JIAXING GAS GROUP CO., LTD.*

嘉興市燃氣集團股份有限公司

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

Stock code : 9908

2022 ANNUAL REPORT

** For identification purposes only*

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Sun Lianqing *(Chairman and chief executive officer)*
Mr. Xu Songqiang

Non-executive Directors

Mr. He Yujian *(Resigned on 10 June 2022)*
Mr. Zheng Huanli
Mr. Fu Songquan
Mr. Ruan Hongliang
Mr. Xu Jiong *(Appointed on 10 June 2022)*

Independent Non-executive Directors

Mr. Yu Youda
Mr. Cheng Hok Kai Frederick
Mr. Zhou Xinfa

SUPERVISORS

Ms. Liu Wen *(Chairman)*
Ms. Xu Shuping *(Resigned on 11 January 2023)*
Ms. He Haiyan *(Appointed on 11 January 2023)*
Mr. Wang Dongzhi *(Resigned on 10 June 2022)*
Ms. Mu Nini *(Appointed on 10 June 2022)*

AUDIT COMMITTEE

Mr. Cheng Hok Kai Frederick *(Chairman)*
Mr. Yu Youda
Mr. Zhou Xinfa

NOMINATION COMMITTEE

Mr. Sun Lianqing *(Chairman)*
Mr. Yu Youda
Mr. Zhou Xinfa

REMUNERATION COMMITTEE

Mr. Yu Youda *(Chairman)*
Mr. Xu Jiong
Mr. Cheng Hok Kai Frederick

JOINT COMPANY SECRETARIES

Ms. Zhou Caihong
Ms. Pun Ka Ying
(ACG, HKACG) *(Appointed on 10 May 2022)*
Ms. Lo Ka Man *(Resigned on 10 May 2022)*

AUTHORIZED REPRESENTATIVES

Mr. Sun Lianqing
Ms. Pun Ka Ying *(Appointed on 10 May 2022)*
Ms. Lo Ka Man *(Resigned on 10 May 2022)*

REGISTERED OFFICE AND HEADQUARTER IN THE PRC

5th Floor, Building 3
Hualong Plaza
Economic and Technological Development Zone
Jiaxing
Zhejiang Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place
348 Kwun Tong Road
Kowloon, Hong Kong
(w.e.f. 15 August 2022)

HONG KONG H SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong
(w.e.f. 15 August 2022)

AUDITOR

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

LEGAL ADVISORS

As to Hong Kong Law
Chiu & Partners
40/F, Jardine House
1 Connaught Place
Central
Hong Kong

As to PRC Law
Jia Yuan Law Offices
F408, Ocean Plaza
158 Fuxing Men Nei Street
Xicheng District
Beijing 100031
China

PRINCIPAL BANKERS

Bank of Communications Co., Ltd. (Jiaxing Branch)
No. 1086, Zhongshan East Road
Jiaxing
Zhejiang Province
PRC

Bank of Jiaxing Co., Ltd
No. 1001, Changsheng South Road
Jiaxing
Zhejiang Province
PRC

STOCK CODE

9908

COMPANY WEBSITE

http://www.jxrqgs.com/

"AGM"	the annual general meeting of the Company to be held on 9 June 2023
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Company
"Board" or "Board of Directors"	the board of directors of the Company
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"City Development"	Jiaxing City Investment & Development Group Co., Ltd. (嘉興市城市投資發展集團有限公司), a state-owned enterprise established under the laws of the PRC on 21 December 2009 and solely owned by Zhejiang Jiaxing State-owned Capital Investment Management Company Limited* (浙江嘉興國有資本投資運營有限公司) and is indirectly owned as to 95.9571% by State-owned Assets Supervision and Administration Commission of Jiaxing Municipal People's Government* (嘉興市人民政府國有資產監督管理委員會) and as to 4.0429% by Zhejiang Financial Development Co., Ltd.* (浙江省財務開發有限責任公司), a wholly-owned entity under Zhejiang Provincial Department of Finance* (浙江省財政廳)
"Concert parties"	Taiding, Fengye, Mr. Xu Songqiang and Ms. Xu Hua, parties acting in concert pursuant to the acting in concert agreement dated 16 July 2021
"Concessions"	the Jiaxing Urban Area Concession and the Jiaxing Port Area Concession
"Company"	JiaXing Gas Group Co., Ltd.* (嘉興市燃氣集團股份有限公司), a joint stock limited liability company established under the laws of the PRC on 15 March 1998
"Directors"	the directors of the Company
"Domestic Share(s)"	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi and are unlisted Shares which are currently not listed or traded on any stock exchange
"Fengye"	Fengye Holdings Group Company Limited* (楓葉控股集團有限公司), a limited liability company established under the laws of the PRC on 24 April 1996, which is wholly-owned by Zhejiang Fengye Environmental Protection Technology Co., Ltd.* (浙江楓葉環保科技有限公司), which is in turn owned as to 61% by Ms. Fu Shengying (傅生英) and 39% by Mr. Fu Zhiquan (傅志權)
"Gangqu Gas"	Jiaxing Gangqu Natural Gas Company Limited* (嘉興市港區天然氣有限公司), a limited liability company established under the laws of the PRC on 15 August 2003 and a direct non-wholly owned subsidiary of the Company
"Group", "we", "our" or "us"	the Company and its subsidiaries
"H Share(s)"	overseas listed foreign share(s) in the share capital of the Company with a nominal value of RMB1.00 each, which are traded in Hong Kong dollars and listed on the Stock Exchange

"Hangjia Liquefied Gas"	Zhejiang Hangjia Liquefied Gas Company Limited* (浙江杭嘉液化天然氣有限公司), a limited liability company established under the laws of the PRC on 27 December 2019 and owned as to 70% by Hangjiaxin and a subsidiary of our major joint venture
"Hangjiaxin"	Zhejiang Hangjiaxin Clean Energy Company Limited* (浙江杭嘉鑫清潔能源有限公司), a limited liability company established under the laws of the PRC on 24 July 2017 and owned as to 51% by the Company and regarded as a joint venture of the Company under the applicable accounting standards and a subsidiary of the Company pursuant to the Listing Rules
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Jiaran Construction"	Jiaxing Jiaran Construction Company Limited* (嘉興市嘉燃建設有限公司), a limited liability company established under the laws of the PRC on 19 December 2006 and a direct wholly-owned subsidiary of the Company
"Jiaran Liquefied Gas"	Jiaxing Jiaran Liquefied Gas Company Limited* (嘉興市嘉燃液化氣有限公司), a limited liability company established under the laws of the PRC on 16 April 2012 and a direct wholly-owned subsidiary of the Company
"Jiaran New Energy"	Jiaxing Jiaran New Energy Company Limited* (嘉興市嘉燃新能源有限公司), a limited liability company established under the laws of the PRC on 3 August 2016 and a direct wholly-owned subsidiary of the Company
"Jiaxing Pipeline Company"	Jiaxing Natural Gas Pipeline Network Management Co., Ltd.* (嘉興市天然氣管網經營有限公司), a limited liability company established under the laws of the PRC on 2 June 2006, and a direct wholly-owned subsidiary of City Development
"Jiaxing Port Area Concession"	the concession agreement between Jiaxing Port Area Planning Construction Bureau* (嘉興港區規劃建設局) and us, with effect from 1 May 2008, to act as the exclusive PNG distributor in Jiaxing Port Operating Area for a period of 25 years, subject to renewal approval upon expiration, together with two supplemental agreements dated 8 May 2019 and 23 May 2019, respectively
"Jiaxing Port Operating Area"	the operating area in Jiaxing Port Area where the Group was granted the exclusive right to the operation and management of high, medium and low pressure piped gas, including sales of PNG, liquefied petroleum gas and other gaseous fuels to users by means of pipeline distribution under the Jiaxing Port Area Concession
"Jiaxing Urban Area Concession"	the concession agreement between Jiaxing Planning and Construction Bureau* (嘉興市規劃與建設局), subsequently renamed as Jiaxing Urban and Rural Construction Bureau* (嘉興市住房和城鄉建設局), and the Group, with effect from 1 January 2008, to act as the exclusive PNG distributor in Jiaxing Urban Operating Area for a period of 25 years, subject to renewal approval upon expiration, together with the supplemental agreement dated 8 May 2019
"Jiaxing Urban Operating Area"	the operating area in Jiaxing Urban Area where the Group was granted the exclusive right to the operation and management of medium and low pressure piped gas, including sales of PNG and liquefied petroleum gas to users by means of pipeline distribution under the Jiaxing Urban Area Concession
"Jie'an"	Jiaxing Jie'an Transportation Company Limited* (嘉興市捷安運輸有限公司), a limited liability company established under the laws of the PRC on 4 September 2006 and a direct non-wholly owned subsidiary of the Company

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"LNG"	liquefied natural gas
"LPG"	liquefied petroleum gas
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"PNG"	natural gas distributed to end users through pipelines
"PRC" or "China"	the People's Republic of China, excluding for the purposes of this annual report, the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
"Prospectus"	the prospectus dated 30 June 2020 issued by the Company
"Qianyu"	Qianyu Group Company Limited* (乾宇集團有限公司), a limited liability company established under the laws of the PRC on 14 July 2009 and an associate of Mr. Fu Songquan (傅松權), the non-executive Director
"Reporting Period" or "Year"	the year ended 31 December 2022
"RMB" or "Renminbi"	the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Share(s)"	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, including both the Domestic Share(s) and the H Share(s)
"Shareholder(s)"	holder(s) of Shares from time to time
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary"	has the meaning ascribed to it under the Listing Rules
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Supervisor(s)"	the supervisor(s) of the Company
"Taiding"	Zhejiang Taiding Investment Company Limited* (浙江泰鼎投資有限公司), a limited liability company established under the laws of the PRC on 26 January 2011 and owned as to 65% by Mr. Sun Lianqing and 35% by Ms. Xu Lili, the spouse of Mr. Sun Lianqing
"Zhuji Yujia"	Zhuji Yujia New Energy Technology Company Limited* (諸暨宇嘉新能源科技有限公司), a limited liability company established under the laws of the PRC on 13 December 2018, a wholly-owned subsidiary of Qianyu and an associate of Mr. Fu Songquan (傅松權), the non-executive Director

In this annual report, if there is any inconsistency between the Chinese names of the entities or enterprises established in China and their English translations, the Chinese names shall prevail. English translation of company names in Chinese or another language are marked with "" and are provided for identification purposes only.*

FINANCIAL HIGHLIGHTS

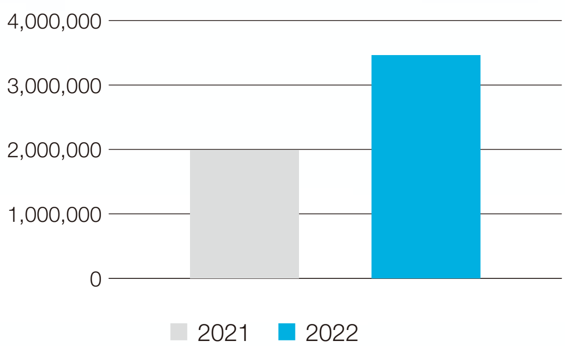
Revenue for the Year was RMB3,466 million, representing an increase of 74.29% over last year.

Profit attributable to the Shareholders of the Company for the Year was RMB69.3 million, representing a decrease of 36.13% over last year.

Total sales volume of natural gas for the year was 701 million m^3, representing an increase of 22.13% over last year.

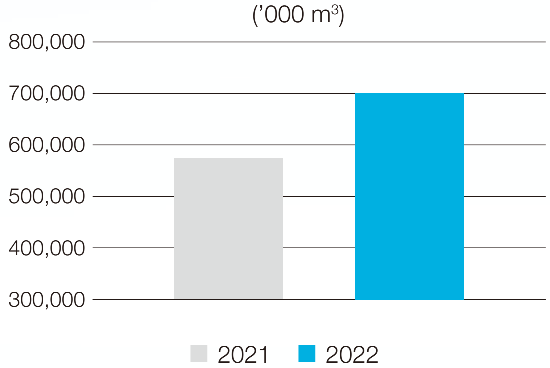
The Board has proposed a final dividend of RMB0.20 (tax inclusive) per Share for the Year.

REVENUE (RMB'000)



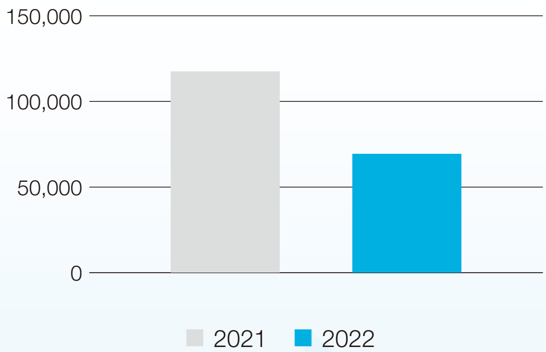
NATURAL GAS SALES VOLUME

('000 m^3)



PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

(RMB'000)



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors of Jiaxing Gas Group Co., Ltd., I am pleased to present the Annual Report 2022 of the Group to you.

In 2022, there was a surge in international oil and gas prices due to the flare-ups of COVID-19, geopolitical conflicts, various uncertainties and unexpected factors. The three-year impact of COVID-19 also changed the work and lives of the people and had a significant impact on economic activities. In order to keep the overall price stable, stimulate investment and consumption, coordinate the mutual complementation between various types of energy, ensuring the supply of energy and stabilizing the prices of energy became one of a series of economic stimulus plans and measures of the government.

As an urban gas supplier, the Group implemented the policy of ensuring energy supply and stabilizing prices and actively organized gas sources to meet the energy needs of all users without adjusting the prices for civil gas, so as to overcome difficulties with the users. On the other hand, the Dushan Port project of the Group was put into operation, which gave rise to certain gas sales. As a result, there was an increase in gas sales and a decrease in profits for the year. In addition, as a result of the concept of "housing is for people to live in", in 2022, there was a decline in the growth rate of the real estate industry on which the Group's engineering installation business was based.

The year 2022 has passed. In 2023, the pandemic weakens, which is conducive to the recovery of the global economy. According to the spirit of the important speech of General Secretary Xi Jinping at the Central Economic Work Conference, China will put emphasis on implementing the strategy of expanding domestic demand and take more powerful measures to achieve a virtuous circle of social reproduction in 2023. We believe with the optimization of pandemic prevention and control measures, the continuous introduction of loose real estate policies, and the strengthening of fiscal policies to improve efficiency, China will surely achieve new goals in economic development in 2023. We will seize development opportunities and strictly adhere to the fundamental principle of safety. Meanwhile, we will focus on transformation and upgrading, further strengthen the development of new energy businesses, and accelerate our progress towards becoming an integrated energy service provider.

Finally, on behalf of the Board of Directors, I would like to express my heartfelt thanks to all shareholders, customers and all partners of the Group for their trust and support, and all employees of the Group for their hard work and dedication.

Sun Lianqing
Chairman

Jiaxing, Zhejiang, the PRC
28 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In 2022, due to unexpected factors including the flare-ups of COVID-19 and the international situation, China's natural gas resources were tight in supply and high in price. According to statistics published by the National Development and Reform Commission, the apparent consumption of natural gas in China was 366.3 billion m^3 in 2022, representing a year-on-year decrease of 1.7%. According to the General Administration of Customs, China imported 109.25 million tons of natural gas in 2022, representing a year-on-year decrease of 9.9%, of which LNG imports were 63.44 million tons, representing a year-on-year decrease of 19.5%, with a year-on-year increase of 22.7% in the amount. According to the data published by the Zhejiang Provincial Development and Reform Commission, the natural gas consumption in Zhejiang Province in 2022 was 18 billion m^3, which was in line with the previous year. Specifically, urban gas consumption was 13.2 billion m^3, representing a year-on-year increase of 1.5%; gas consumption by power generation was 4.8 billion m^3, representing a year-on-year decrease of 4.0%.

Meanwhile, based on national energy security, China firmly and scientifically promoted the "dual carbon" goal and thoroughly implemented the philosophy of sustainable development. In May 2022, Zhejiang Province issued the 14th Five-Year Plan for Energy Development in Zhejiang Province, which specifies that the natural gas consumption in the province will be 31.5 billion m^3 in 2025, with primary energy accounting for 12.98%, and the gasification rate of urban and rural residents exceeding 55%. The plan emphasizes the implementation of the carbon peaking action, promotion of low-carbon and efficient utilization, strict control of coal consumption, continuous improvement in the level of natural gas utilization, and promotion of low-carbon replacement of refined oil, such as oil-to-gas, oil-to-electricity, and oil-to-hydrogen.

The demand for natural gas is expected to further increase, with the continuous implementation of China's macroeconomic adjustment policies, the overall recovery of the economy, and the continuous progress towards the "dual carbon goals", the accelerated recovery of industrial and commercial production and operation in 2023.

RESULTS REVIEW

The Group, the largest city gas operator in Jiaxing, a major prefecture-level city in Zhejiang Province, is mainly engaged in the sale of piped natural gas (subject to concessions), LNG and LPG, as well as the provision of construction and installation services. As at the end of the Reporting Period, we provided gas supply services for approximately 429,000 residential users and 2,221 industrial and commercial users.

In 2022, the Group's total gas sales volume was 701 million m^3, representing an increase of 22.13% as compared with 2021, mainly due to the rapid growth in the LNG trade business after the putting into operation of the Group's Dushan Port project, with the gas sales volume of 193 million m^3, representing an increase of 309.34% as compared with the previous year. In 2022, the price of upstream natural gas increased due to unexpected factors such as the flare-ups of the pandemic and geopolitical conflicts significantly affecting the global economic situation and the natural gas market. However, the government determined that the civil gas price would not be changed. Although the government provided partial subsidies for the difference between the purchase and sales prices of civil gas for the heating season in 2021, civil gas selling prices were strictly subject to restrictions. The failure to address the rising cost of upstream gas sources in a timely manner put pressure on the Company. Despite the pressure from the economic slowdown and rising resource prices, the putting into operation of the Group's receiving station in the Dushan Port during the Reporting Period will play an important role in optimizing the Group's resource structure and means that the Group has made good preparation for the "X+1+X" market-oriented reform of the natural gas industry.

As at the end of the Reporting Period, the Group operated a natural gas pipeline network in the operating area, with a total length of 1,069.95 km (comprising 717.72 km of self-constructed pipeline network and 357.23 km of leased urban pipeline network, and excluding 52.37 km of urban pipeline network under construction, among which 33.41 km was self-constructed).

DEVELOPMENT STRATEGY AND OUTLOOK

There remains uncertainty about the fluctuations of the energy market in 2023. However, with the inclusion of the provincial-level pipeline network of Zhejiang in the national pipeline network, Zhejiang Province will soon achieve the separation of management and marketing and accelerate the market-oriented reform. This means that the Company can further expand its sources of purchase through the main operators of the provincial-level natural gas pipeline network, coordinate piped gas resources, and liquefied natural gas resources passing through the Dushan Port, thus enhancing the Group's natural gas supply capacity and competitiveness. Meanwhile, the Group will accelerate the transformation and upgrading to an integrated energy service provider and seek a new development path. The Group completed the transformation of the comprehensive energy station by using the original two stations in the network and put it into operation. In the future, the Group will further tap the synergy between the new energy business and the natural gas business, and actively expand new energy projects, so as to achieve sustainable development.

FINANCIAL OVERVIEW

Revenue

For the Year, the revenue of the Group was RMB3,466.0 million, representing an increase of 74.29% compared with RMB1,988.6 million last year, mainly due to the increase in the gas sales volume and the average unit selling price of natural gas.

Gross Profit

For the Year, the gross profit of the Group was RMB165.8 million, representing a decrease of 30.25% compared with RMB237.7 million last year, mainly due to the inversion of residential gas sales prices during the year incurring losses.

Other Income and Gains

For the Year, the other income and gains of the Group were RMB37.6 million, representing an increase of 224.14% compared with RMB11.6 million last year, mainly due to the recognition of government subsidy income (residential gas price loss subsidy) and a larger increase in foreign exchange gain compared to the previous year.

Finance Costs

For the Year, the finance costs of the Group were RMB10.8 million, representing an increase of 20% compared with RMB9.0 million last year, mainly due to the increase in interest expense on bank acceptance discounts.

Income Tax Expense

For the Year, the income tax expense of the Group decreased from RMB36.8 million last year to RMB26.0 million. The effective tax rate for the Year was 25.38%.

Profit Attributable to Owners of the Parent

For the Year, the profit attributable to owners of the parent was RMB69.3 million, representing a decrease of 36.13% compared with RMB108.5 million last year, mainly due to the inversion of residential gas sales prices during the Year incurring losses and less government subsidies, most of which are borne by the company itself.

Liquidity, Financial Position and Capital Structure

As at 31 December 2022, the current assets of the Group amounted to RMB632.0 million (31 December 2021: RMB598.4 million), of which cash and bank balance were equivalent to RMB233.2 million.

As at 31 December 2022, the current ratio (current assets/current liabilities) of the Group was 1.2 (31 December 2021: 1.35) and the asset-liability ratio (total liabilities/total assets) was 57.75% (31 December 2021: 58.45%). As of 31 December 2022, the utilised bank loans were RMB223.8 million, all of which were denominated in RMB, with the annual interest rate of 4.35%-4.40%, RMB34.4 million of which was wholly repayable within one year or on demand and RMB189.4 million was wholly repayable in the second year, in the third to fifth year, or wholly repayable beyond five years. All the utilised bank loans are floating interest rate loans. As at 31 December 2022, the unutilised bank credit balance was RMB747.0 million. As at 31 December 2022, the Group also had lease liabilities of RMB159.9 million, of which RMB13.7 million is analyzed as current portion, and RMB146.2 million analyzed as non-current portion.

The gearing ratio of the Group was about 15.17% as at 31 December 2022 (as at 31 December 2021: about 13.86%). The ratio was calculated as net debt divided by total capital and net debt of the Group. As at 31 December 2022, the Group maintained a net cash position.

Exchange Rate Fluctuation Risk

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

Contingent Liabilities

In December 2018, with the guarantee provided by the Group, Hangjiaxin, a joint venture company, obtained a bank loan for investment in property, plant and equipment used in operation. The Directors consider that the possibility of the default in payment regarding to the bank loan of Hangjiaxin is remote after taking the fair value of pledged assets provided by Hangjiaxin and the predicted cash inflow of Hangjiaxin into consideration and therefore no provision has been made in the current and historical financial information for the contingent liability arising from the guarantee provided by the Group to the bank loan of Hangjiaxin.

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

Financial Guarantee Obligations

The Group provided a joint-liability guarantee to Hangjiaxin in favour of a bank for a term commencing on the date of the guarantee agreement and ending on the date of two years from the maturity date of the bank loan.

As at 31 December 2022, the outstanding amount under the bank loan obtained by Hangjiaxin with the guarantee provided by the Group in favour of the bank was RMB477.3 million (31 December 2021: RMB446.3 million).

Pledge of Assets

As at 31 December 2022, the Group pledged certain assets to obtain banking facilities granted to the Group. The total carrying amounts of pledged assets of the Group are as follows:

	31 December 2022 (RMB million) (Audited)	31 December 2021 (RMB million) (Audited)
Pledge of assets:		
Investment properties	**113.3**	120.0
Property, plant and equipment	**7.1**	7.4

Significant investments and significant plans relating to significant investments or capital assets

Among the investments in joint ventures and associates, the investment in joint venture in relation to Hangjiaxin constituted a significant investment of the Group, with the Company holding a 51% interest in the joint venture. As at 31 December 2022, the Group had paid approximately RMB357.0 million as capital contribution to Hangjiaxin and the carrying amount of the Group's investment was approximately RMB323.4 million, representing approximately 15.57% of the Group's total assets. Hangjiaxin was established in 2017 for the construction and operation of a LNG storage and transportation station in Dushan Port, which is a coastal area, for the import and storage of LNG for diversification of the source of natural gas of the Group and to meet the demand for natural gas in Jiaxing and neighbouring cities such as Shanghai, Hangzhou and Suzhou in the Yangtze River Delta. During the Reporting Period, Hangjiaxin was in the initial stage, and the Group recorded an unrealised loss of approximately RMB9.5 million from its investment in Hangjiaxin and did not receive any dividend. The Board is of the view that Hangjiaxin will be an important supplier of LNG to the Group and will generate positive cash flows in the future after commencing full operation.

Save as disclosed, during the Reporting Period, the Group did not hold any significant investment and the Group does not have any future plans for material investments or capital assets as at the date of this report.

Material Acquisition and Disposal

During the Reporting Period, the Group did not make any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Human Resources and Employee Compensation

As at 31 December 2022, the Group had a total of 367 (31 December 2021: 363) employees in the PRC. The total employee costs of the Group for the Year were approximately RMB68.4 million. The Group further strengthens the training of employees to enhance their professional level and overall quality, by providing targeted training courses to the management team, managers at various positions, professional technicians and service employees, and by distributing relevant policies and regulations, industry information and knowledge documents to employees. The Group also provides employees with competitive remuneration packages which are determined with reference to their qualifications and performance to incentivise them for hard work and better customer service.

Material Litigation

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

EVENTS AFTER THE REPORTING PERIOD

No significant event occurred after the Reporting Period of the Company and up to the date of this report.

PROCEEDS FROM THE GLOBAL OFFERING AND USE OF PROCEEDS

H shares of the Company (the "**H Share(s)**") were officially listed on the Stock Exchange on 16 July 2020. A total of 37,844,500 H Shares were issued by the Company by way of a global offering, at an offer price of HK$10.00 per H Share, with the net proceeds (after deducting the listing expense) of approximately HK$334.0 million (equivalent to RMB302.1 million) from its initial public offering. The Group has used up the proceeds for the purposes specified in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 30 June 2020. As of 31 December 2022, the details of the use of the above net proceeds are as follows:

Designated use of net proceeds	% of net proceeds from the global offering	Allocated amount (RMB'000)	Net proceeds from the global offering and use of proceeds Utilised (RMB'000)	Net proceeds from the global offering and use of proceeds Unutilised (RMB'000)	Expected to be utilised prior to the following date
Funding our payment of the registered capital of Hangjiaxin and providing shareholder's loan to Hangjiaxin by batches	80%	241,697	241,697	–	–
Upgrading our pipeline network (including urban pipeline network and end-user pipeline network) and operational facilities of the Group in Jiaxing	10%	30,212	30,212	–	–
Working capital and general corporate purposes	10%	30,212	30,212	–	–
Total	100%	302,121	302,121	–	

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Sun Lianqing ("Mr. Sun"), aged 63, is the executive Director, the chairman and the chief executive officer who is responsible for the overall business strategies and operation of the Group. Mr. Sun is also the chairman of Nomination Committee of the Company. Mr. Sun has been the chairman of the Board and chief executive officer of the Company since the establishment of the Company on 15 March 1998 and he was re-designated as an executive Director on 23 September 2019. Mr. Sun is also the vice-chairman of the board and general manager of Hangjiaxin, a director of Gangqu Gas and a director of Hangjia Liquefied Gas. Mr. Sun is the sole director of Taiding.

