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JY GAS LIMITED
交运燃气有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1407)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

- Revenue for the six months ended 30 June 2023 (the “**Period**”) amounted to RMB204.5 million, a decrease of 10.0% as compared to the corresponding period in 2022.
- Gross profit for the Period amounted to RMB31.0 million, a decrease of 27.7% as compared to the corresponding period in 2022. The gross profit margin for the Period was 15.2%, as compared to 18.9% for the corresponding period in 2022.
- Net profit for the Period amounted to RMB19.2 million, a decrease of 19.7% as compared to the corresponding period in 2022.
- The Board has resolved not to declare an interim dividend for the six months ended 30 June 2023.

UNAUDITED INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**” and each a “**Director**”) of JY GAS LIMITED (the “**Company**”) announces the unaudited interim consolidated financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the Period with comparative figures for the corresponding period in 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Note	Unaudited	
		Six months ended 30 June	
		2023	2022
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	5	204,539	227,356
Cost of sales	8	(173,516)	(184,471)
Gross profit		31,023	42,885
Administrative expenses	8	(9,254)	(11,398)
Reversal of net impairment losses on financial assets		58	3
Other income	6	1,789	1,789
Other gains, net	7	2,313	929
Operating profit		25,929	34,208
Finance income	9	1,047	327
Finance costs	9	(475)	(965)
Finance income and costs, net	9	572	(638)
Profit before income tax		26,501	33,570
Income tax expense	10	(7,257)	(9,595)
Profit and total comprehensive income for the Period		19,244	23,975
Profit and total comprehensive income attributable to:			
Owners of the Company		18,723	23,132
Non-controlling interests		521	843
		19,244	23,975
Basic and diluted earnings per share for profit attributable to owners of the Company (expressed in RMB per share)	11	0.04	0.07

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2023

		Unaudited	Audited
		30 June	31 December
	Note	2023	2022
		RMB'000	RMB'000
Assets			
Non-current assets			
Property, plant and equipment		134,406	135,541
Investment properties		69,600	69,900
Right-of-use assets		10,385	10,707
Intangible assets		5,910	5,378
Trade receivables	12	26,506	26,185
Other non-current assets		7,511	5,686
		<u>254,318</u>	<u>253,397</u>
Current assets			
Inventories		7,464	9,800
Contract assets		1,188	—
Trade and other receivables	12	41,216	39,800
Financial assets at fair value through profit or loss		8,734	—
Prepayments and other current assets		17,780	25,354
Cash and bank balances		157,263	173,023
		<u>233,645</u>	<u>247,977</u>
Total assets		<u><u>487,963</u></u>	<u><u>501,374</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)

AS AT 30 JUNE 2023

		Unaudited 30 June 2023 <i>RMB'000</i>	Audited 31 December 2022 <i>RMB'000</i>
	Note		
Equity			
Share capital		310	310
Share premium and reserves		172,068	170,734
Retained earnings		102,818	103,080
Equity attributable to owners of the Company		275,196	274,124
Non-controlling interests		15,599	15,078
Total equity		290,795	289,202
Liabilities			
Non-current liabilities			
Lease liabilities		1,923	1,961
Trade payables	13	9,580	9,458
Deferred income tax liabilities		8,400	7,268
		19,903	18,687
Current liabilities			
Trade and other payables	13	68,985	58,842
Contract liabilities		105,114	112,906
Current income tax liabilities		2,806	3,217
Borrowings	14	—	18,000
Lease liabilities		360	520
		177,265	193,485
Total liabilities		197,168	212,172
Total equity and liabilities		487,963	501,374

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2023

1 General information

JY GAS LIMITED (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 address of the Company’s registered office is 3-212 Governors Square, 23 Lime Tree Bay Avenue, P.O. Box 30746, Seven Mile Beach, Grand Cayman, KY1-1203, Cayman Islands.

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

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

The Group is principally engaged in the sale of natural gas, mainly piped natural gas (“**PNG**”), compressed natural gas (“**CNG**”) and liquefied natural gas (“**LNG**”), the provision of construction and installation services and the sale of gas-burning appliances in Gaomi City, Shandong Province.

These interim condensed consolidated financial information are presented in Renminbi Yuan (“**RMB**”), unless otherwise stated.

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2023 has not been audited.

