

SUMMARY

This summary aims to give you an overview of the information contained in this document. As it is a summary, it does not contain all the information that may be important to you. You should read the entire document before you decide to [REDACTED] in the [REDACTED]. There are risks associated with any [REDACTED]. Some of the particular risks in [REDACTED] in the [REDACTED] are set out in “Risk Factors” in this document. You should read that section carefully before you decide to [REDACTED] in the [REDACTED].

BUSINESS OVERVIEW

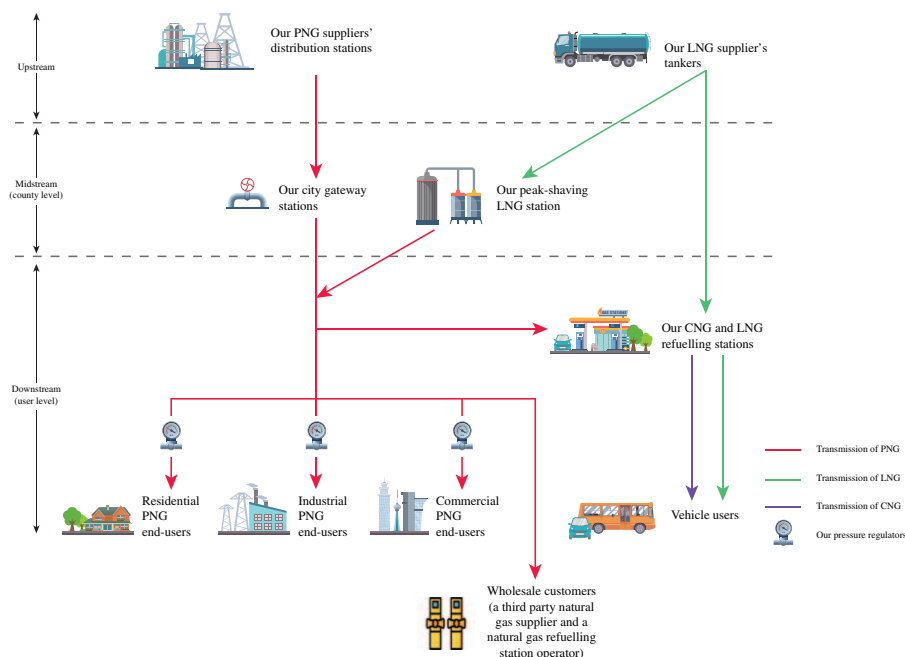
We are a natural gas operator with over 16 years of experience. We operate in Gaomi City, Weifang Municipality of Shandong Province, which has an area of approximately 1,606.0 km² and a residential population of approximately 877,000 people. We have been designated as an Outstanding Enterprise (優秀企業) in Gaomi City for four consecutive years. According to “2021 County Economic Report and County Development Monitoring and Evaluation” (《2021縣域經濟與縣域發展監測評價報告》) published by Zhongjun County Economic Research Institute (中郡縣域經濟研究所), Gaomi City was ranked the 74th among the “Top 100 County in China” (中國百強縣) in 2021. We have an exclusive right under our Concession Agreement with Gaomi City Bureau of Municipal Affairs Administration to operate PNG sales and related businesses within the granted area of Gaomi City, including both urban and rural areas, for an effective term of 30 years from 18 August 2009. As at the Latest Practicable Date, our Operating Area under the Concession represented approximately 70.0% of the total administrative area of Gaomi City. Our PNG suppliers are PetroChina and Shandong Shihua (which is owned by Sinopec as to 50%). We have entered into master agreements and a series of actual purchase contracts with them for the procurement of PNG. Our PNG customers are primarily retail, consisting of residential, commercial and industrial PNG end-users. We also engage in the sale of CNG and LNG, provision of construction and installation services and sale of gas-burning appliances. As at the Latest Practicable Date, our Group does not intend to expand its business beyond Gaomi City.

BUSINESS MODEL

We generate our revenue from (i) the sale of PNG, primarily through our urban pipeline network to our PNG end-users in our Operating Area; (ii) the sale of CNG and LNG at our CNG and LNG refuelling stations; (iii) the provision of construction and installation services; and (iv) the sale of gas-burning appliances.

Sale of gas

The chart below illustrates and summarises the flow of, and relationship between, our PNG, CNG and LNG operations.



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Gaomi City is a hub located in the region in Shandong Province through which the Taiqingwei Pipeline* (泰青威管道) and Kunlun Pipeline* (昆侖管道) run. In Gaomi City, the consumption volume of natural gas is expected to reach 254.4 million m³ in 2026 with a CAGR of 12.8% from 2021, and the sales value of Gaomi City’s natural gas supply market is expected to reach RMB996.5 million by 2026 with a CAGR of 13.1% from 2021, according to the CIC Report. This is mainly driven by a steady increase in natural gas consumption within the industrial fuel, construction and city natural gas sectors.

Key terms of our Concession

We operate our sales of natural gas and related businesses in Gaomi City under our Concession, the key terms of which are set out below.

Concession grantor	Gaomi City Bureau of Municipal Affairs Administration (高密市市政管理局)
Concession grantee	Jiaoyun Gas
Concession right	We are entitled to operate exclusively within the granted area, including (i) the sale of PNG to PNG end-users, including but not limited to industrial PNG end-users, commercial PNG end-users, public institutions, organisations, residential PNG end-users and PNG end-users in the transportation sector; (ii) the provision of natural gas engineering design, installation, construction, operation, management and maintenance; or (iii) the construction of natural gas pipeline networks and ancillary facilities. Gaomi City Bureau of Municipal Affairs Administration is prohibited from granting a Concession right to any third party within the granted area.
Granted area	The administrative area, including both urban and rural areas of, Gaomi City.
Concession term	It is stated in the Concession Agreement that the term of the Concession is 50 years from 18 August 2009 to 18 August 2059. However, pursuant to a written confirmation issued by Gaomi City Housing and Urban-Rural Development Bureau, which is the competent authority to issue such confirmation, the effective term of the Concession is 30 years, which is the maximum term permitted under the applicable PRC laws and regulations.

As our Concession Agreement does not include any renewal clause, our rights under the Concession will, unless otherwise agreed, cease after the expiry of the effective Concession term. Based on our interview with Gaomi City Housing and Urban-Rural Development Bureau, our Directors believe that our Group is likely to be able to renew the Concession and continue to operate our natural gas sales and related businesses after August 2039. For details, please refer to “Business — Concession Operation — Effective Concession Term” in this document.

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Cancellation of Concession right	Our Concession right will be cancelled and/or subject to temporary takeover by Gaomi City Bureau of Municipal Affairs Administration if (i) we transfer or lease our Concession right without authorisation; (ii) we are unable to continue operating due to our mismanagement or the occurrence of any extremely serious quality or production safety incidents; (iii) we cease or suspend operation, which materially affects public interest and safety; (iv) we fail to invest in pipeline construction in accordance with municipal construction planning for two consecutive years; or (v) we engage in other illegal acts. In the event that we are considered to have engaged in acts that could result in the cancellation of our Concession right, we may take remedial measures within 180 days of written notice issued by Gaomi City Bureau of Municipal Affairs Administration notifying us of such act.
Pricing	Our PNG end-user selling prices shall follow the benchmark rates determined and approved by the local pricing authorities. Our other services, if provided, shall be priced in accordance with the pricing standards which are separately approved by the local pricing authorities. Natural gas fees shall be calculated by multiplying our unit price of PNG per m ³ /thermal unit by consumption volume. In the event that our operating cost changes significantly due to reasons outside of our control, we may apply for an adjustment to our PNG end-user selling prices. Gaomi City Bureau of Municipal Affairs Administration shall issue their opinion on our application for such adjustment to the relevant governmental department after their verification.
Breach of agreement	Generally, in the event of a breach of the Concession Agreement, the non-defaulting party is entitled to seek damages against the defaulting party for any actual loss suffered.
Termination	The Concession Agreement shall terminate upon the expiration of the Concession term (i.e. 30 years) or by mutual agreement by the parties thereto. The Concession Agreement shall also terminate if our Concession right is cancelled before the expiry of the Concession term.

The area granted to us under the Concession Agreement was comprised of 100% of the administrative area of Gaomi City at the time of its execution. In 2010, Gaomi City Housing and Urban-Rural Development Bureau, after discussion with us and with our consent, decided to engage Gaomi Haojia to supply PNG to approximately 30% of the administrative area of Gaomi City. Since 2010, Gaomi Haojia has been operating its PNG sales and related businesses in its operating area in Gaomi City. Consequently, the size of our Operating Area was reduced to approximately 70% of the administrative area of Gaomi City, within which we have been and are entitled to exclusively operate our sales of PNG and related businesses. For details, please refer to “Business — Concession Operation — Key Terms of Concession Agreement — Operating Area” in this document.