Mr. Sun has extensive experience in business administration and management. From August 1980 to June 1992, Mr. Sun was a teacher in various academic institutions in Jiaxing, Zhejiang Province, the PRC and he was responsible for delivering lectures and providing vocational training to students. From July 1992 to December 1997, Mr. Sun successively served as the office manager of Jiaxing Suburban Urban Construction Bureau* (嘉興市郊區城建局), director of Jiaxing Suburban Municipal Public Utilities Office* (嘉興市郊區市政公用事業處) and manager of Jiaxing Suburban LPG Company* (嘉興市郊區液化氣公司) in the PRC.

Mr. Sun graduated from Zhejiang Institute of Education* (浙江教育學院) of the PRC, majoring in mathematics education in July 1990. Mr. Sun graduated from Zhejiang University of the PRC, majoring in economics in July 2002. Mr. Sun is a senior economist in the PRC.

Mr. Xu Songqiang ("Mr. Xu"), aged 55, is the executive Director, standing deputy general manager and chief engineer who is responsible for the strategic planning implementation and internal control supervision of the Group. He was re-designated as an executive Director on 23 September 2019. Mr. Xu is also a supervisor of Gangqu Gas, the chairman of the board of Jiaran Liquefied Gas, a director and a manager of Jiaran New Energy, a director of Hangjiaxin and a director of Hangjia Liquefied Gas.

Mr. Xu has extensive experience in engineering project management. From August 1990 to December 1997, Mr. Xu was a staff member of engineering section in Jiaxing Gas Company* (嘉興市煤氣公司), the predecessor of the Company. From January 1998 to March 2000, he was the chief of safety technology section in Jiaxing Gas Company and later the Company, which was established on 15 March 1998. He served as the deputy general manager and was promoted to the current position of standing deputy general manager in November 2009.

Mr. Xu graduated from Zhejiang University in the PRC with a bachelor's degree in chemical engineering machinery and equipment in June 1990. Mr. Xu is a professor-level senior engineer and a senior economist in the PRC.

NON-EXECUTIVE DIRECTORS

Mr. Xu Jiong ("Mr. Xu"), aged 43, is a non-executive director of the Company. Mr. Xu was appointed as a non-executive director and a member of the Remuneration Committee on 10 June 2022.

Mr. Xu has extensive experience in investment project management. From November 2003 to June 2012, Mr. Xu successively served as the deputy chief and the chief of the Commerce, Trade and Tourism Section of the Office of Pinghu Municipal Government, the chief of the Agricultural Economics Section and the deputy director of the Office of Pinghu Municipal Government. From June 2012 to August 2015, he successively served as the deputy secretary of the party committee and the mayor of Xindai Town, Pinghu City. From August 2015 to November 2016, he served as the secretary of the party committee and the director of the Management Committee of Pinghu Administrative Service Center, and the director of the Office of Pinghu Public Resource Transaction Management Committee. From November 2016 to November 2018, he served as the chairman and the secretary of the party committee of Pinghu Urban Development Investment (Group) Co., Ltd.* (平湖市城市發展投資集團有限公司), as well as the chairman of City New Rural Construction Investment Co., Ltd.* (市新農村建設投資有限公司). From November 2018 to August 2020, he served as a member of the party committee and the deputy general manager of City Development, and the deputy director of the management committee of scenic areas of Nanhu District of Jiaxing. Since August 2020, he has been the deputy secretary of the party committee and the deputy general manager of City Development, and the deputy director of the management committee of scenic areas of Nanhu District of Jiaxing. Since February 2022, he has served as the deputy secretary of the party committee, the vice chairman and the general manager of City Development, and the deputy director of the management committee of scenic areas of Nanhu District of Jiaxing, responsible for assisting the secretary of the party committee and the chairman in managing the business operation of City Development.

Mr. Xu graduated with a bachelor's degree in law from the Party School of the CPC (中央黨校) in December 2004, and has been a senior economist in the PRC since February 2022.

Mr. Zheng Huanli ("Mr. Zheng"), aged 54, is the non-executive Director. Mr. Zheng was a Director from August 2018 to March 2019. He was re-appointed as a non-executive Director on 23 September 2019.

Mr. Zheng has extensive experience in financial management. He joined City Development in July 2002 and successively served as an assistant, an assistant manager of the finance department, the manager of the finance department and the head of the financial management centre, he is currently the manager of enterprise management department of City Development.

Mr. Zheng graduated from Zhejiang Radio and Television University* (浙江廣播電視大學) in the PRC majoring in financial accounting in March 1994. He graduated from Zhejiang University of Finance & Economics in the PRC majoring in accounting in January 2007.

Mr. Fu Songquan ("Mr. Fu"), aged 76, is the non-executive Director. Mr. Fu was appointed as a non-executive Director on 23 September 2019.

Mr. Fu has extensive experience in engineering and management. From February 1996 to January 2010, he was a legal representative and general manager of Fengye, which was known as Zhejiang Fengye Group Co., Ltd.* (浙江楓葉集團有限公司). From December 2009 to September 2011, he was a legal representative of Qianyu. From March 2009 to December 2012, he was a legal representative of Zhejiang Fengye Machinery Co., Ltd* (浙江楓葉機械有限公司), a machinery sales and manufacturing company and a subsidiary of Qianyu. Since January 2013, he has been a director and the general manager of Qianyu. Since December 2018, he has been the sole director, the legal representative and the general manager of Zhuji Yujia.

Mr. Ruan Hongliang ("Mr. Ruan"), aged 61, is the non-executive Director. Mr. Ruan was appointed as a non-executive director on 4 June 2021.

Mr. Ruan has over 36 years' experience in the glass industry. Mr. Ruan is currently an executive director, chairman of the board of directors and general manager of Flat Glass Group Co., Ltd. ("Flat Glass Group"), a company listed on the Stock Exchange (Stock code: 06865.HK) and Shanghai Stock Exchange (Stock code: 601865.SH). Mr. Ruan served in Flat Glass Group's predecessor as a director from June 1998 to December 2005, the deputy chairman of its board of directors from June 1998 to February 1999 and as the chairman of its board of directors from March 1999 to May 2000 and from September 2003 to December 2005, respectively. Mr. Ruan also served as the general manager of the Flat Glass Group's predecessor from May 2000 to September 2003. Mr. Ruan has served in Flat Glass Group as the chairman of the board of directors and the general manager since December 2005. Mr. Ruan also serves in Flat Glass Group's subsidiaries. He has been an executive director and general manager of Shanghai Flat Glass Co., Ltd.* (上海福萊特玻璃有限公司) since June 2006, a chairman of the board of directors and general manager of Zhejiang Jiafu Glass Co., Ltd.* (浙江嘉福玻璃有限公司) from August 2007 to March 2014, of Anhui Flat Solar Materials Co., Ltd.* (安徽福萊特光伏材料有限公司) and Anhui Flat Solar Glass Co., Ltd.* (安徽福萊特光伏玻璃有限公司) from January 2011 to March 2014, an executive director and general manager of Zhejiang Jiafu Glass Co., Ltd.* (浙江嘉福玻璃有限公司), Anhui Flat Solar Materials Co., Ltd.* (安徽福萊特光伏材料有限公司), Anhui Flat Solar Glass Co., Ltd.* (安徽福萊特光伏玻璃有限公司) and Jiaxing Flat New Energy Technology Co., Ltd.* (嘉興福萊特新能源科技有限公司) since March 2014, and an executive director and general manager of Zhejiang Flat Glass Co., Ltd.* (浙江福萊特玻璃有限公司) since February 2011. He has also been a director of Flat (Hong Kong) Co., Limited* (福萊特(香港)有限公司) since January 2013 and of Flat (Hong Kong) Investment Co., Limited* (福萊特(香港)投資有限公司) since July 2017 and the chairman of Flat (Vietnam) Co., Ltd.* (福萊特(越南)有限公司) since July 2016. Mr. Ruan has served as the general manager of the research and development centre of Flat Glass Group since 2019, as an executive director and general manager of Flat (Jiaxing) Trading Import and Export Co., Ltd.* (福萊特(嘉興)貿易進出口有限公司) since June 2019 and as a director of Fengyang Petro China Kunlun Gas Co., Ltd.* (鳳陽中石油昆侖燃氣有限公司) since April 2020. Mr. Ruan has been an executive director and general manager of Fengyang Flat Natural Gas Pipeline Co. Ltd.* (鳳陽福萊特天然氣管道有限公司) since November 2020.

Mr. Ruan graduated from Jiaxing No. 1 Middle School* (嘉興市第一中學) in July 1978.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yu Youda ("Mr. Yu"), aged 58, is the independent non-executive Director. Mr. Yu was appointed as an independent non-executive Director on 10 January 2017. Mr. Yu is also the chairman of Remuneration Committee and a member of both Audit Committee and Nomination Committee of the Company.

Mr. Yu has extensive experience in accounting and finance. From June 1994 to November 1999, he was the director of Zhejiang Xinda Certified Public Accountants, responsible for accounting matters. From December 1999 to August 2005, he was the director of Zhejiang Everbright Certified Public Accountants, responsible for accounting matters. Since September 2005, he has been the chairman of Zhejiang Weining Certified Public Accountants, responsible for overseeing accounting matters. From June 2011 to June 2017 and since August 2021, he was and has been an independent director of Hangzhou Landscape Architecture Design Institute Co., Ltd* (杭州園林設計院股份有限公司), a Chinese landscape architectural services company listed on the Shenzhen Stock Exchange (stock code: 300649.SZ). Since 2018, Mr. Yu has been appointed as an external supervisor of Bank of Wenzhou. Since July 2019, he has been an independent director of Hengsheng Energy Co., Ltd* (恒盛能源股份有限公司), a Chinese energy company listed on the Shanghai Stock Exchange (stock code: 605580). From 25 January 2021 to 9 February 2022, Mr. Yu was an independent director of Roshow Science and Technology Stock Co., Ltd (an electromechanical products manufacturing company listed on the Shenzhen Stock Exchange, Stock code: 002617.SZ).

Mr. Yu has been a senior accountant in the PRC since November 1996. He graduated from the Correspondence College of the Party School of the Central Committee of the Chinese Communist Party* (中共中央黨校函授學院) in the PRC in June 1992. Mr. Yu graduated the Zhejiang University in the PRC in July 1997.

Mr. Cheng Hok Kai Frederick ("Mr. Cheng"), aged 59, is the independent non-executive Director. Mr. Cheng was appointed as an independent non-executive Director on 23 September 2019. Mr. Cheng is also the chairman of Audit Committee and a member of Remuneration Committee of the Company.

Mr. Cheng has extensive experience in business, finance and accounting management. From November 1985 to August 1988, Mr. Cheng worked as an audit assistant and senior accountant of Price Waterhouse (currently known as PricewaterhouseCoopers), an accounting firm in Hong Kong, where he was primarily responsible for audit assignments for various companies. From July 1997 to August 2004, Mr. Cheng was the finance director of Asia Pacific and Japan of LSI Logic Hong Kong Limited, a company principally engaged in designing, developing, and marketing semiconductors and storage systems, focused in the storage, communication, and consumer markets, where he was primarily responsible for finance function for the operation in Asia Pacific and Japan. From August 2004 to April 2006, he was the finance director of Pacific Rim of Mentor Graphics Asia Pte Ltd., a company principally engaged in providing software and hardware design solutions for electronic design automation. From April 2006 to June 2008, he worked as the finance director for Asia Pacific and Japan of the Autodesk Asia Pte Ltd., a company principally engaged in providing 2D and 3D design software for the manufacturing, building and construction, and media and entertainment markets, where he was primarily responsible for finance and accounting function of the operation in Asia Pacific and Japan. From April 2010 to January 2018, Mr. Cheng worked as the company secretary and managing director of corporate finance and investment in PuraPharm Corporation Ltd., a medicine company listed on the Stock Exchange (Stock code: 1498.HK). From March 2017 to March 2022, Mr. Cheng was an independent non-executive director of Luzhou Xinglu Water (Group) Co., Ltd., a Chinese water supply services company listed on the Stock Exchange (Stock code: 2281.HK). From May 2019 to October 2019, Mr. Cheng worked as an executive director of Sanai Health Industry Group Company Limited, a pharmaceutical company listed on the Stock Exchange (Stock code: 1889.HK). He has been an independent non-executive director of CIMC Vehicles (Group) Co., Ltd, a Chinese company mainly engaged in the design, manufacture and sales of semi-trailers and truck bodies listed on the Stock Exchange (Stock code: 1839.HK) and the Shenzhen Stock Exchange (Stock code: 301039.SZ) since June 2019. Mr. Cheng has also been an independent non-executive director and the chairman of audit committee of China Shun Ke Long Holdings Limited, a company listed on the Stock Exchange (Stock code: 974.HK) since July 2020. On 1 January 2021, Mr. Cheng was appointed as the chief financial officer of Advanced Assembly Materials International Limited, a non-listed company registered in Hong Kong, with subsidiaries in mainland China, Malaysia, Singapore, Thailand, and the Philippines and a semiconductors packaging materials supplier.

Mr. Cheng graduated with a bachelor's degree in finance and accounting from the University of Salford in the United Kingdom in July 1985, and a master's degree in accounting from the University of New South Wales in Australia in May 1992. Mr. Cheng was admitted as an associate member of CPA Australia (formerly known as the Australian Society of Certified Practising Accountants) and an associate member of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) in February 1992 and April 1992, respectively. Mr. Cheng became fellow member of the Hong Kong Institute of Certified Public Accountants and CPA Australia in March 2003 and January 2004, respectively. Mr. Cheng was admitted as an associate member of the Institute of Chartered Secretaries and Administrators of the United Kingdom in April 1995 and a member of the Governance Institute of Australia (formerly known as Chartered Secretaries Australia) in December 1996. Mr. Cheng became a fellow member of both the Institute of Chartered Secretaries and Administrators of the United Kingdom and the Governance Institute of Australia in June 2012 and November 2013, respectively. Mr. Zheng obtained the certificate of qualification as an independent director of a listed company issued by the Shenzhen Stock Exchange on 25 November 2020.

Mr. Zhou Xinfa ("Mr. Zhou"), aged 67, is the independent non-executive Director. Mr. Zhou was appointed as an independent non-executive Director on 4 June 2021. He is also a member of both Audit Committee and Nomination Committee of the Company.

From June 1979 to July 1988, Mr. Zhou worked as an engineer at Zhejiang Chinese Medical University. After obtaining a master's degree in engineering, Mr. Zhou worked in China Optoelectronics Development Center* (中国光电发展中心) as a senior engineer from January 1992 to May 2003. From June 2003 to December 2015, Mr. Zhou worked at Zhejiang Energy Research Institute* (浙江省能源研究所) as a professor-level senior engineer. From January 2016 to October 2020, Mr. Zhou worked at Zhejiang Energy Technology Research Institute* (浙能技術研究院) as a professor-level senior engineer. Mr. Zhou has been an independent director of Hengsheng Energy Co., Ltd.* (恒盛能源股份有限公司), a Chinese energy company listed on the Shanghai Stock Exchange (Stock code: 605580), since July 2019. Mr. Zhou has been as an independent non-executive director of Huzhou Gas Co., Ltd.* (湖州燃氣股份有限公司),a gas company listed on the Stock Exchange with its head office in Huzhou City, Zhejiang Province (Stock code: 06661) since 11 May 2021.

Mr. Zhou graduated from Zhejiang University and obtained a master's degree in engineering in January 1992 and a professor-level senior engineer qualification in 2006.

SUPERVISORS

Ms. Liu Wen ("Ms. Liu"), aged 41, is the Supervisor and chairman of the board of Supervisors who is responsible for supervision of the Board and senior management.

Ms. Liu has extensive experience in accounting and finance. From August 2001 to December 2002, she was an accountant of Jiaxing Nanhu Mingsheng Development Co., Ltd.* (嘉興市南湖名勝發展有限公司), which was principally engaged in investment, development and operation management of scenic areas of Nanhu District, Jiaxing, and was responsible for accounting matters. From December 2002 to July 2006, she successively served as an accounting and financial manager of Jiaxing Nanhu Real Estate Co., Ltd.* (嘉興市南湖房地產有限公司), Jiaxing Jiacheng Construction Development Co., Ltd.* (嘉興市嘉城建設發展有限公司), formerly known as Jiaxing Investment Construction Engineering Management Co., Ltd.* (嘉興市城投建設工程代建管理有限公司), and Jiaxing Urban Construction Real Estate Development Co., Ltd.* (嘉興市城建房地產開發有限公司), which were principally engaged in property development in Jiaxing, Zhejiang Province, the PRC, and was responsible for accounting and finance matters. From August 2006 to May 2016, she worked in City Development, a state-owned enterprise that is principally engaged in investment projects in Jiaxing, Zhejiang Province, the PRC and a Substantial Shareholder of the Company, successively as chief of the accounting section, deputy manager of the finance department and deputy director and director of the financial management department, responsible for accounting and finance matters. From June 2016 to January 2020, she has successively been a deputy manager and manager of the investment development department of City Development. Since February 2020, Ms. Liu has been general manager of Jiaxing City Capital Management Co., Ltd* (嘉興市城市資產經營有限公司), formerly known as Jiaxing Tourism Development Co., Ltd* (嘉興旅遊發展有限公司), a state-owned enterprise that is principally engaged in operation and management of tourism resources and capital. Since December 2022, Ms. Liu has also served as the finance manager (director of financial management center) of City Development. Since August 2018, Ms. Liu has been the chairman of the board of Supervisors.

She has been a senior accountant in Zhejiang Province, PRC since July 2011, a certified public accountant in the PRC since December 2015 and an asset appraiser in the PRC since September 2018. She graduated from the Zhejiang University in the PRC majoring in economics in December 2002.

Ms. Mu Nini ("Ms. Mu"), aged 45, is a Supervisor who is responsible for supervision of the Board and senior management.

Ms. Mu has extensive experience in finance, corporate internal control, taxation and treasury management. From August 2001 to April 2010, she served as the accounting and financial manager of Qingdao Haier Group. From April 2010 to May 2011, she served as the financial manager of Jiangsu Shenma Electric Co., Ltd. Ms. Mu joined ENN Energy Holdings Limited (stock code: 2688.HK), an energy company listed on the Stock Exchange, formerly known as Xin'ao Gas Holdings Co., Ltd.* (新奧燃氣控股有限公司) in 2011 and served as the finance director and chief financial officer until February 20, 2023, and is currently the vice president of the Xin'ao Xinzhi Technology Co., and she is mainly responsible for financial and value-added operations.

Ms. Mu graduated from Qingdao Technological University in 2001 and received the Executive Master of Business Administration from China Europe International Business School (CEIBS) in 2017. She holds the qualifications of Senior Accountant and China Certified Management Accountant in the PRC.

Ms. He Haiyan ("Ms. He"), aged 38, is an employee representative Supervisor who is responsible for the records management of the Group and supervision of the Board and senior management.

Ms. He joined the Company in July 2009 and is engaged in records management and was promoted to the position of Director of Records Office in August 2017. She is responsible for the overall work of records management of the Company.

Since November 2021, Ms. He has served as an associate researcher of Zhejiang Province Archives in the PRC. Ms. He graduated from Anhui University in the PRC in June 2006 with a bachelor's degree in management and graduated from Shanghai University in the PRC, with a Master's degree in Management in July 2009.

SENIOR MANAGEMENT

Mr. Gu Bin ("Mr. Gu"), aged 49, is a deputy general manager of the Company who is responsible for the overall day-to-day management of the market and business development. He is also the chairman of the board and general manager of Jie'an.

Mr. Gu has extensive experience in engineering project management and market expansion. From January 1998 to August 2002, Mr. Gu served in Jiaxing Petroleum Machinery Factory* (嘉興石油機械廠), a company engaged in the manufacturing of petroleum machinery. Mr. Gu joined the Company in December 2002. He served successively as an assistant chief of the technical section, an assistant to chief executive officer and a manager of the pipeline management department and was promoted to the current position of a deputy general manager in January 2014.

Mr. Gu graduated with a junior college diploma in public administration from the Correspondence College of the Zhejiang Provincial Party* (中共浙江省委黨校函授學院) in the PRC in June 2008.

Ms. Xu Hua ("Ms. Xu"), aged 56, is a deputy general manager of the Company who is responsible for overall day-to-day client management. She is also a supervisor of Hangjiaxin, the chairman of the board of Gangqu Gas and a supervisor of Hangjia Liquefied Gas.

Ms. Xu Hua has extensive experience in statistics. From December 1989 to April 2000, Ms. Xu Hua served in Jiaxipera Compressor Co., Ltd.* (加西貝拉壓縮機有限公司), a company engaged in the manufacturing of refrigerator compressors. She joined the Company in May 2001. She served successively as an office manager, an assistant to chief executive officer and a manager of the customer services department and was promoted to the current position of a deputy general manager in January 2017 and a deputy secretary of the party branch of the Company in November 2009.

Ms. Xu Hua has been a senior economist in the PRC since February 2012. She graduated from Zhejiang Metallurgy and Economics College* (浙江冶金經濟專科學校) in the PRC in July 1989. She graduated with a bachelor's degree in economic management from the Correspondence College of the Party School of the Central Committee of the Chinese Communist Party* (中共中央黨校函授學院) in the PRC in December 2000.

Ms. Zhou Caihong ("Ms. Zhou"), aged 37, is the secretary of the Board who is responsible for overall day-to-day office administration matters. She is also a director of Hangjiaxin, a director of Jiaran Construction and a supervisor of Gangqu Gas.

Ms. Zhou has extensive experience in business administration. Ms. Zhou joined the Company in July 2009 after graduation from university. She served successively as a clerk, assistant office manager, deputy office manager and was promoted to the position of office manager in January 2013. She was appointed as the secretary to the Board in January 2017.

Ms. Zhou graduated from Zhejiang University in the PRC with a bachelor's degree in administration in June 2009.

Ms. Liu Meng ("Ms. Liu"), aged 44, is the chief safety officer, a manager of safety and quality inspection department of the Company who is responsible for overall day-to-day management of production safety and quality assurance matters. She is also a supervisor of Jie'an.

Ms. Liu has extensive experience in safety management. Ms. Liu joined the Company in July 2001 after graduation from university. She served successively as the chief of the production safety section, a deputy manager and a manager of the production safety and quality assurance department and was promoted to the current position of assistant to chief executive officer in November 2009.

Ms. Liu has obtained the qualification of senior engineer of China Energy in the PRC since December 2021. Ms. Liu graduated from Shenyang Aerospace University, formerly known as Shenyang Institute of Aeronautical Engineering, with a bachelor's degree in safety engineering in July 2001.

Ms. Wang Shuiming ("Ms. Wang"), aged 43, is the manager of the planning and finance department of the Group, and was promoted to the chief financial officer on 28 March 2022, who is responsible for the overall financial management of the Group. Ms. Wang is also a director of Jiaran Construction, a supervisor of Jiaran Liquefied Gas and a supervisor of Jiaran New Energy.

Ms. Wang has extensive experience in financial management. From June 2000 to September 2001, Ms. Wang worked in Jiaxing Branch of China Construction Bank Limited, as a savings teller. She served as an audit project manager in Jiaxing Xinhua Certified Public Accountants Co., Ltd.* (嘉興信華會計師事務所有限公司) from October 2001 to August 2005, in Jiaxing Qinghua Certified Public Accountants (General Partnership)* (嘉興慶華會計師事務所（普通合夥）) from September 2005 to February 2007, and in Zhejiang Branch of Zhonglei Certified Public Accountants Co., Ltd.* (中磊會計師事務所有限責任公司浙江分所) from March 2007 to March 2008, respectively. Ms. Wang joined the Company in April 2008. She served successively as an accountant, the vice manager of the planning and finance department and the manager of the planning and finance department.

Ms. Wang has been a senior accountant in Zhejiang Province, PRC since May 2014. She graduated from Zhejiang Institution of Finance & Economics majoring in accounting in December 2003.

Mr. Zhang Chenghong ("Mr. Zhang"), aged 42, is an assistant to chief executive officer of the Company, and the chairman of the board of Jiaran Construction, who is responsible for overall day-to-day management of the construction projects of the Group and the overall day-to-day management of the business operation of Jiaran Construction.

Mr. Zhang has extensive experience in engineering project management. Mr. Zhang joined the Company in August 2001 after graduation from university. He served successively as a project management officer and a manager of the technical department and was promoted to the current position of assistant to chief executive officer in July 2015.

Mr. Zhang has obtained the qualification of senior engineer in the PRC since 20 December 2020. Mr. Zhang graduated from East China University of Science and Technology in the PRC with a bachelor's degree in urban gas engineering in July 2001.

JOINT COMPANY SECRETARIES

Ms. Zhou Caihong ("Ms. Zhou"), is the joint company secretary of the Company. Ms. Zhou is one of the senior management. Please refer to the paragraph headed "Senior Management" above for her biography.

Ms. Pun Ka Ying ("Ms. Pun"), is the joint company secretary of the Company. Ms. Pun is a senior manager of corporate services of Tricor Services Limited and has been providing corporate secretarial and compliance services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Pun possesses over 10 years of experience in the company secretarial field. Ms. Pun is a Chartered Secretary, a Chartered Governance Professional and an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute.

The Directors are pleased to present their report and the audited consolidated financial statements of the Company for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the sales of PNG (under the Concessions), LNG and LPG in Jiaxing, provision of construction and installation services to construct and install end-user pipeline network and gas facilities for customers, and provision of natural gas transportation services, sales of vapour and construction materials, and leasing of properties.

BUSINESS REVIEW

A fair review of the business of the Group and a discussion and analysis of the Group's performance during the year ended 31 December 2022 and the material factors underlying its results and financial position as required by schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) are included in the section of "Management Discussion and Analysis" of this annual report. The future development of the Group's business is discussed in the section of the "Management Discussion and Analysis" of this annual report. The section of the "Management Discussion and Analysis" forms part of this report.

RESULTS

The Group's profits for the year ended 31 December 2022 and the Group's financial position as at 31 December 2022 are set out in the consolidated financial statements on pages 65 to 173 of this annual report.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Friday, 9 June 2023. Shareholders may refer to the notice convening the AGM despatched by the Company for details regarding the AGM.

FINAL DIVIDEND

The Board resolved to recommend the payment of a final dividend of RMB0.20 (tax inclusive) per Share for the Year (the "**2022 Final Dividend**") with an aggregate amount of RMB27,568,900 (tax inclusive) to Shareholders (whether holders of H Shares or Domestic Shares) of the Company whose names appear on the Company's register of members as on Tuesday, 20 June 2023, subject to the approval by the shareholders of the Company at the AGM. Subject to the passing of the relevant resolution at the AGM, the 2022 Final Dividend is expected to be paid around Wednesday, 5 July 2023.