2 Basis of preparation

This interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This interim condensed consolidated financial information does not include all the notes of the type normally included in annual consolidated financial statements. Accordingly, the interim condensed consolidated financial information should be read in conjunction with the annual report for the year ended 31 December 2022, which has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), and any public announcements made by the Company during the interim reporting period.

The preparation of this interim condensed consolidated financial information in conformity with HKFRSs 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. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the interim financial information, are disclosed in note 4 below.

3 Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2022 as described in those annual financial statements except for the adoption of new and amended standards as set out below. Taxes on income in the interim periods are accrued using tax rate that would be applicable to expected total earnings.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

(b) Impact of standards issued but not yet applied by the Group

Certain new accounting standards and interpretations have been published that are not mandatory for this reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

4 Estimates

The preparation of the Interim Financial Information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022.

5 Revenue and segment information

The Company's executive directors are the Group's chief operating decision maker ("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 interim condensed consolidated financial information. The Group's total revenues are all from domestic customers in the PRC. Accordingly, no geographical information is presented.

	<i>Unaudited</i>	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Revenue recognised at a point in time:		
Revenue from PNG sales	174,618	189,398
Revenue from CNG and LNG sales	13,119	13,342
Revenue from sales of gas-burning appliance	3,281	2,818
	191,018	205,558
Revenue recognised over time:		
Revenue from construction and installation services	13,521	21,798
Total	204,539	227,356

During the six months ended 30 June 2023 and 2022, no revenue was derived from transactions with a single customer representing 10% or more of the Group's total revenue.

6 Other income

	<i>Unaudited</i>	
	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Rental income from a related party	<u>1,789</u>	<u>1,789</u>

7 Other gains, net

	<i>Unaudited</i>	
	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Foreign exchange gains	3,275	—
Fair value (loss)/gain on investment properties	(300)	780
Fair value loss on financial assests	(535)	—
Other	<u>(127)</u>	<u>149</u>
	<u>2,313</u>	<u>929</u>

8 Expenses by nature

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

	<i>Unaudited</i>	
	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of natural gas	154,360	166,682
Materials used in construction and installation services	6,183	7,821
Cost of gas-burning appliance sold	1,662	1,554
Employee benefit expenses	4,438	4,005
Depreciation and amortisation		
– Property, plant and equipment	5,302	4,516
– Right-of-use assets	322	322
– Intangible assets	159	62
Taxes and surcharges	618	840
Repairs and maintenance costs	2,726	91
Utility costs	625	674
Vehicle costs	186	154
Outsourced construction labour cost	1,486	1,447
Listing expenses	—	4,604
Other expenses	4,703	3,097
	<hr/>	<hr/>
Total cost of sales and administrative expenses	182,770	195,869
	<hr/> <hr/>	<hr/> <hr/>

9 Finance income and costs, net

	<i>Unaudited</i>	
	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income:		
– Bank deposits	673	61
– Financing components recognised	374	266
	<hr/>	<hr/>
Total finance income	1,047	327
	<hr/> <hr/>	<hr/> <hr/>
Interest expense:		
– Bank borrowings	(400)	(893)
– Interest expense of lease liabilities	(75)	(72)
	<hr/>	<hr/>
Total finance costs	(475)	(965)
	<hr/> <hr/>	<hr/> <hr/>
Finance income/(costs), net	572	(638)
	<hr/> <hr/>	<hr/> <hr/>

10 Income tax expense

	<i>Unaudited</i>	
	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax:		
– PRC enterprise income tax	6,125	9,098
– Deferred income tax	1,132	497
	<hr/>	<hr/>
	7,257	9,595
	<hr/> <hr/>	<hr/> <hr/>

11 Earnings per share

Basic earnings per share for the six months ended 30 June 2023 and 2022 are calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period.

	<i>Unaudited</i>	
	Six months ended 30 June	
	2023	2022
Profit attributable to owners of the Company (RMB'000)	18,723	23,132
Weighted average number of issued ordinary shares	440,000,000	330,000,000
Basic earnings per share (expressed in RMB per share)	<u>0.04</u>	<u>0.07</u>

As the Company has no dilutive instruments during the six months ended 30 June 2023 (2022: nil), the Group's diluted earnings per share equals to its basic earnings per share.

