deposits with original maturities less than three months	80,411	—
Cash and cash equivalents	157,687	37,370
Bank deposits with original maturities over three months	15,000	—
Restrict cash	336	—
	15,336	—
<b>Cash and bank balances</b>	<b>173,023</b>	<b>37,370</b>

The bank deposits have maturities of 1 to 12 months (2021: nil), the earn interest rate on bank deposits ranged from 2.1% to 4.8% (2021: nil).

The carrying amounts of cash and bank balances of the Group approximate their fair values and are denominated in the following currencies:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Cash at banks and on hand		
– Denominated in HKD	43,902	—
– Denominated in RMB	33,374	37,370
Bank deposits with original maturities less than three months		
– Denominated in HKD	80,411	—
Bank deposits with original maturities over three months		
– Denominated in RMB	15,336	—
	15,336	—
	<b>173,023</b>	<b>37,370</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 23 Share capital

	The Company	
	Number of shares	Nominal value USD
<b>Authorised</b>		
500,000,000 ordinary shares of USD 0.0001 each as at 31 December 2021 (note a)	500,000,000	50,000
2,000,000,000 ordinary shares of USD0.0001 each as at 31 December 2022 (note d)	2,000,000,000	200,000

	The Company		
	Number of shares	Nominal value USD	Share capital RMB'000
<b>Issued:</b>			
At date of incorporation (note a)	1	—*	—*
Issued to LLJ Phoenix, LXL Phoenix and SEGM Holding (note a)	299	—*	—*
Issued to LLJ Phoenix and LXL Phoenix (note b)	690	—*	—*
Issued to QMIG LIMITED ("QMIG") as share swap (note c)	10	—*	—*
<b>As at 31 December 2021</b>	1,000	—*	—*
Capitalisation of share premium (note e)	329,999,000	33,000	232
Issue of new shares upon listing (note f)	110,000,000	11,000	78
<b>As at 31 December 2022</b>	440,000,000	44,000	310

\* The amount is less than USD1 and RMB1,000.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 23 Share capital (continued)

Note:

- (a) On 9 March 2021, the Company was incorporated in the Cayman Islands with an authorised capital of USD50,000 divided into 500,000,000 ordinary shares of USD0.0001 each.

Upon incorporation, one share of the Company was allotted and issued at par value to an initial subscriber, and was subsequently transferred to LLJ Phoenix. On the same day, 99 shares, 100 shares and 100 shares of the Company, were allotted and issued at par value to LLJ Phoenix, LXL Phoenix and SEGM Holding, respectively.

- (b) On 24 June 2021, the Company allotted and issued 230 and 460 shares to LLJ Phoenix and LXL Phoenix respectively.
- (c) On 20 July 2021, the Company acquired QMRIG LIMITED by issuing 10 shares of the Company to QMIG.
- (d) On 22 October 2022, the authorised share capital of the Company was increased from USD50,000 to USD200,000 by the creation of additional 1,500,000,000 shares, such that following such increase, the authorised share capital of the Company was USD200,000 divided into 2,000,000,000 shares of USD0.0001 each.
- (e) On 16 November 2022, the Company allotted and issued 329,999,000 shares with a nominal value of USD0.0001 each to the shareholders whose names appear on the register of members of the Company on 22 October 2022 by the capitalisation of the share premium accounts. The nominal value of capitalization issue amounted to approximately USD33,000 (equivalent to approximately RMB232,000).
- (f) On 16 November 2022, the Company issued 110,000,000 new shares with a nominal value of USD0.0001 each for its international public offering and public offer at the offer price of HKD1.42 (equivalent to approximately RMB1.28) each. Gross proceeds from the IPO amounted to HKD156,200,000 (equivalent to RMB140,457,000). Share premium (net of share issue expenses of RMB11,551,000 and share capital of RMB 78,000) in the amount of RMB128,828,000.