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

TAX

Under the requirements of the Law of the People's Republic of China on Enterprise Income Tax (《中華人民共和國企業所得稅法》) and the Regulations for the Implementation of the Law of the People's Republic of China on Enterprise Income Tax (《中華人民共和國企業所得稅法實施條例》) implemented in 2008, the Company has the obligation to withhold enterprise income tax at a rate of 10% on dividends when it pays the 2022 Final Dividend to its H Shareholders who are overseas non-resident enterprises (including HKSCC Nominees Limited, other institutional nominees and trustees, or other organizations or groups) listed on the H share register of members on Tuesday, 20 June 2023.

According to the requirement under Guo Shui Han [2011] No. 348 issued by the State Administration of Taxation (國家稅務總局國稅函 [2011] 348號規定) and the relevant laws and regulations, for individual H Shareholders who are Hong Kong or Macau residents and whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company will withhold the individual income tax at the rate of 10%. For individual H Shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate lower than 10%, the Company will withhold the individual income tax at a tax rate of 10% of dividend. For individual H Shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate higher than 10% but lower than 20%, the Company will withhold the individual income tax at the effective tax rate under the relevant tax treaty. For individual H Shareholders whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend tax rate higher than 20%, or a country which has not entered into any tax treaties with the PRC, or under any other circumstances, the Company will withhold and pay individual income tax at the rate of 20% on behalf of the individual H Shareholders.

The Company will determine the country of domicile of the individual H Shareholders based on the registered address as recorded in the H share register of members of the Company on Tuesday, 20 June 2023. If the country of domicile of an individual H Shareholder is not the same as the registered address or if the individual H Shareholder would like to apply for a refund of the additional amount of tax finally withheld and paid, the individual H Shareholder shall notify and provide relevant supporting documents to the Company on or before Wednesday, 14 June 2023. Upon examination of the supporting documents by the relevant tax authorities, the Company will follow the guidance given by the tax authorities to implement relevant tax withholding and payment provisions and arrangements. Individual H Shareholders may either personally or appoint a representative to attend to the procedures in accordance with the requirements under the tax treaties notice if they do not provide the relevant supporting documents to the Company within the time period stated above.

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

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the rights of H shareholders to attend and vote at the AGM and their entitlements to the 2022 Final Dividend, the register of H shareholders of the Company will be closed, the details of which are set out below:

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

Latest time to lodge transfer documents for registration	4:30 p.m. on Monday, 5 June 2023
Closure of register of members (both days inclusive)	Tuesday, 6 June 2023 to Friday, 9 June 2023
Record date	Tuesday, 6 June 2023

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

Latest time to lodge transfer documents for registration	4:30 p.m. on Wednesday, 14 June 2023
Closure of register of members (both days inclusive)	Thursday, 15 June 2023 to Tuesday, 20 June 2023
Record date	Tuesday, 20 June 2023

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

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 174 of this annual report. This summary does not form part of the audited consolidated financial statements.

SHARE CAPITAL

As of 31 December 2022, the total share capital of the Company was RMB137,844,500.00, divided into 137,844,500 Shares (including 100,000,000 Domestic Shares and 37,844,500 H Shares) of nominal value of RMB1.00 each. Details of movements of the Company's share capital during the year ended 31 December 2022 are set out in note 33 to the consolidated financial statements of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the Group's property, plant and equipment during the year ended 31 December 2022 are set out in note 14 to the consolidated financial statements of this annual report.

INVESTMENT PROPERTIES

Set out below are the major investment properties held by the Group during the Reporting Period:

Address	Use	Lease
Portions of Buildings 1 and 2 Hualong Plaza, Qinyi Road, Economic and Technological Development Zone, Jiaxing, Zhejiang Province, The People's Republic of China, 314050	Office and hotel	Medium-term lease
Buildings 4101 and 4102, Meiwan Business Center, Hexing Road South, Nanhu District, Jiaxing, Zhejiang Province, The People's Republic of China, 314000	Commercial	Medium-term lease

RESERVES

Details of the movements in the reserves of the Group during the year ended 31 December 2022 are set out in note 34 to the consolidated financial statements and in the consolidated statement of changes in equity of this annual report.

As at 31 December 2022, the distributable reserve of the Company was approximately RMB273.9 million.

BANK BORROWINGS AND OTHER BORROWINGS

Details of the bank borrowings and other borrowings of the Company and its subsidiaries as at 31 December 2022 are set out in note 32 to the consolidated financial statements of this annual report.

PRE-EMPTIVE RIGHTS

Pursuant to the articles of association of the Company and the laws of the PRC, the Company is not subject to any pre-emptive rights requiring it to issue new issues to its existing Shareholders in proportion to their shareholdings.

PRINCIPAL RISKS AND UNCERTAINTIES

The following list is a summary of certain principal risks and uncertainties facing by the Group, some of which are beyond its control. Some of the major risks we face include:

1. Our Concessions for the operation of our PNG business will expire or may be terminated before expiration and we may not be able to renew our existing concessions or secure new concessions.

2. We are affected by risks arising from the PRC government's price control regime for PNG. For example, given that there is generally a time gap between the increase in our purchase price and the increase in our selling price, any price adjustment may negatively affect our profit margin for the relevant period.

3. We are affected by proposed or recently issued PRC government's policies over our business operation. There is no assurance that we will be able to adapt to these government policies in a timely manner or at all.

4. We require various licences and permits to commence, operate and expand our business operation. Any failure to obtain or renew any or all of these licences and permits or any enforcement action taken against us for non-compliance incident may materially and adversely affect our business and expansion plans.

5. The PRC government may impose fines or other fees on us if we fail to comply with the terms of the land grant contract, and we could have financial loss or lose our previous investments in the land and the opportunity to develop the land, which may adversely affect our business, results of operations and financial conditions.

6. We may not have adequate insurance to cover all hazards common to the natural gas industry to which our operations are subject.

7. We require substantial funding for our current and future projects. In addition, the capital expenditures required could be higher than expected due to various reasons which are beyond our control. Any failure to obtain adequate funding or refinance our existing debt at reasonable rates, or at all, could adversely affect our financial condition and results of operations and could prevent us from fulfilling our financial obligations and business objectives.

However, the above is not an exhaustive list. For further details, please refer the section headed "Risk Factors" in the Prospectus. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

DIRECTORS

The Directors during the year ended 31 December 2022 and up to the date of this report were:

Executive Directors:
Mr. Sun Lianqing *(Chairman and Chief Executive Officer)*
Mr. Xu Songqiang

Non-executive Directors:
Mr. He Yujian *(Resigned on 10 June 2022)*
Mr. Zheng Huanli
Mr. Fu Songquan
Mr. Ruan Hongliang
Mr. Xu Jiong *(Appointed on 10 June 2022)*

Independent Non-executive Directors:
Mr. Yu Youda
Mr. Cheng Hok Kai Frederick
Mr. Zhou Xinfa

No Director will be proposed for re-election at the forthcoming annual general meeting.

SUPERVISORS

The Supervisors during the year ended 31 December 2022 and up to the date of this report were:

Ms. Liu Wen *(Chairman)*
Ms. Xu Shuping *(Resigned on 11 January 2023)*
Ms. He Haiyan *(Appointed on 11 January 2023)*
Mr. Wang Dongzhi *(Resigned on 10 June 2022)*
Ms. Mu Nini *(Appointed on 10 June 2022)*

Details of the events conducted by the board of Supervisors during 2022 are set out in the section headed "Report of the Board of Supervisors" of this annual report.

Details of biography of Directors and Supervisors are set out in the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this annual report.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the Directors has entered into a service contract with the Company for a term of three years from the date of appointment until the expiration of the term of office of the second session of the Board. The appointments are subject to the relevant provisions of the Company's articles of association with regard to vacation of office of Directors, removal and re-election of Directors.

Each of the Supervisors has entered into a service contract with the Company for a term of three years from the date of appointment, until the expiration of the term of office of the second session of the board of Supervisors. The appointments are subject to the provisions of the Company's articles of association with regard to vacation of office of Supervisors, removal and re-election of Supervisors.

None of the Directors and Supervisors has a service contract with members of the Group that is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

The Company has established the Remuneration Committee of the Company to formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the Remuneration Committee. Details of the remuneration of the Directors and the five highest paid individuals are set out in note 9 and note 10, respectively to the consolidated financial statements.

None of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the sections headed "Connected Transactions" and "Continuing Connected Transactions" below, none of the Directors and Supervisors nor any entity connected with the Directors and Supervisors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during the year ended 31 December 2022.

DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2022, Directors and Supervisors and their associates did not have any competing interests in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group or had any other conflict of interests with the Group.

MANAGEMENT CONTRACT

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company or any of its subsidiaries were entered into or existed during the year ended 31 December 2022.

DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2022, so far as known to the Directors of the Company, the interests and short positions of the Directors, Supervisors and chief executives of the Company in the Shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) (a) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) which are required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code (including those they are taken or deemed to have under such provisions of the SFO) are as follows:

Long Positions in the Domestic Shares of the Company:

Name	Capacity	Number of Shares (Note 1)	Approximate percentage of shareholding in the relevant class of Shares (Note 2)	Total approximate percentage of shareholding in the total share capital of the Company (Note 3)
Sun Lianqing (Note 4)	Interest in a controlled corporation	35,045,103 (L)	35.05%	25.42%
Xu Songqiang (Note 4)	Beneficial owner	3,069,891 (L)	35.05%	25.42%
	Deemed interest pursuant to Section 317 of the SFO	31,975,212 (L)		

Notes:

(1) The letter "L" denotes the long position in the Shares and underlying shares of the Company.

(2) The calculation is based on the total number of 100,000,000 Domestic Shares in issue.

(3) The calculation is based on the total number of 137,844,500 Shares in issue.

(4) Taiding, Mr. Xu Songqiang, Ms. Xu Hua and Fengye are parties acting in concert pursuant to the acting in concert agreement dated 16 July 2021. Under the SFO, each member of the concert parties is deemed to be interested in the Shares beneficially owned by the other members of the concert parties. Mr. Sun Lianqing is interested in 65% of the equity interest in Taiding and is therefore deemed to be interested in the same number of Shares in which Taiding is interested under the SFO.

Save as disclosed above, as at 31 December 2022, none of the Directors, Supervisors or chief executives of the Company had an interest and short position in the Shares, underlying shares or debentures of the Company or its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2022, so far as is known to the Directors, the interests or short positions of the persons (other than the Directors, Supervisors or chief executives of the Company) in the Shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO are as follows:

Long positions in Shares of the Company:

Name	Class of Shares	Capacity	Number of Shares (Note 1)	Approximate percentage of shareholding in the relevant class of Shares (Note 2)	Total approximate percentage of shareholding in the total share capital of the Company (Note 3)
Taiding (Note 4)	Domestic Shares	Beneficial owner	29,789,013 (L)	35.05%	25.42%
		Deemed interest pursuant to Section 317 of the SFO	5,256,090 (L)		
Xu Lili (徐麗麗) (Note 5)	Domestic Shares	Interest in a controlled corporation	35,045,103 (L)	35.05%	25.42%
Chen Ying (陳瑛) (Note 6)	Domestic Shares	Interest of spouse	35,045,103 (L)	35.05%	25.42%
Xu Hua (徐華) (Note 4)	Domestic Shares	Beneficial owner	186,199 (L)	35.05%	25.42%
		Deemed interest pursuant to Section 317 of the SFO	34,858,904 (L)		
Fengye (Notes 4 and 7)	Domestic Shares	Beneficial owner	2,000,000 (L)	35.05%	25.42%
		Deemed interest pursuant to Section 317 of the SFO	33,045,103 (L)		
Zhejiang Fengye Environmental Technology Limited* (浙江楓葉環保科技有限公司) (Notes 4 and 7)	Domestic Shares	Interest in a controlled corporation	35,045,103 (L)	35.05%	25.42%
Fu Shengying (傅生英) (Notes 4 and 7)	Domestic Shares	Interest in a controlled corporation	35,045,103 (L)	35.05%	25.42%
Fu Zhiquan (傅志權) (Notes 4 and 7)	Domestic Shares	Interest in a controlled corporation	35,045,103 (L)	35.05%	25.42%
City Development (Note 8)	Domestic Shares	Beneficial owner	32,757,502 (L)	32.76%	23.76%

Name	Class of Shares	Capacity	Number of Shares (Note 1)	Approximate percentage of shareholding in the relevant class of Shares (Note 2)	Total approximate percentage of shareholding in the total share capital of the Company (Note 3)
Zhejiang Jiaxing State-owned Capital Investment Management Company Limited* (浙江嘉興國有資本投資運營有限公司) (Note 8)	Domestic Shares	Interest in a controlled corporation	32,757,502 (L)	32.76%	23.76%
Jiaxing State-owned Assets Supervision and Administration Commission* (嘉興市國有資產監督管理委員會) (Note 8)	Domestic Shares	Interest in a controlled corporation	32,757,502 (L)	32.76%	23.76%
Zhuji Yujia (Note 9)	Domestic Shares	Beneficial owner	11,894,374 (L)	11.89%	8.62%
Qianyu (Note 9)	Domestic Shares	Interest in a controlled corporation	11,894,374 (L)	11.89%	8.62%
Tang Shiyao (湯仕堯) (Note 9)	Domestic Shares	Interest in a controlled corporation	11,894,374 (L)	11.89%	8.62%
Fu Fangying (傅芳英) (Note 10)	Domestic Shares	Interest of spouse	11,894,374 (L)	11.89%	8.62%
Xinao Gas Development Company Limited* (新奧燃氣發展有限公司) (Note 11)	Domestic Shares	Beneficial owner	7,155,049 (L)	7.16%	5.19%
Xinao (China) Gas Investment Company Limited* (新奧(中國)燃氣投資有限公司) (Note 11)	Domestic Shares	Interest in a controlled corporation	7,155,049 (L)	7.16%	5.19%
ENN Energy Holdings Limited (新奧能源控股有限公司) (Note 11)	Domestic Shares	Interest in a controlled corporation	7,155,049 (L)	7.16%	5.19%
ENN Energy Holdings Limited (新奧能源控股有限公司) (Note 12)	H Shares	Interest in a controlled corporation	4,355,500 (L)	11.51%	3.16%

Name	Class of Shares	Capacity	Number of Shares (Note 1)	Approximate percentage of shareholding in the relevant class of Shares (Note 2)	Total approximate percentage of shareholding in the total share capital of the Company (Note 3)
Flat (Hong Kong) Co., Limited (福萊特(香港)有限公司) (Note 13)	H Shares	Beneficial owner	6,250,000 (L)	16.51%	4.53%
Flat Glass Group Co., Ltd. (福萊特玻璃集團股份有限公司) (Note 13)	H Shares	Interest in a controlled corporation	6,250,000 (L)	16.51%	4.53%
Hong Sung Timber Trading Co., Limited (香港泓盛木業貿易有限公司) (Note 14)	H Shares	Beneficial owner	5,700,000 (L)	15.06%	4.14%
Jiaxing Jinyuan Investment Co., Ltd.* (嘉興金源投資有限公司) (Note 14)	H Shares	Interest in a controlled corporation	5,700,000 (L)	15.06%	4.14%
Shen Xiaohong (沈小紅) (Note 14)	H Shares	Interest in a controlled corporation	5,700,000 (L)	15.06%	4.14%
Mingyuan Group Investment Limited (Note 15)	H Shares	Beneficial owner	5,300,000 (L)	14.00%	3.84%
Shum Tin Ching (沈天晴) (Note 15)	H Shares	Interest in a controlled corporation	5,300,000 (L)	14.00%	3.84%
Wang Xinmei (Note 16)	H Shares	Interest of spouse	5,300,000 (L)	14.00%	3.84%
Fashion Home International Trading Co., Limited (香港美時居國際貿易有限公司) (Note 17)	H Shares	Beneficial owner	2,320,000 (L)	6.13%	1.68%
Liu Zhenjiang (劉振江) (Note 17)	H Shares	Interest in a controlled corporation	2,320,000 (L)	6.13%	1.68%
Dan Hongying (但紅英) (Note 18)	H Shares	Interest of spouse	2,320,000 (L)	6.13%	1.68%

Notes:

(1) The letter "L" denotes the shareholder's long position in the Shares and underlying shares of the Company. The letter "S" denotes the shareholder's short position in the Shares and underlying shares of the Company.

(2) The calculation is based on the total number of 100,000,000 Domestic Shares in issue or 37,844,500 H Shares in issue.

(3) The calculation is based on the total number of 137,844,500 Shares in issue.

(4) Taiding, Mr. Xu Songqiang, Ms. Xu Hua and Fengye are parties acting in concert pursuant to the acting in concert agreement dated 16 July 2021. Under the SFO, each member of the concert parties is deemed to be interested in the Shares beneficially owned by the other members of the concert parties.

(5) Ms. Xu Lili is interested in 35% of the equity interest in Taiding and is therefore deemed to be interested in the same number of Shares in which Taiding is interested under the SFO.

(6) Ms. Chen Ying is the spouse of Mr. Xu Songqiang. Under the SFO, Ms. Chen Ying is deemed to be interested in the same number of Shares in which Mr. Xu Songqiang is interested.

(7) Fengye was wholly-owned by Zhejiang Fengye Environmental Technology Limited* (浙江楓葉環保科技有限公司), which was owned as to 61% by Ms. Fu Shengying (傅生英) and 39% by Mr. Fu Zhiquan (傅志權). Under the SFO, each of Zhejiang Fengye Environmental Technology Limited*, Ms. Fu Shengying and Mr. Fu Zhiquan is deemed to be interested in the same number of Shares in which Fengye is interested.

(8) City Development was wholly-owned by Zhejiang Jiaxing State-owned Capital Investment Management Company Limited* (浙江嘉興國有資本投資運營有限公司), which was owned as to 95.9571% by State-owned Assets Supervision and Administration Commission of Jiaxing Municipal People's Government* (嘉興市人民政府國有資產監督管理委員會) and as to 4.0429% by Zhejiang Financial Development Co., Ltd.* (浙江省財務開發有限責任公司), a wholly-owned entity under Zhejiang Provincial Department of Finance* (浙江省財政廳). Under the SFO, each of Zhejiang Jiaxing State-owned Capital Investment Management Company Limited* and Jiaxing State-owned Assets Supervision and Administration Commission is deemed to be interested in the same number of Shares in which City Development is interested.

(9) Zhuji Yujia is wholly-owned by Qianyu, which is 40%-owned by Mr. Tang Shiyao (湯仕堯). Under the SFO, each of Mr. Tang Shiyao and Qianyu is deemed to be interested in the same number of Shares in which Zhuji Yujia is interested.

(10) Ms. Fu Fangying (傅芳英) is the spouse of Mr. Tang Shiyao (湯仕堯) and is therefore deemed to be interested in the same number of Shares in which Mr. Tang Shiyao is interested under the SFO.

(11) Xinao Gas Development Company Limited* (新奧燃氣發展有限公司) was a wholly-owned subsidiary of Xinao (China) Gas Investment Company Limited* (新奧(中國)燃氣投資有限公司), which was in turn a wholly-owned subsidiary of ENN Energy Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 2688). Under the SFO, each of Xinao (China) Gas Investment Company Limited* and ENN Energy Holdings Limited is deemed to be interested in the same number of Shares in which Xinao Gas Development Company Limited* is interested.

(12) The Shares are held by ENN Energy China Investment Limited, a wholly-owned subsidiary of ENN Energy Holdings Limited (新奧能源控股有限公司). Under the SFO, ENN Energy Holdings Limited is deemed to be interested in the same number of Shares in which ENN Energy China Investment Limited is interested.

(13) Flat (Hong Kong) Co., Limited (福萊特(香港)有限公司) was a wholly-owned subsidiary of Flat Glass Group Co., Ltd., the shares of which are listed on the Main Board of the Stock Exchange (stock code: 6865) and the Shanghai Stock Exchange (stock code: 601865). Under the SFO, Flat Glass Group Co., Ltd. is deemed to be interested in the same number of Shares in which Flat (Hong Kong) Co., Limited is interested.

(14) Hong Sung Timber Trading Co., Limited (香港泓盛木業貿易有限公司) was a wholly-owned subsidiary of Jiaxing Jinyuan Investment Co., Ltd.* (嘉興金源投資有限公司), which was in turn owned as to 75% by Mr. Shen Xiaohong (沈小紅). Under the SFO, each of Jiaxing Jinyuan Investment Co., Ltd.* and Mr. Shen Xiaohong is deemed to be interested in the same number of Shares in which Hong Sung Timber Trading Co., Limited is interested.

(15) Mingyuan Group Investment Limited was wholly-owned by Mr. Shum Tin Ching (沈天晴). Under the SFO, Mr. Shum Tin Ching is deemed to be interested in the same number of Shares in which Mingyuan Group Investment Limited is interested.

(16) Ms. Wang Xinmei (王新妹) is the spouse of Mr. Shum Tin Ching (沈天晴). Under the SFO, Ms. Wang Xinmei is deemed to be interested in the same number of Shares in which Mr. Shum Tin Ching is interested.

(17) Fashion Home International Trading Co., Limited (香港美時居國際貿易有限公司) was wholly-owned by Mr. Liu Zhenjiang (劉振江). Under the SFO, Mr. Liu Zhenjiang is deemed to be interested in the same number of Shares in which Fashion Home International Trading Co., Limited is interested.

(18) Ms. Dan Hongying (但紅英) is the spouse of Mr. Liu Zhenjiang (劉振江). Under the SFO, Ms. Dan Hongying is deemed to be interested in the same number of Shares in which Mr. Liu Zhenjiang is interested.

Save as disclosed above, as at 31 December 2022, the Directors are not aware of any other person (other than the Directors, Supervisors or chief executives of the Company) who had an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fail to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the year ended 31 December 2022 was the Company or any of its subsidiaries, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

CONNECTED TRANSACTIONS

During the year ended 31 December 2022, the Group has conducted the following connected transactions:

ACQUISITION OF PROPERTIES

On 21 April 2022, the Company and Jiaxing Yintai Real Estate Co., Ltd.* (嘉興胤泰置業有限公司) ("**Jiaxing Yintai**"), entered into two sale and purchase agreements (the "**Properties Sale and Purchase Agreements**"), pursuant to which the Company agreed to acquire, and Jiaxing Yintai agreed to sell, two properties located at Unit 202 and Unit 214, Building 2, Hualong Plaza, Economic and Technological Development Zone, Jiaxing, Zhejiang Province, the PRC (the "**Properties**") for a total consideration of RMB7,888,610 with value-added tax included in accordance with and subject to the terms and conditions of the Properties Sale and Purchase Agreements. The Properties would be used by the Group to establish new staff canteens to cope with the increase in the number of employees and to provide additional dining space with varied catering options to employees. The Directors believe that the entry into of the Properties Sale and Purchase Agreements with Jiaxing Yintai to purchase the Properties which are in the vicinity of the headquarters of the Group could enhance the welfare of the Company's employees and in turn motivate employees to improve productivity.

As at the date of the Properties Sale and Purchase Agreements, Jiaxing Yintai was owned as to 71.4% by companies controlled by Mr. Sun, the executive Director. As such, Jiaxing Yintai is regarded as an associate of Mr. Sun, and is therefore a connected person of the Company.

Please refer to the announcements of the Company dated 21 April 2022 and 22 April 2022 for details.

PIPELINE NETWORK LEASE AGREEMENT

On 30 December 2022, the Company entered into a pipeline network lease agreement (the "**Pipeline Network Lease Agreement**") with Jiaxing Natural Gas Pipeline Network Management Co., Ltd.* (嘉興市天然氣管網經營有限公司) ("**Jiaxing Pipeline Company**"), a direct wholly-owned subsidiary of City Development. Pursuant to the Pipeline Network Lease Agreement, Jiaxing Pipeline Company, as lessor, agreed to lease to the Company certain pipeline network in Jiaxing Urban Area of approximately 28.8846 kilometers for a period from 1 January 2022 to 31 December 2032, subject to and in accordance with the terms and conditions of the Pipeline Network Lease Agreement.

Under the Pipeline Network Lease Agreement, the annual rental fee for the first year shall be RMB1,624,743.95 with value-added tax included payable by the Company in cash on or before 31 December 2022 and, thereafter, shall be RMB2,052,906.96 with value-added tax included per year payable by the Company in cash on or before 30 September of each year.

As at the date of the Pipeline Network Lease Agreement, Jiaxing Pipeline Company was a direct wholly-owned subsidiary of City Development, a Substantial Shareholder. As such, Jiaxing Pipeline Company is regarded as an associate of City Development, and hence a connected person of the Company.

Please refer to the announcement of the Company dated 30 December 2022 for details.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2022, the Group conducted the following continuing connected transactions:

LEASE OF PROPERTY TO QINGYUAN HOTEL BY THE GROUP

On 1 July 2016, the Company entered into a tenancy agreement (the "**Hotel Property Tenancy Agreement**") with Jiaxing Qingyuan Hotel Management Company Limited* (嘉興市清園酒店管理有限公司) ("**Qingyuan Hotel**"), pursuant to which the Company, as lessor, leased to Qingyuan Hotel, as lessee, the commercial property to operate as a hotel. The lease term is for a period from 1 July 2016 to 31 December 2030. The rental rate under the Hotel Property Tenancy Agreement is about RMB18 per square metre per month with 5% increment for every three years which was determined after arm's length negotiation and with reference to the prevailing market rent in the proximity.

Throughout the year ended 31 December 2022, each of (i) Jiaxing Qingyang Trading Company Limited* (嘉興市清陽貿易有限公司), a company owned as to 74% by Mr. Sun, the executive Director; and (ii) Taiding, a Substantial Shareholder, owned more than 30% equity interest in Zhejiang Qingyuan Tourism Development Group Company Limited* (浙江清園旅遊發展集團有限公司) ("**Qingyuan Tourism**"). Qingyuan Hotel was a direct wholly-owned subsidiary of Qingyuan Tourism. As such, Qingyuan Hotel is regarded as an associate of Mr. Sun and Taiding, and hence a connected person of the Company.

During the year ended 31 December 2022, the total rent paid by Qingyuan Hotel in relation to the commercial property was approximately RMB5.7 million.

Please refer to the paragraph headed "Continuing Connected Transactions – Continuing Connected Transactions which are subject to the Reporting, Annual Review and Announcement Requirements but Exempt from the Independent Shareholders' Approval Requirement – Lease of property to Qingyuan Hotel by our Group" in the Prospectus for details.

LEASE OF LNG STATION AND EQUIPMENT BY JIAXING PIPELINE COMPANY TO THE GROUP

On 1 January 2012, the Company entered into a LNG station tenancy agreement (the "**LNG Station Tenancy Agreement**") with Jiaxing Pipeline Company, pursuant to which Jiaxing Pipeline Company, as lessor, agreed to lease to the Group the LNG station and equipment in Nanhu. The lease term is for a period of 17 years from 1 January 2012 to 31 December 2028. The annual rent under the LNG Station Tenancy Agreement is variable and will be determined with reference to the maintenance fee for the relevant equipment and facilities, depreciation of the relevant equipment and facilities, finance expenses and actual profit generated from the LNG station.

