The following discussion and analysis of our business, financial condition and results of operations are based on and should be read in conjunction with our financial statements as at and for each of the years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, including the notes thereto, as set out in the Accountant's Report in Appendix I to this document and other financial information appearing elsewhere in this document. Our consolidated financial statements have been prepared in accordance with HKFRS, which may differ in certain material aspects from generally accepted accounting principles in other jurisdictions. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this document, including the sections headed "Risk Factors" and "Business".

OVERVIEW

We are a natural gas operator in Gaomi City, Weifang Municipality of Shandong Province. 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 our Operating Area, 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% of the total administrative area of Gaomi City.

During the Track Record Period, we primarily generated revenue from our sale of natural gas in Gaomi City. The sale of PNG is our principal business. For the years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, our revenue generated from the sale of PNG was approximately RMB281.8 million, RMB247.0 million, RMB305.2 million and RMB133.2 million, representing approximately 79.5%, 71.0%, 69.2% and 84.2% of our total revenue, respectively. During the Track Record Period, our other businesses included the sale of CNG and LNG, the provision of construction and installation services and the sale of gas-burning appliances.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 9 March 2021. In preparation for the [REDACTED], we underwent the Reorganisation, as detailed in "History, Reorganisation and Corporate Structure" in this document. Following the Reorganisation, our Company became the holding company of all the companies now comprising our Group. The historical financial information of the companies now comprising our Group has been prepared on a consolidated basis and is presented using the respective carrying value of the [REDACTED] business for all periods presented. The historical financial information presents the consolidated results and financial position of our Group as if the current group structure had been in existence throughout the Track Record Period and as if the [REDACTED] business was transferred to our Group at the beginning of the earliest period presented or when such businesses were established, whichever is the shorter period, but excludes certain subsidiaries held by Jiaoyun Gas prior to the completion of the Reorganisation engaged in businesses not relating to the [REDACTED] business (including the supply of centralised heating, equity and debt investments and the provision of financial consulting and related services) (the "**Non-core business**"). The Non-core business is not a part of our Group pursuant to the Reorganisation and was historically managed separately from the [REDACTED] business. For details, please refer to "History, Reorganisation and Corporate Structure", "Business" and "Relationship with Our Controlling Shareholders" in this document. The [REDACTED] business and Non-core business have historically operated as stand-alone businesses and have maintained separated accounting records and management accounts. Inter-company transactions, balances and unrealised gains/losses on transactions between companies within our Group are eliminated on combination.

BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with HKFRS issued by the Hong Kong Institute of Certified Public Accountants. Our historical financial information has been prepared under the historical cost convention, except that investment properties are measured at fair value. The preparation of our historical financial information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying our Group's accounting policies. For details of the areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to our historical financial information, please refer to Note 4 of the Accountant's Report as set out in Appendix I to this document.

The HKICPA issued a number of new and revised HKFRS during the Track Record Period. For the purpose of preparing our historical financial information, our Group has adopted all applicable new and revised HKFRSs including HKFRS 9 Financial Instruments, HKFRS 15 Revenue from Contracts with Customers and HKFRS 16 Leases ("**HKFRS 16**") throughout the Track Record Period. Certain new standards and amendments to existing standards have been issued but are not effective and have not been adopted early by our Group. These new standards and amendments to existing standards are effective for annual periods beginning on or after 1 May 2022. Our Group intends to adopt the new standards and amendments to existing standards when they become effective. Our Directors are of the view that the adoption of the new standards and amendments to existing standards would not have a material impact on our Group's financial statements. For details, please refer to Note 2.1 of the Accountant's Report as set out in Appendix I to this document.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATION

Our results of operations and financial position have been and will continue to be affected by a number of factors, including those set out in "Risk Factors" in this document and those discussed below:

Our Concession right to operate natural gas sales related businesses within the Operating Area

We operate natural gas sales and related businesses under our Concession in Gaomi City, Weifang Municipality of Shandong Province. As at the Latest Practicable Date, our Operating Area represented approximately 70% of the total administrative area of Gaomi City. Pursuant to the Concession Agreement, we are entitled to exclusively sell PNG and provide related services within the Operating Area. During the Track Record Period, we primarily generated revenue from our sale of PNG.

Our Concession has an effective term of 30 years from 18 August 2009. Our Concession may be cancelled under certain circumstances. For more details relating to our Concession, please refer to "Business — Concession Operation — Key Terms of Concession Agreement" in this document. Upon the expiry of our Concession, we will need to go through a prescribed public selection process, such as public bidding process, to renew our Concession under the *Measures for the Administration of the Franchise of Municipal Public Facilities* (《市政公用事業特許經營管理辦法》) (the "**Concession Measures**"). According to the Concession Measures, our Group, as the existing Concession grantee, will be given priority in renewing the Concession. If our Concession Agreement is terminated before expiration, or we are not able to renew it or commence alternative operations which are similar in scope and nature to our existing operations in the Operating Area, our business, financial condition and results of operations are likely to be materially and adversely affected. Please also refer to "Risk Factors — Risks Relating to Our Business — Our Concession Agreement under which we are entitled to operate our PNG sales business 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 operations." in this document.

Natural gas pricing mechanism

According to the *PRC Pricing Law* (《中華人民共和國價格法》) and relevant rules and regulations, the PRC Government may direct, guide or determine the pricing of PNG, including both PNG procurement prices and PNG end-user selling prices. Please refer to "Business — Sale of PNG — Pricing", "Regulatory Overview — Regulation on Pricing Mechanism Related to Natural Gas" and "Industry Overview — Analysis of the City Natural Gas Supply Industry in Gaomi City" in this document for further information about the pricing of PNG in the PRC.

Prior to June 2018, the procurement price for residential usage PNG sourced from our suppliers was restricted to the maximum benchmark gate price set by the NDRC (最高門站價格), while the procurement price for non-residential PNG was determined with reference to the benchmark gate price (基準門站價格) and restricted to 120% of such benchmark gate price. Pursuant to the *Notice on Straightening the Gate Price of Natural Gas for Residential Usage (Fa Gai Jia Ge Gui [2018] No. 794)* (*《國家發展改革委關於理順居民用氣門站價格的通知》(發改價格規[2018]794號)*) issued by the

NDRC in May 2018, in order to link up the pricing mechanism between the residential and non-residential usage of natural gas, the procurement price for both residential and non-residential PNG shall be restricted to 120% of the benchmark gate price. During the Track Record Period and as at the Latest Practicable Date, our PNG procurement prices were agreed with our suppliers and determined with reference to the benchmark gate price set by the NDRC. If the prices of PNG that we procure from our PNG suppliers fluctuate due to changes in prevailing market conditions or regulatory policies, and we are unable to pass on the impact of such price adjustments to our PNG end-users in a timely manner, our revenue, cash flows and results of operations may be materially and adversely affected.

The local pricing bureau, on the other hand, regulates the end-user prices at which PNG is sold to our PNG end-users in our Operating Area. In general, the end-user price for residential PNG is fixed by the local pricing bureau, whereas the end-user price for industrial and commercial PNG is agreed between us and the PNG end-users, subject to the maximum PNG end-user price as determined by the local pricing bureau.

Sensitivity analysis

Any unfavourable changes to the pricing of PNG may adversely affect our revenue, cash flows and results of operations. For illustrative purposes, the table below sets out a sensitivity analysis of the effect of fluctuations in our per unit PNG end-user selling price and per unit procurement price of PNG, respectively, on our profit before tax during the Track Record Period. Fluctuations are assumed to be 5% and 10%, respectively. Prospective investors should note that this sensitivity analysis is based on assumptions and is for reference only. As such, it should not be viewed as actual effect.

	Impact on profit before tax				
	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*
Per unit PNG end-user selling price					
+/- 5%	+/-14,089	+/-12,348	+/-15,258	+/-5,241	+/-6,661
+/- 10%	+/-28,178	+/-24,696	+/-30,515	+/-10,482	+/-13,322
Per unit procurement price					
+/- 5%	-/+11,405	-/+9,372	-/+11,760	-/+3,863	-/+4,642
+/- 10%	-/+22,809	-/+18,744	-/+23,520	-/+7,727	-/+9,285

Sales and customer mix

During the Track Record Period, our business mainly comprised (i) the sale of PNG; (ii) the sale of CNG and LNG; (iii) the provision of construction and installation services; and (iv) the sale of gas-burning appliances. For the years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, our gross profit margin was 23.4%, 28.2%, 22.0% and 14.4%, respectively. The fluctuation in gross profit margin was partly due to our different sales mix as our different business segments generated different gross profit margins with different trends.