Immediately after the listing, the Company had a total of 440,000,000 issued ordinary shares with a nominal value of USD0.0001 each.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 24 Share premium and reserves

	Share premium RMB'000	Combined capital RMB'000	Statutory reserve RMB'000	Safety fund RMB'000	Other reserves RMB'000	Total RMB'000
<b>Balance on 1 January 2022</b>	<b>128,002</b>	<b>—</b>	<b>14,189</b>	<b>8,334</b>	<b>(117,134)</b>	<b>33,391</b>
Profit appropriation to statutory reserves	—	—	5,475	—	—	5,475
Safety fund						
– appropriation	—	—	—	3,838	—	3,838
– utilization	—	—	—	(566)	—	(566)
Capitalization of share premium (Note 23(e))	(232)	—	—	—	—	(232)
Issue of shares (Note 23(f))	140,379	—	—	—	—	140,379
Share issue expenses (Note 23(f))	(11,551)	—	—	—	—	(11,551)
<b>Balance on 31 December 2022</b>	<b>256,598</b>	<b>—</b>	<b>19,664</b>	<b>11,606</b>	<b>(117,134)</b>	<b>170,734</b>
<b>Balance on 1 January 2021</b>	<b>—</b>	<b>60,000</b>	<b>7,640</b>	<b>4,920</b>	<b>(14,585)</b>	<b>57,975</b>
Profit appropriation to statutory reserves	—	—	6,549	—	—	6,549
Safety fund						
– appropriation	—	—	—	3,531	—	3,531
– utilization	—	—	—	(117)	—	(117)
Proceeds of a subsidiary	—	610	—	—	—	610
Completion of the Reorganization	128,002	(60,610)	—	—	(67,392)	—
Deemed contribution	—	—	—	—	25,500	25,500
Deemed distribution	—	—	—	—	(60,657)	(60,657)
<b>Balance on 31 December 2021</b>	<b>128,002</b>	<b>—</b>	<b>14,189</b>	<b>8,334</b>	<b>(117,134)</b>	<b>33,391</b>

### 24 Share premium and reserves (continued)

#### (a) Statutory reserve

In accordance with the relevant laws and regulations of the PRC, when distributing the net profit of each year, the Company's subsidiaries in the PRC shall set aside 10% of its profit after income tax (based on the PRC statutory financial statements and after offsetting accumulated losses from prior years) for the statutory reserve fund (except where the reserve balance has reached 50% of the paid-in capital).

Statutory reserve can be used to make up for the loss or increase the paid-in capital after approval from the appropriate authorities.

#### (b) Safety fund

Entities operating in dangerous goods production and storage industry are required to maintain a reserve of safety fund which are to be appropriated based on entities' actual revenue on natural gas distribution from the previous year in accordance with rules and regulations as established by the Ministry of Finance and Administration of Work Safety. The safety fund should be utilised specifically for the actual expenditure being used to complete and enhance the entities' safety environments. The safety fund is appropriated from retained earnings and is accumulated and credited to other reserves. Upon the Group has actually incurred the qualifying safety expenditure, the expenditure being incurred will be expensed as cost of sales and an equivalent amount will be deducted from other reserves accordingly.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 25 Trade and other payables

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 25 Trade and other payables (continued)

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

	As at 31 December	
	2022 RMB'000	2021 RMB'000
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
	<b>48,554</b>	<b>36,736</b>

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.

- (b) The carrying amounts of trade and other payables are all denominated in RMB.
- (c) The carrying amounts of trade and other payables approximate their fair values.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 26 Borrowings

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

As at 31 December 2022, bank borrowings of RMB18,000,000 (2021: RMB37,000,000) were secured by investment properties of the Group (Note 14).

- As at 31 December 2022 and 2021, the Group's borrowings were repayable within 1 year, the exposure of the Group's borrowings to interest rate changes and the contractual repricing or maturity dates at the end of the year are less than 6 months.
- The carrying amount of the Group's borrowings are not materially different from their fair value as at each balance sheet date.
- The average interest rates applicable to the Group's borrowings are summarised as below.