Throughout the year ended 31 December 2022, Jiaxing Pipeline Company was a direct wholly-owned subsidiary of City Development, a Substantial Shareholder. As such, Jiaxing Pipeline Company is regarded as an associate of City Development, and hence a connected person of the Company.

During the year ended 31 December 2022, the total rent was approximately RMB2.9 million.

Please refer to the paragraph headed "Continuing Connected Transactions – Continuing Connected Transactions which are subject to the Reporting, Annual Review and Announcement Requirements but Exempt from the Independent Shareholders' Approval Requirement – Lease of LNG station and equipment by Jiaxing Pipeline Company to our Group" in the Prospectus for details.

SUPPLY OF CONSTRUCTION MATERIALS TO THE GROUP

On 9 March 2020 and 30 December 2022, the Group entered into construction materials supply agreements (the "**Construction Materials Supply Agreements**") with Zhuji Jinfeng Pipeline Company Limited* (諸暨錦楓管業有限公司) (now known as Zhejiang Jinfeng Pipeline Company Limited* (浙江錦楓管業有限公司)) ("**Zhejiang Jinfeng**"), pursuant to which Zhejiang Jinfeng, as supplier, agreed to supply construction materials to the Group. The term of the Construction Materials Supply Agreements are for a period from 1 January 2022 to 31 December 2022 and from 1 January 2023 to 31 December 2025, respectively.

Throughout the year ended 31 December 2022, Zhejiang Jinfeng was owned as to 70.47% by Zhuji Jinhua Pipeline Company Limited* (諸暨錦樺管業有限公司) and 29.53% by Zhejiang Jinyu Fengye Pipeline Company Limited* (浙江錦宇楓葉管業有限公司). Ms. Fu Qiufeng (傅秋鳳), the spouse of Mr. Fu Songquan (傅松權), a non-executive Director, owned 50% equity interest in Zhuji Jinhua Pipeline Company Limited. As such, Zhejiang Jinfeng is an associate of Mr. Fu Songquan and hence a connected person of the Company.

During the year ended 31 December 2022, the annual purchase price paid by the Group under the Construction Materials Supply Agreements was approximately RMB3.4 million.

Please refer to the paragraph headed "Continuing Connected Transactions – Continuing Connected Transactions which are subject to the Reporting, Annual Review and Announcement Requirements but Exempt from the Independent Shareholders' Approval Requirement – Supply of construction materials to our Group" in the Prospectus, and the announcement of the Company dated 30 December 2022 for details.

SUPPLY OF PNG BY JIAXING PIPELINE COMPANY TO THE GROUP

On 16 June 2016, the Group entered into two master supply agreements (the "**Master Supply Agreements**") with Jiaxing Pipeline Company, pursuant to which the Group shall purchase from Jiaxing Pipeline Company, and Jiaxing Pipeline Company shall sell to us, PNG in Jiaxing. The term of the Master Supply Agreements is up to 31 December 2025. Pursuant to the Master Supply Agreements, the purchase price is determined in accordance with the price set by the Jiaxing Municipal People's Government.

Throughout the year ended 31 December 2022, Jiaxing Pipeline Company was a direct wholly-owned subsidiary of City Development, a Substantial Shareholder. As such, Jiaxing Pipeline Company is regarded as an associate of City Development, and hence a connected person of the Company.

During the year ended 31 December 2022, the total PNG charges under the Master Supply Agreements was approximately RMB1,839.7 million.

Please refer to the paragraph headed "Continuing Connected Transactions – Continuing Connected Transactions which are subject to the Reporting, Annual Review and Announcement Requirements but Exempt from the Independent Shareholders' Approval Requirement – Supply of PNG by Jiaxing Pipeline Company to our Group" in the Prospectus, and the announcement and circular of the Company dated 23 September 2022 and 14 October 2022, respectively, for details.

Save to the extent as permitted by the waivers from the announcement requirement under Chapter 14A of the Listing Rules granted by the Stock Exchange as disclosed in the Prospectus, the Company has complied with the requirements in Chapter 14A of the Listing Rules for the year ended 31 December 2022 in relation to the Group's related party transactions which constitute connected transactions or continuing connected transactions as disclosed in note 39 to the consolidated financial statements of this annual report.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors had reviewed the above-mentioned continuing connected transactions and confirmed the transactions were conducted:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms; if the comparable transactions could not be relied on to judge whether the terms of the transactions were normal commercial terms, as far as the Group is concerned, on terms no less favourable than the terms accepted or provided by independent third parties; and

(3) in accordance with the agreed terms of agreement related to the transactions, which were fair and reasonable and in the interests of Shareholders as a whole.

CONFIRMATION BY AUDITOR

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

MATERIAL LITIGATION

The Group was not involved in any material litigation or arbitration during the year ended 31 December 2022. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the year ended 31 December 2022 and up to the date of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2022, the total revenue attributable to the Group's five largest customers was approximately 43.17%, and the revenue attributable to the Group's largest customer from the sales was approximately 19.52%. Flat Glass Group Co., Ltd., which was owned more than 5% as at 31 December 2022 by Mr. Ruan Hongliang, a non-executive Director, was the second largest customer of the Group for the year ended 31 December 2022.

During the year ended 31 December 2022, the total purchases attributable to the Group's five largest suppliers was approximately 87.01% and the purchase attributable to the Group's largest supplier was approximately 58.23%. Jiaxing Pipeline Company, which is a direct wholly-owned subsidiary of City Development, a Substantial Shareholder, was the largest supplier of the Group for the year ended 31 December 2022.

At all times during the year ended 31 December 2022, save as disclosed above, none of the Directors, their close associates or any Shareholder who, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital, had any direct interest in any of the Group's five largest customers and suppliers.

RELATIONSHIPS WITH KEY STAKEHOLDERS

The Group understands the importance of maintaining good relationships with its stakeholders and considers it a key element to its sustainable business growth.

EMPLOYEES

The Group has always been people-oriented and has attached great importance to its human resources management. The Group attracts talents through a fair recruitment policy and provides employees with training opportunities, good career development prospects and growth opportunities. In addition, the Group offers attractive remuneration packages to its employees. The Group also values its employees' physical and mental developments.

In accordance with applicable PRC regulations, the employees of the Group based in the PRC are required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute a certain percentage of the payroll costs to the central pension scheme. There is no provision under the central pension scheme for forfeited contributions to be used by the Group to reduce the existing level of contributions.

As at 31 December 2022, the male-to-female ratio in the workforce, including the senior management, was approximately 1 to 0.4. While the Group recognises the importance and benefits of having different genders in the working environment, the business nature of the Group requires the Group to hire a higher proportion of male employees. The Group shall further strengthen the gender diversity in the workforce in the future where possible.

CUSTOMERS AND SUPPLIERS

The Group strives to build and maintain long term and strong relationships with customers. The Company's business department has from time to time conducted a customer satisfaction survey with a view to understand and fulfill customers' demands and enhance their satisfaction. In terms of suppliers, the Group's objective is to keep mutually beneficial and win-win partnerships with all suppliers. At the same time, the Group regularly evaluates the performance of its suppliers.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022.

EQUITY-LINKED AGREEMENT

The Company did not enter into any equity-linked agreement, nor did any equity-linked agreement exist during the year ended 31 December 2022.

PERMITTED INDEMNITY PROVISION

The Company has purchased appropriate liability insurance for its Directors, Supervisors and senior management. The permitted indemnity provisions are set out in such liability insurance.

COMPLIANCE WITH CG CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as its own code of corporate governance. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code. For the year ended 31 December 2022, the Company has complied with all code provisions as set out in the CG Code, save for code provisions C.2.1 and F.1.1. For more details, please see the section headed "Corporate Governance Report" of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to operate in compliance with the applicable environmental laws as well as protecting the environment by minimising the negative impact of the Group's existing business activities on the environment. To the best knowledge of the Directors, the Group has complied with all relevant laws and regulations regarding environmental protection for the year ended 31 December 2022. For details, please refer to the Environmental, Social and Governance Report for the year ended 31 December 2022 published by the Company which can be accessed on the websites of the Stock Exchange and the Company.

COMPLIANCE WITH LAWS AND REGULATIONS

Since the Company is established and conducts its operations mainly in the PRC, and its H Shares are listed on the Stock Exchange, its establishment and operations have to comply with the relevant laws and regulations in both the PRC and Hong Kong. During the year ended 31 December 2022, the Company had complied with the relevant laws and regulations in the PRC and Hong Kong.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed together with the management of the Company the accounting principles and policies adopted by the Group and the audited annual results for the year ended 31 December 2022.

AUDITOR

The consolidated financial statements for the year ended 31 December 2022 have been audited by Ernst & Young, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming AGM. A resolution for the re-appointment of Ernst & Young as auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the Board

Sun Lianqing
Chairman

Jiaxing, Zhejiang, the PRC
28 March 2023

REPORT OF THE BOARD OF SUPERVISORS

During the Reporting Period, in a serious and accountable manner, the board of Supervisors has conducted effective supervision and inspection on the lawful operation and financial situation of the Company, as well as the implementation of management system of the Company. The board of Supervisors has conscientiously performed its supervisory duties on the members of the Board of Directors and the management of the Company, in strict accordance with the Company Law, the Articles of Association, and other relevant laws and regulations.

LAWFUL OPERATION OF THE COMPANY

During the Reporting Period, by convening regular meetings, being present at or attending as non-voting participants in Board meeting and shareholders' meetings, and by understanding and reviewing the financial statements on a regular basis, the members of the board of Supervisors have supervised the Company's operations, risk management, internal control, and duty performance of directors and senior management. The board of Supervisors believes that the operations of the Group in 2022 is sound and rational, and is in compliance with various laws, regulations and rules and the Articles. The members of the Board and senior management of the Group have conscientiously and diligently performed their duties. There were no any acts that damaged the interests of the Company and the legal interest of shareholders.

FINANCIAL ACTIVITIES OF THE COMPANY

During the Reporting Period, the board of Supervisors has carefully reviewed the financial statements and financial information of the Company during the Reporting Period. According to the audit report issued by Ernst & Young, the board of Supervisors believes that the financial report of the Company for the year 2022 presented truly and objectively the financial position and operating results of the Company.

USE OF PROCEEDS FROM IPO

During the Reporting Period, the use of the proceeds from IPO strictly observed relevant provisions and the use disclosed, and no illegal use of the proceeds was found.

CONNECTED TRANSACTIONS

The connected transactions (including continuing connected transactions) entered into by the Group disclosed during the Reporting Period were found to be in compliance with relevant laws and regulations, and in conformity to the provisions of relevant connected transactions, and have fulfilled the obligation of information disclosure in accordance with the Listing Rules of the Stock Exchange.

PLAN FOR 2023

In 2023, the board of Supervisors of the Company will continue to abide by the principle of being responsible to all the Shareholders, and perform its supervisory duties in strict accordance with the requirements of relevant laws and regulations and the Articles of Association. With the Company's operations as the core, the board of Supervisors will effectively supervise the Company's major decision-making matters, urge and further improve the Company's internal control system, and facilitate the Company's standardized operation, as well as sustainable and healthy development.

Liu Wen
Chairman of the board of Supervisors

Jiaxing, Zhejiang, the PRC
28 March 2023

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE CULTURE

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that Shareholder wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

– satisfactory and sustainable returns to Shareholders;

– that the interests of those who deal with the Company are safeguarded;

– that overall business risk is understood and managed appropriately;

– the delivery of high-quality products and services to the satisfaction of customers; and

– that high standards of ethics are maintained.

The Group will continuously review and adjust, if necessary, its business strategies and keep track of the changing market conditions to ensure prompt and proactive measures will be taken to respond to the changes and meet the market needs to foster the sustainability of the Group.

CORPORATE GOVERNANCE REPORT CORPORATE GOVERNANCE PRACTICES

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

The Company has adopted the principles and code provisions of the CG Code as the basis of the Company's corporate governance practices. The Board is of the view that throughout the Reporting Period, the Company has complied with all the code provisions of the CG Code effective during the year with the exception of code provisions C.2.1 and F.1.1. Details of the deviation are explained in the subsections headed "Chairman and Chief Executive Officer" and "Dividend Policy" in this report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company adopted its own code of conduct regarding Directors' and Supervisors' dealings in the Company's securities on terms no less exacting than the Model Code ("**Code of Conduct**").

Specific enquiry has been made of all the Directors and Supervisors, and all the Directors and Supervisors have confirmed that they have complied with the Code of Conduct throughout the Reporting Period.

The Code of Conduct also applies to employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Code of Conduct by the employees was noted by the Company throughout the Reporting Period.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance, assumes responsibility for its leadership and control and be collectively responsibility for promoting the Company's success by directing and supervising the Company's affairs. Directors takes decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of Executive Directors and Non-executive Directors (including Independent Non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

Composition

The Board currently comprises nine Directors, two executive Directors, four non-executive Directors and three independent non-executive Directors.

The composition of the Board is set out below:

Executive Directors
Mr. Sun Lianqing *(Chairman and Chief Executive Officer)*
Mr. Xu Songqiang

Non-executive Directors
Mr. He Yujian *(Resigned on 10 June 2022)*
Mr. Zheng Huanli
Mr. Fu Songquan
Mr. Ruan Hongliang
Mr. Xu Jiong *(Appointed on 10 June 2022)*

Independent Non-executive Directors
Mr. Yu Youda
Mr. Cheng Hok Kai Frederick
Mr. Zhou Xinfa

The biographical information of the Directors is contained in the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this annual report.

None of the members of the Board is related to one another.

Chairman and Chief Executive Officer

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. However, the role of the chairman and the chief executive officer of the Company is not separated and are performed by the same individual, Mr. Sun Lianqing.

Mr. Sun Lianqing, who has been responsible for overall strategic planning and management of the Group since 1998. The Board meets regularly to consider major matters affecting the operations of the Group, as such, the Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Group and believes that this structure will enable the Group to make and implement decisions promptly and efficiently. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

Independent Non-Executive Directors

During the Reporting Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received a written annual confirmation from each of the independent non-executive Directors in respect of his 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.

BOARD INDEPENDENCE EVALUATION

The Company has established a Board Independence Evaluation Mechanism during the Reporting Period which sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board effectively exercises independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct annual review on its independence.

During the year ended 31 December 2022, all Directors has completed the independence evaluation and supplemented by individual interviews. The Board Independence Evaluation Report was presented to the Board and the evaluation results were satisfactory.

During the year ended 31 December 2022, the Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

Appointment and Re-Election of Directors

All the Directors are subject to retirement by rotation and re-election at annual general meeting. Directors shall be elected at the shareholders' general meeting with a term of office of three (3) years, however, pursuant to the Company's articles of association, an independent non-executive Director shall serve no more than nine years (if more than nine years, such independent non-executive Director's re-election shall be approved by the Shareholders by means of separate resolution). Upon expiry of the term, a Director shall be eligible to offer himself for re-election and re-appointment.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

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 non-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 are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

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.

The Directors have disclosed to the Company details of other offices held by them and the Board has regularly reviewed the contribution required from each Director to perform his responsibility to the Company.

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, 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 the management.

The Company has arranged appropriate insurance coverage on Directors' and senior managements' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses.

During the Reporting Period, all the Directors attended training sessions on the respective obligations of the Directors and senior management. In addition, relevant reading materials have been provided to the Directors for their reference and studying.

The training records of the Directors for the Reporting Period are summarized 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
Executive Directors		
Sun Lianqing	✓	✓
Xu Songqiang	✓	✓
Non-executive Directors		
He Yujian *(Resigned on 10 June 2022)*	✓	✓
Zheng Huanli	✓	✓
Fu Songquan	✓	✓
Ruan Hongliang	✓	✓
Xu Jiong *(Appointed on 10 June 2022)*	✓	✓
Independent Non-executive Directors		
Yu Youda	✓	✓
Cheng Hok Kai Frederick	✓	✓
Zhou Xinfa	✓	✓

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference for the Audit Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

Each Board committee has also been provided with sufficient resources to discharge its duties and, upon reasonable request, is able to seek independent professional advice in appropriate circumstances at the Group's expense.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Mr. Yu Youda, Mr. Cheng Hok Kai Frederick and Mr. Zhou Xinfa. Mr. Cheng Hok Kai Frederick is the chairman of the Audit Committee.

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the Reporting Period, the Audit Committee held two meetings to review the annual and interim financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, re-appointment of external auditors and relevant scope of works and, connected transactions and arrangements for employees to raise concerns about possible improprieties as well as amend the terms of reference of the Audit Committee.

The Audit Committee also met the external auditors twice without the presence of the executive Directors.

Remuneration Committee

The Remuneration Committee consists of one non-executive Director, namely Mr. Xu Jiong, and two independent non-executive Directors, namely Mr. Yu Youda and Mr. Cheng Hok Kai Frederick. Majority of them are independent non-executive Directors. Mr. Yu Youda is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates will participate in deciding his own remuneration.

During the Reporting Period, the Remuneration Committee held two meetings to review and make recommendations to the Board on the remuneration policy and structure of the Company, remuneration packages of the executive Directors and senior management.

Details of the remuneration payable to each Director for the Reporting Period are set out in note 9 to the consolidated financial statements.

The remuneration of the members of senior management (excluding Directors and Supervisors) by band for the Reporting Period is set out below:

Remuneration bands (RMB)	Number of persons
0-300,000	–
300,001-600,000	6

Nomination Committee

The Nomination Committee consists of three members, namely Mr. Sun Lianqing, the Chairman and Executive Director, and two independent non-executive Directors, namely Mr. Yu Youda and Mr. Zhou Xinfa. Majority of them are independent non-executive Directors. Mr. Sun Lianqing is the chairman of the Nomination Committee.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, the chairman and the chief executive officer, and assessing the independence of independent non-executive Directors.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the board diversity policy (the "**Board Diversity Policy**") and the director nomination policy (the "**Director Nomination Policy**") adopted by the Board on 16 June 2020, summaries of which are detailed in the subsections headed "Board Diversity Policy" and "Directors Nomination Policy" in this report, that are necessary to complement the corporate strategy, where appropriate, before making recommendation to the Board. The Nomination Committee would discuss and agree annually on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

During the Reporting Period, the Nomination Committee held two meetings to review the structure, size and composition of the Board and the independence of the independent non-executive Directors.

Board Diversity Policy

The Company has adopted a Board Diversity Policy on 16 June 2020 which sets out the objective and approach to achieve and maintain diversity of the Board in order to enhance the effectiveness of the Board.

The Board Diversity Policy provides that the Company should endeavour to ensure that the Board members have the appropriate skills, expertise and diversity of perspectives that are required to support the execution of business strategy. Pursuant to the Board Diversity Policy, selection of candidates will be based on a range of diversity perspectives, including but not limited to skills, professional experience, educational background, knowledge, expertise, culture, independence, age and gender. The ultimate decision of appointment will be based on merit and contribution that the selected candidates will bring to the Board and the business needs of the Company from time to time. The Board believes that such merit-based appointments will best enable the Company to serve the Shareholders and other stakeholders going forward.

The Board consists of nine male members, aging from 43 to 76 years old. Based on the membership and composition of the Board, the Nomination Committee considers that the Board has a balanced mix of experiences, including management and strategic development, finance and accounting experiences in addition to the PNG business. Furthermore, the Board has a good mix of new and experienced Directors, who have valuable knowledge and insights of the Group's business over the years, while the new Directors are expected to bring in fresh ideas and new perspective to the Group.

With regards to gender diversity on the Board, the Company recognizes the particular importance of gender diversity and will continue to promote gender diversity of the Board. To ensure gender diversity of the Board in the long run, the Company will identify and select several female individuals with a diverse range of skills, experience and knowledge in different fields from time to time, and maintain a list of such female individuals, which will be reviewed by the Nomination Committee periodically to ensure a pipeline of potential successors to the Board to achieve gender diversity. The Company also intends to promote gender diversity when recruiting staff at the mid to senior level so that the Company will have a pipeline of female senior management and potential successors to the Board. The Group plans to offer all-rounded trainings to female employees whom we consider to have the suitable experience, skills and knowledge of our operation and business, including but not limited to, business operation, management, accounting and finance, legal and compliance and research and development. The Group is of the view that such strategy will offer chances for the Board to identify capable female employees to be nominated as a member of the Board in future.

Save for the gender diversity of the Board, the Nomination Committee and the Board considered that the current composition of Board is sufficiently diverse and the Board has not set any measurable objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

The Nomination Committee will review the Board Diversity Policy as appropriate and recommend revisions, if any, to the Board for consideration and approval.

GENDER DIVERSITY

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at the date of this Annual Report:

	Female	Male
Board	0% (0)	100% (9)
Senior Management	50% (4)	50% (4)
Other employees	26% (93)	74% (266)
Overall workforce	26% (97)	74% (270)

The Board had targeted to achieve at least 11% (1) of female Directors, 50%(4) of female senior management and 25% (92) of female employees of the Group before 2024 and considers that the above current gender diversity is satisfactory. The Board has nominated Ms. Ruan Zeyun, formerly known as Ms. Ruan Xiao, to be elected as a non-executive director for the third session of the Board, and the appointment will be effective upon approval by the shareholders at a general meeting to be held in 2023, at which time the Board will achieve its initial goal of gender diversity on the Board.

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and recommendation on the appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to the nomination and appointment of Directors. The Director Nomination Policy aims to ensure the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company as well as Board continuity and appropriate leadership at Board level.

The Director Nomination Policy sets out the criteria to be taken into account when considering the suitability of a candidate, including but not limited to the following:

In evaluating and selecting any candidate for directorship, the criteria to be taken into account when considering the suitability of a candidate shall be his or her educational background, qualification, skills and experience with reference to the Company's business and specific needs, his or her character and reputation for integrity, his or her ability to devote sufficient time and attention to the affairs of the Company and contribute to the diversity of the Board as well as the effective carrying out by the Board of the responsibilities which, in particular, are set out as follows:

- bringing an independent judgment and make constructive recommendation on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conducts;

- taking the lead where potential conflicts of interests arise;

- serving on the audit committee, the remuneration committee and the Nomination Committee (in the case of candidate for non-executive Director) and other relevant Board committees of the Company, if invited;

- devoting sufficient time to the Board and/or any committee(s) on which he or she serves so as to allow them to benefit from his or her skills, expertise, and varied backgrounds and qualifications and diversity through attendance and participation in the Board;

- scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring the reporting of performance;

- ensuring the committees on which he or she serves to perform their powers and functions conferred on them by the Board; and

- conforming to any requirement, direction and regulation that may from time to time be prescribed by the Board or contained in the constitutional documents of the Company or imposed by legislation or the Listing Rules on the Stock Exchange, where appropriate.

If the candidate is proposed to be appointed as an independent non-executive Director, his or her independence shall be assessed in accordance with, among other things, the factors as set out in Rule 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time. Where applicable, the totality of the candidate's education, qualifications and experience shall also be evaluated to consider whether he or she has the appropriate professional qualifications or accounting or related financial management expertise for filling the office of an independent non-executive Director with such qualifications or expertise as required under Rule 3.10(2) of the Listing Rules.

The Director Nomination Policy also sets out the process for the selection and nomination of new Directors and re-election of Directors at general meetings as follows:

(a) Nomination of New Director

(i) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

(ii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company, background check and third-party reference check of each candidate (where applicable).

(iii) The Nomination Committee should then recommend to the Board to nominate the appropriate candidate for directorship, as applicable.

(iv) For any person that is nominated by a shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation to shareholders in respect of the proposed election of director at the general meeting.

(b) Re-election of Director at General Meeting

(i) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring Director and the level of participation and performance on the Board.

(ii) The Nomination Committee and/or the Board should also review and determine whether the retiring Director continues to meet the criteria as set out above.

(iii) The Nomination Committee and/or the Board should then make recommendation to shareholders in respect of the proposed re-election of Director at the general meeting.

Where the board proposes a resolution to elect or re-elect a candidate as Director at the general meeting, the relevant information of the candidate will be disclosed in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

(c) Election of INED at General Meeting

Where the Board proposes a resolution to elect an individual as an INED at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting:

(i) the process used for identifying the individual and why the Board believes the individual should be elected and the reasons why it considers the individual to be independent;

(ii) if the proposed INED will be holding their seventh (or more) listed company directorship, why the Board believes the individual would still be able to devote sufficient time to the Board;

(iii) the perspectives, skills and experience that the individual can bring to the Board; and

(iv) how the individual contributes to diversity (including gender diversity) of the Board.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and the Company's compliance with the CG Code and disclosure in this corporate governance report.

BOARD MEETINGS

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance.

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

Notice of regular Board meetings is served to all Directors and Supervisors 14 days prior to the meeting. While at least 7 days' notice shall be given to all members of the Audit Committee, Nomination Committee and Remuneration Committee prior to the meetings, but such notice period can be waived by unanimous consent of all committee members. For extraordinary Board or committee meetings, notice shall be served to all Directors and Supervisors 5 days prior to the meeting.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or committee meeting to keep Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management where necessary.

Where necessary, senior management would attend regular Board meetings and other Board and committee meetings to advise on business developments, financial and accounting matters, laws and regulatory compliance, corporate governance and other major aspects of the Company.

All the Directors have access to advice and services of the Company's joint company secretaries, who are responsible for ensuring that Board procedures and applicable regulations under the Company's articles of association or otherwise are complied with. Each Director is entitled, if necessary, to seek independent professional advice at the Company's expense.

All minutes are kept by the Company and are open for inspection by any Director during normal office hours with reasonable advance notice. Matters considered and decisions reached at the Board and Committee meetings are recorded with sufficient detail in the minutes. Draft and final versions of minutes of Board meetings will be sent to all Directors for their comments and recorded within a reasonable time after the relevant meeting is held.

The Company's articles of association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

ATTENDANCE RECORD OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each Director at the Board meetings, Board committee meetings and the general meetings of the Company held during the Reporting Period is set out in the table below:

	Attendance/Meetings entitled to attend in 2022				
Name of Director	Board	Nomination Committee	Remuneration Committee	Audit Committee	General Meetings
Sun Lianqing	7/7	2/2	–	–	2/2
Xu Songqiang	7/7	–	–	–	2/2
Zheng Huanli	7/7	–	–	–	2/2
He Yujian[1]	3/3	–	*2/2	–	1/1
Fu Songquan	7/7	–	–	–	2/2
Ruan Hongliang	7/7	–	–	–	1/2
Xu Jiong[2]	4/4	–	*0/0	–	1/1
Yu Youda	7/7	2/2	2/2	2/2	2/2
Cheng Hok Kai Frederick	7/7	–	2/2	2/2	2/2
Zhou Xinfa	7/7	2/2	–	2/2	2/2

Notes:

1. Mr. He Yujian resigned as a non-executive Director and a member of the Remuneration Committee with effect from 10 June 2022.

2. Mr. Xu Jiong was appointed as a non-executive Director and a member of the Remuneration Committee with effect from 10 June 2022.