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Our PNG end-user selling price to retail customers is subject to regulatory control as described in “Business — Sale of PNG — Pricing” in this document, while the selling price of PNG to our wholesale customers is pre-agreed with them. Our CNG and LNG pricing fluctuates depending on supply and demand dynamics in our Operating Area from time to time. For details, please refer to “Business — Sale of CNG and LNG” in this document.

The below table sets out the sales volume and average selling price of our PNG and CNG and LNG sales for the periods indicated.

	For the year ended 31 December						For the four months ended 30 April			
	2019		2020		2021		2021		2022	
	Average selling price without VAT	Sales volume	Average selling price without VAT	Sales volume	Average selling price without VAT	Sales volume	Average selling price without VAT	Sales volume	Average selling price without VAT	Sales volume
	RMB/m ³	'000/m ³	RMB/m ³	'000/m ³	RMB/m ³	'000/m ³	RMB/m ³	'000/m ³	RMB/m ³	'000/m ³
PNG	3.0	93,497	2.8	88,010	3.0	102,104	2.9	35,767	3.5	38,479
CNG and LNG	3.5	10,356	2.9	7,923	3.5	6,321	3.2	2,231	4.1	1,971

Our sales volume for PNG decreased from approximately 93.5 million m³ for the year ended 31 December 2019 to approximately 88.0 million m³ for the year ended 31 December 2020, primarily attributable to a decrease in our sales volume of PNG to commercial PNG end-users due to the adverse impacts of the COVID-19 outbreak on commercial activities in Gaomi City. Further, sales of PNG to our wholesale customers also saw a significant decline as we only supply PNG to our wholesale customers after we have ascertained that the demands of our PNG end-users have been fully satisfied. Our sales volume increased from approximately 88.0 million m³ for the year ended 31 December 2020 to approximately 102.1 million m³ for the year ended 31 December 2021, primarily attributable to an increase in our sales volume of PNG to industrial PNG end-users as the adverse impacts of COVID-19 on industrial operations in Gaomi City gradually subsided. Our sales volume increased from approximately 35.8 million m³ for the four months ended 30 April 2021 to approximately 38.5 million m³ for the four months ended 30 April 2022, primarily attributable to an increase in sales to residential PNG end-users as a result of our implementation of the Clean Energy Projects. Our average selling price of PNG decreased from approximately RMB3.0/m³ for the year ended 31 December 2019 to approximately RMB2.8/m³ for the year ended 31 December 2020, primarily due to the temporary price reduction set by the relevant authorities in the first quarter of 2020 in respect of non-residential PNG. Following such price reduction, our average selling price of PNG recovered to approximately RMB3.0/m³ for the year ended 31 December 2021. Subsequently, our average selling price of PNG increased from approximately RMB2.9/m³ for the four months ended 30 April 2021 to approximately RMB3.5/m³ for the four months ended 30 April 2022.

Our sales volume for LNG and CNG decreased from approximately 10.4 million m³ for the year ended 31 December 2019 to approximately 7.9 million m³ for the year ended 31 December 2020, primarily attributable to more vehicle users opting to fuel their vehicles using petrol instead of gas due to a decline in the prices of petrol, which is commonly used as an alternative fuel for vehicles. This also led to a reduction in our average CNG and LNG selling price from approximately RMB3.5/m³ for the year ended 31 December 2019 to approximately RMB2.9/m³ for the year ended 31 December 2020. Our sales volume declined slightly from approximately 7.9 million m³ for the year ended 31 December 2020 to approximately 6.3 million m³ for the year ended 31 December 2021, primarily attributable to the increase in our average CNG and LNG selling price from RMB2.9/m³ to RMB3.5/m³ in reaction to the recovery of petrol prices. Our sales volume decreased from approximately 2.2 million m³ for the four months ended 30 April 2021 to approximately 2.0 million m³ for the four months ended 30 April 2022, primarily attributable to an increase in our average CNG and LNG selling price from RMB3.2/m³ to RMB4.1/m³ as the prices of petrol increased.

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Provision of construction and installation services

We provide construction and installation services including the construction of PNG end-user pipeline network and connection of such pipeline network to our urban pipeline network for the sale of PNG, the procurement of appropriate gas pipelines, gas meters and relevant parts, the installation of natural gas facilities, equipment and devices into property building infrastructure or within units, and the overall engineering design and feasibility planning, as well as inspection, of such work. We provide our construction and installation services to property developers, residential PNG end-users and non-residential PNG end-users. For details, please refer to “Business — Provision of Construction and Installation Services” in this document.

Sale of gas-burning appliances

We also engage in the sale of gas-burning appliances, such as gas stoves, wall-hung gas boilers and water heaters, of third party brand names. Our customers include property owners and property occupiers. We target the residents of newly developed residential properties and existing properties in Gaomi City. Our after-sales services include installation services in respect of the gas-burning appliances sold. For details, please refer to “Business — Sale of Gas-burning Appliances” in this document.

Our customers

During the Track Record Period, our customers included (i) retail customers of our PNG, which included residential, commercial and industrial PNG end-users; (ii) vehicle users of CNG and LNG at our CNG and LNG refuelling stations; (iii) gas-burning appliances customers; (iv) property developers, residential PNG end-users and non-residential PNG end-users who required our construction and installation services; and (v) two wholesale customers for PNG, with one being a natural gas supplier operating in Changyi City (a neighbouring city) and the other being a natural gas refuelling station operator in Gaomi City. Our major retail natural gas customers primarily consisted of industrial PNG end-users such as companies engaged in the steelmaking, fabric manufacturing and farming industries with whom we generally had over three years of business relationship up to the Latest Practicable Date. Our residential PNG end-users consisted of residential property owners and occupiers, while our commercial PNG end-users consisted of schools, hospitals, shops, restaurants, government agencies and commercial property owners and occupiers. For details, please refer to “Business — Our Customers” in this document. For the years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, sales to our largest customer accounted for approximately 5.7%, 5.3%, 5.7% and 6.0% of the total revenue of our Group, respectively, and sales to our five largest customers in aggregate accounted for approximately 13.6%, 15.0%, 17.1% and 18.9% of the total revenue of our Group, respectively. None of our Directors, their respective associates or any shareholder (which to the knowledge of our Directors owns 5% or more of our Company’s issued share capital) held any interest in any of our five largest customers during the Track Record Period.

Our suppliers

During the Track Record Period, we procured (i) PNG from PetroChina and Shandong Shihua, which are Big-3 Noc companies; (ii) LNG from Zhonghui Energy, which is an Independent Third Party engaged in natural gas sales; (iii) gas-burning appliances from mostly Independent Third Party suppliers in the PRC (Yuanhua Trading being the exception); (iv) equipment and machinery, including pipelines and other parts and components such as valves and gas meters, from Independent Third Party suppliers (Yuanhua Trading being the exception); and (v) pipeline construction and installation services from Jiaoyun Property, a connected person, and two Independent Third Parties. For details, please refer to “Business — Our Suppliers” in this document.

Our PNG suppliers are PetroChina and Shandong Shihua. According to the CIC Report, the supply of PNG from upstream natural gas suppliers has been, and is expected to continue to be, dominated by the Big-3 Noc due to prevailing national regulatory restrictions. Therefore, it is an industry norm for local downstream gas distributors in the PRC to materially rely on one or more of the Big-3 Noc companies, in our case Shandong Shihua and PetroChina (which are the only two upstream PNG suppliers in Gaomi City). Under the current overall contractual arrangement with