For the years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, our sale of PNG generated a gross profit margin of 18.0%, 19.5%, 14.3% and 9.3%, respectively, while our sale of CNG and LNG generated a gross profit margin of 30.9%, 25.6%, 21.4% and 22.9%. For the same periods, our construction and installation services generated a gross profit margin of 62.2%, 58.0%, 40.3% and 53.5%, respectively, while our sale of gas-burning appliances generated a gross profit margin of 25.0%, 52.7%, 45.9% and 35.6%, respectively. Fluctuations in the gross profit margin of our sale of PNG are mainly driven by (i) the prices at which we procure PNG from our suppliers; and (ii) the prices at which we sell PNG to our PNG end-users, both of which are subject to the relevant pricing regulations. Our PNG end-user selling prices are generally different for residential PNG end-users and non-residential PNG end-users due to different pricing regulations. Fluctuations in the gross profit margin of our sale of CNG and LNG are mainly driven by the selling and procurement prices of our CNG and LNG. Fluctuations in the gross profit margin of our construction and installation services are driven by the types of projects undertaken by us, while fluctuations in the gross profit margin of our sale of gas-burning appliances are mainly driven by the types of appliances sold.

Consequently, the gross profit margin of and revenue from each of our business segments are affected by our sales and customer mix. Going forward, we will continue to evaluate and adjust our portfolio of product and service offerings from time to time to focus on products and services with higher profit margins, greater market demand and potential to maintain or increase our profitability.

Impact of COVID-19

An outbreak of respiratory illness caused by a novel coronavirus (COVID-19) was first reported in late 2019 and continues to spread across the PRC and globally. In March 2020, the World Health Organisation characterised the outbreak of COVID-19 a pandemic. As at the Latest Practicable Date, COVID-19 has spread across China and to over 200 countries and territories globally.

To contain the outbreak COVID-19, the PRC Government has imposed strict measures across the PRC since around late January 2020, including but not limited to travel restrictions and quarantine for travellers or returnees, whether infected or not, and an extended shutdown of certain business operations. Our sales of PNG to our industrial and commercial PNG end-users decreased in the first few months of 2020 due to the suspension of business operations by some of our PNG end-users a result of the aforesaid measures. Our Directors consider that demands for PNG from our PNG end-users had generally returned to normal levels by the fourth quarter of 2020. 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 at the Latest Practicable Date, lock-down measures in most regions of PRC (including Gaomi City in particular) that are relevant to our business have been substantially lifted. For details of the impact of COVID-19 on our business operations, please refer to "Business — Effects of the COVID-19 Outbreak" in this document.

The situation of the COVID-19 pandemic is constantly evolving and it remains uncertain when it will end. The COVID-19 has, and may continue to, adversely affect the global and PRC's economy. As a result, our business operation and financial condition may be adversely affected.

Favourable government policies and regulations

During the Track Record Period, our business and results of operations benefitted from favourable government policies and regulations which promote the consumption of natural gas and encourage the growth of the city natural gas supply market. Since the beginning of our operation, our business growth has been supported from time to time by policies and regulations implemented by the PRC Government which encourage the use of natural gas as a clean alternative to coal consumption. This has had a positive impact on our sale of natural gas, being our primary business segment, and our provision of construction and installation services and sale of gas-burning appliances, being our ancillary business segments.

For example, according to the CIC Report, the PRC Government adopted a series of policies in respect of the coal-to-gas project (煤改氣工程) since 2017 which require industrial and residential energy users in Shandong Province to switch from coal to gas for a range of activities such as heating, cooking and hot water supply. Such policies, as well as the "West-East Gas Pipeline Project" ("西氣東輸工程") and the target of realising "natural gas coverage to each village and town" ("村村通和鎮鎮通"), have contributed to an increase in the consumption of natural gas in Shandong Province. In Gaomi City, the Zero-coal Policy has also contributed to increased natural gas consumption by encouraging the elimination of coal consumption. For further details of favourable government policies and regulations, please refer to "Business — Our Competitive Strengths — We benefit from governmental policies relating to environmental protection", "Business — Government Policies and Subsidies" and "Industry Overview — Market drivers of the city natural gas market — Favourable government policies" in this document. Existing and future government policies and regulations relating to environmental protection and the reduction of coal emissions are expected to continue benefitting the natural gas industry, all of which may have a positive impact on our business, financial condition and operating results.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that we believe are most significant to the preparation of our historical financial information. Our significant accounting policies are set out in detail in Note 2 of the Accountant's Report included in Appendix I to this document. Some of our significant accounting policies involve subjective assumptions and estimates, as well as complex judgements by our management relating to accounting items. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Our Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to our historical financial information, are disclosed in Note 4 of the Accountant's Report included in Appendix I to this document.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The following table sets out our consolidated statements of comprehensive income with line items in absolute amounts for the periods indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	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 (unaudited)*	*RMB'000*
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

NON-HKFRS MEASURE

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 additional financial measure provides useful guidance as it reflects our net profit position relating to our normal business operations by having eliminated the potential impact of our [REDACTED] expenses and interest expenses incurred in relation to our ABS. The use of this non-HKFRS measure has limitations as an analytical tool, and you should not consider it in its isolated form, or as a substitute for analysis of, our results of operations or financial condition as reported under HKFRS. In addition, this non-HKFRS measure may be defined differently from similar terms used by other companies.

The table below sets out the reconciliation of our adjusted net profit (non-HKFRS measure) for the Track Record Period to the nearest measure prepared in accordance with HKFRS.

	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* *(unaudited)*	*RMB'000*
Profit and total comprehensive income for the year/period	37,026	51,022	68,374	15,613	11,858
Excluding:					
ABS-related finance expenses (net)(1)	13,293	4,782	—	—	—
[REDACTED] expenses(2)	—	3,974	5,838	1,158	4,192
Adjusted net profit (non-HKFRS measure)	50,319	59,778	74,212	16,771	16,050

Note:

(1) ABS-related finance expenses (net) represents the finance expenses (net) in relation to funds obtained from our ABS used by the Private Group as part of the financing arrangement with the Private Group. Such ABS had reached maturity and was fully redeemed.

(2) [REDACTED] expenses mainly relate to the [REDACTED].

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, all of our revenue was generated from (i) the sale of PNG; (ii) the sale of CNG and LNG; (iii) the provision of construction and installation services; and (iv) the sale of gas-burning appliances. For the years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, our revenue was approximately RMB354.2 million, RMB347.9 million, RMB440.9 million and RMB158.3 million, respectively. During the Track Record Period, all of our revenue was generated within the PRC.

The table below 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	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(unaudited)*	*%*	*RMB'000*	*%*
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[(1)]	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[(2)]	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

Notes:

(1) For the years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, nil, nil, approximately RMB12,832,000 and nil, or nil, nil, approximately 21.1% and nil of our revenue from construction and installation services, respectively, were contributed by the Clean Energy Projects.

(2) For the years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, nil, nil, approximately RMB28,429,000 and nil, or nil, nil, approximately 53.8% and nil of our revenue from the sale of gas-burning appliances, respectively, were contributed by the Clean Energy Projects.

Sale of gas

Our sale of gas includes (i) our sale of PNG through our urban pipeline network to retail customers, consisting of residential, commercial and industrial PNG end-users, and to two wholesale customers; and (ii) our sale of CNG and LNG to vehicle users at our CNG and LNG refuelling stations. Revenue from the sale of gas is recognised at a point in time when control of the gas is transferred to the customer, generally on transmission of the gas. Revenue from our sale of gas amounted to approximately RMB317.5 million, RMB269.7 million, RMB327.2 million and RMB142.2 million for the years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, accounting for approximately 89.6%, 77.5%, 74.2% and 89.9% of our total revenue for the same periods, respectively.