	Year ended 31 December	
	2022	2021
Bank borrowings	5.7%	5.7%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 27 Leases

#### (a) Amounts recognised in balance sheets in connection with leases

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Right-of-use assets (Note 15)		
– Land use rights	8,688	8,914
– Leased properties	2,019	2,444
	<b>10,707</b>	11,358
Lease liabilities		
– Current	520	510
– Non-current	1,961	2,340
	<b>2,481</b>	2,850

#### (b) Amounts recognised in profit or loss in connection with leases

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Depreciation charge (Note 15)		
– Leased properties	426	425
– Land use rights	225	183
	<b>651</b>	608
Interest expenses (Note 10)	<b>166</b>	181

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 27 Leases (continued)

(c) A maturity analysis of lease liabilities is shown in the table below:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Leases are payable:		
Within 1 year	546	535
Between 1 and 2 years	205	546
Between 2 and 5 years	639	627
Over 5 years	2,427	2,644
Minimum lease payments	3,817	4,352
Future finance charges	(1,336)	(1,502)
	<b>2,481</b>	<b>2,850</b>

### 28 Deferred income tax

The analysis of deferred income tax assets/(liabilities) is as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Deferred income tax assets:		
– be recovered within 12 months	99	92
– to be recovered more than 12 months	8,391	8,163
	<b>8,490</b>	<b>8,255</b>
Set-off of deferred income tax liabilities pursuant to set-off provisions	(8,490)	(8,255)
	<b>—</b>	<b>—</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 28 Deferred income tax (continued)

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Deferred income tax liabilities:		
– be settled within 12 months	(106)	(106)
– to be settled more than 12 months	(15,652)	(15,229)
	(15,758)	(15,335)
Set-off of deferred income tax assets pursuant to set-off provisions	8,490	8,255
	(7,268)	(7,080)

The movement of deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of the balances within the same tax jurisdiction, is as following:

The gross movement on the deferred income tax assets account is as follows:

	Impairment loss on financial assets RMB'000	Leased liabilities RMB'000	Others RMB'000	Total RMB'000
<b>As at 1 January 2022</b>	7,257	712	286	8,255
(Debited)/credited to profit or loss	(616)	(92)	943	235
<b>As at 31 December 2022</b>	6,641	620	1,229	8,490
<b>As at 1 January 2021</b>	7,457	563	—	8,020
(Debited)/credited to profit or loss	(200)	149	286	235
<b>As at 31 December 2021</b>	7,257	712	286	8,255

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 28 Deferred income tax (continued)

The gross movement on the deferred income tax liabilities account is as follows:

	Investment properties <i>RMB'000</i>	Right-of- use assets <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 1 January 2022</b>	(14,724)	(611)	(15,335)
Debited to profit or loss	(529)	106	(423)
<b>As at 31 December 2022</b>	(15,253)	(505)	(15,758)
<b>As at 1 January 2021</b>	(13,969)	(483)	(14,452)
Debited to profit or loss	(755)	(128)	(883)
<b>As at 31 December 2021</b>	(14,724)	(611)	(15,335)

### 29 Dividends

In March 2021, Jiaoyun Gas declared dividends of RMB70,000,000 to its shareholders. Mr. Luan Linjiang voluntarily gave up his rights to this dividend distribution and the declared amount becomes wholly entitled by Jiaoyun Group and Jiaoyun Property accordingly.

On 30 March 2023, the directors of the Company proposed a final dividend of RMB0.039 (equivalent to HKD0.044) per ordinary share, total RMB17,160,000 (equivalent to HKD19,360,000). This proposed final dividend is not reflected as dividend payable in the consolidated financial statements until it has been approved at the annual general meeting, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2023.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 30 Cash generated from operations

#### (a) Cash generated from operations

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
<b>Profit before income tax</b>	<b>71,881</b>	91,508
<b>Adjustments for:</b>		
– Depreciation of property, plant and equipment (Note 13)	9,369	8,742
– Depreciation of right-of-use asset (Note 15)	651	608
– Amortisation of intangible assets (Note 16)	369	6
– Losses on disposal of property, plant and equipment (Note 7)	—	266
– Reversal of net impairment losses on financial assets	(2,462)	(800)
– Fair value gain on investment properties (Note 7)	(180)	(1,080)
– Foreign exchange losses on operating activities (Note 7)	814	—
– Finance costs (Note 10)	1,576	4,119
– Finance income (Note 10)	(743)	(512)
	<b>81,275</b>	102,857
<b>Changes in working capital:</b>		
– Restricted cash	(336)	—
– Inventories	(462)	5,595
– Trade and other receivables	(31,719)	(30,337)
– Prepayments and other current assets	1,938	(11,500)
– Trade and other payables	10,328	25,407
– Contract liabilities	11,603	(22,946)
Cash generated from operations	<b>72,627</b>	69,076