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PetroChina and Shandong Shihua, we have certain take-or-pay obligations pursuant to which we may have to pay a penalty if our actual procurement volume falls short of the agreed minimum monthly procurement volume. During the Track Record Period, such minimum monthly procurement volume, as stipulated in our actual purchase contracts with each of PetroChina and Shandong Shihua, were predetermined according to the monthly procurement volume projections submitted in advance by us and subsequently approved by them. For more details of the take-or-pay arrangements, please refer to “Business — Procurement of PNG” in this document. For the years ended 31 December 2019, 2020 and 2021, we had an aggregate procurement shortfall with PetroChina of approximately 1.0 million m³, 0.8 million m³, 1.0 million m³, respectively, and we had an aggregate procurement shortfall with Shandong Shihua of approximately 9.9 million m³, 3.1 million m³, 1.6 million m³, respectively. We did not experience any procurement shortfall for the four months ended 30 April 2022. We were not required to make any payment for the aforementioned procurement shortfalls due to the exemption stipulated in an official notice issued by the Shandong Provincial Development and Reform Commission (山東省發展和改革委員會) from February to June 2020 in light of COVID-19). Our Directors confirm that no take-or-pay obligation was enforced by either PetroChina or Shandong Shihua against us during the Track Record Period and up to the Latest Practicable Date. If PetroChina and Shandong Shihua had enforced the relevant take-or-pay obligation against us in relation to the aforementioned shortfalls, we would have had to additionally pay approximately RMB0.6 million, RMB0.5 million, RMB0.6 million to PetroChina for the years ended 31 December 2019, 2020 and 2021, respectively, and approximately RMB6.2 million, RMB2.1 million, RMB1.1 million to Shandong Shihua for the years ended 31 December 2019, 2020 and 2021, respectively. We did not make provisions on our financial statements in respect of the procurement shortfalls recorded during the Track Record Period because (i) we have obtained written confirmations from each of PetroChina and Shandong Shihua, confirming that all sums payable under the contractual arrangements or any sums relating to the terms thereunder had been settled in full and there was no other outstanding sum payable during the Track Record Period; (ii) our PRC Legal Advisers have confirmed that the aforementioned written confirmations are legally binding on the parties thereto and based on such confirmations, the risk that PetroChina and/or Shandong Shihua would make a claim against us for the respective shortfalls is low; and (iii) it is extremely unlikely that PetroChina and/or Shandong Shihua would make a claim against us for the respective shortfalls attributed to the industrial norm that the take-or-pay obligation aligns the interests of PetroChina and/or Shandong Shihua with ours in respect of the sustainability and reciprocity of natural gas market in the PRC, as advised by CIC. Pursuant to the Deed of Indemnity, our Controlling Shareholders have undertaken to indemnify our Group against any losses, claims, charges or expenses should PetroChina and Shandong Shihua enforce the relevant take-or-pay obligation against us. For details of our procurement shortfalls during the Track Record Period, please refer to “Business — Procurement of PNG — PNG procured during Track Record Period” in this document.

For the years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, purchases from our largest supplier accounted for approximately 65.9%, 58.7%, 53.8% and 54.1% of the total purchases of our Group, respectively; and purchases from our five largest suppliers in aggregate accounted for approximately 97.0%, 95.3%, 88.2% and 97.0% of the total purchases of our Group, respectively. Save for Yuanhua Trading and Jiaoyun Property, our Directors confirm that none of our Directors, their respective close associates or any shareholder (which to the knowledge of our Directors owns 5% or more of our Company’s issued share capital) held any interest in any of our five largest suppliers during the Track Record Period.

Overlapping Customer and Supplier

During the Track Record Period, Jiaoyun Property was both a customer and a subcontractor of our Group. We provided construction and installation services to Jiaoyun Property, which was also our subcontractor for the provision of construction works to carry out our construction and installation services. All of the transactions involving Jiaoyun Property were conducted in the ordinary course of business under normal commercial terms. For details, please refer to “Business — Overlapping of Customer and Supplier” in this document.

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OUR COMPETITIVE STRENGTHS

We believe that we possess the following competitive strengths: (i) our Concession to natural gas in the Operating Area for an effective term of 30 years; (ii) governmental policies relating to environmental protection; (iii) long-term relationship with each of PetroChina and Shandong Shihua; (iv) stable operating cash inflow from our sale of natural gas business; (v) our great emphasis on natural gas supply safety and efficiency; and (vi) our committed and experienced management team. For details, please refer to “Business — Our Competitive Strengths” in this document.

OUR BUSINESS STRATEGIES

We intend to (i) increase our market penetration in Gaomi City by continuing to expand our pipeline network and invest in clean energy transmission in the rural areas within our Operating Area; (ii) enhance our operational safety; and (iii) optimise our operational efficiency. For details, please refer to “Business — Our Business Strategies” in this document.

OUR CONTROLLING SHAREHOLDERS

As at the Latest Practicable Date, Mr. Luan Linjiang (one of the controlling shareholders of our Company prior to the [REDACTED]), through LLJ Phoenix, held 33% of the total issued share capital of our Company, and Mr. Luan Xiaolong, through LXL Phoenix and SEGM Holding (wholly owned by SDJY Holding, which is in turn wholly owned by Mr. Luan Xiaolong) held 56% and 10% of the total issued share capital of our Company, respectively. Immediately after the completion of the Capitalisation Issue and the [REDACTED] (assuming the [REDACTED] is not exercised), Mr. Luan Linjiang, through LLJ Phoenix, will be beneficially interested in [REDACTED]% of the enlarged issued share capital of our Company, and Mr. Luan Xiaolong, through LXL Phoenix and SEGM Holding (wholly owned by SDJY Holding, which is in turn wholly owned by Mr. Luan Xiaolong), will be beneficially interested in a total of [REDACTED]% of the enlarged issued share capital of our Company. Since Mr. Luan Linjiang, through LLJ Phoenix, will hold less than 30% of our total issued share capital following the completion of the [REDACTED], and Mr. Luan Xiaolong, the son of Mr. Luan Linjiang, is aged over 18 and therefore is not a close associate of Mr. Luan Linjiang within the meaning of the Listing Rules, Mr. Luan Linjiang and LLJ Phoenix will not be regarded as our controlling shareholders as defined under the Listing Rules. Accordingly, Mr. Luan Xiaolong, LXL Phoenix, SEGM Holding and SDJY Holding are considered as our Controlling Shareholders immediately following the [REDACTED]. For details, please refer to “Relationship with Our Controlling Shareholders” in this document.

CONTINUING CONNECTED TRANSACTIONS

In the ordinary and usual course of our business, we have entered into certain transactions with Mr. Luan Linjiang (our Chairman, executive Director and substantial Shareholder) and Mr. Luan Xiaolong (our executive Director, chief executive officer and Controlling Shareholder) and their respective associates, as well as Shandong Shihua (a substantial shareholder of our subsidiary), which will constitute our continuing connected transactions upon [REDACTED]. These continuing connected transactions include a tenancy agreement, construction and installation services framework agreements, a subcontracting framework agreement and natural gas sale and purchase agreements. We have applied for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions. For details, please refer to “Connected Transactions” and “Waivers from Strict Compliance with the Listing Rules” in this document.

[REDACTED] INVESTMENT

The [REDACTED] Investor made an investment in our Group for a total cash consideration of RMB610,000, based on an independent valuation after arm’s length negotiations between the parties and was settled on 15 July 2021. The [REDACTED] Investment represents a discount of approximately [REDACTED]% to the [REDACTED] per Share (based on the mid-point of the indicative [REDACTED] of HK\$[REDACTED] per Share). Immediately following the completion of the Capitalisation Issue and the [REDACTED] (assuming the [REDACTED] is not exercised), QMIG, a company wholly owned by the [REDACTED] Investor, will be interested in [REDACTED]% of the

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issued share capital of our Company. For details, please refer to “History, Reorganisation and Corporate Structure — [REDACTED] Investment” in this document.

COMPETITION

While the natural gas industry in the PRC is relatively fragmented, natural gas distribution at regional level, such as in Gaomi City, is relatively concentrated, with us taking up a market share of approximately 70%. With our exclusive right under the Concession, supportive government policies, specialised and experienced management team and exercise of prudence in ensuring the safety of our customers by proactively adopting safety monitoring, we believe that we will be able to further scale up our operations to meet the increasing demands for natural gas in Gaomi City and remain competitive in the industry. For details, please refer to “Business — Competition” in this document.

SUMMARY OF FINANCIAL INFORMATION AND RESULTS OF OPERATIONS

The following tables set out a summary of our financial information and results of operations during the Track Record Period. For details, please refer to “Financial Information” in this document, and the Accountant’s Report set out in Appendix I to this document.

	For the year ended 31 December			For the four months ended 30 April	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i>
Revenue	354,231	347,943	440,894	135,962	158,253
Cost of sales	(271,495)	(249,912)	(343,677)	(110,494)	(135,485)
Gross profit	82,736	98,031	97,217	25,468	22,768
Administrative expenses	(14,915)	(18,051)	(19,161)	(4,968)	(8,447)
Reversal of net impairment losses on financial assets	2,944	1,699	800	1,805	3
Other income	229	229	15,396	101	1,193
Other gains/(losses), net	1,464	(309)	863	(219)	854
Operating profit	72,458	81,599	95,115	22,187	16,371
Finance income	3,625	3,065	512	105	324
Finance costs	(25,935)	(16,203)	(4,119)	(1,384)	(838)
Finance costs, net	(22,310)	(13,138)	(3,607)	(1,279)	(514)
Profit before income tax	50,148	68,461	91,508	20,908	15,857
Income tax expense	(13,122)	(17,439)	(23,134)	(5,295)	(3,999)
Profit and total comprehensive income for the year/period	37,026	51,022	68,374	15,613	11,858
Profit and total comprehensive income attributable to:					
Owners of our Company	35,223	50,081	67,505	15,253	11,318
Non-controlling interests	1,803	941	869	360	540
	37,026	51,022	68,374	15,613	11,858

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Non-HKFRS measure: adjusted net profit

To supplement our consolidated results which are prepared and presented in accordance with HKFRS, we also used adjusted net profit as an additional financial measure, which is not required by, or presented in accordance with, HKFRS. We believe that this non-HKFRS measure facilitates comparisons of operating performance from period to period by eliminating the potential impact of the following items.