The following table sets out a breakdown of revenue from our sale of gas during the Track Record Period.

	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 (unaudited)*	*%*	*RMB'000*	*%*
Sale of gas										
PNG	281,783	88.8	246,959	91.6	305,150	93.3	104,820	93.6	133,215	93.7
CNG and LNG	35,677	11.2	22,726	8.4	22,023	6.7	7,123	6.4	9,013	6.3
Total	317,460	100.0	269,685	100.0	327,173	100.0	111,943	100.0	142,228	100.0

(i) Sale of PNG

During the Track Record Period, we primarily supplied PNG to retail customers, consisting of residential, commercial and industrial PNG end-users, via our urban pipeline network. We also supplied PNG to two wholesale customers through the connection of our pipelines to the pipelines of such customers. Revenue from our PNG sales decreased from approximately RMB281.8 million for the year ended 31 December 2019 to approximately RMB247.0 million for the year ended 31 December 2020, primarily attributable to a decrease in our per unit selling price of PNG to industrial PNG end-users. This was due to the temporary price reduction set by the relevant government authorities in the first quarter of 2020. The temporary price reduction was a response to the impacts of the COVID-19 outbreak on industrial production in Gaomi City. Revenue from our PNG sales increased from approximately RMB247.0 million for the year ended 31 December 2020 to approximately RMB305.2 million for the year ended 31 December 2021, primarily attributable to an increase in PNG consumption by industrial PNG end-users as the adverse impacts of the COVID-19 outbreak gradually subsided. Revenue from our PNG sales increased from approximately RMB104.8 million for the four months ended 30 April 2021 to approximately RMB133.2 million for the four months ended 30 April 2022, primarily attributable 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 as a result of our implementation of the Clean Energy Projects.

For the years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, revenue from our sale of PNG to our retail customers, being our PNG end-users, accounted for approximately 93.6%, 99.3%, 98.4% and 98.2%, respectively, of our revenue from the sale of PNG. For the same periods, the remainder of the revenue from our sale of PNG, which was derived from PNG sales to our two wholesale customers, accounted for approximately 6.4%, 0.7%, 1.6% and 1.8%, respectively, of our revenue from the sale of PNG.

The table below sets out key data relating to our sale of PNG for the periods indicated.

	For the year ended 31 December			For the four months ended 30 April	
	2019	2020	2021	2021	2022
				(unaudited)	
Retail customers					
Industrial PNG end-users					
Sales volume ('000 m^3)	64,434	66,078	75,603	25,535	23,962
As a percentage of total PNG sales volume (%)	68.9	75.1	74.0	71.4	62.3
Average PNG end-user selling price without VAT (RMB/m^3)	3.2	2.9	3.1	3.0	3.9
Revenue (RMB'000)	205,806	188,630	233,468	76,915	92,615
As a percentage of total revenue from PNG sales (%)	73.0	76.4	76.5	73.4	69.5
Residential PNG end-users					
Sales volume ('000 m^3)	13,573	16,610	18,372	7,201	11,578
As a percentage of total PNG sales volume (%)	14.5	18.9	18.0	20.1	30.1
Average PNG end-user selling price without VAT (RMB/m^3)	2.5	2.6	2.6	2.6	2.6
Revenue (RMB'000)	33,935	43,537	48,135	18,793	30,334
As a percentage of total revenue from PNG sales (%)	12.0	17.6	15.8	17.9	22.8
Commercial PNG end-users					
Sales volume ('000 m^3)	7,572	4,527	5,892	2,676	1,966
As a percentage of total PNG sales volume (%)	8.1	5.1	5.8	7.5	5.1
Average PNG end-user selling price without VAT (RMB/m^3)	3.2	2.9	3.2	3.1	4.0
Revenue (RMB'000)	23,884	12,976	18,679	8,394	7,803
As a percentage of total revenue from PNG sales (%)	8.5	5.3	6.1	8.0	5.9
Wholesale customers					
Sales volume ('000 m^3)	7,918	795	2,237	355	973
As a percentage of total PNG sales volume (%)	8.5	0.9	2.2	1.0	2.5
Average PNG end-user selling price without VAT (RMB/m^3)	2.3	2.3	2.2	2.0	2.5
Revenue (RMB'000)	18,158	1,816	4,868	718	2,463
As a percentage of total revenue from PNG sales (%)	6.5	0.7	1.6	0.7	1.8
Total sale of PNG					
Sales volume ('000 m^3)	93,497	88,010	102,104	35,767	38,479
Average PNG end-user selling price without VAT (RMB/m^3)	3.0	2.8	3.0	2.9	3.5
Revenue (RMB'000)	281,783	246,959	305,150	104,820	133,215

Industrial PNG end-users

For the years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, revenue from our sale of PNG to industrial PNG end-users was approximately RMB205.8 million, RMB188.6 million, RMB233.5 million and RMB92.6 million, accounting for approximately 73.0%, 76.4%, 76.5% and 69.5% of our total revenue from PNG sales, respectively.

Our sales volume increased from approximately 64.4 million m^3 for the year ended 31 December 2019 to approximately 66.1 million m^3 for the year ended 31 December 2020 as a result of increased production activity among our industrial PNG end-users. Our sales volume increased to approximately 75.6 million m^3 for the year ended 31 December 2021 as the adverse impacts of the COVID-19 outbreak on industrial operations in Gaomi City gradually subsided. Our sales volume decreased from approximately 25.5 million m^3 for the four months ended 30 April 2021 to approximately 24.0 million m^3 for the four months ended 30 April 2022 due to the resurgence of COVID-19 in March 2022, which had a temporary adverse impact on industrial operations in Gaomi City.

For the years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, our average selling price of PNG to industrial PNG end-users per m^3 was approximately RMB3.2, RMB2.9, RMB3.1 and RMB3.9, respectively. Our PNG end-user selling price per m^3 decreased from approximately RMB3.2 for the year ended 31 December 2019 to approximately RMB2.9 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. Our PNG end-user selling price per m^3 recovered to approximately RMB3.1 for the year ended 31 December 2021. Our PNG end-user selling price per m^3 subsequently increased from approximately RMB3.0 for the four months ended 30 April 2021 to approximately RMB3.9 for the four months ended 30 April 2022.

Residential PNG end-users

For the years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, revenue from our sale of PNG to residential PNG end-users was approximately RMB33.9 million, RMB43.5 million, RMB48.1 million and RMB30.3 million, accounting for approximately 12.0%, 17.6%, 15.8% and 22.8% of our total revenue from PNG sales, respectively.

Our sales volume increased from approximately 13.6 million m^3 for the year ended 31 December 2019 to approximately 16.6 million m^3 for the year ended 31 December 2020. Such growth was mainly driven by an increase in our number of residential PNG end-users from 113,899 as at 31 December 2019 to 124,187 as at 31 December 2020, primarily attributable to the implementation of the Zero-coal Policy and an influx of people moving into newly built residential properties in Gaomi City. Our sales volume increased to approximately 18.4 million m^3 for the year ended 31 December 2021 as our number of residential PNG end-users increased to 142,714 as at 31 December 2021, owing to the same reason above. Our sales volume increased from approximately 7.2 million m^3 for the four months ended 30 April 2021 to approximately 11.6 million m^3 for the four months ended 30 April 2022 as a result of the Clean Energy Projects.

For the years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, our average selling price of PNG to residential PNG end-users per unit was approximately RMB2.5, RMB2.6, RMB2.6 and RMB2.6, respectively. In general, any fluctuations in our average selling price depends on the number of users within the tiered gas pricing system implemented by the NDRC for residential usage. For details of the tiered gas pricing system, please refer to "Regulatory Overview — Regulation on Pricing Mechanism Related to Natural Gas — End-user price of natural gas — 1. Selling Price of Natural Gas for Residential Usage and Public Service Usage" in this document.

Commercial PNG end-users

For the years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, revenue from our sale of PNG to commercial PNG end-users was approximately RMB23.9 million, RMB13.0 million, RMB18.7 million and RMB7.8 million, accounting for approximately 8.5%, 5.3%, 6.1% and 5.9% of our total revenue from PNG sales, respectively.