Apart from Board meetings, the Chairman also met twice with independent non-executive Directors without the presence of executive Directors during the Reporting Period.

The independent non-executive directors and non-executive Directors have attended general meetings of the Company to gain and develop a balanced understanding of the view of the Shareholders.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the formulation of, and overseeing the implementation of, the internal control measures and the effectiveness of risk management system, which is designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting and compliance. The Group has established procedures for developing and maintaining internal control systems. Such systems cover corporate governance, operations, management, legal matters, finance, auditing, and environmental, social and governance ("**ESG**") risks as appropriate for our needs.

The Group has adopted the following policies and procedures for internal control and risk management:

(1) the executive Director and standing deputy general manager, Mr. Xu Songqiang has acted as the principal channel of communication between members of the Group in relation to legal, regulatory and financial reporting compliance matters of the Group as well as the chief coordinators to oversee the internal control procedures in general; upon receipt of any queries or reports on legal, regulatory and financial reporting compliance matters, Mr. Xu will look into the matter and, if considered appropriate, seek advice, guidance and recommendation from professional advisers and report to relevant members of the Group and/or the Board;

(2) a qualified PRC law firm has been appointed as an external PRC legal adviser which assists the Company in performing the requisite legal due diligence and complying with the relevant laws and regulations in respect of our business operations; and

(3) the Directors, senior management and employees of the Group will be provided with training and/or updates regarding the legal and regulatory requirements applicable to the business operations of the Group from time to time.

The Company has developed its disclosure policy which provides a general guide to the Directors, officers, senior management and relevant employees of the Company in handling confidential information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited. The Board is aware of its obligations to announce any inside information in accordance with the Listing Rules.

The Board confirms its responsibilities for risk management (including ESG related risks) and internal control systems, and for reviewing the effectiveness of such risk management and internal control systems. Such systems are designed to manage rather than eliminate the risk of failing to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company has an internal audit function which aims at helping the Company to accomplish its objectives by applying a systematic, disciplined approach to evaluate and improve the effectiveness of the Group's risk management and internal control systems and to resolve material internal control defects.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the Reporting Period, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function, qualifications and experience of staff and adequacy of resources.

During the Reporting Period, the Board, through a review covering all material controls, including financial, operational and compliance controls for the Reporting Period, considered that the risk management and internal control systems of the Group was effective and adequate. The Board will conduct annual review on the risk management and internal control systems of the Company.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the Reporting Period.

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 auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 59 to 64 of this annual report.

AUDITORS' REMUNERATION

The remuneration paid/payable to the Company's external auditor in respect of audit services and non-audit services for the Reporting Period is set out below:

	Fees Paid/Payable RMB'000
Audit services	2,450
Non-audit services (Note)	217
Total	2,667

Note: The non-audit services mainly consisted of reviewing the Group's interim financial results for the six months ended 30 June 2022.

JOINT COMPANY SECRETARIES

Ms. Lo Ka Man ("**Ms. Lo**") resigned and had ceased to act as a joint company secretary (the "**Joint Company Secretary**") of the Company, and Ms. Pun Ka Ying ("**Ms. Pun**") has been appointed in place of Ms. Lo as one of the Joint Company Secretaries with effect from 10 May 2022. Ms. Pun is a senior manager of Tricor Services Limited, an external service provider and a global professional services provider specializing in integrated business, corporate and investor services. Ms. Zhou Caihong ("**Ms. Zhou**") serves as the other Joint Company Secretary of the Company. Ms. Pun's primary contact person of the Company is Ms. Zhou.

Both Ms. Zhou and Ms. Pun have confirmed that each of them has taken no less than 15 hours of relevant professional trainings during the Reporting Period respectively in compliance with Rule 3.29 of the Listing Rules. All Directors have access to the joint company secretaries' advices and services.

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and 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

The following procedures for Shareholders to convene an extraordinary general meeting ("**EGM**") of the Company are prepared in accordance the Company's articles of association:

(1) Two or more Shareholders ("**Requisitionist(s)**") holding, at the date of deposit of the requisition, 10% or more of the shares of the Company, separately or jointly, carrying the right of voting at general meetings shall have the right, by one or several written requests of the same format and content, to require an EGM or class meeting to be called by the Board of for the transaction or any business specified in such requisition. The Board shall convene an EGM or class meeting as soon as possible upon receipt of the aforesaid written request. The aforesaid number of shares shall be calculated in accordance with the shares held on the day on which the written request is made by the Requisitionist(s).

(2) If the Board fails to issue a notice to convene a meeting within 30 days after receiving the aforesaid written request, the Requisitionist(s) making the request may request the board of Supervisors to convene an EGM or a class meeting.

(3) If the board of Supervisors fails to issue a notice to convene the meeting within 30 days after receiving the aforesaid written request, the Shareholders holding 10% or more of the voting shares of the proposed meeting, individually or in aggregate, for 90 consecutive days may convene the meeting by themselves within four months after the receipt of the request by the Board of Directors, provided that the procedure for convening a EGM shall be the same as that used by the Board when possible. If the Shareholders convene and hold a meeting on their own due to the failure of the Board or board of Supervisors to hold the meeting as aforesaid, the Company shall bear the reasonable expenses incurred thereby and deduct the amount owed by the Company to the delinquent Directors.

Putting Forward Proposals at Annual General Meetings

Shareholder(s) who hold(s) 3% or more of the voting shares of the Company, individually or in aggregate, shall have the right to submit provisional proposals ("**Proposal**") in writing to the Company and submit them to the Board 10 days before the general meeting. The Board shall, within 2 days of receiving the proposal, send a supplementary notice to the general meeting and submit the provisional proposal to the general meeting for consideration. The contents of the Proposal shall fall within the scope of the responsibilities of the general meeting and shall have clear topics and specific resolutions.

Putting Forward Enquiries to the Board

For putting forward relevant enquiries to the Board of the Company, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Registered Office and Headquarters
5th Floor, Building 3, Hualong Plaza
Economic and Technological Development Zone
Jiaxing, Zhejiang Province
The People's Republic of China

Principal Place of Business in Hong Kong
5/F, Manulife Place
348 Kwun Tong Road
Kowloon, Hong Kong

Email: jxgas@jxrqgs.com

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above addresses indicating "To the Board or Company Secretary" and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with 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.

Separate resolutions are proposed at Shareholders' meetings on each substantial issue, 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 poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Shareholders' Communication Policy

The Company has established a Shareholders' Communication Policy in order to ensure the Shareholders are provided with ready, equal and timely access to balanced and understandable information about the Company (to the extent that such information is publicly available), to exercise their rights in an informed manner and to allow Shareholders and the investment community to engage actively with the Company through annual general meetings and other general meetings. The Group also communicates with the Shareholders and the investment community through regular announcements and publications via the websites of the Company and the Stock Exchange. The Shareholders' Communication Policy is regularly reviewed to ensure its effectiveness, and the Group is of the view that such policy has been implemented effectively during the year as the Company was able to understand the views of the Shareholders through the available channels.

(a) Shareholders' or Investors' Enquiries

Shareholders should direct their questions about their shareholdings to the Company or the Company's H share registrar. Shareholders and the investment community may at any time make a request for the Company's information to the extent such information is publicly available. Shareholders and the investment community shall be provided with designated contacts, correspondence addresses, email addresses and enquiry lines in order to enable them to make relevant query in respect of the Company.

(b) Corporate Communication

Corporate communication refers to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including, but not limited to, annual reports, the interim reports, notices of meeting, circulars and proxy forms. They will be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding.

(c) Corporate Website

A dedicated investor relations section is available on the Company's website at www.jxrqgs.com. Information on the Company's website is updated on a regular basis. Information released by the Company to the Stock Exchange is also posted on the Company's website simultaneously or immediately thereafter. Such information includes announcements, financial statements, results announcements, circulars and notices of general meetings, associated explanatory documents and other information in compliance with the applicable laws, rules and regulations. All press releases issued by the Company will be made available on the Company's website.

(d) Shareholders' Meetings

Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings for and on their behalf if they are unable to attend the meetings. Appropriate arrangements for the general meetings shall be in place to encourage Shareholders' participation. The process of the Company's general meetings will be monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure the highest level of Shareholders' participation. Board members, in particular, the chairmen of Board committees or their delegates, appropriate management executives and external auditors of the Company will use all reasonable efforts to attend annual general meetings to answer Shareholders' questions.

Dividend Policy

The Company has not adopted a formal dividend policy. As the Company is still in its development phase and the performance will continue to be impacted by the relevant industry's and economic outlook in the foreseeable future, the Board is of the opinion that it is not appropriate to adopt a dividend policy at this stage. There is no assurance that dividends of any amount will be declared or be distributed in any year. The Board will review the Company's status periodically and consider adopting a dividend policy if and when appropriate.

Amendments to Constitutional Documents

During the Reporting Period, the Company has amended its articles of association to expand the business scope (營業範圍) of the Company. An updated version of the Company's articles of association is also available on the Company's website and the Stock Exchange's website.

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To the shareholders of JiaXing Gas Group Co., Ltd.
(Established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of JiaXing Gas Group Co., Ltd (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 65 to 173, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") 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 ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**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 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
During the year, the Group recognized revenue of RMB3,466,036,000, of which, revenue from sale of piped natural gas ("**PNG**") and provision for construction services amounted to RMB2,025,701,000 and RMB142,143,000, respectively. Revenue from sale of PNG was significant to our audit because the revenue was highly dispersed and derived from a large number of residential customers, commercial customers and industrial customers. The volume of gas consumed by customers was determined by gas-meter installed and the readings were examined cyclically and the reading date did not all fall exactly on month or year end. Therefore, revenue from the last gas-meter reading date to the year end date involved estimation of management.	Our procedures in relation to the recognition of revenue derived from the sale of PNG included: • Testing the design and operating effectiveness of key controls related with the sale of gas. • Discussing with management about the recognition basis and assessing the revenue recognition policy applied by the Group to ensure that it was in compliance with IFRSs. • Performing detail analytical review procedures on the revenue from sale of PNG. • Performing tests of details, on sampling basis, by checking contracts, gas-meter reading records, invoice and bank receipts. • Assessing the calculation algorithms and data used in developing the estimation of revenues from the last gas-meter reading date to the year end date. • Assessing the adequacy of the disclosure included in the notes to the consolidated financial statements.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition (continued)	
Revenue recognition from provision for construction services was significant to our audit because the revenue from construction services had a significant impact on the consolidated financial statements and it involved significant judgement and estimation of management, which included the output method to measure the progress towards complete satisfaction of the performance obligation based on the construction completion report agreed between the Group, the construction companies and supervision companies. The disclosures about revenue recognition are included in note 2.4 *Summary of Significant Accounting Policies*, note 3 *Significant Accounting Judgements and Estimations* and note 5 *Revenue*.	Our procedures in relation to the recognition of revenue derived from the provision of construction services included: • Testing the design and operating effectiveness of key controls related to the provision for construction services. • Discussing with management about the recognition basis and assessing the revenue recognition policy applied by the Group to ensure that it was in compliance with IFRS. • Performing detail analytical review procedures on the revenue from provision for construction services. • Performing test of details, on sampling basis, by checking contracts, construction completion reports and invoices. • Examining the construction progress reports prepared by the Group, the construction companies and supervision companies to collaborate on the progress towards complete satisfaction of that performance obligation, obtaining confirmation from the supervision companies, and recalculating revenue based on the construction progress. • Assessing adequacy of the disclosure included in the notes to the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises 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.

RESPONSIBILITIES OF THE DIRECTORS 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 IFRSs issued by the IASB and 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities 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. Our report is made 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement 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.

- 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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 Siu Fung Terence Ho.

Ernst & Young
Certified Public Accountants
Hong Kong
28 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	5	**3,466,036**	1,988,553
Cost of sales		**(3,300,275)**	(1,750,883)
Gross profit		**165,761**	237,670
Other income and gains	6	**37,557**	11,592
Selling and distribution costs		**(19,119)**	(26,163)
Administrative expenses		**(54,164)**	(53,865)
Impairment losses on financial and contract assets, net		**(6,639)**	(2,294)
Other expenses		**(2,468)**	(7,209)
Finance costs	8	**(10,763)**	(8,966)
Share of profits and losses of:			
Joint Ventures		**(10,589)**	(13,098)
Associates		**2,838**	11,582
PROFIT BEFORE TAX	7	**102,414**	149,249
Income tax expense	11	**(25,992)**	(36,801)
PROFIT FOR THE YEAR		**76,422**	112,448

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
OTHER COMPREHENSIVE INCOME			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Fair value reserve of financial assets at fair value through other comprehensive income:			
Initial recognition of bills receivable as settlement of trade receivables		**(398)**	–
Changes in fair value		**230**	–
Income tax effect		**41**	–
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods		**(127)**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(127)**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**76,295**	112,448
Profit attributable to:			
Owners of the parent	13	**69,344**	108,486
Non-controlling interests		**7,078**	3,962
		76,422	112,448
Total comprehensive income attributable to:			
Owners of the parent		**69,217**	108,486
Non-controlling interests		**7,078**	3,962
		76,295	112,448
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit for the year (RMB)	13	**0.50**	0.79

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	576,333	494,280
Investment properties	15	203,248	220,203
Right-of-use assets	16	131,925	126,062
Other intangible assets	18	3,835	4,498
Investments in joint ventures	19	323,426	354,396
Investments in associates	20	10,826	15,006
Financial assets at fair value through profit or loss	21	57,270	18,347
Deferred tax assets	22	127,617	134,228
Goodwill	17	42	–
Other non-current assets	26	10,315	7,274
Total non-current assets		1,444,837	1,374,294
CURRENT ASSETS			
Inventories	23	56,392	60,574
Trade and bills receivables	24	207,459	144,942
Contract assets	25	9,797	7,786
Prepayments, other receivables and other assets	26	63,778	32,705
Financial assets at fair value through profit or loss	21	2,773	9,894
Debt investment at amortised cost	27	58,600	60,000
Pledged for issuance of bank acceptance notes	28	12,500	14,862
Cash and cash equivalents	28	220,691	258,664
Total current assets		631,990	589,427
CURRENT LIABILITIES			
Trade and bills payables	29	305,536	242,898
Other payables and accruals	30	65,215	58,837
Contract liabilities	31	100,128	94,837
Interest-bearing bank borrowings	32	34,440	20,720
Lease liabilities	16	13,670	11,763
Tax payable		6,547	6,072
Total current liabilities		525,536	435,127
NET CURRENT ASSETS		106,454	154,300
TOTAL ASSETS LESS CURRENT LIABILITIES		1,551,291	1,528,594

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT LIABILITIES			
Contract liabilities	31	**338,109**	344,076
Interest-bearing bank borrowings	32	**189,340**	223,780
Lease liabilities	16	**146,242**	144,859
Deferred tax liabilities	22	**91**	–
Total non-current liabilities		**673,782**	712,715
Net assets		**877,509**	815,879
EQUITY			
Equity attributable to owners of the parent			
Share capital	33	**137,845**	137,845
Reserves	34	**703,839**	655,299
		841,684	793,144
Non-controlling interests		**35,825**	22,735
TOTAL EQUITY		**877,509**	815,879

Sun Lianqing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	Attributable to owners of the parent							
	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Special reserve safety fund RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	137,845	271,226	59,998	13,251	253,340	735,660	18,773	754,433
Total comprehensive income for the year	–	–	–	–	117,380	117,380	3,962	121,342
Special reserve – safety fund	–	–	–	1,047	(1,047)	–	–	–
Final 2020 dividend	–	–	–	–	(34,461)	(34,461)	–	(34,461)
Interim 2021 dividend	–	–	–	–	(16,541)	(16,541)	–	(16,541)
Transfer from retained profits	–	–	6,466	–	(6,466)	–	–	–
At 31 December 2021	137,845	271,226	66,464	14,298	312,205	802,038	22,735	824,773

	Attributable to owners of the parent								
	Share capital RMB'000	**Capital reserve RMB'000**	**Statutory surplus reserve RMB'000**	**Special reserve safety fund RMB'000**	**Fair value reserve of financial assets at fair value through other comprehensive income RMB'000**	**Retained profits RMB'000**	**Total RMB'000**	**Non-controlling interests RMB'000**	**Total equity RMB'000**
At 31 December 2021	137,845	271,226	66,464	14,298	–	312,205	802,038	22,735	824,773
Impact of adopting Amendments to IAS 16 *(note 2.2 (b))*	–	–	–	–	–	(8,894)	(8,894)	–	(8,894)
At 1 January 2022 (restated)	137,845	271,226*	66,464*	14,298*	–*	303,311*	793,144	22,735	815,879
Profit for the year	–	–	–	–	–	69,344	69,344	7,078	76,422
Other comprehensive income for the year:									
Fair value reserve of financial assets at fair value through other comprehensive income, net of tax	–	–	–	–	(127)	–	(127)	–	(127)
Total comprehensive income for the year	–	–	–	–	(127)	69,344	69,217	7,078	76,295
Acquisition of subsidiaries	–	–	–	–	–	–	–	3,562	3,562
Capital injection by non-controlling shareholders	–	–	–	–	–	–	–	2,450	2,450
Final 2021 dividend declared and paid	–	–	–	–	–	(20,677)	(20,677)	–	(20,677)
Transfer from retained profits	–	–	3,501	–	–	(3,501)	–	–	–
Special reserve – safety fund	–	–	–	146	–	(146)	–	–	–
At 31 December 2022	137,845	271,226*	69,965*	14,444*	(127)*	348,331*	841,684	35,825	877,509

* These reserve accounts comprise the consolidated reserves of RMB703,839,000 (2021: RMB655,299,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH USED IN INVESTING ACTIVITIES			
Interest received from related parties		–	317
Dividends received from associates	20	16,448	13,810
Dividends received from financial assets at fair value through profit or loss	6	487	191
Purchases of items of property, plant and equipment		(94,786)	(60,615)
Purchase of right-of-use assets	16	–	(2,444)
Additions to other intangible assets		(1,288)	(1,950)
Acquisition of subsidiaries, net	35	(1,661)	–
Investment in joint ventures	19	(1,000)	(159,000)
Investment in an associate	20	(850)	(4,559)
Purchase of financial assets at fair value though profit or loss		(34,370)	(2,554)
Payment of debt investment at amortised cost	27	–	(60,000)
Proceeds from disposal of right-of-use assets		–	11,520
Proceeds from disposal of fixed assets		886	–
Proceeds from disposal of financial assets at fair value through profit or loss		851	–
Tax paid for disposal of right-of-use assets		–	(3,030)
NET CASH USED IN INVESTING ACTIVITIES		(115,283)	(268,314)
CASH (USED IN)/FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		–	–
Share issue expenses		–	–
Dividends paid		(20,677)	(51,002)
Interest paid	8	(13,208)	(6,648)
New interest-bearing bank and other borrowings		–	130,000
Repayment of interest-bearing bank borrowings		(20,720)	–
Capital injection by non-controlling shareholders		2,450	–
Payment of lease liabilities	35(b)	(21,648)	(19,774)
NET CASH (USED IN)/FLOWS FROM FINANCING ACTIVITIES		(73,803)	52,576

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**102,414**	149,249
Adjustments for:			
Finance costs	8	**10,763**	8,966
Share of profits of associates		**(2,838)**	(11,582)
Share of losses of joint ventures		**10,589**	13,098
Interest income	6	**(4,378)**	(3,476)
Dividends received from financial assets at fair value through profit or loss	6	**(487)**	(191)
Depreciation of property, plant and equipment	7	**45,967**	35,650
Gain on disposal of items of right-of-use assets	6	**–**	(4,302)
Gain on financial assets measured at amortised cost		**(5,819)**	–
Gain arising from business combination		**(512)**	–
Depreciation of investment properties	7	**7,008**	9,754
Depreciation of right-of-use assets	7	**11,237**	9,120
Amortisation of other intangible assets	7	**1,951**	1,761
Impairment of financial and contract assets, net	7	**6,639**	2,294
Fair value loss/(gain) from financial assets through profit or loss	7	**2,058**	(2,980)
Loss on disposal of items of property, plant and equipment	7	**214**	670
		184,806	208,031
Decrease/(increase) in inventories		**4,201**	(52,398)
Increase in trade and bills receivables		**(67,740)**	(57,486)
(Increase)/decrease in contract assets		**(2,011)**	8,142
Increase in prepayments, other receivables and other assets		**(14,545)**	(2,346)
Increase in trade and bills payables		**58,827**	105,304
Increase/(Decrease) in other payable and accruals		**2,566**	(7,244)
Decrease/(increase) in pledged time deposits		**2,362**	(12,831)
Decrease in contract liabilities		**(703)**	(35,886)
Cash generated from operations		**167,763**	153,286
Interest received		**6,178**	3,159
Tax paid		**(22,828)**	(24,360)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**151,113**	132,085

	Notes	2022 RMB'000	2021 RMB'000
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(37,973)**	(83,653)
Cash and cash equivalents at beginning of year		**258,664**	342,317
CASH AND CASH EQUIVALENTS AT END OF YEAR		**220,691**	258,664
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	28	**98,199**	248,998
Time deposits	28	**134,992**	24,528
Pledged for issuance of bank acceptance notes	28	**(12,500)**	(14,862)
Cash and cash equivalents as stated in the statement of cash flows		**220,691**	258,664

1. CORPORATE AND GROUP INFORMATION

JiaXing Gas Group Co., Ltd. (the "**Company**") is a joint stock company with limited liability established in the People's Republic of China ("**PRC**"). The registered office of the Company is located at 5th Floor, Building 3, Hualong Plaza, Economic and Technological Development Zone, Jiaxing, Zhejiang Province, The People's Republic of China.

The principal business activities of the Group during the year included (i) sale of gas, mainly piped natural gas ("**PNG**") (under the concessions), liquefied natural gas ("**LNG**") and liquefied petroleum gas ("**LPG**") in Jiaxing; (ii) provision of construction and installation services; and (iii) other activities, including provision of natural gas transportation services, sale of vapour and construction materials, and leasing of properties in Mainland China.

On 16 July 2021, the concert parties, namely Zhejiang Taiding Investment Company Limited ("**Taiding**"), Fengye Holdings Group Company Limited ("**Fengye**"), Mr. Xu Songqiang (徐松強) and Ms. Xu Hua (徐華), entered into a concert party agreement with respect to their interests in the Company. Pursuant to the concert party agreement, Fengye, Mr. Xu Songqiang and Ms. Xu Hua agreed to delegate their voting rights at general meetings of the Company to Taiding from 16 July 2021 to 15 July 2023. Concert parties have interests in each other's interests. As of 31 December 2022, the concert parties held an approximately 25.42% equity interest of the Company, while Jiaxing City Investment & Development Group Co., Ltd. held an approximately 23.76% equity interest of the Company. Accordingly, there was no single controlling shareholder for the Company.

The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 16 July 2020.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Gangqu Gas*	PRC/ Mainland China limited liability company	RMB36,000,000	65	–	Distribution and sale of natural gas and provision of construction and installation services of gas pipelines network
Jiaran Construction*	PRC/ Mainland China limited liability company	RMB10,000,000	100	–	Distribution and sale of gas equipment and provision of gas, technology consulting services, construction
Jie'an*	PRC/ Mainland China limited liability company	RMB5,000,000	80	20	Transportation of LNG and compressed natural gas

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Jia'ran Liquefied Gas*	PRC/ Mainland China limited liability company	RMB5,000,000	100	–	Distribution and sale of LPG
Jia'ran New Energy*	PRC/ Mainland China limited liability company	RMB20,000,000	100	–	Construction and operation of new energy facilities
Jiaxing Chengzhang Energy Service Co., Ltd. ("**Chengzhang Energy**") 嘉興市成章能源服務有限公司*/**	PRC/ Mainland China limited liability company	RMB5,000,000	–	51	Sale of chemical products, provision of technology service and consulting service
Jiaxing Gas and Refuelling Station Co., Ltd. ("**Gas and Refuelling Station**") 嘉興市加油加氣站有限公司*	PRC/ Mainland China limited liability company	RMB30,000,000	100	–	Operation of natural gas refuelling stations
Zhejiang Jiaqing New Energy Technology Co., Ltd. ("**Jiaqing New Energy**") 浙江嘉氫新能源科技有限公司*/**	PRC/ Mainland China limited liability company	RMB15,000,000	–	60	Sale of hydrogen refueling and hydrogen storage facilities for stations
Jiaxing Gangqu Jiajin Hydrogen Refuelling Station Co., Ltd. ("Jia'jin") 嘉興港區嘉錦加氣站有限公司*/***	PRC/ Mainland China limited liability company	RMB20,000,000	–	60	Sale of hydrogen refueling and hydrogen storage facilities for stations
JiaXing Gas Group (Hong Kong) Holdings Limited ("**Jiaxing Gas Hong Kong**") 嘉燃集團(香港)控股有限公司	Hong Kong	USD5,000,000	100	–	Trading of LNG

* The English names of these subsidiaries represent the best efforts made by management of the Company to translate their Chinese names as they do not have official English names registered in PRC.

** A subsidiary of Gangqu Gas, accordingly, is accounted for as a subsidiary by virtue of the Company's control over it.

*** Jia'jin is a wholly-owned subsidiary of Jiaqing New Energy, and accordingly, is accounted for as a subsidiary by virtue of the Company's control over it.

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

During the year, the Group acquired a 50% interest of Gas and Refuelling Station from its joint-venture shareholder. Further details of this acquisition are included in note 35 to the financial statements.

Due to the reduction of registered capital and shareholders' capital contribution, Gangqu Gas's interest in Jiaqing New Energy increased from 50% to 60%. In turn, Jia'jin becomes a subsidiary as it is a wholly-owned subsidiary of Jiaqing New Energy. Further details of this acquisition are included in note 35 to the financial statements.

2.1 BASIS OF PREPARATION

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

Basis of consolidation

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRS standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. A joint venture of the Group, Zhejiang Hangjiaxin Clean Energy Co., Ltd. ("**Hangjiaxin**"), started trial operation in September 2021 and generated revenue of RMB19,000,000 and incurred cost of RMB36,440,000 during the year ended 31 December 2021 (the "**Trial Operation Results for 2021**"). Hangjiaxin deducted the Trial Operation Results for 2021 from the cost of relevant property, plant and equipment for the year 2021. The Group made retrospective adjustment according to the Amendments to IAS 16, and correspondingly reduced the investments in joint ventures and retained profits by RMB8,894,000.

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 10 and IAS 28 *(2011)*	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1, 5]
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 Comparative Information*[6]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "**2020 Amendments**")[2, 4]
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "**2022 Amendments**")[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Further information about those IFRSs that are expected to be applicable to the Group is described below (continued).

Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12 narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures its financial assets at fair value through profit or loss at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets, investment properties and non-current assets/ a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group.