	For the year ended 31 December			For the four months ended 30 April	
	2019	2020	2021	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i>
Profit and total comprehensive income for the year/period	37,026	51,022	68,374	15,613	11,858
Non-HKFRS Measure					
Excluding:					
Non-recurring item — [REDACTED] expenses	—	3,974	5,838	1,158	4,192
Adjusted net profit	37,026	54,996	74,212	16,771	16,050

For details, please refer to “Financial Information — Non-HKFRS Measure: Adjusted Net Profit” in this document.

Revenue

The below table sets out our revenue breakdown by business segment for the periods indicated.

	For the year ended 31 December						For the four months ended 30 April			
	2019		2020		2021		2021		2022	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i> <i>(unaudited)</i>	%	<i>RMB'000</i>	%
PNG sales	281,783	79.5	246,959	71.0	305,150	69.2	104,820	77.1	133,215	84.2
CNG and LNG sales	35,677	10.1	22,726	6.5	22,023	5.0	7,123	5.2	9,013	5.7
Construction and installation services	31,379	8.9	52,445	15.1	60,887	13.8	17,930	13.2	14,466	9.1
Sale of gas-burning appliances	5,392	1.5	25,813	7.4	52,834	12.0	6,089	4.5	1,559	1.0
Total	354,231	100.0	347,943	100.0	440,894	100.0	135,962	100.0	158,253	100.0

During the Track Record Period, the slight decrease in revenue from 2019 to 2020 was mainly due to (i) a decrease in revenue from our sale of PNG due to a decrease in our per unit selling price of PNG to industrial PNG end-users affected by the COVID-19 outbreak; and (ii) a decrease in revenue from our sale of CNG and LNG due to a decline in the prices of petrol, which is commonly used as an alternative fuel for vehicles, partially offset by increases in revenue from the sale of gas-burning appliances and provision of construction and installation services. The increase in revenue from 2020 to 2021 was mainly due to an increase in PNG consumption by industrial PNG end-users as the adverse impacts of COVID-19 on industrial operations in Gaomi City gradually subsided, while our PNG end-user base remained stable and our PNG end-user selling price recovered from the temporary price reduction in the first quarter of 2020. The increase in revenue from the four

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months ended 30 April 2021 to the four months ended 30 April 2022 was mainly due to an increase in our per unit selling price of PNG to industrial and commercial PNG-end users, as well as an increase in PNG consumption by residential PNG end-users primarily as a result of our implementation of the Clean Energy Projects.

The below table sets out a breakdown of our revenue from PNG sales by customer type for the periods indicated.

	For the year ended 31 December					For the four months ended 30 April				
	2019		2020		2021	2021		2022		
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	<i>(unaudited)</i>									
Retail customers										
Industrial PNG end-users	205,806	73.0	188,630	76.4	233,468	76.5	76,915	73.4	92,615	69.5
Residential PNG end-users	33,935	12.0	43,537	17.6	48,135	15.8	18,793	17.9	30,334	22.8
Commercial PNG end-users	23,884	8.5	12,976	5.3	18,679	6.1	8,394	8.0	7,803	5.9
Wholesale customers	18,158	6.5	1,816	0.7	4,868	1.6	718	0.7	2,463	1.8
	<u>281,783</u>	<u>100.0</u>	<u>246,959</u>	<u>100.0</u>	<u>305,150</u>	<u>100.0</u>	<u>104,820</u>	<u>100.0</u>	<u>133,215</u>	<u>100.0</u>

Revenue from our sale of PNG to industrial end-users decreased from approximately RMB205.8 million for the year ended 31 December 2019 to approximately RMB188.6 million for the year ended 31 December 2020, primarily attributable to a decrease in our average selling price of PNG to industrial end-users from RMB3.2/m³ to RMB2.9/m³ as a result of the temporary price reduction set by the relevant authorities in the first quarter of 2020, as well as a decrease in our sales volume as a result of the adverse impacts of COVID-19 on industrial operations in Gaomi City. Revenue from our sale of PNG to industrial end-users subsequently increased from approximately RMB188.6 million for the year ended 31 December 2020 to approximately RMB233.5 million for the year ended 31 December 2021, primarily attributable to an increase in our sales volume as the adverse impacts of COVID-19 on industrial operations in Gaomi City gradually subsided, as well as the recovery of our average PNG selling price to approximately RMB3.1/m³ for the year ended 31 December 2021. Revenue from our sale of PNG to industrial end-users increased from approximately RMB76.9 million for the four months ended 30 April 2021 to approximately RMB92.6 million for the four months ended 30 April 2022, primarily attributable to an increase in our average selling price of PNG to industrial end-users from RMB3.0/m³ to RMB3.9/m³, while our sales volume to such users decreased due to the resurgence of COVID-19 in March 2022, which had a temporary adverse impact on industrial operations in Gaomi City.

Revenue from our sale of PNG to residential end-users increased from approximately RMB33.9 million for the year ended 31 December 2019 to approximately RMB43.5 million for the year ended 31 December 2020, primarily attributable to an increase our residential PNG end-users as a result of the implementation of the Zero-coal Policy and an influx of people moving into newly built residential properties in Gaomi City. Owing to the same reason, revenue from our sale of PNG to residential end-users increased from approximately RMB43.5 million for the year ended 31 December 2020 to approximately RMB48.1 million for the year ended 31 December 2021. Revenue from our sale of PNG to residential end-users increased from approximately RMB18.8 million for the four months ended 30 April 2021 to approximately RMB30.3 million for the four months ended 30 April 2022, primarily attributable to an increase in PNG consumption by residential end-users as a result of the Clean Energy Projects.

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Revenue from our sale of PNG to commercial end-users decreased from approximately RMB23.9 million for the year ended 31 December 2019 to approximately RMB13.0 million for the year ended 31 December 2020, primarily attributable to (i) a decrease in our sales volume as a result of the adverse impacts of COVID-19 on commercial activities in Gaomi City; and (ii) a decrease in our average PNG selling price to RMB2.9/m³ for the year ended 31 December 2020 due to temporary price reduction set by the relevant authorities in the first quarter of 2020. Revenue from our sale of PNG to commercial end-users subsequently increased from approximately RMB13.0 million for the year ended 31 December 2020 to approximately RMB18.7 million for the year ended 31 December 2021, primarily attributable to (i) an increase in sales volume due to the recovery of commercial activities during the first half of 2021 as the adverse impacts of COVID-19 gradually subsided; and (ii) our average PNG selling price recovered to approximately RMB3.2/m³ for the year ended 31 December 2021. Revenue from our sale of PNG to commercial end-users decreased from approximately RMB8.4 million for the four months ended 30 April 2021 to approximately RMB7.8 million for the four months ended 30 April 2022, primarily attributable to a decrease in sales volume due to the resurgence of COVID-19 in March 2022 and the restrictive measures imposed as a result, which had a temporary adverse impact on commercial activities in Gaomi City, despite an increase in our average selling price of PNG to commercial end-users.

Gross profit and gross profit margin

The below table sets out our gross profit and gross profit margin by business segment for the periods indicated.