#### (b) Proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Net book amount (Note 13)	—	348
Net losses on disposal of property, plant and equipment (Note 7)	—	(266)
Proceeds from disposal of property, plant and equipment	—	82

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 30 Cash generated from operations (continued)

(c) During the year ended 31 December 2021, the Group's cash inflows and outflows with certain third parties of which turnover is quick, amounts are large and maturities are short, are net presented on the consolidated statement of cash flows.

#### (d) Major non-cash transactions:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Borrowings settled by restricted bank deposits	—	(5,000)
Payable to Jiaoyun Property settled by tripartite arrangement with a third party	(2,880)	—
Advances to related parties settled by bank acceptance notes (Note 31(f))	—	(157)
Repayments from related parties through endorsing bank acceptance notes to the Group (Note 31(f))	—	9,008

#### (e) Summary of net debt

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Cash and cash equivalents	157,687	37,370
Borrowings - repayable within 1 year	(18,000)	(37,000)
Lease liabilities - repayable within 1 year	(520)	(510)
Lease liabilities - repayable after 1 year	(1,961)	(2,340)
Net debt	137,206	(2,480)
Cash and cash equivalents	157,687	37,370
Gross debt - fixed interest rates	(20,481)	(39,850)
Net debt	137,206	(2,480)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 30 Cash generated from operations (continued)

#### (f) Reconciliation for liabilities from financing activities

	Liabilities from financing activities		
	Borrowings <i>RMB'000</i>	Lease liabilities <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 1 January 2022</b>	<b>37,000</b>	<b>2,850</b>	<b>39,850</b>
Cash flows	(19,000)	—	(19,000)
Interest charged	1,410	166	1,576
Interest paid	(1,410)	—	(1,410)
Other non-cash movements	—	(535)	(535)
<b>As at 31 December 2022</b>	<b>18,000</b>	<b>2,481</b>	<b>20,481</b>
<b>As at 1 January 2021</b>	227,800	2,256	230,056
Cash flows	(185,800)	(244)	(186,044)
Interest charged	3,938	181	4,119
Interest paid	(3,938)	(42)	(3,980)
Lease liabilities recognised	—	936	936
Other non-cash movements	(5,000)	(237)	(5,237)
<b>As at 31 December 2021</b>	<b>37,000</b>	<b>2,850</b>	<b>39,850</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 31 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are under common control or joint control in the shareholder' families. Members of key management and their close family member of the Group are also considered as related parties.

In addition to the related party transactions as disclosed in Note 30 to the consolidated financial statements, the following is a summary of the significant transactions took place between the Group and its related parties at terms as mutually agreed among the parties concerned during the year ended 31 December 2022 and 2021.

#### (a) Names and relationships with related parties

The following companies and individuals are significant related parties of the Group that had significant transactions and/or balances with the Group during the year ended 31 December 2022 and 2021.