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies: (continued)

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with IFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognised such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Buildings	20-50 years
Gas pipelines	20 years
Plant and machinery	4-15 years
Motor vehicles	4-5 years
Furniture and office equipment	3-10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

Construction in progress represents Gas and Refuelling Station structures, machinery, gas pipelines and other property, plant and equipment under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Operating rights

Operating rights for construction are stated at cost less any impairment losses and are amortised on the straight-line basis over the estimated useful lives of four years.

Software

Purchased software copyrights are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of three to five years.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Prepaid leasehold land	50 years
Buildings	2-8 years
Plant and gas pipelines	12-27 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.
Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue Recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Financial assets at fair value through profit or loss (continued)

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 30 days past due for sale of gas, and 180 days past due for construction&installation services. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings and payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, financial liabilities included in other payables and accruals, lease liabilities, interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

The Group provides for warranties in relation to the sale of certain industrial products and the provision of construction services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Special reserve – safety fund

Provisions for the Group's obligations for safety operation are based on the Group's revenue arising from sales of natural gas per year in accordance with related PRC rules and regulations. The Group records a corresponding cost when such expenditure for safety operation incurs. The remaining provisions for the Group's obligations for safety operation would be recorded as special reserve – safety fund. The remaining provisions would not be recorded in the consolidated statements of profit or loss while the Group decreases its retained profits when it recognises the special reserve – safety fund.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates..

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred revenue account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue from contracts with customers

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.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from contracts with customers (continued)

(a) Sale of goods

Revenue from the sale of goods is 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 installation and management services of gas pipelines

Revenue from the provision of installation and management services of gas pipelines is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives and consumes the benefits provided by the Group.

(c) Provision of construction services

Revenue from the provision of construction services is recognised over time, using an output method to measure progress towards complete satisfaction of the service, because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The output method recognises revenue on the basis of direct measurements of the value to the customer of the services transferred to date relative to the remaining goods or services promised under the contract.

(d) Provision of natural gas transportation services

The Group's provision of natural gas transportation services generally includes a series of distinct services that are substantially the same and that have the same pattern of transfer to the customers. Revenue from the transmission of natural gas is recognised at the point in time when the Group provides the promised service to the customer.

(e) Provision of gas storage services

Revenue from the provision of natural gas storage services is recognised over time, because the Group provides natural gas storage services to customers for their on-demand consumption, and customers simultaneously receives and consumes the benefits of the Group's performance.

Revenue from other sources

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.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Contract costs

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially 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 capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in note 12 to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Renminbi ("**RMB**"), which is the Group's and the Company's functional currency because the Group's principal operations are carried out in Mainland China. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The functional currencies of certain overseas subsidiaries, joint ventures and associates are currencies other than the Chinese Yuan. As at the end of the reporting period, the assets and liabilities of these entities are translated into Chinese Yuan at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Chinese Yuan at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Determining the timing of satisfaction of construction services

The Group concluded that revenue for construction services is recognised over time because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. The fact that another entity would not need to re-perform the construction that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it performs.

The Group determined that the output method is the best method in measuring the progress of the construction services because the output selected would faithfully depict the entity's performance towards complete satisfaction of the performance obligation. The Group recognises revenue on the basis of direct measurements of the value to the customer of the services transferred to date relative to the remaining services promised under the contract.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Property lease classification – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are described below.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value-in-use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2022 was RMB42,000 (2021: Nil). Further details are given in note 17.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns according to the sales type and rating.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the energy industry sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in note 24 and note 25 to the financial statements, respectively.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating)

Useful lives of property, plant and equipment

The Group 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 and functions. It could change significantly as a result of technical innovations, competitor actions in response to severe industry cycles or unforeseeable change in legal enforcement rights in future. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Useful lives of intangible assets

The Group determines the estimated useful lives and related amortisation charges for its intangible assets. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortised over the useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Estimation of the amortisation period of installation and management services recorded as contract liabilities

The Group receives fees from customers in advance in exchange for the installation and management of gas pipelines to the urban natural gas pipeline network. These fees are received in advance and gradually amortised. The Group determines the estimated amortisation period of fifteen years for its revenue recognition. This estimate is based on the Group's historical experience of the actual service period and the strength of the Group's business relationship with each individual customer. It could differ significantly based on the customer's profile, expected term of the relationship and the strength of the customer's business relationship established with the Group. Generally, amortisation is calculated on the straight-line basis for fifteen years. The carrying amount of installation and management services in the consolidated statement of financial position as at 31 December 2022 was RMB380,141,000 (31 December 2021: RMB387,806,000), details of which are set out in note 31 to the financial statements.

Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. There was no carrying value of deferred tax assets relating to recognised tax losses at 31 December 2021 and 2022. There were no unrecognised tax losses at 31 December 2021 and 2022. Further details are contained in note 22 to the financial statements.

Volume of gas consumed by customers

The revenue from sales of gas was highly dispersed and derived from a large number of residential customers, commercial customers and industrial customers. The Group developed a statistical model for estimating the volume of gas consumed by customers between the last gas-meter reading date and the end of the reporting period. The model used the historical gas-meter readings, the average daily volume of gas consumed by customers and the gas-meter reading date of each customer to come up with the estimated volume of gas consumed by customers between the last gas-meter reading date and the end of the reporting period.

4. SEGMENT INFORMATION

The Group has only one reportable operating segment which engages in (i) sales of gas, mainly PNG (under the concessions), LNG and LPG in Jiaxing; (ii) provision of construction installation services; and (iii) others, including provision of natural gas transportation services, sales of vapour and construction materials, and leasing of properties in the year. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

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

Information about major customers

Revenue from continuing operations of approximately RMB311,533,000 (2021: RMB313,107,000) was derived from sales by the industrial products segment to a single customer, including sales to a group of entities which are known to be under common control with that customer. Moreover, the Group has a new customer for the sale of LNG, revenue from which amounted to RMB676,540,000 in 2022.

5. REVENUE

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

	2022 **RMB'000**	2021 RMB'000
Revenue from contracts with customers		
Sales of goods	**3,251,696**	1,795,831
Provision of construction services	**142,143**	127,770
Provision of installation and management services	**53,724**	51,833
Provision of gas storage services	**6,424**	–
Provision of gas transportation services	**2,131**	4,354
Others	**4,569**	2,380
	3,460,687	1,982,168
Revenue from other sources		
Gross rental income	**13,835**	13,137
	3,474,522	1,995,305
Less: Government surcharges	**(8,486)**	(6,752)
	3,466,036	1,988,553

5. REVENUE (continued)

Revenue from contracts with customers

(i) Disaggregated revenue information

	2022 RMB'000	2021 RMB'000
Sales of PNG	2,025,701	1,495,828
Sales of LNG	957,739	140,928
Sales of LPG	133,521	109,120
Sales of other gas	93,556	8,808
Sales of vapour	35,427	28,022
Sales of construction materials	5,040	11,467
Sales of electricity	712	1,658
Provision of construction services	142,143	127,770
Provision of installation and management services	53,724	51,833
Provision of gas storage services	6,424	–
Provision of gas transportation services	2,131	4,354
Others	4,569	2,380
	3,460,687	1,982,168
Timing of revenue recognition		
Goods or services transferred at a point in time	3,258,396	1,802,565
Services transferred over time	202,291	179,603
Total revenue from contracts with customers	3,460,687	1,982,168

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

	2022 RMB'000	2021 RMB'000
Provision of installation and management services	43,730	47,418
Provision of construction services	28,322	48,317
Sales of goods	22,785	14,835
	94,837	110,570

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

5. REVENUE (continued)

Revenue from contracts with customers (continued)

(ii) Performance obligations

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

Sales of goods

The performance obligation is satisfied upon delivery of the PNG, LNG, LPG, vapour and construction materials, and payment is generally due within 30 to 180 days from deliver, except for customers who purchased store-value cards.

Provision of construction and installation services and management of gas pipelines services
The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before or during the rendering of the services.

Provision of gas transportation services

The performance obligation is satisfied upon completion of gas transportation and payment is generally due within 30 days from completion.

Provision of gas storage services

The performance obligation is satisfied over time as the services are provided till the completion of gas storage services.

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

	2022 RMB'000	2021 RMB'000
Amounts expected to be recognised as revenue:		
Within one year	100,128	94,837
After one year	338,109	344,076
	438,237	438,913

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised after one year relate to installation and management of gas pipelines, of which the performance obligations are to be satisfied within two to fifteen years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year. The amounts disclosed above do not include variable consideration which is constrained.

6. OTHER INCOME AND GAINS

	2022 RMB'000	2021 RMB'000
Other income		
Interest income	4,378	3,476
Dividends received from financial assets at fair value through profit or loss	487	191
Government grants	10,940	8
Gain on foreign exchange differences	14,855	–
Gain on disposal of items of property, plant and equipment	43	–
Others	457	635
	31,160	4,310
Gains		
Gain on disposal of items of right-of-use assets	–	4,302
Fair value gain on financial assets at fair value through profit or loss	–	2,980
Gain on financial assets measured at amortised cost	5,819	–
Gain arising from business combination	578	–
	6,397	7,282
	37,557	11,592

7. PROFIT BEFORE TAX

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

	Notes	2022 RMB'000	2021 RMB'000
Cost of inventories sold		**3,199,504**	1,654,998
Cost of services provided		**100,771**	95,885
Depreciation of property, plant and equipment	14	**45,967**	35,650
Depreciation of investment properties	15	**7,008**	9,754
Depreciation of right-of-use assets	16	**11,237**	9,120
Amortisation of intangible assets	17	**1,951**	1,761
Lease payments not included in the measurement of lease liabilities	16(c)	**474**	140
Auditor's remuneration		**2,667**	2,506
Employee benefit expense (excluding Directors' and chief executive's remuneration (note 9)):			
Wages and salaries		**52,821**	51,811
Pension scheme contributions		**5,053**	4,303
Social security contributions and accommodation benefits		**6,883**	5,552
Foreign exchange (gain)/loss		**(14,855)**	6,677
Impairment of financial and contract assets, net:			
Impairment of trade receivables, net	24	**5,116**	2,129
Impairment of financial assets included in prepayments, other receivables and other assets	26	**123**	165
Impairment of debt investment at amortised cost	27	**1,400**	–
Fair value losses/(gains) on financial assets at fair value through profit or loss		**2,058**	(2,980)
Dividend income from financial assets at fair value through profit or loss	6	**(487)**	(191)
Interest income	6	**(4,378)**	(3,476)
Loss on disposal of items of property, plant and equipment		**214**	670
Gain on disposal of items of right-of-use assets	6	**–**	(4,302)

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 RMB'000	2021 RMB'000
Interest on interest-bearing bank borrowings	**13,208**	6,648
Interest expense on leases liabilities	**8,272**	8,314
Total interest expense on financial liabilities not at fair value through profit or loss	**21,480**	14,962
Less: Interest capitalised	**(10,717)**	(5,996)
	10,763	8,966

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2022 RMB'000	2021 RMB'000
Fees	**365**	360
Other emoluments:		
Salaries, allowances and benefits in kind	**492**	788
Performance-related bonuses	**1,055**	970
Pension scheme contributions	**193**	182
	1,740	1,940
	2,105	2,300

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2022 RMB'000	2021 RMB'000
Mr. Cheng Hok Kai Frederick	165	160
Mr. Yu Youda	100	100
Mr. Zhou Xinfa	100	75
Mr. Xu Linde	–	25
	365	360

There were no other emoluments payable to the independent non-executive directors during the year (2021: Nil).

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors, non-executive directors, the chief executive and supervisors

	Fees RMB'000	Salaries allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2022					
Executive directors:					
– Mr. Sun Lianqing	–	–	–	–	–
– Mr. Xu Songqiang	–	211	337	103	651
Non-executive directors:					
– Mr. Zheng Huanli	–	–	–	–	–
– Mr. He Yujian (Resigned on 10 June 2022)	–	–	–	–	–
– Mr. Xu Jiong (Appointed on 10 June 2022)	–	–	–	–	–
– Mr. Fu Songquan	–	–	–	–	–
Chief executive:					
– Mr. Sun Lianqing	–	230	461	4	695
Supervisors:					
– Ms. Liu Wen	–	–	–	–	–
– Mr. Wang Dongzhi (Resigned on 10 June 2022)	–	–	–	–	–
– Ms. Mu Nini (Appointed on 10 June 2022)	–	–	–	–	–
– Ms. Xu Shuping	–	51	257	86	394
	–	492	1,055	193	1,740

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors, non-executive directors, the chief executive and supervisors (continued)

	Fees RMB'000	Salaries allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2021					
Executive directors:					
– Mr. Sun Lianqing	–	–	–	–	–
– Mr. Xu Songqiang	–	275	317	95	687
Non-executive directors:					
– Mr. Zheng Huanli	–	–	–	–	–
– Mr. He Yujian	–	–	–	–	–
– Mr. Fu Songquan	–	–	–	–	–
Chief executive:					
– Mr. Sun Lianqing	–	440	347	4	791
Supervisors:					
– Ms. Liu Wen	–	–	–	–	–
– Mr. Wang Dongzhi	–	–	–	–	–
– Ms. Xu Shuping	–	73	306	83	462
	–	788	970	182	1,940

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors and the chief executive (2021: two directors and the chief executive), details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining three highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2022 **RMB'000**	2021 RMB'000
Salaries, allowances and benefits in kind	**587**	824
Performance related bonuses	**1,007**	944
Pension scheme contributions	**210**	285
	1,804	2,053

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	2022	2021
Nil to RMB500,000	**–**	–
RMB500,001 to RMB1,000,000	**3**	3
	3	3

11. INCOME TAX EXPENSE

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

Hong Kong profits tax is to be provided at the rate of 16.5% (2021: Nil) on the estimated assessable profits arising in Hong Kong

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008 (the "**New Corporate Income Tax Law**"), except for a certain small and micro enterprise of the Group in Mainland China: For small low-profit enterprises whose annual taxable income does not exceed RMB1,000,000, 12.5% shall be included in the taxable income, and the taxable income is taxed at a preferential rate of 20%; For the part of the annual taxable income exceeding RMB1,000,000 but not exceeding RMB3,000,000, it shall be included in the taxable income at the reduced rate of 25%, the taxable income is taxed at a preferential rate of 20%.

11. INCOME TAX EXPENSE (continued)

The major components of income tax expense are as follows:

	2022 RMB'000	2021 RMB'000
Current tax:		
Income tax in the PRC for the year	19,349	22,656
Deferred tax	6,643	14,145
Total tax charge for the year	25,992	36,801

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the country in which the Company and the major operating subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates are as follows:

	2022 RMB'000	2021 RMB'000
Profit before tax	102,414	149,249
Tax at the statutory tax rate	25,603	37,312
Adjustments in respect of current tax of previous periods	(883)	–
Expenses not deductible for tax	106	104
Income not subject to tax	(627)	(995)
Profits attributable to joint ventures and associates	1,938	380
Others	(145)	–
Tax charge at the Group's effective rate	25,992	36,801

12. DIVIDENDS

	2022 RMB'000	2021 RMB'000
Interim – Nil (2021: RMB0.12) per ordinary share	–	16,541
Proposed final dividends – RMB0.20 (2021: RMB0.15) per ordinary share	27,569	20,677
	27,569	37,218

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 137,844,500 (2021: 137,844,500) in issue during the year, as adjusted to reflect the rights issue during the year.

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

	2022 RMB'000	2021 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	69,344	108,486

	Number of shares 2022	 2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	137,844,500	137,844,500

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Gas pipelines RMB'000	Plant and machinery RMB'000	Furniture and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Lease holding improvements RMB'000	Total RMB'000
31 December 2022								
At 1 January 2022								
Cost	100,326	584,674	164,151	9,430	15,004	37,400	21,800	932,785
Accumulated depreciation	(28,488)	(265,687)	(105,865)	(7,767)	(11,165)	–	(19,533)	(438,505)
Net carrying amount	71,838	318,987	58,286	1,663	3,839	37,400	2,267	494,280
At 1 January 2022, net of accumulated depreciation	71,838	318,987	58,286	1,663	3,839	37,400	2,267	494,280
Additions	7,738	4,482	4,774	1,161	241	84,576	5,239	108,211
Acquisition of a subsidiary (net)	451	–	10,931	16	–	–	–	11,398
Depreciation provided during the year	(4,500)	(27,101)	(11,031)	(775)	(1,018)	–	(1,542)	(45,967)
Disposals	(460)	–	(124)	–	(445)	–	(73)	(1,102)
Transferred from Construction in progress	46	62,879	9,475	–	–	(72,400)	–	–
Transferred from investment properties	9,960	–	–	–	–	–	–	9,960
Transferred to investment properties	(447)	–	–	–	–	–	–	(447)
At 31 December 2022, net of accumulated depreciation	84,626	359,247	72,311	2,065	2,617	49,576	5,891	576,333
At 31 December 2022								
Cost	119,952	651,954	186,856	10,604	13,700	49,576	27,039	1,059,681
Accumulated depreciation	(35,326)	(292,707)	(114,545)	(8,539)	(11,083)	–	(21,148)	(483,348)
Net carrying amount	84,626	359,247	72,311	2,065	2,617	49,576	5,891	576,333

14. PROPERTY, PLANT AND EQUIPMENT (continued)

	Buildings RMB'000	Gas pipelines RMB'000	Plant and machinery RMB'000	Furniture and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Lease holding improvements RMB'000	Total RMB'000
31 December 2021								
At 1 January 2021								
Cost	107,003	537,178	155,373	8,389	18,490	29,748	21,330	877,511
Accumulated depreciation	(27,041)	(244,525)	(95,181)	(7,387)	(14,094)	–	(18,330)	(406,558)
Net carrying amount	79,962	292,653	60,192	1,002	4,396	29,748	3,000	470,953
At 1 January 2021, net of accumulated depreciation	79,962	292,653	60,192	1,002	4,396	29,748	3,000	470,953
Additions	–	–	1,177	1,128	1,212	67,798	470	71,785
Depreciation provided during the year	(901)	(21,295)	(10,684)	(463)	(1,182)	–	(1,125)	(35,650)
Disposals	–	(1)	–	(4)	(587)	–	(78)	(670)
Transferred from Construction in progress	4,915	47,630	7,601	–	–	(60,146)	–	–
Transferred from investment properties	5,246	–	–	–	–	–	–	5,246
Transferred to investment properties	(17,384)	–	–	–	–	–	–	(17,384)
At 31 December 2021, net of accumulated depreciation	71,838	318,987	58,286	1,663	3,839	37,400	2,267	494,280
At 31 December 2021								
Cost	100,326	584,674	164,151	9,430	15,004	37,400	21,800	932,785
Accumulated depreciation	(28,488)	(265,687)	(105,865)	(7,767)	(11,165)	–	(19,533)	(438,505)
Net carrying amount	71,838	318,987	58,286	1,663	3,839	37,400	2,267	494,280

The carrying amount of construction in progress of the Group included capitalized interest of approximately RMB10,718,000 (2021: RMB5,996,000) charged for the year (note 8).

As at 31 December 2022, the Company's property, plant and equipment with a carrying value of RMB7,148,000 (2021: RMB7,388,000) was pledged to secure interest-bearing bank borrowings (note 32).

15. INVESTMENT PROPERTIES

	2022 RMB'000	2021 RMB'000
Cost:		
At beginning of year	**280,393**	268,801
Transferred from property, plant and equipment	**931**	18,219
Transferred to intangible assets	**(608)**	–
Transferred to property, plant and equipment	**(12,917)**	(6,627)
At end of year	**267,799**	280,393
Accumulated depreciation:		
At beginning of year	**60,190**	50,982
Charge for the year	**7,008**	9,754
Transferred from property, plant and equipment	**484**	835
Transferred to intangible assets	**(174)**	–
Transferred to property, plant and equipment	**(2,957)**	(1,381)
At end of year	**64,551**	60,190
Net carrying amount:		
At end of year	**203,248**	220,203
At beginning of year	**220,203**	217,819

Investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses. The market values of investment properties are valued based on the investment method whereby the rents receivable during the residue period of the existing tenancies are capitalised at an appropriate capitalisation rate with due allowance for the reversionary interests after expiry of the tenancies. The fair values of the investment properties are disclosed below.

The investment properties are leased to third parties and related parties under operating leases, further summary details of which are included in note 15 to the financial statements.

As at 31 December 2022, the Group's investment properties with a carrying value of RMB113,299,000 (2021: RMB120,022,000) were pledged to secure interest-bearing bank borrowings (note 32).

15. INVESTMENT PROPERTIES (continued)

The Group's investment properties principally comprise buildings held for medium term rental yields, which are located in Jiaxing City of Zhejiang Province, the PRC, and are held under the following lease terms:

	2022 **RMB'000**	2021 RMB'000
Medium term leases	**203,248**	220,203

Fair value hierarchy

The following table illustrates the fair values and fair value measurement hierarchy of the Group's investment properties:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant Unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Investment properties	**–**	**–**	**298,318**	**298,318**

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant Unobservable inputs (Level 3) RMB'000	Total RMB'000
Investment properties	–	–	291,768	291,768

15. INVESTMENT PROPERTIES (continued)

Below is a summary of the valuation technique used and the key inputs to the valuation of investment properties:

	Valuation technique	Significant unobservable inputs	Range or weighted average 2022	2021
Investment properties	Income approach – Term and Reversion Analysis	Estimated rental value (per square metre and per day)	**RMB1.19 to RMB1.67**	RMB1.33 to RMB1.67
		Market yield	**4.5% to 5.0%**	4.5% to 5.0%
		Term yield	**4.0% to 4.5%**	4.0% to 4.5%

A significant increase/(decrease) in the estimated market rent would result in a significant increase/(decrease) in the fair value of the investment properties. A significant increase/(decrease) in the term yield and market yield in isolation would result in a significant decrease/(increase) in the fair value of the investment properties.

The Term and Reversion Analysis estimates the value of the properties on an open market basis by capitalizing the rental income on a fully leased basis having regard to the current passing rental income from the existing tenancies and the potential future reversionary rental income in the market. No allowances have been made for vacancy or capital deductions of any nature.

In this valuation method, the total rental income is divided into current passing rental income over the existing lease term (the term income) and potential future reversionary rental income after the expiry of the existing lease term (the reversionary income). The term "value" is derived by the capitalisation of the term "income" over the existing lease term, while the reversionary value is derived by the capitalisation of the reversionary income on a fully leased basis, which is then discounted back to the valuation date.

16. LEASES

The Group as a lessee

The Group has lease contracts for various items of plant and gas pipelines, buildings and prepaid leasehold land used in its operations. Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. Leases of buildings, plant and gas pipelines generally have lease terms between 2 and 27 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Prepaid leasehold land RMB'000	Plant and gas pipelines RMB'000	Buildings RMB'000	Total RMB'000
As at 1 January 2021	42,826	86,940	889	130,655
Additions	2,444	4,469	45	6,958
Disposals	(2,431)	–	–	(2,431)
Depreciation charge	(1,188)	(7,857)	(75)	(9,120)
As at 31 December 2021 and 1 January 2022	**41,651**	**83,552**	**859**	**126,062**
Transfer from investment properties	**434**	**–**	**–**	**434**
Additions	**–**	**16,666**	**–**	**16,666**
Disposals	**–**	**–**	**–**	**–**
Depreciation charge	**(1,184)**	**(9,909)**	**(144)**	**(11,237)**
As at 31 December 2022	**40,901**	**90,309**	**715**	**131,925**

As at 31 December 2022, there was no right-of-use assets which were pledged to secure interest-bearing bank borrowings (2021: Nil).

16. LEASES (continued)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	156,622	163,568
New leases	16,666	4,514
Accretion of interest recognised during the year	8,272	8,314
Payments	(21,648)	(19,774)
Carrying amount at 31 December	159,912	156,622
Analysed into:		
Current portion	13,670	11,763
Non-current portion	146,242	144,859

The maturity analysis of lease liabilities is disclosed in note 42 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	8,272	8,314
Depreciation charge of right-of-use assets	11,237	9,120
Expense relating to leases of low-value assets (included in administrative expenses and selling and distribution expenses)	474	140
Total amount recognised in profit or loss	19,983	17,574

(d) The total cash outflow for leases are disclosed in note 36(c) to the financial statements.

16. LEASES (continued)

The Group as a lessor

The Group leases its investment properties (note 15) consisting of buildings in Mainland China under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB13,835,000 (2021: RMB13,137,000), details of which are included in note 5 to the financial statements.

At 31 December 2022, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2022 RMB'000	2021 RMB'000
Within one year	12,771	13,264
After one year but within two years	11,651	11,629
After two years but within three years	10,451	10,595
After three years but within four years	8,776	9,920
After four years but within five years	8,189	8,776
After five years	26,361	34,550
	78,199	88,734

17. GOODWILL

	RMB'000
At 1 January 2022:	
Cost	–
Accumulated impairment	–
Net carrying amount	–
Cost at 1 January 2021, net of accumulated impairment	–
Impairment during the year	–
At 31 December 2022	
Cost	42
Accumulated impairment	–
Net carrying amount	42

Goodwill acquired through business combinations, further details of the transaction are included in note 35 to the financial statements.

18. OTHER INTANGIBLE ASSETS

	Operating rights RMB'000	Software and others RMB'000	Total RMB'000
31 December 2022			
Cost at 1 January 2022, net of accumulated amortisation	**1,494**	**3,004**	**4,498**
Additions	**–**	**1,288**	**1,288**
Amortisation provided during the year	**(513)**	**(1,438)**	**(1,951)**
At 31 December 2022	**981**	**2,854**	**3,835**
At 31 December 2022:			
Cost	**2,050**	**10,109**	**12,159**
Accumulated amortisation	**(1,069)**	**(7,255)**	**(8,324)**
Net carrying amount	**981**	**2,854**	**3,835**
31 December 2021			
Cost at 1 January 2021, net of accumulated amortisation	2,007	2,302	4,309
Additions	–	1,950	1,950
Amortisation provided during the year	(513)	(1,248)	(1,761)
At 31 December 2021	1,494	3,004	4,498
At 31 December 2021:			
Cost	2,050	8,821	10,871
Accumulated amortisation	(556)	(5,817)	(6,373)
Net carrying amount	1,494	3,004	4,498

19. INVESTMENTS IN JOINT VENTURES

	2022 **RMB'000**	2021 RMB'000
Share of net assets	**323,426**	354,396

The Group's outstanding balances and transactions with the joint ventures during the year are disclosed in note 39.

Particulars of the Group's material joint ventures are as follows:

Name of company	Nominal value of paid-up/ registered capital	Place of registration and operations	Percentage of Voting power	Percentage of Ownership interest	Principal activities
Hangjiaxin	RMB700,000,000	PRC/Mainland China	51%	51%	Construction of docks and LNG warehouses
Gas and Refuelling Station (Note i)	RMB30,000,000	PRC/Mainland China	50% (100% since October 2022)	50% (100% since October 2022)	Operation of natural gas refuelling stations
Jiaqing New Energy (Note ii)	RMB50,000,000	PRC/Mainland China	50% (60% since August 2022)	50% (60% since August 2022)	Sales of hydrogen refueling and hydrogen storage facilities for stations

* The English translations of these company names are for reference only. The official names of these companies are in Chinese.