	For the year ended 31 December						For the four months ended 30 April			
	2019		2020		2021		2021		2022	
	RMB'000	margin %	RMB'000	margin %	RMB'000	margin %	RMB'000	margin %	RMB'000	margin %
Gas										
PNG	50,846	18.0	48,181	19.5	43,740	14.3	11,214	10.7	12,404	9.3
CNG and LNG	11,013	30.9	5,829	25.6	4,718	21.4	1,357	19.1	2,065	22.9
Sub-total	<u>61,859</u>	<u>19.5</u>	<u>54,010</u>	<u>20.0</u>	<u>48,458</u>	<u>14.8</u>	<u>12,571</u>	<u>11.2</u>	<u>14,469</u>	<u>10.2</u>
Construction and installation services	19,528	62.2	30,417	58.0	24,531	40.3	9,501	53.0	7,744	53.5
Sale of gas-burning appliances	1,349	25.0	13,604	52.7	24,228	45.9	3,396	55.8	555	35.6
Total	<u>82,736</u>	<u>23.4</u>	<u>98,031</u>	<u>28.2</u>	<u>97,217</u>	<u>22.0</u>	<u>25,468</u>	<u>18.7</u>	<u>22,768</u>	<u>14.4</u>

The increase in gross profit from 2019 to 2020 was primarily attributable an increase in gross profit from our construction and installation services and sale of gas-burning appliances, both due to our implementation of the Zero-coal Policy in Gaomi City. Our gross profit remained relatively stable for 2020 to 2021 as we recorded an increase in gross profit from our gas-burning appliances sales due to increased sales of gas-burning appliances as a result of our implementation of the Clean Energy Projects, while we recorded a decrease in gross profit from our sales of PNG (primarily attributable to decreased revenue from our PNG sales to industrial PNG end-users for the reasons explained above), our sales of CNG and LNG (primarily attributable to a slight increase in our cost of sales for such segment as a result of increased procurement costs for CNG and LNG), and our construction and installation services (primarily attributable to an increase in our cost of sales due to labour expenses). Our gross profit decreased from approximately RMB25.5 million for the four months ended 30 April 2021 to approximately RMB22.8 million for the four months ended 30 April 2022, primarily attributable to a decrease in gross profit from our construction and installation services and sales of

SUMMARY

gas-burning appliances as these business segments were adversely impacted by the resurgence of COVID-19.

For the years ended 31 December 2019, 2020 and 2021 and 30 April 2022, our gross profit margin amounted to approximately 23.4%, 28.2%, 22.0% and 14.4%, respectively. The increase in our gross profit margin from 2019 to 2020 was primarily attributable an increase of revenue generated from our construction and installation services resulting from the implementation of the Zero-coal Policy in Gaomi City, which had a higher gross profit margin compared to our other business segments. The decrease in our gross profit margin from 2020 to 2021 resulted primarily from a slower recovery in our PNG end-user selling price as compared to the faster recovery of our PNG procurement price as the adverse impacts of the COVID-19 outbreak on industrial operations in Gaomi City gradually subsided. Our gross profit margin decreased from the four months ended 30 April 2021 to the four months ended 30 April 2022 due to a surge in our average PNG cost, and as the revenue contributions from our construction and installation services and sales of gas-burning appliances (which are business segments that typically record higher gross profit margins) saw significant short term decreases due to the resurgence of COVID-19.

The below table sets out a breakdown of our gross profit and gross profit margin from PNG sales by customer type for the periods indicated.

	For the year ended 31 December						For the four months ended 30 April			
	2019		2020		2021		2021		2022	
	RMB'000	margin %	RMB'000	margin %	RMB'000	margin %	RMB'000	margin %	RMB'000	margin %
	<i>(unaudited)</i>									
Retail customers										
Industrial PNG end-users	44,841	21.8	39,353	20.9	39,160	16.8	9,920	12.9	16,938	18.3
Residential PNG end-users	60	0.2	6,034	13.9	955	2.0	(87)	(0.5)	(6,178)	(20.4)
Commercial PNG end-users	4,970	20.8	2,750	21.2	3,519	18.8	1,360	16.2	1,595	20.4
Wholesale customers	975	5.4	44	2.4	106	2.2	21	2.9	49	2.0
	<u>50,846</u>	<u>18.0</u>	<u>48,181</u>	<u>19.5</u>	<u>43,740</u>	<u>14.3</u>	<u>11,214</u>	<u>10.7</u>	<u>12,404</u>	<u>9.3</u>

During the Track Record Period, we derived most of our PNG sales gross profit from our sale of PNG to retail customers, particularly industrial PNG end-users. Our gross profit from PNG sales to industrial PNG end-users decreased from approximately RMB44.8 million for the year ended 31 December 2019 to approximately RMB39.4 million for the year ended 31 December 2020, primarily attributable to a decrease in revenue from our PNG sales to such PNG end-users for the reasons explained above, and remained stable at approximately RMB39.4 million and RMB39.2 million for the years ended 31 December 2020 and 2021, respectively. Our gross profit from PNG sales to industrial PNG end-users increased from approximately RMB9.9 million for the four months ended 30 April 2021 to approximately RMB16.9 million for the four months ended 30 April 2022, primarily attributable to an increase in revenue from our PNG sales to such PNG end-users for the reasons explained above.

Our gross profit margin for PNG sales to industrial PNG end-users remained relatively stable at approximately 21.8% and 20.9% for the years ended 31 December 2019 and 2020, respectively, and decreased to approximately 16.8% for the year ended 31 December 2021. Such decrease was due to a notable increase in our average PNG procurement price from approximately RMB2.00 per m³ (without VAT) for the year ended 31 December 2020 to approximately RMB2.26 per m³ (without VAT) for the year ended 31 December 2021, despite the recovery in our average selling price of PNG from approximately RMB2.9 per m³ for the year ended 31 December 2020 to approximately RMB3.1 per m³ for the year ended 31 December 2021. Our gross profit margin for PNG sales to commercial PNG end-users remained relatively stable at approximately 20.8% and 21.2% for the years ended 31 December 2019 and 2020, respectively, and decreased slightly to approximately 18.8% for the year

SUMMARY

ended 31 December 2021, primarily due to the increase in our average PNG procurement price as explained above. Our gross profit margin for PNG sales to residential PNG-end users increased significantly from approximately 0.2% for the year ended 31 December 2019 to approximately 13.9% for the year ended 31 December 2020, primarily attributable to a decrease in our average cost of PNG as a result of decreases in both our average procurement prices of PNG and LNG (part of which was converted into PNG for our PNG sales). Our PNG sales volume to residential PNG end-users during the first half of 2020 was exceptionally high as most residents stayed at home due to COVID-19 restrictions and lockdowns imposed, yet PNG procurement price was relatively low at that time due to global economic slowdown, hence the gross profit margin of our PNG sales to residential PNG end-users in 2020 as a whole was higher than usual. As for our PNG sales to industrial and commercial PNG end-users, most of such sales concentrated in the second half of 2020 when COVID-19 restrictions were gradually lifted, yet PNG procurement price at that time also recovered as economic activities resumed, hence the corresponding gross profit margins of our PNG sales to industrial and commercial PNG end-users in 2020 as a whole remained stable compared to that in 2019. Our gross profit margin for PNG sales to residential PNG end-users fell back to approximately 2.0% for the year ended 31 December 2021 as our average procurement price recovered. Our gross profit margin for PNG sales to industrial and commercial PNG end-users increased from 12.9% and 16.2%, respectively, for the four months ended 30 April 2021 to 18.3% and 20.4%, respectively, for the four months ended 30 April 2022. This was primarily attributable to increases in our average selling prices of PNG to such PNG end-users. Our gross profit margin for PNG sales to residential PNG end-users declined from (0.5%) for the four months ended 30 April 2021 to (20.4%) for the four months ended 30 April 2022, primarily due to an unexpected surge in our average cost of PNG in early 2022, while our average selling price of PNG to such users remained the same. Our gross profit margin for PNG sales to wholesale customers decreased from approximately 5.4% for the year ended 31 December 2019 to approximately 2.4% for the year ended 31 December 2020, primarily due to a decrease in our average selling price of PNG to wholesale customers, while it remained stable at approximately 2.4% and 2.2% for the years ended 31 December 2020 and 2021. Our gross profit margin for PNG sales to wholesale customers decreased from 2.9% for the four months ended 30 April 2021 to 2.0% for the four months ended 30 April 2022, primarily due to the aforementioned surge in our average cost of PNG.

Other income

During the year ended 31 December 2021, we received a government subsidy of approximately RMB13.5 million in relation to our implementation of the coal-to-gas project (煤改氣工程).

Profit for the year/period

For the years ended 31 December 2019, 2020 and the four months ended 30 April 2022, our net profit was approximately RMB37.0 million, RMB51.0 million, RMB68.4 million and RMB11.9 million, respectively. The increases in our net profit for the years ended 31 December 2019, 2020 and 2021 were primarily attributable to (i) increases in our gross profit for the reasons described above; (ii) an increase in our other income for the year ended 31 December 2021 due to a government subsidy in the amount of approximately RMB13.5 million; (iii) a decrease in our finance costs as we repaid the principal amount of our ABS and other borrowings. The decrease in our net profit from approximately RMB15.6 million for the four months ended 30 April 2021 to approximately RMB11.9 million for the four months ended 30 April 2022 was primarily attributable to increases in our costs of sales and administrative expenses (mainly resulting from an increase in our [REDACTED] expenses).