Names of the major related parties	Nature of relationship
Mr. Luan Xiaolong	Director and one of the ultimate beneficial owners of the Company
Mr. Luan Linjiang	Director and one of the ultimate beneficial owners of the Company, the father of Mr. Luan Xiaolong
Jiaoyun Market	Controlled by Mr. Luan Linjiang
Jiaoyun Property	The then shareholder of Jiaoyun Gas and controlled by Mr. Luan Linjiang
Guorui Real Estate	Indirectly controlled by Mr. Luan Xiaolong
Gaomi Jiaoyun Construction Machinery Co., Ltd. (高密交運工程機械有限公司) (“ <b>Jiaoyun Construction Machinery</b> ”)	Indirectly controlled by Mr. Luan Linjiang
Gaomi Yuanhua Trading Co., Ltd. (高密市遠華貿易有限公司) (“ <b>Yuanhua Trading</b> ”)	Indirectly controlled by Mr. Luan Xiaolong
Shandong Shihua	Minority shareholder of Jiaoyun Shihua
Shandong Gaomi Traffic Car Transport Co., Ltd. (山東高密市交運汽車運輸有限公司) (“ <b>Jiaoyun Car Transport</b> ”)	Indirectly controlled by Mr. Luan Xiaolong
Gaomi Jiaoyun Taxi Co., Ltd. (高密市交運出租車有限公司) (“ <b>Jiaoyun Taxi</b> ”)	A subsidiary of Jiaoyun Car Transport and indirectly controlled by Mr. Luan Xiaolong

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 31 Related party transactions (continued)

#### (b) Purchases of goods and services

##### (i) Purchases of goods

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Shandong Shihua	196,237	177,517
Yuanhua Trading	—	989
	<b>196,237</b>	<b>178,506</b>

##### (ii) Purchases of subcontract services

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Jiaoyun Property	2,283	2,877

##### (iii) Purchases of other services

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Jiaoyun Property	6,631	3,546

#### (c) Provision of construction and installation services and sales of goods

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Jiaoyun Property	1,882	692
Jiaoyun Taxi	814	101
Guorui Real Estate	338	1,039
	<b>3,034</b>	<b>1,832</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 31 Related party transactions (continued)

#### (d) Provision of guarantees for borrowings of related parties

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
At beginning of the year	—	165,000
Provided during the year	—	—
Matured during the year	—	(165,000)
At the end of the year	—	—

#### (e) Property leasing

##### (i) Rental income

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Jiaoyun Market	3,578	1,941

##### (ii) Rental expenses

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Mr. Luan Linjiang	301	295
Jiaoyun Car Transport	190	186
	491	481

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 31 Related party transactions (continued)

#### (f) Advances to/repayments from related parties

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
At beginning of the year	—	213,784
Advances during the year		
– Cash	—	194,230
– Non-cash (Note 30(d))	—	157
	—	194,387
Repayments during the year		
– Cash	—	(399,163)
– Non-cash (Note 30(d))	—	(9,008)
	—	(408,171)
<b>At end of the year</b>	<b>—</b>	<b>—</b>

Note:

As mutually agreed with the parties in concern, the Group did not charge any interest on the advances to related parties.

#### (g) Expenses of seconded employees

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Shandong Shihua	240	240
Jiaoyun Property	—	1,895
	240	2,135

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 31 Related party transactions (continued)

(h) Year-end balances arising from sales/purchases of goods/services between related parties

	As at 31 December	
	2022 RMB'000	2021 RMB'000
<b>Receivables from related parties</b>		
Trade receivables		
– Jiaoyun Property	2,030	—
– Jiaoyun Taxi	888	—
– Guorui Real Estate	368	—
	<b>3,286</b>	—
Other receivables		
– Jiaoyun Market	2,600	—
Prepayments		
– Shandong Shihua	13,308	16,882
– Jiaoyun Property	257	—
	<b>13,565</b>	16,882

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 31 Related party transactions (continued)

#### (h) Year-end balances arising from sales/purchases of goods/services between related parties (continued)

All the trade and other receivables and prepayment balances with related parties are trade in nature.

	As at 31 December	
	2022 RMB'000	2021 RMB'000
<b>Payables to related parties</b>		
Trade payables		
– Yuanhua Trading	673	1,544
– Jiaoyun Construction Machinery	39	39
– Jiaoyun Property	—	2,510
	<b>712</b>	<b>4,093</b>
Other payables		
– Jiaoyun Property	493	572
– Mr. Luan Linjiang	275	18
– Jiaoyun Car Transport	207	—
	<b>975</b>	<b>590</b>

All the trade and other payable balances with related parties are trade in nature.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 31 Related party transactions (continued)

#### (i) Key management compensation

Key management includes directors and respective department heads. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Salaries and other short-term employee benefits		
– Directors	201	160
– Other key management	416	422
	<b>617</b>	582