Notes:

(i) On September 21, 2022, the Group acquired the remainder 50% equity interest of Gas and Refuelling Station, which became a wholly-owned subsidiary of the Group.

(ii) Upon the completion of industrial and commercial registration, the Group held a 60% equity interest of Jiaqing, which became a subsidiary of the Group.

Further information is disclosed in Note 35.

19. INVESTMENTS IN JOINT VENTURES (continued)

Hangjiaxin, which is considered a material joint venture of the Group, will act as the Group's supplier of LNG in Mainland China after completing the construction of the LNG storage and transportation station and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Hangjiaxin adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2022 RMB'000	2021 RMB'000
Current assets	472,035	458,134
Non-current assets	1,687,675	1,276,037
Current liabilities	(312,498)	(26,578)
Non-current liabilities	(1,211,243)	(1,052,837)
Non-controlling interest	(1,800)	(1,800)
Net assets	634,169	652,956

Reconciliation to the Group's interest in the joint venture:

	2022 RMB'000	2021 RMB'000
Proportion of the Group's ownership	51%	51%
Group's share of net assets of the joint venture	323,426	333,022
Carrying amount of the investment	323,426	333,022
Other income	353,864	146,547
Total expense	(372,587)	(168,507)
Loss and total comprehensive loss for the year	(18,723)	(21,960)
Ownership interest	51%	51%
Share of results	(9,549)	(11,200)

The Company did not increase the investment in Hangjiaxin during the year ended 31 December 2022 (2021: RMB153,000,000).

Hangjiaxin is in the pre-operating stage and its operating assets were under construction during the year. The board of directors is of the view that the joint venture will generate positive cash flows in the future and there is no indication that the investment may be impaired at the end of the year.

19. INVESTMENTS IN JOINT VENTURES (continued)

Gas and Refuelling station, which was considered a material joint venture of the Group in 2021, became a subsidiary of the Group in 2022 and is accounted for using the cost method.

The following table illustrates the summarised financial information in respect of Gas and Refuelling station in 2021 adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2021 RMB'000
Current assets	32,194
Non-current assets	799
Current liabilities	(246)
Net assets	32,747

Reconciliation to the Group's interest in the joint venture:

	2021 RMB'000
Proportion of the Group's ownership	50%
Group's share of net assets of the associate	16,373
Carrying amount of the investment	16,373
Revenue	26,484
Other income	588
Total expense	(28,872)
Tax	–
Loss and total comprehensive loss for the year	(1,800)
Ownership interest	50%
Share of results	(900)

19. INVESTMENTS IN JOINT VENTURES (continued)

Jiaqing, which was considered a material joint venture of the Group in 2021, became a subsidiary of the Group in 2022 and is accounted for using the cost method.

The following table illustrates the summarised financial information in respect of Jiaqing in 2021 adjusted for any differences in accounting policies and reconciled to the carrying amount in the financial statements:

	2021 RMB'000
Current assets	3,734
Non-current assets	7,756
Current liabilities	(1,490)
Net assets	10,000

Reconciliation to the Group's interest in the joint venture:

	2021 RMB'000
Proportion of the Group's ownership	50%
Group's share of net assets of the associate	5,000
Carrying amount of the investment	5,000
Revenue	308
Other income	5
Total expense	(2,313)
Loss and total comprehensive loss for the year	(2,000)
Ownership interest	50%
Share of results	(1,000)

20. INVESTMENTS IN ASSOCIATES

	2022 RMB'000	2021 RMB'000
Share of net assets	**10,826**	15,006

The Group's outstanding balances and transactions with the associates during the year are disclosed in note 39.

Particulars of the associates are as follows:

Name of company	Nominal value of paid-up/ registered capital	Place of registration and operations	Percentage of Voting power	Percentage of Ownership interest	Principal activities
Pinghu Natural Gas Co., Ltd.* ("**Pinghu Natural Gas**") (平湖市天然氣有限公司)	RMB60,000,000	PRC/Mainland China	39%	39%	Sales of gas products, and pipeline construction and maintenance
Jiaxing Jiatong New Energy Co., Ltd.* ("**Jiatong New Energy**") (嘉興市嘉通新能源股份有限公司)	RMB30,000,000	PRC/Mainland China	20%	20%	Operation of natural gas refuelling stations
Zhejiang Anke Logistics Co. Ltd.* ("**Zhejiang Anke**") (浙江安可物流有限責任公司)	RMB15,000,000	PRC/Mainland China	34%	34%	Road freight transport
Jiaxing LPG Co., Ltd.* ("**Jiaxing LPG**") (嘉興市管道液化氣有限責任公司)	RMB1,200,000	PRC/Mainland China	34%	34%	Sales of piped gas products

* The English translations of these company names are for reference only. The official names of these companies are in Chinese.

The Group has discontinued the recognition of its share of losses of an associate, Jiaxing LPG, because the share of losses of the associate exceeded the Group's interest in the associate and the Group has no obligation to take up further losses. The amounts of the Group's unrecognised share of losses of this associate for the current year and cumulatively were RMB88,000 (2021: RMB110,000) and RMB651,000 (2021: RMB558,000), respectively.

20. INVESTMENTS IN ASSOCIATES (continued)

Pinghu Natural Gas, which is considered a material associate of the Group, is a strategic partner of the Group engaged in the sale of natural gas and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Pinghu Natural Gas adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2022 RMB'000	2021 RMB'000
Current assets	78,315	102,344
Non-current assets	292,789	283,269
Current liabilities	(138,233)	(267,392)
Non-Current liabilities	(231,495)	(104,476)
Net assets	1,376	13,745

Reconciliation to the Group's interest in the associate:

	2022 RMB'000	2021 RMB'000
Proportion of the Group's ownership	39%	39%
Group's share of net assets of the associate	1,077	5,907
Carrying amount of the investment	1,077	5,907
Revenue	450,101	352,968
Other income	2,247	1,991
Total expense	(433,923)	(315,044)
Tax	(10,636)	(12,433)
Profit and total comprehensive income for the year	7,789	27,482
Ownership interest	39%	39%
Share of results	3,038	10,717
Dividend received	16,448	12,810

The Company did not increase the investment in Pinghu Natural Gas during the year ended 31 December 2022 (2021: Nil).

Pinghu Natural Gas proposed a dividend amounted to RMB7,867,928 to the Company during the year, and the Company received the dividend on 27 July 2022. Also, the Company received a dividend amounted to RMB8,580,000 on 25 March 2022 pertaining to the profit for 2021.

20. INVESTMENTS IN ASSOCIATES (continued)

Jiatong New Energy, which is considered a material associate of the Group, which is the Group's supplier of LNG in Mainland China, is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Jiatong New Energy adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2022 RMB'000	2021 RMB'000
Current assets	18,022	16,095
Non-current assets	9,713	9,958
Current liabilities	(5,940)	(5,526)
Net assets	21,795	20,527

Reconciliation to the Group's interest in the associate:

	2022 RMB'000	2021 RMB'000
Proportion of the Group's ownership	20%	20%
Group's share of net assets of the associate	4,359	4,106
Carrying amount of the investment	4,359	4,106
Revenue	57,765	52,290
Other income	326	196
Total expense	(56,741)	(50,111)
Tax	(85)	(221)
Profit and total comprehensive income for the year	1,265	2,154
Ownership interest	20%	20%
Share of results	253	431
Dividend received	–	1,000

Jiatong did not propose dividend to the Company during the year ended 31 December 2022 (2021: RMB1,000,000).

20. INVESTMENTS IN ASSOCIATES (continued)

Zhejiang Anke, which is considered a material associate of the Group, acts as the Group's road transportation service provider in Mainland China and is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Zhejiang Anke adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2022	2021
	RMB'000	RMB'000
Total assets	**17,542**	16,142
Total liabilities	**(1,689)**	(1,258)
Net assets	**15,853**	14,884

Reconciliation to the Group's interest in the associate:

	2022	2021
	RMB'000	RMB'000
Proportion of the Group's ownership	**34%**	34%
Group's share of net assets of the associate	**5,390**	4,993
Carrying amount of the investment	**5,390**	4,993
Revenue	**22,377**	3,328
Total expense	**(23,703)**	(2,033)
Tax	**(7)**	(18)
Profit and total comprehensive income for the year	**(1,333)**	1,277
Ownership interest	**34%**	34%
Share of results	**453**	434

On 26, January 2022, the Company increased the investment in Zhejiang Anke amounting to RMB850,000.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 RMB'000	2021 RMB'000
Listed equity investments, at fair value	2,773	9,295
Other unlisted investments, at fair value		
– Unlisted equity investments, at fair value	57,270	18,347
– Wealth management products	–	599
	57,270	18,946
	60,043	28,241
Classified as		
Current	2,773	9,894
Non-current	57,270	18,347
	60,043	28,241

The above equity investments were classified as financial assets at fair value through profit or loss as they were held for trading or the Group had not irrevocably elected to classify them as at fair value through other comprehensive income.

The above wealth management products were issued by a securities company in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. The wealth management products was disposed in 2022 at fair value.

22. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Fair value Adjustments arising from acquisition of subsidiaries RMB'000	Total RMB'000
At 1 January 2021	–	–
Deferred tax credited/(charged) to statement of profit or loss during the year (note 11)	–	–
Gross deferred tax assets at 31 December 2021 and 1 January 2022	–	–
Deferred tax credited/(charged) to statement of profit or loss during the year	(91)	(91)

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Impairment of financial assets RMB'000	Contract liabilities RMB'000	Accruals and Provisions RMB'000	Total RMB'000
At 1 January 2021	1,981	108,467	37,925	148,373
Deferred tax credited/(charged) to statement of profit or loss during the year (note 11)	495	(12,866)	(1,774)	(14,145)
Gross deferred tax assets at 31 December 2021 and 1 January 2022	2,476	95,601	36,151	134,228
Deferred tax credited/(charged) to statement of profit or loss during the year	1,702	(10,452)	2,139	(6,611)
At 31 December 2022	4,178	85,149	38,290	127,617

22. DEFERRED TAX (continued)

The deferred tax assets arising from the impairment of financial assets mainly comprised impairment of accounts receivables and other receivables; the deferred tax assets arising from contract liabilities mainly comprised advances received from customers for construction services and installation and management services; and the deferred tax assets arising from accruals and provisions mainly comprised other assets and liabilities which have temporary differences between the carrying amounts and the tax bases. The board of directors is of the opinion that sufficient taxable profit will be available to allow the deferred tax assets to be utilised.

There are no deferred tax assets that have not been recognised as at 31 December 2022 (2021: nil).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

23. INVENTORIES

	2022 RMB'000	2021 RMB'000
Natural gas	42,228	51,219
Construction materials	13,420	8,714
Liquefied petroleum gas	744	641
	56,392	60,574

24. TRADE AND BILLS RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables	201,105	139,835
Bills receivables	16,211	9,848
	217,316	149,683
Impairment	(9,857)	(4,741)
	207,459	144,942

The Group's trading terms with its customers are mainly on credit except for certain new customers where payment in advance is required. The Group's trading terms for the sale of natural gas are paid in advance or due within 30 days from delivery for different customers, while the trading terms for rendering of the construction and connection of gas pipelines services are mainly on credit and the average trade credit period is 180 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly and actively monitored by senior management to minimise credit risk. In view of the aforementioned and the fact that the Group's trade and bills receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

24. TRADE AND BILLS RECEIVABLES (continued)

Trade and bills receivables are unsecured and non-interest-bearing.

Notes receivable of RMB16,211,000 (2021: Nil) were classified as financial assets at fair value through other comprehensive income under IFRS 9.

A receivable is an entity's right to consideration that is unconditional. An entity shall account for a receivable in accordance with IFRS 9. Upon initial recognition of a receivable from a contract with a customer, any difference between the measurement of the receivable in accordance with IFRS 9 and the corresponding amount of revenue recognised shall be presented as an impairment loss. Subsequent changes in fair value are consideration for the time value of money, measured through profit or loss.

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

	2022	2021
	RMB'000	RMB'000
Within one year	**201,980**	138,962
Over one year	**5,479**	5,980
	207,459	144,942

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

	2022	2021
	RMB'000	RMB'000
At beginning of year	**4,741**	2,612
Impairment losses, net (note 7)	**5,116**	2,129
At end of year	**9,857**	4,741

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

24. TRADE AND BILLS RECEIVABLES (continued)

Set out below is the information about the credit risk exposure on the Group's trade and bills receivables using a provision matrix:

As at 31 December 2022

		Past due			
	Current	**Less than 6 months**	**6 to 12 months**	**Over 1 year**	**Total**
Expected credit loss rate	**1.80%**	**8.36%**	**23.71%**	**55.97%**	**4.54%**
Gross carrying amount (RMB'000)	**181,951**	**23,100**	**6,841**	**5,424**	**217,316**
Expected credit losses (RMB'000)	**3,267**	**1,932**	**1,622**	**3,036**	**9,857**

As at 31 December 2021

		Past due			
	Current	Less than 6 months	6 to 12 months	Over 1 year	Total
Expected credit loss rate	0.70%	9.15%	22.02%	43.48%	3.17%
Gross carrying amount (RMB'000)	132,197	9,737	2,098	5,651	149,683
Expected credit losses (RMB'000)	931	891	462	2,457	4,741

The expected credit loss for bills receivable, which are all bank acceptance notes, approximates to zero. Those banks who issue bank acceptance notes are creditworthy banks with no recent history of default.

25. CONTRACT ASSETS

	31 December 2022 RMB'000	31 December 2021 RMB'000
Contract assets arising from:		
Construction services	9,797	7,786
Impairment	–	–
	9,797	7,786

Contract assets are initially recognised for revenue earned from construction services as the receipt of consideration is conditional on successful completion of construction. Upon completion of construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The increase in contract assets in 2022 was the result of the increase in the ongoing provision of construction services at the end of the year.

During the year ended 31 December 2022, no allowance (2021: Nil) for expected credit losses on contract assets was recognised and the expected loss allowance was assessed to be minimal. The Group's trading terms and credit policy with customers are disclosed in note 24.

The expected timing of recovery or settlement for contract assets as at 31 December 2022 is as follows:

	2022 RMB'000	2021 RMB'000
Within one year	9,797	7,786

26. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022 RMB'000	2021 RMB'000
Prepayments	**54,345**	26,193
Other receivables	**24,353**	10,015
Dividend receivables (note 20)	**–**	8,580
Deposits	**800**	473
	79,498	45,261
Impairment	**(5,405)**	(5,282)
	74,093	39,979
Classified as:		
Prepayments, other receivables and other assets	**63,778**	32,705
Other non-current assets	**10,315**	7,274
	74,093	39,979

Deposits and other receivables mainly represent rental deposits, deposits with suppliers and other receivables from related parties and third parties. Where applicable, an impairment analysis is performed at each reporting date by considering the probability of default. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

	As at 31 December 2022		
	Deposits	**Other receivables**	**Uncollectable other receivables**
Expected credit loss rate	**–**	**–**	**100%**
Gross carrying amount (RMB'000)	**800**	**18,948**	**5,405**
Expected credit losses (RMB'000)	**–**	**–**	**5,405**

	As at 31 December 2021		
	Deposits	Other receivables	Uncollectable other receivables
Expected credit loss rate	–	–	100%
Gross carrying amount (RMB'000)	473	13,313	5,282
Expected credit losses (RMB'000)	–	–	5,282

26. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (continued)

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

	2022 RMB'000	2021 RMB'000
At beginning of year	**5,282**	5,117
Impairment losses, net (Note 7)	**123**	165
At end of year	**5,405**	5,282

Except for certain other receivables with a carrying amount of RMB5,405,000, as at 31 December 2022, of which a full provision for impairment has been made, none of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2022, the loss allowance was assessed to be minimal.

27. DEBT INVESTMENT AT AMORTISED COST

	2022 RMB'000	2021 RMB'000
Principal	**60,000**	60,000
Impairment (note 7)	**(1,400)**	–
	58,600	60,000

The debt instrument at amortised cost at 31 December 2022 amounting to RMB58,600,000.00 was loans previously provided to a third party company in 20 December 2021 and the original receive day was extended from 31 December 2022 to 31 December 2023, with the change of interest rate from 14% to 10%.

The Group obtained several securities for the repayment of the amount outstanding:

(a) On 1 July 2022, the Group obtained a RMB51,981,000 right of receivable collection pledge from 香港佳源集團有限公司 (Hong Kong JiaYuan Holdings Limited) ("HongKong Jiayuan").

Hong Kong Jiayuan owns the RMB51,981,000 right of receivable from 鹽城祥源房地產有限公司 (Yancheng Xiangyuan Property Co., Ltd) ("Yancheng Xiangyuan") for business operation. Meanwhile, 鹽城星洲佳源房地產開發有限公司 (Yancheng Xingzhou Jiayuan Real Estate Development Co., Ltd) ("Xingzhou Jiayuan") was due to Yancheng Xiangyuan amounted to RMB51,981,000 for business operation. Thereby, HongKong Jiayuan took up the right of receivable collection from Xingzhou Jiayuan for RMB51,981,000.

(b) The Group obtained a 10% of Xingzhou Jiayuan's interest equity pledge from 新加坡城市經濟發展有限公司 (Urban Economics Pte. Ltd) ("Urban Economics"), a non-controlling shareholder of Xingzhou Jiayuan.

Further details of the transaction are included in note 39 to the financial statements.

28. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2022 RMB'000	2021 RMB'000
Cash and bank balances	98,199	248,998
Time deposits	134,992	24,528
	233,191	273,526
Less: Pledged time deposits:		
Pledged for issuance of bank acceptance notes	(12,500)	(14,862)
Cash and cash equivalents	220,691	258,664
Denominated in Hong Kong Dollars ("**HKD**")	29,413	152,688
Denominated in RMB	191,278	105,976
	220,691	258,664

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

29. TRADE AND BILLS PAYABLES

	2022 RMB'000	2021 RMB'000
Trade payables	**243,036**	168,586
Bills payables	**62,500**	74,312
	305,536	242,898

An ageing analysis of the outstanding trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2022 RMB'000	2021 RMB'000
Within 1 year	**303,791**	241,951
1 to 2 years	**1,082**	175
Over 2 years	**663**	772
	305,536	242,898

Trade payables are non-interest-bearing and are normally settled on demand.

30. OTHER PAYABLES AND ACCRUALS

	31 December 2022 RMB'000	31 December 2021 RMB'000
Construction costs	**30,293**	27,247
Taxes	**3,716**	1,690
Payroll and welfare	**9,672**	10,094
Others	**21,534**	19,806
	65,215	58,837

Other payables are non-interest-bearing and are normally settled on demand.

31. CONTRACT LIABILITIES

	31 December 2022 RMB'000	31 December 2021 RMB'000
Short-term advances received from customers		
Installation and management services	42,032	43,730
Construction services	33,709	28,322
Sales of natural gas	23,816	21,441
Sales of construction materials	571	1,344
	100,128	94,837
Long-term advances received from customers		
Installation and management services	338,109	344,076
	438,237	438,913

Contract liabilities include advances received from customers to deliver installation and management services, construction services, sales of natural gas and sales of construction materials. The decrease in contract liabilities in 2022 was mainly due to the decrease in both short-term and long-term advances received from customers in relation to the completion of installation and management services at the end of the year.

32. INTEREST-BEARING BANK BORROWINGS

	2022			2021		
	Effective Interest rate (%)	Maturity	RMB'000	Effective Interest rate (%)	Maturity	RMB'000
Current						
Bank-loans – secured	LPR* (1+20.18%)	2023	10,000	LPR* (1+20.18%)	2022	10,000
	LPR+0.10%	2023	17,180	LPR+0.10%	2022	900
	LPR+0.05%	2023	7,260	LPR+0.05%	2022	9,820
			34,440			20,720
Non-Current						
Bank-loans – secured	LPR* (1+20.18%)	2024	–	LPR* (1+20.18%)	2023	10,000
	LPR+0.10%	2024-2029	36,420	LPR+0.10%	2023-2029	53,600
	LPR+0.05%	2024-2028	152,920	LPR+0.05%	2023-2028	160,180
			189,340			223,780
			223,780			244,500

32. INTEREST-BEARING BANK BORROWINGS (continued)

	2022 RMB'000	2021 RMB'000
Analysed into:		
Bank loans and borrowings repayable:		
Within one year or on demand	**34,440**	20,720
In the second year	**24,440**	34,440
In the third to fifth years, inclusive	**104,720**	79,020
Beyond five years	**60,180**	110,320
	223,780	244,500

Notes:

1) All borrowings are in RMB.

2) The Group's interest-bearing bank borrowings are secured by the pledges of the following assets with carrying values at the end of the reporting period as follows:

	2022 RMB'000	2021 RMB'000
Pledge of assets:		
Investment properties	**113,299**	120,022
Property, plant and equipment	**7,148**	7,388
	120,447	127,410

3) The Group's overdraft facilities amounting to RMB1,243,400,000 (2021: RMB1,024,000,000), of which RMB496,400,000 (2021: RMB686,450,000) had been utilised or expired as at the end of the reporting period, are secured by the pledge of certain of the Group's assets as set out above.

33. SHARE CAPITAL

Shares

	2022 RMB'000	2021 RMB'000
Issued and fully paid:		
137,844,500 (2021: 137,844,500) ordinary shares	137,845	137,845

	Number of shares	Nominal value RMB'000
At 31 December 2021	137,844,500	137,845
At 31 December 2022	137,844,500	137,845

34. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 69 of the financial statements.

35. BUSINESS COMBINATION

Gas and Refuelling Station

On 15 September 2022, the Group acquired a 50% interest in Gas and Refuelling Station from a third-party joint venture shareholder. Gas and Refuelling Station is engaged in operation of natural gas refuelling stations. The acquisition was made as part of the Group's strategy to expand its market share of integrated energy service in the area of Jiaxing. The purchase consideration for the acquisition was in cash of RMB 16,456,800, paid upon the acquisition date. Upon the completion of the transaction on 21 September 2022, the Group held a 100% equity interest in Gas and Refuelling Station and Gas and Refuelling Station became a wholly-owned subsidiary of the Group.

35. BUSINESS COMBINATION (continued)

Gas and Refuelling Station (continued)

The fair values of the identifiable assets and liabilities of Gas and Refuelling Station as at the date of acquisition were as follows:

	Note	Fair value recognised on acquisition RMB'000
Property, plant and equipment	14	451
Cash and cash equivalents		13,610
Inventories		10
Prepayments and other receivables		19,220
Trade and bills payables		(175)
Other payables and accruals		(109)
Deferred tax liabilities		(27)
Total identifiable net assets at fair value		32,980
Non-controlling interests		–
Total asset acquired		32,980
Total consideration:		32,914
– Fair value of initial 50% investment at acquisition date		16,457
– Increase in non-controlling interests		16,457
Gain arising from business combination		66

The Group incurred transaction costs of RMB5,646 from this acquisition. These transaction costs have been expensed and are included in other expenses in the consolidated statement of profit or loss.

35. BUSINESS COMBINATION (continued)

Gas and Refuelling Station (continued)

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	(16,457)
Cash and bank balances acquired	13,610
Net outflow of cash and cash equivalents included in cash flows from investing activities	(2,847)
Transaction costs of the acquisition included in cash flows from operating activities	(5)
	(2,852)

Since the acquisition, Gas and Refuelling Station contributed RMB2,533,595.13 to the Group's revenue and RMB65,044.24 to the consolidated loss for the year ended 31 December 2022.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the profit of the Group for the year would have been RMB10,310,424.34 and RMB89,037.37, respectively.

Jiaqing New Energy

On 8 June 2022, Gangqu Gas, one of the subsidiaries of the Group, initiated a shareholder meeting with Meijin Energy (Zhejiang) Co., Ltd ("**Meijin Energy**"), the joint venture shareholder of Jiaqing New Energy, An agreement of Jiaqing New Energy's registered capital reduction from RMB50,000,000 to RMB15,000,000 had been made. The agreement also stipulated the amount of capital contribution for each shareholder after the reduction of registered capital: Gangqu Gas amounted for RMB9,000,000 capital contribution(takes up 60% of the interests), and Meijin Energy amounted for RMB6,000,000 capital contribution(takes up 40% of the interests). According to the Articles of Association, Gangqu Gas holds a majority of voting rights after the reduction.

On 22 August 2022, Jiaqing New Energy made commercial registration of changes in Market Regulatory Administration. Since 22 August 2022, Gangqu Gas has officially taken a substantial control over Jiaqing New Energy.

35. BUSINESS COMBINATION (continued)

Jiaqing New Energy (continued)

The fair values of the identifiable assets and liabilities of Jiaqing New Energy as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition RMB'000
Property, plant and equipment	14	10,947
Cash and cash equivalents		1,186
Prepayments, other receivables and other assets		2,873
Inventories		9
Trade and bill receivables		20
Trade and bills payables		(3,636)
Other payables and accruals		(2,419)
Deferred tax liabilities		(70)
Total identifiable net assets at fair value		8,910
Non-controlling interests		(3,564)
Total asset acquired		5,346
Total consideration:		5,388
– Fair value of initial 50% investment at acquisition date		4,490
– Increase in non-controlling interests		898
Goodwill on acquisition	17	42

35. BUSINESS COMBINATION (continued)

Jiaqing New Energy (continued)

	RMB'000
Cash consideration	–
Cash and bank balances acquired	1,186
Net outflow of cash and cash equivalents included in cash flows from investing activities	1,186
Transaction costs of the acquisition included in cash flows from operating activities	–
	1,186

Since the acquisition, Jiaqing New Energy contributed RMB381,063.52 to the Group's revenue and RMB1,298,203.89 to the consolidated loss for the year ended 31 December 2022.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group and the loss of the Group for the year would have been RMB 678,090.83 and RMB3,599,393.02, respectively.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB17,100,000 (2021: RMB4,514,000) and RMB16,666,000 (2021: RMB4,514,000), respectively, in respect of lease arrangements for plant and gas pipelines.

(b) Changes in liabilities arising from financing activities

2022

	Bank Borrowings RMB'000	Lease liabilities RMB'000	Interest payable included in other payables and accruals RMB'000
At 1 January 2022	244,500	156,622	–
Changes from financing cash flows	(20,720)	(21,648)	(13,208)
Interest expense	–	8,272	13,208
New leases	–	16,666	–
At 31 December 2022	223,780	159,912	–

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Changes in liabilities arising from financing activities (continued)

2021

	Bank Borrowings RMB'000	Lease liabilities RMB'000	Interest payable included in other payables and accruals RMB'000
At 1 January 2021	114,500	163,568	–
Changes from financing cash flows	130,000	(19,774)	(6,648)
Interest expense	–	8,314	6,648
New leases	–	4,514	–
At 31 December 2021	244,500	156,622	–

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2022 RMB'000	2021 RMB'000
With operating activities	**474**	140
With financing activities	**21,648**	19,774
	22,122	19,914

37. CONTINGENT LIABILITIES

	2022 RMB'000	2021 RMB'000
Guaranteed bank loan of Hangjiaxin	**477,252**	446,326

In December 2018, the Group's joint venture, Hangjiaxin, obtained a bank loan for investment in property, plant and equipment used in operation, which was guaranteed by the Group. The board of directors of the Company consider that the possibility of default in payment regarding the bank loan of Hangjiaxin is remote after taking the fair value of pledged assets provided by Hangjiaxin and the predicted cash inflow of Hangjiaxin into consideration, and therefore, no provision has been made in the consolidated financial statements for the contingent liability arising from the guarantee provided by the Group for the bank loan of Hangjiaxin.

38. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the year:

	2022 RMB'000	2021 RMB'000
Contracted, but not provided for:		
Property, plant and equipment	3,424	8,096

39. RELATED PARTY TRANSACTIONS

(a) Name and relationship

Name of related party	Relationship with the Group
Gas and Refuelling Station*	Subsidiary
Hangjiaxin	Joint venture
Hangjia Liquefied Gas	Joint venture
Jiaqing New Energy*	Subsidiary
Pinghu Natural Gas	Associate
Jiaxing LPG	Associate
Jiatong New Energy	Associate
Jiaxing Pipeline Company	Company controlled by shareholders of the Company
Qingyuan Hotel	Company controlled by shareholders of the Company
Jiaxing Qingyuan Ecological Farm Co., Ltd. ("**Ecological Farm**") (嘉興市清圓生態農莊有限公司)	Company controlled by shareholders of the Company
Jiaxing Qingchi Hot Spring Tourism Development Co., Ltd. ("**Qingchi Hot Spring**") (嘉興市清池溫泉旅遊開發有限公司)	Company controlled by shareholders of the Company

39. RELATED PARTY TRANSACTIONS (continued)

(a) Name and relationship (continued)

Name of related party	Relationship with the Group
Jiaxing Qingchi Hot Spring Management Co., Ltd ("**Qingyuan Hot Spring**") (嘉興市清源溫泉管理有限公司)	Company controlled by shareholders of the Company
Jiaxing Qingchi Cultural Industry Development Co., Ltd. ("**Qingchi Cultural Industry**") (嘉興清池文化產業發展有限公司)	Company controlled by shareholders of the Company
Jiaxing Songjia Trading Co., Ltd. ("**Songjia Trading**") (嘉興市宋嘉貿易有限公司)	Company controlled by shareholders of the Company
Jiaxing Yunhe Hotel Co., Ltd. ("**Yunhe Hotel**") (嘉興市運河酒店有限公司)	Company controlled by shareholders of the Company
Jiaxing Salon International Hotel Co., Ltd. ("**Salon International Hotel**") (嘉興市沙龍國際賓館有限公司)	Company controlled by shareholders of the Company
Jiaxing Yuehe Inn Co., Ltd. ("**Yuehe Inn**") (嘉興市月河客棧有限公司)	Company controlled by shareholders of the Company
Flat Glass Group Co., Ltd. ("**Flat Group**") (福萊特玻璃集團股份有限公司)	Company controlled by a director of the Company
Zhejiang Jinfeng	Company controlled by a director of the Company
Jiaxing Nanhu Hetai Finance Co., Ltd. ("**Nanhu Hetai**") (嘉興市南湖禾泰小額貸款有限公司)	Company significantly influenced by shareholders of the Company
Jiaxing Yintai	Company controlled by a director of the Company
Xingzhou Jiayuan	Company controlled by a director of the Company
Yancheng Xiangyuan	Company controlled by a director of the Company

* Gas and Refuelling Station and Jiaqing New Energy became subsidiaries of the Group on 21 September 2022 and 22 August 2022, respectively. Further details of this acquisition are included in note 35 to the financial statements.

39. RELATED PARTY TRANSACTIONS (continued)

(b) In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	2022 RMB'000	2021 RMB'000
Associates:			
Purchase of LNG from			
Jiatong New Energy	(i)	13	33
Purchase of PNG from			
Pinghu Natural Gas	(i)	27,594	22,465
Joint ventures:			
Purchase of LNG from			
Hangjia Liquefied Gas	(i)	–	7,052
Guarantee of a bank loan			
Hangjiaxin	(ii)	477,252	446,326
Transportation income from			
Gas and Refuelling Station	(iii)	–	1,706
Rental income from			
Hangjiaxin	(iv)	712	470
Jiaqing New Energy	(iv)	667	402
Gas and Refuelling Station	(iv)	143	169
		1,522	1,041
Sales of PNG to			
Gas and Refuelling Station	(v)	6,575	2,266
Sales of LNG to			
Hangjiaxin	(v)	84,682	123
Sales of Construction Materials			
Hangjiaxin	(v)	237	17
Income from the transfer of land to			
Hangjiaxin	(vi)	–	6,520

39. RELATED PARTY TRANSACTIONS (continued)

(b) In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following transactions with related parties during the year: (continued)

	Notes	2022 RMB'000	2021 RMB'000
Joint ventures: (continued)			
Provision of construction services			
Hangjiaxin	(vii)	**1,839**	7,436
Loan to			
Hangjiaxin	(viii)	**–**	102,000
Interest income from			
Hangjiaxin	(viii)	**–**	317
Others:			
Purchase of natural gas from			
Jiaxing Pipeline Company	(i)	**1,839,667**	1,228,450
Purchase of construction materials from			
Zhejiang Jinfeng	(i)	**3,385**	5,074
Purchase of other products from			
Songjia Trading	(i)	**37**	127
Purchase of services from			
Qingyuan Hotel	(i)	**1,025**	1,972
Qingchi Cultural Industry	(i)	**256**	299
Yunhe Hotel	(i)	**93**	12
		1,374	2,283
Rental income from			
Qingyuan Hotel	(iv)	**5,713**	5,572
Jiaxing Pipeline Company	(iv)	**–**	140
Nanhu Hetai	(iv)	**–**	116
		5,713	5,828

39. RELATED PARTY TRANSACTIONS (continued)

(b) In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following transactions with related parties during the year: (continued)

	Notes	2022 RMB'000	2021 RMB'000
Others: (continued)			
Sales of natural gas to			
Flat Group	(v)	**311,487**	313,097
Qingyuan Hotel	(v)	**2,163**	2,941
Salon International Hotel	(v)	**1,682**	1,306
Qingchi Cultural Industry	(v)	**1,325**	1,037
Yuehe Inn	(v)	**918**	1,169
Yunhe Hotel	(v)	**126**	97
		317,701	319,647
Sales of LNG to			
Ecological Farm	(v)	**43**	41
Income from the transfer of land to			
Jiaxing Pipeline Company	(vi)	**–**	5,000
Provision of construction services			
Qingyuan Hot Spring	(vii)	**–**	9,847
Flat Group	(vii)	**46**	10
		46	9,857
Interest expense on lease liabilities			
Jiaxing Pipeline Company	(ix)	**8,271**	8,290
Purchase of right-of-use assets			
Jiaxing Pipeline Company	(ix)	**16,666**	5,419
Purchase of properties from			
Jiaxing Yintai	(x)	**7,513**	–

39. RELATED PARTY TRANSACTIONS (continued)

(b) In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group had the following transactions with related parties during the year: (continued)

(i) The purchases from related parties were made according to the published prices and conditions offered by the related parties to their independent third parties.

(ii) The Company provided guarantee for bank loans of Hangjiaxin amounting to RMB477,252,000 (2021: RMB446,326,000) as at the end of the reporting period. Details of the guarantees are set out in note 37.

(iii) The transportation income arose from providing transportation services to the Group's joint venture. The transaction price was substantially in line with those offered to the independent third-party customers of the Group. Gas and Refuelling Station became subsidiaries of the Group on 21 September 2022. Further details of the acquisition are set out in note 35 to the financial statements.

(iv) The rental income represents rentals of investment properties leased to the Group's related parties. The annual rentals were determined by agreement of the parties with reference to market price of similar properties.

(v) The sales to related parties were determined based on the prices and conditions offered by the related parties to their independent third-party customers.

(vi) The consideration for the transfer of the land to related parties were determined by agreement of the Company and the related party with reference to market price of similar properties.

(vii) The price of the construction services to the related parties were determined based on prices and conditions offered to independent third-party customers of the Group.

(viii) The Company provided a loan to Hangjiaxin amounted to RMB102,000,000 at commercial interest rate of 3.73% with a maturity date of 31 December 2021. The loan was converted into investment in Hangjiaxin in 2022.

(ix) The purchase of right-of-use assets and interest expense on lease liabilities were resulted from rentals of gas pipelines and properties from Jiaxing Pipeline Company. The Company leased right-of-use assets amounting to RMB16,666,000 (2021: RMB5,419,000) and generated interest on lease liabilities amounted to RMB8,271,000 (2021: RMB8,290,000), implying an incremental borrowing rate of 4.7%. The rental prices of gas pipelines and properties were determined based on the arm's length negotiation, taking into account factors including investment costs, depreciation of pipeline network assets, investment return for Jiaxing Pipeline Company and the corresponding repair and maintenance costs to be incurred.

(x) The prices for the purchase of properties from related parties were determined based on the prices and conditions offered by the related parties to their independent third-party customers. In April 2022, the Company entered into an agreement with Jiaxing Yintai to purchase buildings and made a payment to Jiaxing Yintai amounting to RMB7,513,000 and a value-added tax of RMB375,610 according to the agreement.

The above transactions with related parties (other than joint ventures and associates) also constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

39. RELATED PARTY TRANSACTIONS (continued)

(c) Outstanding balances with related parties:

	Notes	2022 RMB'000	2021 RMB'000
Amounts due from related parties before provision			
Jiaxing Pipeline Company	i	20,409	9,980
Jiaxing LPG	ii	4,311	5,392
Hangjiaxin	i	3,975	1,748
Qingchi Cultural Industry	i	1,811	356
Flat Group	i	1,377	–
Qingchi Hot Spring	i	813	813
Gas and Refuelling Station	i	213	87
Salon International Hotel	i	201	259
Yuehe Inn	i	26	121
Qingyuan Hot Spring	i	9,268	9,413
Qingyuan Hotel	i	14,819	7,138
Hangjia Liquefied Gas	i	–	111
Jiaqing New Energy	i	–	59
		57,223	35,477
Amounts due to related parties			
Jiaxing Pipeline Company	iii	159,414	155,953
Pinghu Natural Gas	iv	2,963	2,407
Zhejiang Jinfeng	iv	497	571
Yuehe Inn	iv	12	12
Jiaxing LPG	ii	–	7
Hangjiaxin	iv	–	500
Flat Group	iv	–	120
Jiatong New Energy	iv	–	1
		162,886	157,164

39 RELATED PARTY TRANSACTIONS (continued)

(c) Outstanding balances with related parties: (continued)

i The amounts due from related parties amounted to RMB52,912,000 (2021: RMB30,085,000) as at end of the reporting date were trade in nature, unsecured, interest-free and repayable within 180 days.

ii The amount due from or due to Jiaxing LPG was non-trade in nature, unsecured and interest-free. The balance as at 31 December 2022 has been fully provided for impairment because Jiaxing LPG is under the situation of discontinuing its business and the board of directors does not expect the amount to be collectible. The Company also paid social security for staff from Jiaxing LPG.

iii The Company rented gas pipelines and properties from Jiaxing Pipeline Company and recognized the corresponding lease liabilities. The maturity profile of the lease liabilities due to Jiaxing Pipeline Company as at the end of the year is as follows:

	Within 1 year RMB'000	Within 2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2022	**13,537**	**61,619**	**84,258**	**159,414**
At 31 December 2021	11,656	53,226	91,071	155,953

There was no remaining balance of the amount due to Jiaxing Pipeline Company (2021: Nil) as at the end of the reporting date which was originally trade in nature, interest-free and repayable within 30 days.

iv The amounts due to related parties amounted to RMB3,472,000 (2021: RMB3,611,000) were trade in nature, unsecured, and interest-free.

v Urban Economics provided its 10% interest equity in Xingzhou Jiayuan to the Group as the security for the repayment of the amount outstanding. Since June 2022, Xingzhou Jiayuan is controlled by a director of the Group.

Besides the equity pledge, HongKong Jiayuan pledged its RMB51,981,000 right of receivable collection to the Group. This receivable was due from Xingzhou Jiayuan. Further details of the transaction are included in note 27 to the financial statements.

(d) Compensation of key management personnel of the Group

	2022 RMB'000	2021 RMB'000
Short term employee benefits	**4,298**	4,703
Post-employment benefits	**686**	715
Total compensation paid to key management personnel	**4,984**	5,418

Further details of directors' and chief executive's emoluments are included in note 9 to the financial statements.

The related party transactions in respect of purchase of natural gas from Jiaxing Pipeline Company, purchase of construction materials from Zhejiang Jinfeng, rental income from Qingyuan Hotel and lease of LNG station and equipment from Jiaxing Pipeline Company above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

40. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2022

Financial assets

	Financial assets at fair value through profit or loss RMB'000	Financial assets at fair value through other comprehensive income RMB'000	Financial assets at amortised Cost RMB'000	Total RMB'000
Trade receivables	–	–	201,105	201,105
Bill receivables	–	16,211	–	16,211
Financial assets included in prepayments, other receivables and other assets	–	–	19,748	19,748
Debt investments at amortised cost	–	–	58,600	58,600
Financial assets at fair value through profit or loss:	–	–	–	–
Unlisted equity investments at fair value through profit or loss	57,270	–	–	57,270
Held for trading	2,773	–	–	2,773
Pledged for issuance of bank acceptance notes	–	–	12,500	12,500
Cash and cash equivalents	–	–	220,691	220,691
	60,043	16,211	512,644	588,898

Financial liabilities

	Financial liabilities measured at amortised cost RMB'000
Trade and bills payables	305,536
Financial liabilities included in other payables and accruals	51,827
Lease liabilities (note 16)	159,912
Interest-bearing bank borrowings (note 32)	223,780
	741,055

40. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

2021

Financial assets

	Financial assets at fair value through profit or loss RMB'000	Financial assets at amortised Cost RMB'000	Total RMB'000
Trade receivables	–	144,942	144,942
Bill receivables	–	–	–
Financial assets included in prepayments, other receivables and other assets	–	13,786	13,786
Debt investments at amortised cost	–	60,000	60,000
Financial assets at fair value through profit or loss:	–	–	–
Unlisted equity investments at fair value through profit or loss	18,347	–	18,347
Held for trading	9,894	–	9,894
Pledged for issuance of bank acceptance notes	–	14,862	14,862
Cash and cash equivalents	–	258,664	258,664
	28,241	492,254	520,495

Financial liabilities

	Financial liabilities measured at amortised cost RMB'000
Trade and bills payables	242,898
Financial liabilities included in other payables and accruals	47,503
Lease liabilities (note 16)	156,622
Interest-bearing bank borrowings (note 32)	244,500
	691,523

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial assets				
Financial assets at fair value through profit or loss				
Unlisted equity investments at fair value through profit or loss	**57,270**	18,347	**57,270**	18,347
Held for trading	**2,773**	9,894	**2,773**	9,894
	60,043	28,241	**60,043**	28,241

	Carrying amounts		Fair values	
	2022	2021	**2022**	2021
	RMB'000	RMB'000	**RMB'000**	RMB'000
Financial liabilities				
Interest-bearing bank borrowings (non-current portion)	**189,340**	223,780	**187,115**	219,877

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, financial assets included in prepayments, other receivables and other assets, trade and bills payables, financial liabilities included in other payables and accruals and the current portion of interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer and the board of directors. At the end of each year, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank borrowings as at the end of each of the years were assessed to be insignificant.

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

The fair values of listed equity investments and wealth management products are based on quoted market prices. The fair values of unlisted equity investment and wealth management products at fair value through profit or loss have been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the board of directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, for example, price to book ("**P/B**") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by a net assets measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding book value measure of the unlisted equity investment to measure the fair value. The board of directors believes that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of each of the year.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2022 and 2021:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investment	Valuation multiples	Average P/B multiple of peers	1.03 to 3.00 (2021: 1.39 to 3.35)	10% increase/decrease in multiple would result in increase/decrease in fair value by RMB2,042,000 (2021: RMB1,585,000)
		Discount for lack of marketability	N/A (2021: N/A)	10% increase/decrease in discount would result in decrease/increase in fair value by RMB2,042,000 (2021: RMB1,585,000)

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	**Significant observable inputs (Level 2) RMB'000**	**Significant unobservable inputs (Level 3) RMB'000**	**Total RMB'000**
Bill receivables	–	16,211	–	16,211
Financial assets at fair value through profit or loss	2,773	–	57,270	60,043

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets at fair value through profit or loss	9,295	599	18,347	28,241

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value at the end of the year (2021: Nil).

Assets for which fair values are disclosed:

The Group did not have any financial assets for which fair values are disclosed at the end of the year (2021: Nil).

41. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

Liabilities for which fair values are disclosed:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank borrowings (non-current portion)	–	187,115	–	187,115

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank borrowings (non-current portion)	–	219,877	–	219,877

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and cash equivalents and interest-bearing bank borrowings. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk, liquidity risk and equity price risk. The Group does not hold or issue derivative financial instruments either for hedging or for trading purposes. The board of directors reviews and agrees policies for managing each of the risks which are summarised below:

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligations with a floating interest rate.

The Group's policy is to manage its interest cost using variable rate debts. The Group does not use derivative financial instruments to hedge its interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit after tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in HK$ rate %	Increase/ (decrease) in profit after tax RMB'000	Increase/ (decrease) in equity* RMB'000
2022			
RMB	**50**	**(657)**	**(657)**
RMB	**(50)**	**657**	**657**
2021			
RMB	50	(638)	(638)
RMB	(50)	638	638

* Excluding retained profits

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group's businesses are located in Mainland China and the majority of transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB. The Group has not hedged its foreign exchange rate risk.

The following table demonstrates the sensitivity at the end of the year to a reasonably possible change in the HK$ and RMB exchange rate, with all other variables held constant, of the Group's profit after tax and equity.

	Increase/ (decrease) in HK$ rate %	Increase/ (decrease) in profit after tax RMB'000	Increase/ (decrease) in equity* RMB'000
2022			
If RMB weakens against HK$	(5)	1,103	1,103
If RMB strengthens against HK$	5	(1,103)	(1,103)

* Excluding retained profits

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis; and therefore, the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade and bills receivables*	–	–	–	217,316	217,316
Contract assets*	–	–	–	9,797	9,797
Financial assets included in prepayments, other receivables and other assets					
– Normal**	19,748	–	–	–	19,748
– Doubtful**	–	–	5,405	–	5,405
Pledged for issuance of bank acceptance notes	12,500	–	–	–	12,500
Cash and cash equivalents					
– Not yet past due	220,691	–	–	–	220,691
Guarantees given to banks in connection with facilities granted to a joint venture					
– Not yet past due	477,252	–	–	–	477,252
	730,191	–	5,405	227,113	962,709

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade and bills receivables*	–	–	–	149,683	149,683
Contract assets*	–	–	–	7,786	7,786
Financial assets included in prepayments, other receivables and other assets					
– Normal**	13,786	–	–	–	13,786
– Doubtful**	–	–	5,282	–	5,282
Pledged for issuance of bank acceptance notes	14,862	–	–	–	14,862
Cash and cash equivalents					
– Not yet past due	258,664	–	–	–	258,664
Guarantees given to banks in connection with facilities granted to a joint venture					
– Not yet past due	446,326	–	–	–	446,326
	733,638	–	5,282	157,469	896,389

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 24 and 25 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 24 to the financial statements.

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings and lease liabilities. In addition, banking facilities have been put in place for contingency purposes.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	On demand RMB'000	Within 1 year RMB'000	Within 2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2022					
Trade payables	305,536	–	–	–	305,536
Financial liabilities included in other payables and accruals	51,827	–	–	–	51,827
Lease liabilities	–	21,971	87,819	97,508	207,298
Interest-bearing bank borrowings	–	35,282	123,459	99,298	258,039
Guarantees given to banks in connection with facilities granted to a joint venture	–	42,003	212,348	322,650	577,001
	357,363	99,256	423,626	519,456	1,399,701

	On demand RMB'000	Within 1 year RMB'000	Within 2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
At 31 December 2021					
Trade payables	242,898	–	–	–	242,898
Financial liabilities included in other payables and accruals	47,503	–	–	–	47,503
Lease liabilities	–	20,120	80,351	108,049	208,520
Interest-bearing bank borrowings	–	21,316	128,860	142,371	292,547
Guarantees given to banks in connection with facilities granted to a joint venture	–	51,123	276,063	208,548	535,734
	290,401	92,559	485,274	458,968	1,327,202

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments included in financial assets at fair value through profit or loss (note 21). The Group's listed investments are listed on the Hong Kong and Shanghai stock exchanges and are valued at quoted market prices at the end of the reporting period.

The market equity indices for the following stock exchange, at the close of business of the nearest trading day in the year to the end of the reporting period, and their respective highest and lowest points during the year were as follows:

	31 December 2022	**High/low 2022**	31 December 2021	High/low 2021
Hong Kong – Hang Seng Index	**19,781**	**24,966/14,687**	23,398	31,183/22,665
Shanghai – A Share Index	**3,089**	**3,632/2,886**	3,640	3,732/3,313

The following table demonstrates the sensitivity to every 5% change in the fair values of the equity investments, with all other variables held constant and after any impact on tax, based on their carrying amounts at the end of the reporting period:

	Change in equity prices %	**Carrying amount of equity investments RMB'000**	**Changes in profit after tax RMB'000**
2022			
Investments listed in:			
Hong Kong – Financial assets at fair value through profit or loss	**5**	**1,033**	**39**
Shanghai – Financial assets at fair value through profit or loss	**5**	**1,400**	**53**
2021			
Investments listed in:			
Hong Kong – Financial assets at fair value through profit or loss	5	7,418	278
Shanghai – Financial assets at fair value through profit or loss	5	1,877	70

42. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year.

The Group monitors capital using the gearing ratio, which is net debt divided by the capital plus net debt. The Group's net debt includes interest-bearing bank borrowings and lease liabilities, less cash and cash equivalents and pledged deposits. Capital includes equity attributable to owners of the parent. The gearing ratios at the end of the reporting periods were are as follows:

	2022 RMB'000	2021 RMB'000
Interest-bearing bank and other borrowings (note 32)	223,780	244,500
Lease liabilities (note 16)	159,912	156,622
Less: Cash and cash equivalents	(220,691)	(258,664)
Pledged for issuance of bank acceptance notes (note 28)	(12,500)	(14,862)
Net debt	150,501	127,596
Equity attributable to owners of the parent	841,684	793,144
Capital and net debt	992,185	920,740
Gearing ratio	15%	14%

43. EVENTS AFTER THE REPORTING PERIOD

There have been no significant events since the end of the reporting period.

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	442,650	382,729
Investment properties	230,972	248,879
Right-of-use assets	116,467	110,215
Other intangible assets	2,766	2,962
Investments in joint ventures	325,230	351,153
Investments in associates	10,826	15,006
Investment in subsidiaries	82,979	49,400
Financial assets at fair value through profit or loss	57,270	18,347
Deferred tax assets	93,787	102,234
Other non-current assets	8,526	6,661
Total non-current assets	1,371,473	1,287,586
CURRENT ASSETS		
Inventories	41,946	50,993
Trade and bills receivables	104,920	84,136
Contract assets	9,797	7,786
Prepayments, other receivables and other assets	58,940	34,879
Financial assets at fair value through profit or loss	2,773	9,894
Pledged for issuance of bank acceptance notes	12,500	14,862
Cash and cash equivalents	186,561	231,550
Total current assets	417,437	434,100
CURRENT LIABILITIES		
Trade and bills payables	228,898	185,944
Interest-bearing bank borrowings	34,440	20,720
Other payables and accruals	47,045	40,454
Contract liabilities	96,324	67,475
Lease liabilities	13,670	11,763
Total current liabilities	420,377	326,356
NET CURRENT (LIABILITIES)/ASSETS	(2,940)	107,744
TOTAL ASSETS LESS CURRENT LIABILITIES	1,368,533	1,395,330

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Information about the statement of financial position of the Company at the end of the reporting period is as follows: (continued)

	2022 RMB'000	2021 RMB'000
NON-CURRENT LIABILITIES		
Contract liabilities	286,970	290,934
Interest-bearing bank borrowings	189,340	223,780
Lease liabilities	146,242	144,859
Total non-current liabilities	622,552	659,573
Net assets	745,981	735,757
EQUITY		
Equity attributable to owners of the parent		
Share capital	137,845	137,845
Reserves	608,136	597,912
TOTAL EQUITY	745,981	735,757

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total reserves RMB'000
At 1 January 2021	264,277	59,997	250,867	575,141
Total comprehensive income for the year	–	–	73,773	73,773
Final 2020 dividend declared	–	–	(34,461)	(34,461)
Interim 2021 dividend	–	–	(16,541)	(16,541)
Transfer from retained profits	–	6,466	(6,466)	–
At 31 December 2021	264,277	66,463	267,172	597,912
Total comprehensive income for the year	–	–	30,901	30,901
Final 2021 dividend declared and paid	–	–	(20,677)	(20,677)
Transfer from retained profits	–	3,501	(3,501)	–
At 31 December 2022	264,277	69,964	273,895	608,136

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 March 2023.

FIVE-YEAR FINANCIAL SUMMARY

	For the year ended 31 December				
	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	**2022 RMB'000**
Results					
Revenue	1,258,782	1,330,332	1,273,713	1,988,553	**3,466,036**
Cost	(1,088,525)	(1,133,267)	(1,050,141)	(1,750,883)	**(3,300,275)**
Gross profit	170,257	197,065	223,572	237,670	**165,761**
Selling and distribution costs	(22,565)	(21,878)	(22,269)	(26,163)	**(19,119)**
Administrative expenses	(41,868)	(43,097)	(47,010)	(53,865)	**(54,164)**
Other expenses	(4,179)	(3,898)	(24,944)	(7,209)	**(2,468)**
Profit before tax	95,632	117,342	125,462	149,249	**102,414**
Tax	(22,305)	(27,976)	(29,980)	(36,801)	**(25,992)**
Profit for the year	73,327	89,366	95,482	112,448	**76,422**
Profit attributable to for the year					
Shareholders of the Company	70,342	86,898	92,520	108,486	**69,344**
Non-controlling interests	2,985	2,468	2,962	3,962	**7,078**
Assets and liabilities					
Non-current assets	1,218,516	1,186,847	1,224,426	1,374,294	**1,444,837**
Current assets	162,258	167,922	490,593	589,427	**631,990**
Non-current liabilities	547,523	554,265	631,289	712,715	**673,782**
Current liabilities	495,229	443,675	329,297	435,127	**525,536**
Equity attributable to shareholders of the Company	324,120	341,018	735,660	815,879	**877,509**