SUMMARY

Summary of consolidated balance sheets

The following table sets out selected information from our consolidated balance sheets as at the dates indicated, which have been extracted from our audited consolidated financial statements included in the Accountant’s Report set out in Appendix I to this document.

	As at 31 December			As at
	2019	2020	2021	30 April
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
Total non-current assets	189,435	193,440	226,715	226,856
Cash and cash equivalents	26,281	39,579	37,370	24,393
Total current assets	734,666	365,783	91,500	70,886
Total non-current liabilities	7,400	8,507	16,726	17,063
Contract liabilities	87,827	124,249	101,303	85,814
Total current liabilities	871,745	405,323	192,269	159,601
Net current liabilities	(137,079)	(39,540)	(100,769)	(88,715)
Non-controlling interests	14,493	13,934	14,803	15,343
Total equity	44,956	145,393	109,220	121,078

Our net asset value increased from approximately RMB45.0 million as at 31 December 2019 to approximately RMB145.4 million as at 31 December 2020, primarily attributable to (i) the declaration of a dividend in the amount of approximately RMB10.6 million from Jiaoyun Thermal to Jiaoyun Gas in July 2020; and (ii) the Group’s disposal of Jiaoyun Thermal at a cash consideration of approximately RMB40.3 million. Our net asset value decreased from approximately RMB145.4 million as at 31 December 2020 to approximately RMB109.2 million as at 31 December 2021, primarily attributable to (i) the declaration of dividends by Jiaoyun Gas to its then shareholders in the amount of RMB70.0 million; and (ii) a deemed distribution of approximately RMB60.7 million as a part of the Reorganisation, which was offset by the Group’s disposal of its interest in Gaoyun Investment at a cash consideration of RMB25.5 million. Our net asset value subsequently increased to approximately RMB121.1 million as at 30 April 2022, primarily attributable to a profit for the period of approximately RMB11.9 million. For details, please see “Consolidated Statements of Changes in Equity” in Appendix I to this document.

We recorded net current liabilities of approximately RMB137.1 million and RMB39.5 million as at 31 December 2019 and 2020, respectively, mainly due to (i) advances to our related parties and third parties; (ii) payment obligations under our ABS; and (iii) bank borrowings and other borrowings relating to our bill financing arrangements, including the Non-compliant Bill Financing Arrangements, and the Deviation from Intended Use of Loan Proceeds. Although we placed security deposits with banks for the Non-compliant Bill Financing Arrangements and the Deviation from Intended Use of Loan Proceeds, such amount of security deposit was usually lower than the loan amount obtained from such arrangements. Our total current liabilities also included our contractual liabilities which represent our unearned construction and installation services, PNG sales and sale of gas-burning appliances. Hence the net effect of such arrangements gave rise to the net current liabilities position for the years ended 31 December 2019 and 2020. We recorded net current liabilities of approximately RMB100.8 million as at 31 December 2021, mainly due to our dividend distribution to shareholders of RMB70 million and a deemed distribution as a part of the Reorganisation of RMB60.7 million. We recorded net current liabilities of approximately RMB88.7 million as at 30 April 2022 for the same reasons. Please refer to “Risk Factors — Other Risks Relating to Our Group — We had net current liabilities as at 31 December 2019, 2020 and 2021 and 30 April 2022” in this document for the risk relating to our net current liabilities.

We have taken certain measures to improve our liquidity. In June 2020, we fully settled the principal amount of ABS. Since 17 June 2020, we have ceased all Non-compliant Bill Financing Arrangements and subsequently fully settled all relevant bank acceptance notes by 17 June 2021. Since 18 December 2020, we have ceased all the Deviation from Intended Use of Loan Proceeds and fully settled all outstanding amounts under the Relevant Bank Loans by 29 June 2021. Since June 2021, we have ceased to provide non-trade, interest-free cash advances to our related parties.

SUMMARY

Summary of consolidated statements of cash flows

The following table sets out our cash flows for the periods indicated.

	For the year ended 31 December			For the four months ended 30 April
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Net cash generated from operating activities	76,986	136,464	39,897	1,442
Net cash generated from/(used in) investing activities	51,053	320,231	186,268	(2,474)
Net cash used in financing activities	(123,988)	(443,397)	(228,374)	(11,945)
Net increase/(decrease) in cash and cash equivalents	4,051	13,298	(2,209)	(12,977)
Cash and cash equivalents at beginning of the year	22,230	26,281	39,579	37,370
Cash and cash equivalents at end of the year	26,281	39,579	37,370	24,393

During the year ended 31 December 2021, we received a government subsidy of approximately RMB13.5 million in relation to our implementation of the coal-to-gas project (煤改氣工程). Without such government subsidy, our net cash generated from operating activities and cash and cash equivalents as at 31 December 2021 would be significantly reduced to approximately RMB26.4 million and RMB23.9 million, respectively.

Operating Activities

For the four months ended 30 April 2022, net cash generated from operating activities was approximately RMB1.4 million, which was primarily attributable to (i) the profit before tax of approximately RMB15.9 million; (ii) adjustments for income statement items with non-cash effect of approximately RMB3.0 million; (iii) an outflow of approximately RMB8.9 million for changes in working capital; (iv) interest received of approximately RMB37,000; and (v) income tax paid of approximately RMB8.5 million. Our general working capital changes were primarily attributable to changes in contract liabilities.

For the year ended 31 December 2021, net cash generated from operating activities was approximately RMB39.9 million, which was mainly attributable to (i) the profit before tax of approximately RMB91.5 million; (ii) adjustments for income statement items with non-cash effect and non-operating items of approximately RMB11.3 million; (iii) an outflow of approximately RMB33.7 million for changes in working capital; (iv) interest received of approximately RMB0.5 million; and (v) income tax paid of approximately RMB29.7 million. Our general working capital changes were primarily attributable to changes in trade and other receivables, trade and others payables and contract liabilities.

For the year ended 31 December 2020, net cash generated from operating activities was approximately RMB136.5 million, which was mainly attributable to (i) the profit before tax of approximately RMB68.5 million; (ii) adjustments for income statement items with non-cash effect and non-operating items of approximately RMB19.6 million; (iii) an inflow of approximately RMB53.9 million for changes in working capital; (iv) interest received of approximately RMB3.1 million; and (v) income tax paid of approximately RMB8.6 million. Our general working capital changes were primarily attributable to changes in trade and other payables and contract liabilities.

For the year ended 31 December 2019, net cash generated from operating activities was approximately RMB77.0 million, which was attributable to (i) the profit before tax of approximately RMB50.1 million; (ii) adjustments for income statement items with non-cash effect and non-operating items of approximately RMB26.2 million; (iii) an inflow of approximately RMB4.8 million for changes in working capital; (iv) interest received of approximately RMB3.6 million; and (v) income tax paid of approximately RMB7.7 million. Our general working capital changes were primarily attributable to changes in trade and other payables and contract liabilities.

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Investing Activities

For the four months ended 30 April 2022, net cash used in investing activities was approximately RMB2.5 million, which was mainly attributable to purchases of property, plant and equipment.

For the year ended 31 December 2021, net cash generated from investing activities was approximately RMB186.3 million, which was mainly attributable to repayments of loans from related parties of approximately RMB399.2 million, which was partially offset by advances of loans to related parties of approximately RMB194.2 million.

For the year ended 31 December 2020, net cash generated from investing activities was approximately RMB320.2 million, which was mainly attributable to repayments of loans from related parties of approximately RMB1,497.9 million, which was partially offset by advances of loans to related parties of RMB1,164.9 million.

For the year ended 31 December 2019, net cash generated from investing activities was approximately RMB51.1 million, which was mainly attributable to repayments of loans from related parties of approximately RMB1,315.1 million, which was partially offset by advances of loans to related parties of RMB1,252.6 million.

Financing Activities

For the four months ended 30 April 2022, net cash used in financing activities was approximately RMB11.9 million, which was mainly attributable to repayments of bank borrowings of RMB10.0 million.

For the year ended 31 December 2021, net cash used in financing activities was approximately RMB228.4 million, which was mainly attributable to (i) repayments of bank borrowings of approximately RMB222.8 million; (ii) dividend to the then shareholders of a subsidiary of approximately RMB70.0 million; and (iii) our acquisition of the [REDACTED] business consisting of Jiaoyun Gas, our onshore holding company, and its operating subsidiary, of approximately RMB60.7 million, partially offset by (i) withdrawal of restricted bank deposits for borrowings of approximately RMB70.1 million; (ii) proceeds from bank borrowings of approximately RMB37.0 million; and (iii) proceeds from our disposal of a then subsidiary, namely Gaoyun Investment, of approximately RMB25.5 million.