### 32 Benefits and interests of directors

#### Directors' emoluments

The remuneration of every director is set out below:

For the year ended 31 December 2022:

Name	Fees RMB'000	Salary RMB'000	Bonus RMB'000	Contributions	Social insurance RMB'000	Housing subsidies RMB'000	Total RMB'000
				to pension schemes RMB'000			
Mr. Luan Linjiang*	—	71	—	11	6	3	91
Mr. Luan Xiaolong**	—	58	—	8	5	3	74
Mr. Luan Linxin***	—	36	—	—	—	—	—
Mr. Wei Yj****	—	—	—	—	—	—	—
Mr. Tian Qiang****	—	—	—	—	—	—	—
Ms. Liu Xiaoye****	—	—	—	—	—	—	—
	—	165	—	19	11	6	201

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 32 Benefits and interests of directors (continued)

#### Directors' emoluments (continued)

For the year ended 31 December 2021:

Name	Fees RMB'000	Salary RMB'000	Bonus RMB'000	Contributions	Social insurance RMB'000	Housing subsidies RMB'000	Total RMB'000
				to pension schemes RMB'000			
Mr. Luan Linjiang*	—	68	—	8	5	3	84
Mr. Luan Xiaolong**	—	58	—	9	6	3	76
Mr. Luan Linxin***	—	—	—	—	—	—	—
Mr. Wei Yi****	—	—	—	—	—	—	—
Mr. Tian Qiang****	—	—	—	—	—	—	—
Ms. Liu Xiaoye****	—	—	—	—	—	—	—
	—	126	—	17	11	6	160

\* Mr. Luan Linjiang is a seconded employee whose social insurance and housing subsidies is undertaken by related parties of the Group and was elected as the chairman and executive Director from 16 August 2021.

\*\* Mr. Luan Xiaolong was elected as the executive director and chief executive officer from 16 August 2021.

\*\*\* Mr. Luan Linxin was elected as a director from 16 August 2021.

\*\*\*\* Mr. Wei Yi, Mr. Tian Qiang and Ms. Liu Xiaoye were each elected as directors from 22 October 2022.

During the year ended 31 December 2022, there are no remuneration was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2021: Nil). In addition, none of the directors waived or agreed to waive any remuneration during the year (2021: Nil).

### 33 Subsequent events

On 28 March 2023, the Company was allocated with 3,058,000 shares of Seacon Shipping Group Holdings Limited offered under its international public offering and public offer at the offer price of HKD3.27 (equivalent to RMB2.86) 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 HKD10,101,000 (equivalent to RMB8,846,000). The financial effects of this transaction have not been recognised at 31 December 2022.

On 30 March 2023, the directors of the Company proposed a final dividend of RMB17,160,000 (equivalent to HKD19,360,000) as disclosed at the Note 29.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 34 Balance sheet and reserve movement of the Company

#### (a) Balance sheet of the Company

	Note	As at 31 December	
		2022 RMB'000	2021 RMB'000
<b>Assets</b>			
<b>Non-current assets</b>			
Investments in subsidiaries		128,002	128,002
<b>Current assets</b>			
Other receivables from the shareholders		—*	—*
Cash and cash equivalents		124,313	—
Prepayments		—	2,837
		124,313	2,837
<b>Total assets</b>		252,315	130,839
<b>Equity</b>			
Share capital	23	310	—*
Share premium	(b)	256,598	128,002
Accumulated losses	(b)	(4,593)	—
<b>Total equity</b>		252,315	128,002
<b>Liabilities</b>			
<b>Current liabilities</b>			
Other payables due to a subsidiary		—	2,837
<b>Total liabilities</b>		—	2,837
<b>Total equity and liabilities</b>		252,315	130,839

\* The amount is less than RMB1,000.

The balance sheet of the Company was approved by the Board of Directors on 30 March 2023 and was signed on its behalf.