12 Trade and other receivables

	<i>Unaudited</i>	<i>Audited</i>
	30 June	31 December
	2023	2022
	RMB'000	RMB'000
Non-current		
Trade receivables		
– Third parties	27,011	26,690
Less: provision for impairment of trade receivables	(505)	(505)
	<u>26,506</u>	<u>26,185</u>
Current		
Trade receivables		
– Related parties	5,424	3,286
– Third parties	31,354	34,225
Less: provision for impairment of trade receivables	(598)	(656)
	<u>36,180</u>	<u>36,855</u>
Other receivables		
– Amounts due from a related party	4,550	2,600
– Amounts due from third parties	25,890	25,749
	<u>30,440</u>	<u>28,349</u>
Less: provision for impairment of other receivables	(25,404)	(25,404)
	<u>5,036</u>	<u>2,945</u>
Other receivables - net	<u>41,216</u>	<u>39,800</u>
Total trade and other receivables, net	<u>67,722</u>	<u>65,985</u>

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

	<i>Unaudited</i>	<i>Audited</i>
	30 June	31 December
	2023	2022
	RMB'000	RMB'000
Within 1 year	35,378	32,836
1 - 2 years	28,373	31,327
Over 3 years	38	38
	<u>63,789</u>	<u>64,201</u>

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

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

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

	<i>Unaudited</i>	
	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
At beginning of period	1,161	654
Provision	—	5
Reversal	(58)	—
	<u>1,103</u>	<u>659</u>

The carrying amounts of trade receivables approximate their fair values.

13 Trade and other payables

	<i>Unaudited</i>	<i>Audited</i>
	30 June	31 December
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Non-current		
Trade payables		
– Third parties	<u>9,580</u>	<u>9,458</u>
Current		
Trade payables		
– Third parties	34,260	38,384
– Related parties	<u>923</u>	<u>712</u>
	<u>35,183</u>	<u>39,096</u>
Other payables		
– Value-added tax payable	9,469	10,679
– Other taxes payable	1,116	374
– Amounts due to related parties	1,168	975
– Listing expenses payable	1,158	3,644
– Salaries and staff welfare payable	1,314	1,548
– Dividends payable	17,850	—
– Others	<u>1,727</u>	<u>2,526</u>
	<u>33,802</u>	<u>19,746</u>
	<u>68,985</u>	<u>58,842</u>
Total trade and other payables	<u>78,565</u>	<u>68,300</u>

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

	<i>Unaudited</i>	<i>Audited</i>
	30 June	31 December
	2023	2022
	RMB'000	RMB'000
Less than 1 year	27,945	24,941
1 - 2 years	16,000	22,708
2 - 3 years	176	176
Over 3 years	642	729
	<u>44,763</u>	<u>48,554</u>

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

14 Borrowings

	<i>Unaudited</i>	<i>Audited</i>
	30 June	31 December
	2023	2022
	RMB'000	RMB'000
Current		
Bank borrowings		
– Secured by properties	<u>—</u>	<u>18,000</u>

As at 31 December 2022, bank borrowings of RMB18,000,000 were secured by investment properties of the Group.

15 Dividends

On 16 June 2023, the directors of the Company declared a final dividend of HKD0.044 per ordinary share of the Company, amounting to HKD19,360,000 (equivalent to RMB17,651,000) for the year ended 31 December 2022 at the annual general meeting.

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In Gaomi City and Shandong Province, where the Group operates, favourable government policies continue to be in place to encourage natural gas consumption, including “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. According to the 14th Five-Year Energy Development Plan of Shandong Province (《山東省能源發展“十四五”規劃》) promulgated by the Shandong Provincial People’s Government on 19 August 2021 (the “**Shandong Five Year Plan**”), a target has been set for at least 9% of Shandong Province’s total energy consumption to be in the form of natural gas by 2025.

The government’s support to the natural gas industry also comes in the form of improvement of infrastructure and facilities for natural gas supply. For example, the Shandong Five Year Plan encourages the development of coastal LNG receiving stations and a natural gas pipeline network which is expected to extend to Gaomi City. The 14th Five-Year Energy Development Plan for Weifang City (《濰坊市能源發展“十四五”規劃》) promulgated by the People’s Government of Weifang City on 10 May 2022 has set out the government’s intention to improve the natural gas transmission and distribution pipeline network, and increase transmission and distribution capacity within the area, whereby the government will accelerate the construction of natural gas pipeline connection lines from Pingdu City to Gaomi City, Zhangqiu City to Qingzhou City, and various urban natural gas ring networks based on projects such as the east trunk line and north trunk line of the Shandong natural gas pipeline network.

The Company believes that it is well-placed to benefit from the favourable government policies and general industry outlook to further grow its natural gas business.