Our sales volume decreased from 7.6 million m^3 for the year ended 31 December 2019 to approximately 4.5 million m^3 for the year ended 31 December 2020. Such decrease was primarily attributable to the adverse impacts of the COVID-19 outbreak on commercial activities in Gaomi City. Our sales volume increased to approximately 5.9 million m^3 for the year ended 31 December 2021, primarily attributable to the recovery of commercial activities during the first half of 2021 as the adverse impacts of the COVID-19 outbreak gradually subsided. Our sales volume decreased from approximately 2.7 million m^3 for the four months ended 30 April 2021 to approximately 2.0 million m^3 for the four months ended 30 April 2022 due to the resurgence of COVID-19 in March 2022, which had a temporary adverse impact on commercial activities in Gaomi City.

For the years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, our average selling price of PNG to commercial PNG end-users per unit was approximately RMB3.2, RMB2.9, RMB3.2 and RMB4.0, respectively. Our average PNG end-user selling price per m^3 decreased from approximately RMB3.2 for the year ended 31 December 2019 to approximately RMB2.9 for the year ended 31 December 2020 due to the temporary price reduction set by the relevant authorities in the first quarter of 2020. Our average PNG end-user selling price per m^3 recovered to approximately RMB3.2 for the year ended 31 December 2021. Our average PNG end-user selling price per m^3 increased from approximately RMB3.1 for the four months ended 30 April 2021 to approximately RMB4.0 for the four months ended 30 April 2022.

(ii) Sale of CNG and LNG

During the Track Record Period, we supplied CNG and LNG to vehicle users at our CNG and LNG refuelling stations located in Gaomi City. Revenue from our CNG and LNG sales decreased from approximately RMB35.7 million for the year ended 31 December 2019 to approximately RMB22.7 million for the year ended 31 December 2020. This was 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, which also led to a reduction in our CNG and LNG selling price. Revenue from our CNG and LNG sales remained stable at approximately RMB22.0 million for the year ended 31 December 2021, primarily attributable to increases in our CNG and LNG selling price in reaction to the recovery of petrol prices, and which consequently led to a slight decline in the CNG and LNG transaction volumes of our vehicle users during this period. Revenue from our

CNG and LNG sales increased from approximately RMB7.1 million for the four months ended 30 April 2021 to approximately RMB9.0 million for the four months ended 30 April 2022, primarily attributable to an increase in our average selling price of CNG and LNG as petrol prices increased, as well as an increase in our average CNG and LNG selling price.

Provision of construction and installation services

During the Track Record Period, we provided construction and installation services to property developers, residential PNG end-users and non-residential PNG end-users. Revenue from our construction and installation services is recognised over time, using an input method to measure progress towards complete satisfaction of the services. Revenue from our construction and installation services increased from approximately RMB31.4 million for the year ended 31 December 2019 to approximately RMB52.4 million for the year ended 31 December 2020 as we secured more construction projects due to the implementation of the Zero-coal Policy and an influx of people moving into newly developed residential properties in Gaomi City, which drove up the demand for wall-hung gas boilers and consequently its associated installation services. Revenue from our construction and installation services increased from approximately RMB52.4 million for the year ended 31 December 2020 to approximately RMB60.9 million for the year ended 31 December 2021, owing to the same reasons above. Revenue from our construction and installation services decreased from approximately RMB17.9 million for the four months ended 30 April 2021 to approximately RMB14.5 million for the four months ended 30 April 2022, primarily attributable to a decrease in our provision of such services due to the adverse impacts of COVID-19.

Sale of gas-burning appliances

During the Track Record Period, we engaged in the sale of gas-burning appliances, such as gas stoves, wall-hung gas boilers and water heaters, primarily to property owners and property occupiers. Revenue from the sale of gas-burning appliances is recognised at a point in time when control of the gas-burning appliances is transferred to the customer, generally on delivery. Revenue from our sale of gas-burning appliances increased from approximately RMB5.4 million for the year ended 31 December 2019 to approximately RMB25.8 million for the year ended 31 December 2020, primarily attributable to a significant increase in demand for wall-hung gas boilers brought about by the implementation of the Zero-coal Policy in Gaomi City. Such policy encourages the replacement of coal-burning appliances with gas-burning alternatives. For the same reason, revenue from our sale of gas-burning appliances increased from approximately RMB25.8 million for the year ended 31 December 2020 to approximately RMB52.8 million for the year ended 31 December 2021. Revenue from our sale of gas burning appliances decreased significantly from approximately RMB6.1 million for the four months ended 30 April 2021 to approximately RMB1.6 million for the four months ended 30 April 2022, primarily attributable to a decrease in such sales due to the adverse impacts of COVID-19.

Cost of sales

Our cost of sales primarily consists of (i) cost of natural gas; (ii) materials used in construction and installation services and others; (iii) cost of gas-burning appliances sales; (iv) depreciation; (v) subcontracting costs; (vi) taxes and surcharges; (vii) employee benefit expenses; (viii) utilities; and (ix) repairs and maintenance costs. For the years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, our cost of sales was approximately RMB271.5 million, RMB249.9 million, RMB343.7 million and RMB135.5 million, accounting for approximately 76.6%, 71.8%, 78.0% and 85.6% of our total revenue for the same periods, respectively.

For the years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, our volume of PNG procured was approximately 104.3 million m^3, 93.7 million m^3, 104.2 million m^3 and 35.5 million m^3, respectively, while our volume of LNG procured was approximately 3,355.0 tonnes, 4,998.1 tonnes, 6,113.4 tonnes and 5,023.3 tonnes, respectively. For the same periods, our average procurement price per unit (without VAT) of PNG was RMB2.19/m^3, RMB2.00/m^3, RMB2.26/m^3 and RMB2.62/m^3, respectively, while our average procurement price per unit of LNG was RMB3,747.7/tonne, RMB2,902.7/tonne, RMB4,950.7/tonne and RMB6,144.2/tonne, respectively.

The following table sets out the components of our cost of sales 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* *(unaudited)*	*%*	*RMB'000*	*%*
Cost of natural gas	240,686	88.7	201,540	80.6	265,800	77.3	95,398	86.3	123,439	91.2
Materials used in construction and installation services	10,610	3.9	17,568	7.0	23,906	7.0	6,260	5.7	5,122	3.8
Cost of gas-burning appliances sold	4,025	1.5	12,068	4.8	28,367	8.3	2,670	2.4	971	0.7
Outsourced construction labour costs	386	0.1	3,434	1.4	11,591	3.4	1,871	1.7	1,279	0.9
Depreciation	7,808	2.9	8,319	3.3	8,628	2.5	2,873	2.6	3,002	2.2
Taxes and surcharges	1,198	0.4	1,902	0.8	2,002	0.6	516	0.5	501	0.4
Employee benefit expenses	1,604	0.6	1,183	0.5	1,034	0.3	266	0.2	365	0.3
Utilities	1,118	0.4	693	0.3	763	0.2	252	0.2	428	0.3
Repairs and maintenance costs	3,068	1.1	2,388	1.0	465	0.1	97	0.1	74	0.1
Others	992	0.4	817	0.3	1,121	0.3	291	0.3	304	0.1
Total	271,495	100.0	249,912	100.0	343,677	100.0	110,494	100.0	135,485	100.0

Cost of sales decreased from approximately RMB271.5 million for the year ended 31 December 2019 to approximately RMB249.9 million for the year ended 31 December 2020, while it increased from approximately RMB249.9 million for the year ended 31 December 2020 to approximately RMB343.7 million for the year ended 31 December 2021. Cost of sales increased from approximately RMB110.5 million for the four months ended 30 April 2021 to approximately RMB135.5 million for the four months ended 30 April 2022, primarily attributable to an increase in our cost of natural gas as a result of an unexpected surge in the average cost of PNG caused by the outbreak of the Russia-Ukraine military conflict in early 2022, and as we purchased a larger volume of LNG (for conversion into PNG) for the four months ended 30 April 2022 to meet customer demand. Given that we procure natural gas on a forecast basis according to estimates of our gas sales in the following period, our cost movements coincided with the movements of our sales as mentioned above.