For the year ended 31 December 2020, net cash used in financing activities was approximately RMB443.4 million, which was mainly attributable to (i) repayments of bank borrowings of RMB647.2 million; (ii) placement of bank deposits for borrowings of approximately RMB156.7 million; and (iii) repayment of ABS in the amount of approximately RMB125.0 million, which was partially offset by (i) proceeds from bank borrowings of approximately RMB283.1 million; (ii) redemption of bank deposits for borrowings of approximately RMB167.3 million; and (iii) dividend and disposal proceeds relating to our then subsidiary, namely Jiaoyun Thermal, of approximately RMB50.9 million.

For the year ended 31 December 2019, net cash used in financing activities was approximately RMB124.0 million, which was mainly attributable to (i) repayments of bank borrowings of RMB470.8 million; (ii) placement of bank deposits for borrowings of approximately RMB269.3 million; and (iii) repayment of ABS in an amount of approximately RMB105.0 million, which was partially offset by (i) proceeds from bank borrowings of approximately RMB615.6 million; and (ii) redemption of bank deposits for borrowings of RMB133.0 million.

SUMMARY

Key financial ratios

The following table sets out our key financial ratios as at the dates and for the periods indicated. For details, please refer to “Financial Information — Key Financial Ratios” in this document.

	As at or for the year ended 31 December			As at or for the four months ended 30 April
	2019	2020	2021	2022
Current ratio ⁽¹⁾	84.3%	90.2%	47.6%	44.4%
Quick ratio ⁽²⁾	83.1%	86.6%	42.7%	38.1%
Return on total assets ⁽³⁾	4.2%	6.9%	15.6%	11.7% ⁽⁸⁾
Return on equity ⁽⁴⁾	133.9%	53.6%	53.7%	31.3% ⁽⁸⁾
Gearing ratio ⁽⁵⁾	1,670.3%	158.2%	36.5%	24.6%
Net debt to equity ratio ⁽⁶⁾	1,158.1%	79.4%	2.3%	4.4%
Net profit margin ⁽⁷⁾	10.5%	14.7%	15.5%	7.5%

Notes:

- (1) Current ratio is calculated by dividing total current assets by total current liabilities as at the end of the year/period.
- (2) Quick ratio is calculated by dividing total current assets less inventories by total current liabilities as at the end of the year/period.
- (3) Return on total assets is calculated by dividing profit for the year/period by the average level of the total assets for the year/period.
- (4) Return on equity is calculated by dividing net profit for the year/period by the average equity for the year/period.
- (5) Gearing ratio is calculated by dividing total debt (borrowings and lease liabilities) by total equity as at the end of the relevant year/period.
- (6) Net debt to equity ratio is calculated by dividing net debt by total equity as at the end of the year/period. Net debt is calculated as total debt (borrowings and lease liabilities) less cash and cash equivalents and restricted bank deposits as at the end of the year/period.
- (7) Net profit margin is equal to net profit divided by total revenue for the year/period.
- (8) Profit for the year is pro rata annualised for illustrative purposes.

The general decreases in our gearing ratio and net debt to equity ratio over the Track Record Period were mainly due to decreases in our borrowings due to the repayment of our (i) ABS; and (ii) short-term borrowings and notes payable, as well as our collection of other related party receivables as cash advances.

During the year ended 31 December 2021, we received a government subsidy of approximately RMB13.5 million in relation to our implementation of the coal-to-gas project (煤改氣工程). For illustrative purposes, without such government subsidy, our current and quick ratios would be reduced to approximately 40.6% and 35.7%, respectively; our return on total assets and return on equity would decline to approximately 12.7% and 45.5%, respectively; our gearing ratio and net debt to equity ratio would increase to approximately 41.6% and 16.6%, respectively; and our net profit margin would be reduced to approximately 12.5%, for the year ended 31 December 2021.

DIVIDEND AND DIVIDEND POLICY

After completion of the [REDACTED], we expect to declare and distribute approximately 33.0% of our net profit for a given year as dividends to our Shareholders (the “**Dividend Policy**”). For details, please refer to “Financial Information — Dividend and Dividend Policy” in this document.

In August 2019, Jiaoyun Shihua declared dividends of RMB5.6 million and RMB2.4 million to Jiaoyun Gas and Shandong Shihua, respectively. In September 2020, Jiaoyun Shihua declared dividends of RMB3.5 million and RMB1.5 million to Jiaoyun Gas and Shandong Shihua, respectively. In March 2021, Jiaoyun Gas declared dividends of RMB50 million and RMB20 million to Jiaoyun Group and Jiaoyun Property, respectively. Mr. Luan Linjiang voluntarily gave up his rights to the dividend distribution in March 2021. The above declared dividends were fully paid.

SUMMARY

CAPITAL EXPENDITURES

Our historical capital expenditures during the Track Record Period primarily included expenditure for our purchases of equipment and the construction and upgrade of pipelines. We funded our capital expenditure requirements and long-term investments during the Track Record Period mainly from cash flow generated from our operations, ABS and bank borrowings. Our capital expenditure amounted to approximately RMB15.1 million, RMB14.2 million, RMB21.9 million and RMB2.5 million for the years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, respectively.

Our capital expenditure for the year ending 31 December 2022 is expected to amount to approximately RMB17.2 million, which will be primarily used for pipeline construction. We plan to fund our future capital expenditures by utilising the cash generated from our operations and our existing banking facilities. We may reallocate the funds to be utilised for our capital expenditure and future development based on our ongoing business needs.

CAPITAL COMMITMENTS

During the Track Record Period, our Group did not have any capital commitments.

[REDACTED] EXPENSES

The estimated total [REDACTED] expenses (based on the mid-point of the [REDACTED] range and assuming that the [REDACTED] is not exercised) for the [REDACTED] are approximately RMB[REDACTED] (HK\$[REDACTED]), which represents [REDACTED]% of the gross proceeds from the [REDACTED]. Such estimated total [REDACTED] expenses include (i) [REDACTED]-related expenses, including [REDACTED] commission, of RMB[REDACTED] (HK\$[REDACTED]); (ii) fees and expenses of legal advisers and reporting accountant of RMB[REDACTED] (HK\$[REDACTED]); and (iii) other fees and expenses of RMB[REDACTED] (HK\$[REDACTED]). An estimated amount of RMB[REDACTED] (HK\$[REDACTED]) is expected to be expensed through the statement of profit or loss and the remaining amount of RMB[REDACTED] (HK\$[REDACTED]) is expected to be recognised directly as a deduction from equity upon the [REDACTED].

PROPERTY INTEREST AND PROPERTY VALUATION

As at 30 April 2022, our property interest comprising various buildings located at No. 2268, West Shi'an Road, Mishui Street, Gaomi City and erected on three parcels of land, in aggregate, had a carrying amount of 15% or more of our total assets. The Property Valuer has valued such properties (the “**Valued Properties**”) as at 31 July 2022 and is of the opinion that the market value of the Valued Properties as at such date was RMB77.3 million subject to an estimated land premium of RMB7.2 million, such that its market value after deducting such land premium was RMB70.1 million. For details, please refer to the Property Valuation Report set out in Appendix III to this document. Save and except for the Valued Properties, our Directors confirm that as at 30 April 2022, no single property interest of ours had a carrying amount of 15% or more of our total assets.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Since the end of the Track Record Period and as at the Latest Practicable Date, we have continued to grow our existing businesses of natural gas sales, construction and installation services and gas-burning appliances sales. In respect of our sale of PNG, our number of residential, commercial and industrial PNG end-users changed from 146,394, 6,149 and 378, respectively, as at 30 April 2022 to 149,260, 6,268 and 383, respectively, as at the Latest Practicable Date. Further, pursuant to a notice issued by the Development and Reform Bureau of Gaomi, the selling price of PNG for non-residential usage has been adjusted from RMB4.36/m³ for the 2021-2022 heating season to RMB4.06/m³ for the 2022 non-heating season, with effect from 1 April 2022. As a result of the Russia-Ukraine military conflict in February 2022, the procurement price of LNG for our sale of CNG and LNG to vehicle users increased significantly from approximately RMB5,358/tonne on average in January 2022 to approximately RMB7,445/tonne and RMB8,326/tonne on average in February and March of 2022, respectively. The procurement price of LNG for our sale CNG and LNG remained high at RMB8,023/tonne and RMB7,430/tonne on average in April and May 2022, and partially recovered to RMB6,547/tonne in June 2022. Our PNG procurement price subsequent to the Track Record Period

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was not materially impacted by the Russia-Ukraine military conflict. In respect of our construction and installation services, our construction and installation projects increased from 398 as at 30 April 2022 to 418 as at the Latest Practicable Date. For the period after the Track Record Period until the Latest Practicable Date, no lockdown, suspension of businesses or severe restrictions were specifically imposed in Gaomi City. Although residents were generally more cautious, there was no significant drop in business and daily activities within Gaomi City. Supported by government policies generally favourable to the natural gas industry, the gradual recovery of the industrial climate in Gaomi City from the adverse effects of COVID-19, as well as our positive historical results, we believe that our businesses will continue to grow in the foreseeable future. Other than the aforementioned increase in the our average LNG procurement price, for the period after the Track Record Period until the Latest Practicable Date, we believe that the Russia-Ukraine military conflict and the recent resurgence of the COVID-19 outbreak in China has not had any material impact on our sales, procurement and future prospects. In particular, (i) to the best knowledge of our Directors, as at the Latest Practicable Date, we were not engaged in any sale of goods or provision of services to Russian customers; and (ii) we are not sourcing, and do not plan to source in the future, any raw materials or components from any Russian or Ukraine supplier.