DEVELOPMENT STRATEGY AND OUTLOOK

The Group remains committed to play its part in the PRC's promotion of clean energy transition by providing the public with reliable access to natural gas supply in Gaomi City. The Group will continue to invest in expanding its pipeline network to improve its customer reach in Gaomi City. In line with government policies, the Group will also continue to implement Clean Energy Projects (which are government subsidised construction projects) so as to improve access to natural gas supply in rural areas of Gaomi City. The Group has been actively carrying out the replacement of existing gas meters with Goldcard Meters (which are nationally accredited wireless remote gas meters) and will continue to do so, as part of its efforts to increase operational efficiency and safety, and 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 Period, 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 Period, the Group's customers of its sale of PNG business included (a) retail customers which comprised 144,914 active residential PNG end-users, 356 active industrial PNG end-users and 4,772 active commercial PNG end-users, representing a change of approximately 2.4%, -4.8% and 16.6% from that as at 31 December 2022; and (b) one wholesale customer which is a natural gas refuelling station operator in Gaomi City. The Group's sales volume of PNG dropped slightly to approximately 47.7 million m³ for the Period from approximately 53.5 million m³ for the six months ended 30 June 2022. As at the end of the Period, the Group's urban pipeline network was comprised of approximately 697.4 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.

Following the loosening of COVID-19 restrictions by the government in around December 2022, there was a surge in COVID-19 infections in Gaomi City in January and February 2023, which generally affected the operation of businesses in a range of industries. Such slowdown in business activities coincided with the Chinese new year holidays in February 2023, leading to weak demand for PNG from the Group's commercial and industrial PNG end-users during these two months, as well as a temporary suspension of the Group's construction and installation services. Such slowdown was partially complemented by robust demand for PNG from the Group's residential PNG end-users due to needs for heating in the height of winter in January and February 2023. Stepping into March 2023, business activities in Gaomi City generally resumed to normal. PNG sales to the Group's commercial and industrial PNG end-users as well as construction and installation services gradually picked up, while PNG sales to residential PNG end-users eased off slightly as the 2022-2023 winter heating season came to an end in March 2023.

Although the Group's PNG procurement price had not been materially impacted by the continuing Russia-Ukraine military conflict, its LNG procurement prices and average cost of PNG (comprising PNG procured directly and PNG converted from LNG during periods of high demand) generally remained high in January to February 2023, mainly due to tight supply conditions and high demand during winter, but have gradually subsided since March 2023 as summer sets in, in line with the cyclical trend of the industry.

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 Period, the total revenue of the Group generated from its PNG sales business was RMB174.6 million, representing a decrease of 7.8% from RMB189.4 million for the corresponding period in 2022. The Group's sales volume of PNG was approximately 47.7 million m³, representing a decrease of 10.8% from approximately 53.5 million m³ for the corresponding period in 2022.

Sales to retail customers: Revenue generated from PNG sales to retail customers was RMB170.2 million for the Period, representing a decrease of 8.1% from RMB185.3 million for the corresponding period in 2022. During the Period, PNG sales to industrial PNG end-users accounted for the largest portion of the Group's total PNG sales. During the Period, PNG sales volume to the Group's industrial, residential and commercial PNG end-users was 29.8 million m³, 14.1 million m³ and 2.2 million m³, respectively, accounting for approximately 64.6%, 30.6% and 4.8% of the Group's total PNG sales volume to retail customers. Comparatively, for the corresponding period in 2022, PNG sales volume to industrial, residential and commercial PNG end-users was 36.5 million m³, 12.8 million m³ and 2.5 million m³, respectively, representing approximately 70.5%, 24.7% and 4.8% of the Group's total PNG sales volume to retail customers. The aforementioned decrease in revenue generated from the Group's PNG sales to retail customers was mainly due to a decrease in revenue from sales to the Group's industrial and commercial PNG end-users (from RMB151.7 million for the corresponding period in 2022 to RMB133.4 million for the Period) resulting from (i) a general slowdown of both the global economy and domestic economy, which led to fewer business activities in Gaomi City and lower volume of goods being exported by industrial PNG end-users such as those engaged in manufacturing of textile products; and (ii) temporary suspension of certain commercial businesses due to a surge in COVID-19 infections in Gaomi City in January to February 2023.