The following table sets out a breakdown of our cost of sales by nature, 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* *(unaudited)*	*%*	*RMB'000*	*%*
Gas										
PNG sales	230,937	85.1	198,778	79.5	261,410	76.1	93,606	84.8	120,811	89.2
CNG and LNG sales	24,664	9.0	16,897	6.8	17,305	5.0	5,766	5.2	6,948	5.1
Sub-total	255,601	94.1	215,675	86.3	278,715	81.1	99,372	90.0	127,759	94.3
Construction and installation services	11,851	4.4	22,028	8.8	36,356	10.6	8,429	7.6	6,722	5.0
Sale of gas-burning appliances	4,043	1.5	12,209	4.9	28,606	8.3	2,693	2.4	1,004	0.7
Total	271,495	100.0	249,912	100.0	343,677	100.0	110,494	100.0	135,485	100.0

Gross profit and gross profit margin

The following 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* *(unaudited)*	*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	61,859	19.5	54,010	20.0	48,458	14.8	12,571	11.2	14,469	10.2
Construction and installation services(1)	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(2)	1,349	25.0	13,604	52.7	24,228	45.9	3,396	55.8	555	35.6
Total	82,736	23.4	98,031	28.2	97,217	22.0	25,468	18.7	22,768	14.4

Notes:

(1) For the years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, nil, nil, approximately RMB2,115,000 and nil, or nil, nil, approximately 8.6% and nil of our gross profit from construction and installation services, respectively, were attributable to the Clean Energy Projects.

(2) For the years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, nil, nil, approximately RMB10,448,000 and nil, or nil, nil, approximately 43.1% and nil of our gross profit from sales of gas-burning appliances, respectively, were attributable to the Clean Energy Projects.

In general, our overall gross profit comprises of profit arising from sales of PNG, CNG and LNG, construction and installation services and sales of gas-burning appliances segments. During the Track Record Period, our overall gross profit margin was generally higher than that of similar companies in the natural gas supply industry for two main reasons. Firstly, the gross profit margin of our sale of PNG, which was our largest business segment, was relatively higher than our industry peers as a significant portion of our PNG sales are made to commercial and industrial PNG-end users. We have some level of flexibility in pricing for sale of PNG to commercial and industrial PNG end-users, as the maximum PNG end-user selling price allowed under relevant laws and regulations is higher than that for residential PNG end-users. Secondly, our construction and installation services as well as sale of gas-burning appliances served as the main growth driver of our Group during the Track Record Period. These two segments, with higher gross profit margins compared to other business segments such as the sale of gas, formed a major proportion of our gross profit during the Track Record Period. These two segments are generally related, as the installation of gas-burning appliances (carried out as our construction and installation services segment) is usually done together with the purchase of gas-burning appliances by customers (contributing to our sale of gas-burning appliances segment). The implementation of coal-to-gas projects and the Zero-coal Policy led to an increase in volume of our construction and installation services as well as sales of gas-burning appliances. Construction and installation projects carried out pursuant to coal-to-gas projects were generally for industrial and commercial businesses, while projects carried out under the Zero-coal Policy were generally for residential households located at the city area of Gaomi City, both would typically have higher gross profit margin as we more greater flexibility in pricing our construction and installation services. As a result, the contribution of these two business segments (both of which have a high gross profit margin compared to our natural gas distribution business segments) effectively compensated the relatively lower gross profit margin of our residential PNG sales segment during the Track Record Period.

In 2021, we commenced the Clean Energy Projects. As the Clean Energy Projects are subject to a package price (covering both the construction and installation services and sale of the gas-burning appliances) fixed by the government, our construction and installation services and sales of gas-burning appliances carried out under the Clean Energy Projects generally have a lower gross profit margin compared with those not carried out as Clean Energy Projects. As a result, our overall gross profit margin was slightly lower in 2021 as compared with previous years.

We benefited from Zero-coal Policy related projects and Clean Energy Projects as the local government offered certain subsidies to encourage the use of natural gas in the long term, and compensate for our commitment and contribution with a view to facilitating the public's change to use natural gas as clean energy in Gaomi City. In 2021, we received a RMB13.5 million government subsidy granted pursuant to the Zero-coal Policy. For details of subsidies, please refer to "Industry Overview — Market drivers of the city natural gas Market — Favourable government policies" and "Business — Government Policies and Subsidies" in this document.

During the Track Record Period, we saw a decreasing trend of gross profit, mainly resulting from a decline of our profit margin for our PNG sales to residential PNG end-users caused by our inability to adequately adjust our residential PNG selling price to compensate for the increased cost of PNG. In particular, our gross margin for the four months ended 30 April 2022 was lower than that for the four months ended 30 April 2021, primarily attributable to a surge in our average PNG cost (which comprised our PNG procurement cost and the cost of PNG converted from LNG), due to a higher than usual demand of PNG in the PRC and increased market prices for LNG as a result of the Russia-Ukraine military conflict. Although our per unit cost of PNG converted from LNG was relatively high, it was still cheaper than the average per unit cost of procuring additional PNG (i.e. PNG which exceeds our contracted procurement volume) for the 2021-2022 heating season. During this period, although our industrial and commercial PNG selling price was adjusted upwards to take into consideration our increased average PNG cost, we were unable to adjust our residential PNG end-user selling price to offset the cost surge due to government restrictions. In 2020, we saw a relatively high increase in our gross profit for our construction and installation services and sales of gas-burning appliances, while and gross profit margin for construction and installation services remained stable while that for sale of gas-burning appliances increased. This was the result of an increase in sales volume for both segments driven by the implementation of Zero-coal Policy (i.e. projects for residential households in the city area which we have more flexibility to set our pricing). In 2021, there was a drop in gross profit margin for both of these segments as we started carrying out the Clean Energy Projects (i.e. projects for residential households in the rural area, whereby the government fixes a package price covering both construction and installation fees and selling price of gas-burning appliances at lower levels compared to projects conducted in the city area). Additionally, due to the temporary partial lockdown measures imposed in Gaomi City from March to April 2022 in response to COVID-19, we experienced temporary suspension of construction and installation services and low sales of gas-burning appliances. During the four months ended 30 April

2022, no Clean Energy Projects was carried out. Our sale of wall-hung gas boilers, which is our key product with relatively high gross profit margin, experienced a sharp drop. Sales of our gas-burning appliances mainly comprised accessories and parts needed for normal repair and maintenance, which was of relatively lower gross profit margin. As a result, gross profit margin of our sale of gas-burning appliances (which would have contributed to an overall higher profit margin) decreased. As a result, our overall gross profit margin decreased.

Gross profit of PNG sales

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 (unaudited)*	*margin %*	*RMB'000*	*margin %*
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
Commercial PNG end-users	4,970	20.8	2,750	21.2	3,519	18.8	1,360	16.2	1,595	20.4
Residential PNG end-users	60	0.2	6,034	13.9	955	2.0	(87)	(0.5)	(6,178)	(20.4)
Wholesale customers	975	5.4	44	2.4	106	2.2	21	2.9	49	2.0
	50,846	18.0	48,181	19.5	43,740	14.3	11,214	10.7	12,404	9.3

Our gross profit and gross profit margins for the sale of PNG segment are generally driven by our average cost of PNG and PNG end-user selling price.

Our average cost of PNG includes our direct PNG procurement cost from PetroChina and Shandong Shihua, and may at times also include the cost of conversion of LNG into PNG. Our PNG procurement prices were agreed with our suppliers and determined with reference to the benchmark gate price set by the NDRC, but our LNG procurement prices are subject to market fluctuations. Our PNG procurement price is consistently low so long as the amount we procure falls within the agreed minimum monthly procurement volumes agreed with PetroChina and Shandong Shihua. When our need for PNG exceeds the minimum procurement thresholds, we have the option to continue to procure PNG from PetroChina and Shandong Shihua (the purchase price of which is likely to be higher than the agreed price within the minimum procurement thresholds, especially during winter seasons when PNG demand is high), or to source LNG from other suppliers and convert LNG into PNG. For details, please refer to "Business — Procurement of PNG" and "Business — Procurement of LNG" in this document.