**Luan Linjiang**  
Chairman and executive director

**Luan Xiaolong**  
Executive director

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 34 Balance sheet and reserve movement of the Company (continued)

#### (b) Reserve movement of the Company

	Note	Share premium RMB'000	Accumulated losses RMB'000
<b>Balance at 1 January 2022</b>		<b>128,002</b>	—
<b>Comprehensive income</b>			
Losses for the year		—	(4,593)
<b>Total comprehensive income</b>		—	(4,593)
<b>Transactions with owners in their capacity as owners</b>			
Capitalisation of share premium	23	(232)	—
Issue of new shares upon listing	23	140,379	—
Share issue expenses	23	(11,551)	—
<b>Total transactions with owners in their capacity as owners</b>		<b>128,596</b>	—
<b>Balance at 31 December 2022</b>		<b>256,598</b>	(4,593)
<b>Balance at 1 January 2021</b>		—	—
<b>Comprehensive income</b>			
Profit for the year		—	—
<b>Total comprehensive income</b>		—	—
<b>Transactions with owners in their capacity as owners</b>			
Completion of reorganisation		128,002	—
<b>Total transactions with owners in their capacity as owners</b>		<b>128,002</b>	—
<b>Balance at 31 December 2021</b>		<b>128,002</b>	—

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 35 Subsidiaries

As at 31 December 2022 and 2021, the details of the subsidiaries of the Company are as follows:

Name of entity	Place and date of incorporation/ establishment and kind of legal entity	Principal activities and place of operation	Particulars of issued/paid-in capital	Effective equity interest held by the Group	
				2022 %	2021 %
JY GAS HOLDING LIMITED	British Virgin Islands, 23 March 2021, limited liability company	Investment holding, British Virgin Islands	USD1	100%	100%
QMRIG LIMITED	British Virgin Islands, 30 May 2021, limited liability company	Investment holding, British Virgin Islands	USD100	100%	100%
JY GAS HK Limited	Hong Kong, 22 April 2021, limited liability company	Investment holding, Hong Kong	HKD1	100%	100%
QMHC LIMITED	Hong Kong, 6 May 2021, limited liability company	Investment holding, Hong Kong	HKD100	100%	100%
Jiaoneng Energy Investment (Shandong) Co., Ltd.* (交能能源投資(山東)有限公司)	PRC, 28 May 2021, limited liability company	Investment holding, PRC	RMB30,000,000	100%	100%
Jiaoyun Gas	PRC, 14 July 2003, limited liability company	Operation of pipeline natural gas, PRC	RMB60,610,000	100%	100%
Jiaoyun Shihua	PRC, 7 April 2013, limited liability company	Operation of sale of CNG and LNG, PRC	RMB35,000,000	70%	70%

## SUMMARY OF FINANCIAL INFORMATION

A summary of the consolidated results and of the consolidated assets, liabilities and equity of the Group for the last four financial years prepared on the basis hereunder stated is as set out below:

### CONSOLIDATED RESULTS

	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
<b>Revenue</b>	<b>475,531</b>	440,894	347,943	354,231
Profit before income tax	<b>71,881</b>	91,508	68,461	50,148
Income tax expense	<b>(19,905)</b>	(23,134)	(17,439)	(13,122)
<b>Profit and total comprehensive income for the year</b>	<b>51,976</b>	68,374	51,022	37,026
<b>Attributable to:</b>				
Equity shareholders of the Company	<b>50,801</b>	67,505	50,081	35,223
Non-controlling interests	<b>1,175</b>	869	941	1,803

### CONSOLIDATED ASSETS, LIABILITIES AND EQUITY

	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
<b>Assets</b>				
Non-current assets	<b>253,397</b>	226,715	193,440	189,435
Current assets	<b>247,977</b>	91,500	365,783	734,666
<b>Total assets</b>	<b>501,374</b>	318,215	559,223	924,101
<b>Liabilities</b>				
Non-current liabilities	<b>18,687</b>	16,726	8,507	7,400
Current liabilities	<b>193,485</b>	192,269	405,323	871,745
<b>Total liabilities</b>	<b>212,172</b>	208,995	413,830	879,145
<b>Net assets</b>	<b>289,202</b>	109,220	145,393	44,956
<b>Equity</b>				
Equity attributable to shareholders of the Company	<b>274,124</b>	94,417	131,459	30,463
Non-controlling interests	<b>15,078</b>	14,803	13,934	14,493
<b>Total equity</b>	<b>289,202</b>	109,220	145,393	44,956