Sales to our wholesale customer: Revenue generated from PNG sales to our wholesale customer was RMB4.5 million for the Period, representing an increase of 9.8% from RMB4.1 million for the corresponding period in 2022. During the Period, PNG sales volume to our wholesale customer was 1.6 million m³, representing a decrease of 5.9% from 1.7 million m³ for the corresponding period in 2022. The aforementioned increase in revenue generated from the Group's PNG sales to our wholesale customer was mainly due to an increase in the Group's average per unit price of PNG sold to our wholesale 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 Period, revenue of the Group generated from its CNG and LNG sales business was RMB13.1 million, which remained stable as compared to RMB13.3 million for the corresponding period in 2022.

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 Period, revenue of the Group generated from its construction and installation services was RMB13.5 million, representing a decrease of 38.1% as compared to RMB21.8 million for the corresponding period in 2022. Such decrease was primarily attributable to the slowdown of the Group's construction and installation services resulting from (i) a drop in the delivery of newly constructed properties and suspension of certain property construction projects due to the generally weak real estate market and financial situation of PRC property developers; and (ii) temporary suspensions of the Group's construction and installation services during January to February 2023 as a result of the surge in COVID-19 infections in Gaomi City and the Chinese new year holidays.

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 Period, revenue of the Group generated from its sale of gas-burning appliances was RMB3.3 million, representing an increase of 17.9% as compared to RMB2.8 million for the corresponding period in 2022. Such increase was primarily attributable to the Group's increased focus on residential customers interested in transitioning from coal-gas-burning appliances to gas-burning ones, in light of the Group's freed-up capacity as a result of less large scale construction and installation projects for property developers due to the economic slowdown as mentioned above.

FINANCIAL REVIEW

Revenue

The Group's revenue for the Period was RMB204.5 million, representing a decrease of 10.0% as compared to RMB227.4 million for the corresponding period in 2022. The decrease in revenue was mainly attributable to a decrease in revenue from the Group's sale of PNG, particularly in respect of non-residential PNG end-users as mentioned above.

Gross Profit

The Group's gross profit for the Period was RMB31.0 million, representing a decrease of 27.7% as compared to RMB42.9 million for the corresponding period in 2022. The decrease in gross profit was mainly due to a decrease in revenue from the Group's construction and installation services as well as sale of PNG for the reasons described above. The Group's gross profit margin declined to 15.2% for the Period from 18.9% for the corresponding period in 2022, primarily attributable to (i) the slowdown of the Group's construction and installation services segment, due to the combined effect of lower sales volume resulting from the weak real estate market which led to fewer construction and installation work carried out for property developers and temporary suspensions in January and February 2023 due to COVID-19 infections, as well as higher average cost due to the Group's increased installation work carried out for residential customers as mentioned above. Since residential customers are geographically dispersed, installation work used more raw materials and manpower,

hence the higher average cost for residential customers as compared to the work carried out for property developers. 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. Hence a drop in the construction and installation service segment with relatively high gross profit margins has led to a decrease in the Group's overall gross profit margin; and (ii) a drop in the gross profit margin of PNG sales to residential PNG end-users, due to high average cost of PNG because of high demands and tight supply during winter, yet the Group was unable to transfer its costs onwards to customers as its PNG selling price is subject to the maximum regulatory price set by the government.

Other Income

The Group's other income for the Period was RMB1.8 million, which remained stable as compared to RMB1.8 million for the corresponding period in 2022.

Finance Costs

The Group's finance costs for the Period were RMB0.5 million, representing a decrease of 50% as compared to RMB1.0 million for the corresponding period in 2022. This was primarily due to a decrease in the Group's bank borrowings.

Income Tax Expense

The Group's income tax expense for the Period was RMB7.3 million, representing a decrease of 24.0% as compared to RMB9.6 million for the corresponding period in 2022. Such decrease was primarily attributable to a decrease in the Group's profit before income tax. The effective tax rate for the Period was 27.4% (the effective tax rate for the corresponding period in 2022 was 28.6%).

Profit Attributable to Owners of the Company

Profit attributable to owners of the Company for the Period was RMB18.7 million, representing a decrease of 19.0% as compared to RMB23.1 million for the corresponding period in 2022, which was mainly due to a decrease in the Group's revenue and the gross profit as mentioned above.

Trade and Other Receivables

The Group's trade and other receivables was RMB67.7 million as at 30 June 2023, representing an increase of 2.6% as compared to RMB66.0 million as at 31 December 2022, which was mainly due to an increase in construction and installation services with outstanding fees pending settlement by customers.