Our PNG end-user selling prices for both residential and non-residential (i.e. industrial and commercial) PNG end-users are subject to guidance prices set by Gaomi City Development and Reform Commission. While we have some level of flexibility in adjusting our industrial and commercial PNG selling prices (subject to the maximum regulatory threshold allowed), our residential PNG selling prices are strictly controlled. In general and in line with applicable government policies from time to time, we are required by the government to supply PNG to residential end-users at prices which will not allow us to make profit. Since our residential PNG selling price is regulated, there is little room for us to improve the gross profit margin of our residential PNG sales. As a measure of managing our PNG cost, we plan to continue to convert LNG to PNG when LNG procurement prices are relatively lower than that of direct PNG procurement beyond the minimum procurement thresholds and during high demand seasons. Nonetheless, our residential PNG sales are generally profitable and stable during summer seasons, as our PNG procurement during that period generally falls within the minimum procurement thresholds with our PNG suppliers at pre-agreed prices.

Generally, we adjust our selling prices to commercial and industrial PNG end-users twice a year, to set the prices for the winter and summer seasons respectively. There may also be other instances where we adjust our selling prices to commercial and industrial PNG end-users to comply with pricing guidance by the government, such as in 2020 to encourage the resumption of business activities after the lifting of COVID-19 restrictions. For details of pricing of PNG, please refer to "Business — Sale of PNG — Pricing" and "Regulatory Overview — Regulation on Pricing Mechanism Related to Natural Gas" in this document. A significant proportion of our Group's PNG sales were made to commercial and industrial PNG-end users during the Track Record Period, the sale of PNG to which typically has a higher gross profit margin compared to residential PNG-end users due to higher selling prices as the result of less pricing restrictions imposed by government authorities. As such, the gross profit margin of our Group's PNG sales were relatively high during the Track Record Period compared to the average level in the industry.

The table below sets out our average residential, industrial and commercial PNG end-user selling price and average cost of PNG for the periods indicated.

	For the year ended 31 December			For the four months ended 30 April	
	2019	2020	2021	2021	2022
(RMB/m^3)					
Average PNG end-user selling price (without VAT)					
Industrial PNG end-users	3.19	2.85	3.09	3.01	3.87
Commercial PNG end-users	3.15	2.87	3.17	3.14	3.97
Residential PNG end-users	2.50	2.62	2.62	2.61	2.62
Average cost of sales of PNG (without VAT)	2.47	2.26	2.56	2.62	3.14

For the year ended 31 December 2020

For the year ended 31 December 2020, our gross profit and gross profit margin were mainly affected by the COVID-19 outbreak. There was a decrease in our average cost of PNG due to temporary government initiatives to control the price of PNG procurement, and cost of LNG converted into PNG was also exceptionally low due to weak market demand for LNG. At the same time, our PNG end-user selling price was subject to a temporary price reduction imposed by the government in the first quarter of 2020 in response to the COVID-19 outbreak. Since the decrease in our average PNG cost was greater than the decrease in our average PNG end-user selling price, our gross profit margin increased for the year ended 31 December 2020 as compared to the same period in 2019.

For the year ended 31 December 2021

For the year ended 31 December 2021, we recorded a decrease in both our gross profit and gross profit margin as compared to the same period in 2020. As normal business activities generally recovered in 2021 across PRC after COVID-19 restrictions were uplifted, our average cost of PNG increased as our procurement prices increased due to higher demand for supply of PNG attributable to generally colder winters experienced in the first and last quarters of 2021. However, there was a delay in reacting to our increased cost of PNG as our PNG end-user selling price was subject to government regulatory price control and could not be proportionally adjusted upwards immediately.

For the four months ended 30 April 2022

For the four months ended 30 April 2022, our gross profit and gross profit margin were mainly affected by the Russia-Ukraine military conflict since February 2022. There was generally tight supply of PNG in the market, such that we had to procure more LNG for conversion into PNG for the amount exceeding the minimum procurement threshold, in order to ensure continuous supply of PNG to our customers. Despite it being relatively cheaper comparing with direct PNG purchase from PetroChina and Shandong Shihua. The market prices for LNG were also exceptionally high due to the Russia-Ukraine military conflict. This led to an unexpected surge in our average cost of PNG. During this period, our average PNG selling price increased for industrial and commercial PNG end-users, but remained the same for residential PNG end-users. As such, the extent of the overall increase in our PNG selling price was less than the extent of increase in our average cost of PNG, resulting a decrease in both our gross profit and gross profit margin for the four months ended 30 April 2022.

Industrial and commercial PNG end-users

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 industrial PNG sales due to lower PNG sales to industrial PNG end-users in the first half of 2020 as a result of COVID-19 restrictions. Despite increases of both the sales volume and per unit selling price of PNG to industrial PNG end-users for the year ended 31 December 2021, our average cost of PNG increased to a larger extent, since there was a delay in adjusting our industrial PNG selling price. As a result, while our gross profit margin for PNG sales to industrial PNG end-users remained stable for the year ended 31 December 2019 to 2020, it subsequently decreased to approximately 16.8% for the year ended 31 December 2021. For the four months ended 30 April 2022, our gross profit from PNG sales to industrial PNG end-users increased as compared to the same period in 2021. Although our average cost of PNG further increased for the four months ended 30 April 2022, our average selling price of PNG to industrial PNG end-users increased to a larger extent pursuant to an upwards adjustment in the regulatory selling price. Therefore, our gross profit margin increased for the four months ended 30 April 2022 as compared to the same period in 2021.

Due to similar selling price restrictions as well as increase in average procurement cost of PNG mentioned above, our gross profit from PNG sales to commercial PNG end-users saw similar movements as that for industrial PNG end-users during the Track Record Period.

Residential PNG end-users

In contrast, the selling prices of PNG to residential PNG end-users are highly restricted and capped at a substantially lower level as compared to that for non-residential PNG end-users during the Track Record Period. Therefore, gross profit from our PNG sales to residential PNG end-users is significantly affected by our PNG procurement cost. Gross profit and gross profit margin for the year ended 31 December 2020 was exceptionally high as compared to the other years/periods, because of significantly lower average cost of PNG during the first half of 2020 due to the COVID-19 lockdowns and restrictions, which led to lower demand for natural gas in the market and hence lower market price of PNG and LNG (part of which was converted into PNG for our PNG sales) as a whole. 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. In comparison, most of our PNG sales to industrial and commercial PNG end-users occurred 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 cost of PNG recovered. During the second half of 2021 and up to the first four months of 2022, our residential PNG selling prices were significantly lower than our average cost of PNG, due to tight supplies of PNG in the market which was further exacerbated by the Russia-Ukraine military conflict since February 2022 since we were not at liberty to adjust our residential PNG selling price due to government policies in place, this gave rise to a net loss from our PNG sales to residential PNG end-users for the four months ended 30 April 2022. For the same reasons, 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. Please also refer to "Risk Factors — Risks relating to our Business — We may not be able to accurately estimate the actual supply and demand of PNG, which may result in a procurement shortfall." in this document.

Wholesale customers

As for PNG sales to wholesale customers, it is mainly determined by our availability of PNG for sale, as well as demand by our wholesale customers. The cost base for our sale of PNG to whole customers do not include any cost of PNG converted from LNG. Our gross profit for PNG sales to wholesale customers for the year ended 31 December 2019 was higher than other years/periods, mainly due to a significantly higher sales volume. 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 due to tight PNG supply in the market.

Gross profit of CNG and LNG sales

For the years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, our gross profit for the sale of CNG and LNG was approximately RMB11.0 million, RMB5.8 million, RMB4.7 million and RMB2.1 million, respectively. The gross profit margin of our sale of CNG and LNG decreased from approximately 30.9% for the year ended 31 December 2019 to approximately 25.6% for the year ended 31 December 2020, mainly attributable to decreases in our CNG and LNG selling price as a result of competition from reductions in the price of petrol, which is an alternative energy source to natural gas. The gross profit margin of our sale of CNG and LNG decreased to approximately 21.4% for the year ended 31 December 2021 as the increase in our CNG and LNG procurement price was higher that the increase in our CNG and LNG selling price. Competition from the relatively low price of petrol limited the extent to which we could raise our CNG and LNG selling price. The gross profit margin of our sale of CNG and LNG increased from approximately 19.1% for the four months ended 30 April 2021 to approximately 22.9% for the four months ended 30 April 2022, primarily attributable to an increase in our average selling price of CNG and LNG.