## DEFINITIONS

“AGM”	the annual general meeting of the Group to be held on Friday, 16 June 2023
“Articles of Association”	the amended and restated articles of association of the Company
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	the board of directors of the Company
“Board Committees”	the Audit Committee, Remuneration Committee, Nomination Committee, Risk Management Committee and ESG Committee
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules that was applicable to the year ended 31 December 2022
“CNG”	compressed natural gas
“Company”	JY GAS LIMITED (交运燃气有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on 9 March 2021
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of the Company, namely, Mr. Luan Xiaolong, LXL Phoenix, SEGM Holding, and SDJY Holding, either individually or as a group of persons where the context requires
“Director(s)”	the directors of the Company
“ESG Committee”	the ESG committee of the Board
“Group”, “we”, “our” or “us”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards
“Jiaoyun Gas”	Gaomi Jiaoyun Natural Gas Co., Ltd.* (高密市交運天然氣有限公司), a limited liability company established in the PRC on 14 July 2003 and a wholly-owned subsidiary of the Company
“Jiaoyun Group”	Gaomi Jiaoyun Group Co., Ltd.* (高密市交運集團有限公司) (formerly known as Gaomi Jiaoyun Investment Holding Co., Ltd.* (高密市交運控股有限公司)), a limited liability company established in the PRC on 20 January 2014 and is owned as to 75.06% by Mr. Luan Xiaolong and as to 24.94% by Mr. Luan Linjiang, hence it is a connected person of the Company
“Jiaoyun Property”	Gaomi Jiaoyun Property Co., Ltd.* (高密市交運置業有限公司), a limited liability company established in the PRC on 11 April 2006 and is owned as to 99.98% by Mr. Luan Linjiang and as to 0.02% by Mr. Luan Xiaolong, hence it is a connected person of the Company

## DEFINITIONS (CONTINUED)

“Jiaoyun Shihua”	Gaomi Jiaoyun Shihua Natural Gas Co., Ltd.* (高密市交運實華天然氣有限公司), a limited liability company established in the PRC on 7 April 2013 and our non-wholly owned subsidiary, which is owned as to 70% by Jiaoyun Gas and 30% by Shandong Shihua
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	16 November 2022, the date on which the Shares were first listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“LLJ Phoenix”	LLJ Phoenix Limited, a company incorporated under the laws of BVI on 9 February 2021, which is wholly owned by Mr. Luan Linjiang
“LNG”	liquefied natural gas
“LXL Phoenix”	LXL Phoenix Limited, a company incorporated under the laws of BVI on 9 February 2021, which is wholly owned by Mr. Luan Xiaolong, and is one of the Controlling Shareholders of the Company
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules
“Nomination Committee”	the nomination committee of the Board
“PNG”	piped natural gas
“Prospectus”	the prospectus of the Company dated 31 October 2022
“Remuneration Committee”	the remuneration committee of the Board
“Reporting Period” or “Year”	the year ended 31 December 2022
“Risk Management Committee”	the risk management committee of the Board
“RMB”	Renminbi yuan, the lawful currency of the PRC
“SDJY Holding”	SDJY Holding Limited, a company incorporated under the laws of BVI on 9 February 2021, which is wholly-owned by Mr. Luan Xiaolong, and is one of the Controlling Shareholders of the Company
“SEGM Holding”	SEGM Holding Limited, a company incorporated under the laws of BVI on 26 February 2021 which is wholly-owned by SDJY Holding, which is in turn wholly-owned by Mr. Luan Xiaolong, and is one of the Controlling Shareholders of the Company
“Shareholder(s)”	holder(s) of the Share(s)

## DEFINITIONS (CONTINUED)

“Share(s)”	ordinary share(s) of US\$0.0001 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“USD” or “US\$”	US dollars, the lawful currency of the United States