Trade and Other Payables

The Group's trade and other payables was RMB78.6 million as at 30 June 2023, representing an increase of 15.1% as compared to RMB68.3 million as at 31 December 2022, which was mainly due to (i) an increase in third party trade payables relating to the Group's purchase of gas-burning appliances; and (ii) the declaration of payment of final dividends of RMB3.9 cents (equivalent to HK\$4.4 cents) per ordinary share for the year ended 31 December 2022.

Liquidity and Financial Position

The Group's current assets amounted to RMB233.6 million as at 30 June 2023, representing a decrease of 5.8% as compared to RMB248.0 million as at 31 December 2022. As at 30 June 2023, the Group's cash and bank balances amounted to RMB157.3 million.

As at 30 June 2023, the current ratio (current assets/current liabilities) of the Group was 131.8% (128.2% as at 31 December 2022) and the debt ratio of the Group (total liabilities/total assets) was 40.4% (42.3% as at 31 December 2022). As at 30 June 2023, the Group had no borrowings. As at 30 June 2023, the Group had lease liabilities of RMB2.3 million, of which RMB1.9 million is analysed as current portion, and RMB0.4 million is analysed as non-current portion.

The gearing ratio of the Group was 0.8% as at 30 June 2023 (7.1% as at 31 December 2022). 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 30 June 2023, the Group maintained a net cash position.

Exchange Rate Fluctuation Risk

While Group's businesses are principally denominated in RMB, it has certain deposits denominated in Hong Kong dollars which expose it to exchange rate fluctuation risk. Currently, the Group does not have any hedging policy on foreign currency. The Group's management will closely monitor the exchange rate fluctuation risk and take appropriate measures such as hedging measures to control the exchange rate fluctuation risk when necessary.

Contingent Liabilities

As at 30 June 2023, the Group had no material contingent liabilities.

Financial Guarantee Obligations

As at 30 June 2023, the Group had no material financial guarantee obligations.

Pledge of Assets

As at 30 June 2023, the Group had not pledged any assets (RMB69.9 million as at 31 December 2022).

Significant Investment

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

Material Acquisition and Disposal

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

Human Resources and Employee Compensation

As at 30 June 2023, the Group employed a total of 104 employees in the PRC as compared to 105 as at 30 June 2022. During the Period, the total employee costs of the Group were RMB4.4 million. The Group manages its personnel actively, including but not limited to providing training on relevant policies and regulations, safety management and professional knowledge in order to improve management skills, strengthen employees' professional skills and enhance the competitiveness of the Group.

EVENTS AFTER THE PERIOD

On 13 August 2023, there was an incident of natural gas explosion in a certain bank service outlet and restaurant premises located within the Group's Operating Area in Gaomi City. The cause of the incident is under investigation by relevant authorities. As at the date of this announcement, the Group has not had any legal claims, request for compensation, fines or penalties lodged against it in relation to such incident.

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

MATERIAL LITIGATION

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

NET PROCEEDS FROM THE GLOBAL OFFERING

The Shares were listed on the Main Board of the Stock Exchange 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 30 June 2023:

Designated use of Net Proceeds	% of Net Proceeds	Net Proceeds from the Global Offering			Expected to be utilised prior to the following date
		Allocated amount (RMB million)	Utilised (RMB million)	Unutilised (RMB million)	
Expanding the sale of PNG business through construction of new mid-pressure pipelines of approximately 101.0 km in the Operating Area	48.5%	49.1	5.8	43.3	By the end of 2025
Upgrading approximately 43.4 km of the urban pipeline network	20.5%	20.7	0	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	2.5	4.5	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	0	14.3	By the end of 2024
Working capital and other general corporate purposes	10.0%	10.1	3.5	6.6	By the end of 2025

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

CORPORATE GOVERNANCE PRACTICES

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

REVIEW OF INTERIM RESULTS BY AUDIT COMMITTEE

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

The Audit Committee has discussed with the management the accounting principles and policies adopted by the Group, and has reviewed the Group's unaudited interim condensed consolidated financial information for the six months ended 30 June 2023. The Audit Committee has agreed with the management of the Company on the interim result of the Group for the Period.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2023.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The announcement has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.gmjytrq.com). The interim report for the six months ended 30 June 2023 (containing all information set forth in Appendix 16 to the Listing Rules) will be despatched to shareholders of the Company in due course and will be published on the aforesaid websites of the Stock Exchange and the Company.

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

Hong Kong, 25 August 2023

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