Our Directors expect to record a decrease in net profit for the year ending 31 December 2022 compared to the year ended 31 December 2021 primarily due to (i) an increase in [REDACTED] expenses (which are non-recurring) for the year ending 31 December 2022; and (ii) a possible decrease in other income as the Group received a government subsidy of approximately RMB13.5 million in relation to the implementation of the coal-to-gas project (煤改氣工程) for the year ended 31 December 2021 which it may not necessarily receive for the year ending 31 December 2022. Save for the above, our Directors confirm that there was no event since 30 April 2022 and up to the date of this document that would have a material adverse impact on our business operations, financial condition and results of operations.

EFFECTS OF THE COVID-19 OUTBREAK ON OUR BUSINESS OPERATIONS

Our sales of PNG to our industrial and commercial PNG end-users, being our largest business segment, decreased from late January to March of 2020 due to the suspension of business operations by some of our PNG end-users as a result of the local government’s measures on the prevention and control of the spread of COVID-19 (the “COVID-19 Measures”). However, sale of PNG to our residential PNG end-users for heating and cooking remained robust at the same time. Our quarterly average sales volume for PNG per month was 7.6 million m³, 7.3 million m³, 6.1 million m³ and 7.5 million m³ in 2019, comparing with 6.5 million m³, 6.6 million m³, 6.8 million m³ and 9.1 million m³ in 2020, representing a change of approximately -14.5%, -9.6%, +11.5% and +21.3%, respectively. Our revenue derived from sales of PNG dropped by approximately 12.4% in 2020 as compared with that of 2019. Such drop mainly resulted from the decreased demand for PNG from our commercial PNG end-users due to the aforementioned suspension of business operations in response to the COVID-19 Measures. Our revenue derived from sales of PNG to non-residential PNG end-users for the three months ended 31 March 2019 and 2020 was approximately RMB84.4 million and RMB66.3 million, respectively. Our Directors consider that demands for PNG from our PNG end-users had generally returned to normal levels by the fourth quarter of 2020. Further, pursuant to notices issued by the relevant local pricing bureau, the maximum PNG end-user price for industrial and commercial PNG end-users for the Operating Area was temporarily adjusted downwards for the period between February 2020 and June 2020. As a result, the gross profit from our PNG sales temporarily declined during the same period, the aforementioned PNG end-user price adjustment resulted in the temporary decline of gross profit from our PNG sales during the same period. Our Directors are of the view that, since such adjustments were temporary, they did not and are not expected to have a material and adverse impact on our Group. In around March to April of 2022, a temporary suspension of business for certain industries and a partial lockdown was also imposed in Gaomi City due to the resurgence of COVID-19. As a result, demand for PNG from our industrial and commercial PNG end-users was lower than usual in March and April 2022, which was reflected by a drop in our PNG sales volume to industrial and commercial PNG end-users from approximately 25.5 million m³ and 2.7 million m³ for the four months ended 30 April 2021 to approximately 24.0 million m³ and 2.0 million m³ for the four months ended 30 April 2022, respectively. Demand for PNG from our residential PNG end-users

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was higher than usual in March and April 2022, which was reflected by an increase in our PNG sales volume to residential PNG end-users from approximately 7.2 million m³ for the four months ended 30 April 2021 to approximately 11.6 million m³ for the four months ended 30 April 2022. At the same time, this also led to a temporary suspension of our construction and installation services and caused a temporary drop in our sales of gas-burning appliances, which led to a decrease in gross profit of these two segments from approximately RMB9.5 million and RMB3.4 million for the four months ended 30 April 2021 to approximately RMB7.7 million and RMB0.6 million for the four months ended 30 April 2022, respectively.

STATISTICS OF THE [REDACTED]

	Based on the minimum [REDACTED] of HK\$[REDACTED] per [REDACTED]	Based on the maximum [REDACTED] of HK\$[REDACTED] per [REDACTED]
Market capitalisation of the Shares	HK\$[REDACTED]	HK\$[REDACTED]
Unaudited adjusted consolidated net tangible assets per Share	HK\$[REDACTED]	HK\$[REDACTED]

Note:

- (1) All statistics in this table are based on the assumption that the [REDACTED] is not exercised.
- (2) The market capitalisation is calculated based on [REDACTED] Shares expected to be in issue immediately following completion of the Capitalisation Issue and the [REDACTED] (assuming that the [REDACTED] is not exercised).
- (3) The unaudited pro forma consolidated adjusted net tangible assets per Share is calculated after making the adjustments referred to in Appendix II to this document and on the basis of a total of [REDACTED] Shares in issue immediately following completion of the [REDACTED] and the Capitalisation Issue (assuming that the [REDACTED] is not exercised).

USE OF PROCEEDS

We estimate that we will receive net proceeds from the [REDACTED] of approximately HK\$[REDACTED] (assuming an [REDACTED] of HK\$[REDACTED] per Share, being the mid-point of the indicative [REDACTED] range stated in this document) (equivalent to approximately RMB[REDACTED]), after deducting the [REDACTED] fees and commissions and estimated expenses paid and payable by us in relation to the [REDACTED] and assuming no exercise of the [REDACTED].

Our Directors intend to apply the net proceeds from the [REDACTED] for the following purposes:

- approximately HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]), representing approximately [REDACTED]% of the net proceeds from the [REDACTED], will be used for expanding our sale of PNG business through construction of new mid-pressure pipelines of approximately 101.0 km in our Operating Area in the coming three years after Listing.
- approximately HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]), representing approximately [REDACTED]% of the net proceeds from the [REDACTED], will be used for upgrading approximately 43.4 km of our urban pipeline network.
- approximately HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]), representing approximately [REDACTED]% of the net proceeds from the [REDACTED], will be used for replacing existing gas meters with our Goldcard Meters for over 19,500 households in our Operating Area.
- approximately HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]), representing approximately [REDACTED]% of the net proceeds from the [REDACTED], will be used for constructing PNG end-user pipelines and connecting these pipelines to our urban pipeline network for over 5,500 households in our Operating Area.
- approximately HK\$[REDACTED] (equivalent to approximately RMB[REDACTED]), representing approximately [REDACTED]% of the net proceeds from the [REDACTED], will be used as working capital and other general corporate purposes.

For details, please refer to “Future Plans and Use of Proceeds” in this document.

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RISK FACTORS

We believe that the following are some of the major risks that could have a material adverse effect on our business: (i) our Concession Agreement is subject to an effective term of 30 years from 18 August 2009. Early termination of or inability to renew the term of our Concession Agreement, or any illegality or invalidity of our Concession, will materially and adversely affect our business, financial condition and results of operation; (ii) we may encounter difficulties in growing our business within the Operating Area under the Concession Agreement; (iii) any shortage of, disruption or suspension to our natural gas supplies could materially and adversely affect our sale of natural gas business; (iv) our sale of PNG is subject to pricing policies at various levels which will affect our profitability; (v) we may not always meet our minimum procurement obligations with PetroChina and Shandong Shihua; and (vi) we had net current liabilities as at 31 December 2019, 2020 and 2021 and 30 April 2022.

Please refer to “Risk Factors” in this document carefully before making any investment decision in the [REDACTED].

NON-COMPLIANCE INCIDENTS

During the Track Record Period and up to the Latest Practicable date, our Group was involved in certain incidents which did not fully comply with the PRC laws and regulations. These include, but are not limited to the Non-compliant Bill Financing Arrangements and the Deviation from Intended Use of Loan Proceeds. For details, please refer to “Business — Regulatory Compliance — Non-compliance incidents” in this document.