Gross profit of construction and installation services

For the years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, our gross profit for construction and installation services was approximately RMB19.5 million, RMB30.4 million and RMB24.5 million and RMB7.7 million, respectively. In 2020, gross profit margin for construction and installation services and sale of gas-burning appliances were relatively higher as result of an increase in sales volume for both segments driven by the implementation of Zero-coal Policy (i.e. projects for residential households in the city area which we have more flexibility to set our pricing). In 2021, gross profit margin for both of these segments were comparatively lower than that in 2020, primarily due to our commencement of Clean Energy Projects (i.e. projects for residential households in the rural area, whereby the government fixes a package price covering both construction and installation fees and selling price of gas-burning appliances at lower levels compared to projects conducted in the city area) in July 2021. The construction and installation services carried out by us under Clean Energy Projects generally have a lower gross profit margin compared with those not carried out under Clean Energy Projects. Accordingly, the proportion of projects with lower gross profit margin increased in 2021. The gross profit margin of our construction and installation services remained relatively stable at approximately 53.0% and 53.5% for the four months ended 30 April 2021 and 2022, respectively. For the four months ended 30 April 2022, no Clean Energy Project took place owing to a partial lockdown in Gaomi City as a result of COVID-19. This brought the gross profit margin of our construction and installation services back on par with that for the four months ended 30 April 2021.

Gross profit of sale of gas-burning appliances

For the years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, our gross profit for the sale of gas-burning appliances was approximately RMB1.3 million, RMB13.6 million, RMB24.2 million and RMB0.6 million, respectively. The gross profit margin of our sale of gas-burning appliances increased from approximately 25.0% for the year ended 31 December 2019 to approximately 52.7% for the year ended 31 December 2020, primarily attributable to an increase in our proportion of wall-hung gas boilers sales, which generally has a higher gross profit margin compared to the sale of other gas-burning appliances. Such increase in wall-hung gas boilers sales was propelled by the implementation of the Zero-coal Policy in Gaomi City, which encourages the replacement of coal-burning appliances with gas-burning alternatives. The gross profit margin of our sale of gas-burning appliances decreased to approximately 45.9% for the year ended 31 December 2021 as we recorded an increase in sales volume mainly due to implementation of the Clean Energy Projects, but the price for wall-hung gas boilers sold pursuant to the Clean Energy Project was lower than the price that we normally charge, hence leading to an overall decrease in our gross profit margin. Pursuant to the Clean Energy Project agreements, we charge a package price that includes our construction and installation services together with sales of gas-burning appliances, and such price is fixed by the government at a lower level than normal so as to encourage rural residents to adopt natural gas heating. Accordingly, the prices allocated to our sales of gas-burning appliances is generally lower than that we charged to customers who did not fall under the Clean Energy Projects. The gross profit margin of our sale of gas-burning appliances further decreased from approximately 55.8% for the four months ended 30 April 2021 to approximately 35.6% for the four months ended 30 April 2022 as we sold a greater proportion of accessories and parts which have a lower gross profit margin (as opposed to wall-hung gas boilers). This was due to the temporary suspension of the Clean Energy Projects, as a result of which the sales of wall-hung gas boilers, which is our key product with relatively high gross profit margin, experienced a sharp drop. During this period, sales of our gas-burning appliances mainly comprised accessories and parts needed for normal repair and maintenance.

Administrative Expenses

Our administrative expenses primarily consists of (i) employee benefit expenses; (ii) [REDACTED] expenses; (iii) vehicle expenses; (iv) repairs and maintenance costs; (v) amortisation; (vi) depreciation; and (vii) utilities expenses. For the years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, our administrative expenses were approximately RMB14.9 million, RMB18.1 million, RMB19.2 million and RMB8.4 million, accounting for approximately 4.2%, 5.2%, 4.3% and 5.3% of our total revenue for the same periods, respectively.

The following table sets out a breakdown of our administrative expenses 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* *(unaudited)*	*%*	*RMB'000*	*%*
Employee benefit expenses	10,554	70.8	9,534	52.8	8,365	43.7	2,929	59.0	2,364	28.0
[REDACTED] expenses	—	—	3,974	22.0	5,838	30.5	1,158	23.3	4,192	49.6
Vehicle expenses	882	5.9	709	3.9	653	3.4	123	2.5	81	1.0
Amortisation	148	1.0	142	0.8	196	1.0	77	1.5	99	1.2
Utilities expenses	121	0.8	103	0.6	125	0.7	50	1.0	51	0.6
Depreciation	51	0.3	111	0.6	114	0.6	54	1.1	59	0.7
Repairs and maintenance costs	98	0.7	251	1.4	55	0.3	40	0.8	32	0.4
Others	3,061	20.5	3,227	17.9	3,815	19.8	537	10.8	1,569	18.5
Total	14,915	100.0	18,051	100.0	19,161	100.0	4,968	100.0	8,447	100.0

Administrative expenses increased from approximately RMB14.9 million for the year ended 31 December 2019 to approximately RMB18.1 million for the year ended 31 December 2020 as we incurred [REDACTED] expenses of approximately RMB4.0 million, partially offset by a decrease in employment benefit expenses as our number of employees decreased from 96 to 90 due to the optimisation of our human resources. Administrative expenses increased from approximately RMB18.1 million for the year ended 31 December 2020 to approximately RMB19.2 million for the year ended 31 December 2021 as we increased [REDACTED] expenses of approximately RMB1.9 million. Administrative expenses increased from approximately RMB5.0 million for the four months ended 30 April 2021 to approximately RMB8.4 million for the four months ended 30 April 2022 as our [REDACTED] expenses increased by approximately RMB3.0 million.

Reversal of Net Impairment Losses on Financial Assets

For the years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, we had reversals of net impairment losses on financial assets of approximately RMB2.9 million, RMB1.7 million, RMB0.8 million and RMB3,000, respectively. Such reversal of net impairment losses on financial assets arose from the settlement of trade receivables and other receivables due from related and third parties in respect of interest-free advances, which led to the recovery of amounts which had been previously been written off as impairment losses on financial assets.

Other Income

During the Track Record Period, other income consisted of rental income and government subsidies. For the years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, our other income was approximately RMB0.2 million, RMB0.2 million, RMB15.4 million and RMB1.2 million, accounting for approximately 0.1%, 0.1%, 3.5% and 0.8% of our total revenue for the same periods, respectively.

The following table sets out a breakdown of our other income 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* (unaudited)	*RMB'000*
Rental income from a related party	229	229	1,941	101	1,193
Government subsidy	—	—	13,455	—	—
Total	229	229	15,396	101	1,193

Our rental income remained stable at approximately RMB0.2 million for the years ended 31 December 2019 and 2020. Our rental income increased to approximately RMB1.9 million for the year ended 31 December 2021, primarily due to an increase in rent for our rental properties which took effect on 1 July 2021. Such rental income was attributable to certain properties leased by us to Jiaoyun Market. Our rental income increased from approximately RMB0.1 million for the four months ended 30 April 2021 to approximately RMB1.2 million for the four months ended 30 April 2022, primarily attributable to the same reason above. For the year ended 31 December 2021, we recorded government subsidy income of approximately RMB13.5 million, primarily attributable to a government subsidy for our construction and installation projects conducted pursuant to the implementation of the Zero-coal Policy, which was related to our principal business. Such government subsidy was one-off in nature and granted to the two natural gas operators in Gaomi City, of which one is Jiaoyun Gas, for their implementation of coal-to-gas transformation for residential PNG end-users in Gaomi City. This was in accordance with the elimination of coal consumption in the "no-coal" zone from the 2020 heating season onwards as required pursuant to the local government's Zero-coal Policy. For details of the subsidy, please refer to "Business — Government Policies and Subsidies" and "Industry Overview — Market drivers of the city natural gas market — Favourable government policies" in this document.

Other Gains/(Losses), Net

During the Track Record Period, other gains/(losses), net consisted of (i) fair value gain on investment property; (ii) losses on disposal of property, plant and equipment; (iii) donations; and (iv) other gains or losses.

The following table sets out a breakdown of our other gains/(losses), net 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* *(unaudited)*	*RMB'000*
Fair value gain on investment properties	1,980	960	1,080	—	780
Losses on disposal of property, plant and equipment	(399)	(228)	(266)	(266)	—
Donations	—	(1,150)	—	—	—
Others	(117)	109	49	47	74
Total	1,464	(309)	863	(219)	854

Our fair value gains on investment properties for the years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022 were due to increases in the market value of our investment property. Our other losses were higher for the year ended 31 December 2020 as we made donations of approximately RMB1.2 million to a charity organisation in Gaomi City in respect of COVID-19 relief.

Finance Income

During the Track Record Period, our finance income consisted of interest income from bank deposits and other interest income. For the years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, our finance income was approximately RMB3.6 million, RMB3.1 million and RMB0.5 million and RMB0.3 million, accounting for approximately 1.0%, 0.9%, 0.1% and 0.2% of our total revenue for the same periods, respectively.

Finance Costs

During the Track Record Period, our finance costs consisted of interest expenses in respect of our (i) bank borrowings; (ii) ABS; (iii) lease liabilities in respect of several properties which we leased for our operational needs; and (iv) other interest expenses. Please refer to "— Discussion of Certain Items of Consolidated Balance Sheets — Indebtedness" in this section for further details. For the years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, our finance costs were approximately RMB25.9 million, RMB16.2 million, RMB4.1 million and RMB0.8 million, accounting for approximately 7.3%, 4.7%, 0.9% and 0.5% of our total revenue for the same periods, respectively.

The following table sets out a breakdown of our finance costs 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* *(unaudited)*	*RMB'000*
Interest expense:					
Bank borrowings	12,261	11,267	3,938	1,324	673
ABS	13,509	4,782	—	—	—
Lease liabilities	165	154	181	60	55
Other interest expense	—	—	—	—	110
Total	25,935	16,203	4,119	1,384	838

For details of our ABS and related party transactions, please refer to "— Discussion of Certain Items of Consolidated Balance Sheets — Indebtedness — Borrowings — ABS" and "— Related Party Transactions", respectively, in this section.

Income Tax Expenses

Our Group is subject to income tax on an individual legal entity basis on profits arising in or derived from tax jurisdictions in which companies comprising our Group domicile or operate. During the Track Record Period, all of our profits were derived from our business in the PRC and our profits generated from our operations were principally subject to the PRC enterprise income tax.

PRC enterprise income tax

For the years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, our effective tax rate was approximately 26.2%, 25.5%, 25.3% and 25.2%, respectively. The tax on our profit before tax differs from the theoretical amount that would arise using the statutory tax rate of 25% in the PRC.

The provision for PRC enterprise income tax is calculated based on the statutory income tax rate of 25%. The applicable income tax rate is 25% on the estimated tax assessable profit of each of the companies comprising our Group, determined in accordance with the relevant PRC income tax rules and regulations.

The table below sets out our income tax expense 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* *(unaudited)*	*RMB'000*
Current income tax:					
- PRC enterprise income tax	11,433	16,285	22,486	4,689	3,602
- Deferred income tax	1,689	1,154	648	606	397
Total	13,122	17,439	23,134	5,295	3,999

For the years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, our current income tax liabilities (consisting of our current income tax liabilities at the beginning of the period and current income tax for the period) were approximately RMB12.9 million, RMB21.4 million, RMB35.3 million and RMB9.2 million, respectively, while our current income tax payments were approximately RMB7.7 million, RMB8.6 million, RMB29.7 million and RMB8.5 million, respectively.

Voluntary tax contribution

The historical financial information for the Track Record Period previously used for our PRC tax filings (the "**Historical Financial Information**") were prepared based on when we issued invoices for PNG sales and relevant services rendered or when we received invoices for costs and expenses incurred. We previously adopted such basis of preparation for our PRC tax filings as it would be practically more convenient to provide relevant documentary evidence to the relevant tax authorities if requested. As further elaborated below, the relevant tax authority confirmed that the Historical Financial Information previously reported to the authority was properly accounted for in accordance with applicable accounting standards, and our previous PRC tax filings were properly filed, accepted and complied with relevant laws and regulations.

In preparation for the [REDACTED], our Group had to prepare its audited financial statements according to HKFRS standards. Our Group's management noted that certain adjustments were necessary to draw our Historical Financial Information up to the HKFRS standards (the "**Tax Adjustments**"). The Tax Adjustments have income tax effect, and resulted in an increase of profit before tax of our Group during the Track Record Period. The additional current income tax payables from previous financial years up to the year ended 31 December 2020 amounted to approximately RMB9.7 million in aggregate comparing with the current income tax payments that we previously made to the relevant tax authority.

Although it was not mandatory for us to make any additional tax filings or tax payment after making the Tax Adjustments, we considered it prudent to align the basis of our PRC tax filing financial accounts with the HKFRS standards and to voluntarily make additional tax contributions to the relevant tax authority. After consultation and agreement with the relevant tax authority, in July 2021, our Group made a voluntary tax contribution of approximately RMB9.2 million ("**Voluntary Tax Contribution**"), representing the remaining difference in current income tax payables due to the Tax Adjustments made. Even without making the voluntary tax contribution, our Group had obtained certificates of fulfillment of tax obligations (完稅證明). We believe the revised tax filings have been cleared by the relevant PRC tax authority as it had confirmed in an interview with us that we have fulfilled all relevant tax obligations in a timely manner. Our Directors confirmed that, during the Track Record Period and up to the Latest Practicable Date, our Group (i) has not encountered any material disputes or unresolved tax issues with the relevant tax authority; and (ii) has not received any request from relevant competent tax authority for making the Tax Adjustments, additional tax filings or additional tax payment. Upon [REDACTED], our PRC tax filings will be made based on financial accounts prepared according to HKFRS standards. We understand that the relevant tax authority accepts the filing of PRC tax returns based on HKFRS standards.

Tax Adjustments

The below table sets out a breakdown of the aforementioned Tax Adjustments for each of the years ended 31 December 2019 and 2020.

	Tax adjustments for periods prior to the Track Record Period(6)	Tax adjustments for the year ended 31 December		Total tax adjustments	Current income tax payable(5)
		2019	2020		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Adjustments related to discount costs on bank acceptance notes(1)	18,115	14,273	9,721	42,109	10,527
Adjustments for property, plant and equipment and land-use rights(2)	5,676	9,863	7,718	23,257	5,815
Cut-off adjustments for revenue and cost of sales(3)	(1,992)	1,747	6,743	6,498	1,625
Cut-off adjustments for other costs and expenses(3)	(20,567)	(6,829)	4,979	(22,417)	(5,604)
Adjustment of current income tax(4)					(2,640)
Total					**9,723**
Tax declared and paid from January to June 2021					(485)
Voluntary tax contribution made in July 2021					**9,238**

Notes:

(1) As disclosed in "— Regulatory Compliance — Non-compliance incidents — Non-compliant bill financing" in this section, a portion of the bank acceptance notes issued by the Issuing Banks pursuant to agreements between the Jiaoyun Gas and the Issuing Banks was endorsed and transferred for cash at discount. The relevant bill discounting cost, being the difference between (i) the face value of the bank acceptance notes and (ii) the cash collected after discount from the aforementioned third parties pursuant to the endorsement and transfer of bank acceptance notes (the "**Bill Discounting Cost**"), was previously treated as expenses in our management accounts. The aforementioned proceeds of the Non-compliant Bill Financing Arrangements (i.e. the cash collected at a discount

rate) (the "**Relevant Proceeds**") were used for the purposes of (i) making interest-free cash advances to its Relevant Related Parties to fund their business operations; or (ii) incidentally funding our own business operations. Our Group issued the Relevant Bills, but was not the party involved in the bill discounting process, which was conducted by the Relevant Related Parties. Accordingly, the Bill Discounting Cost should be borne by the parties that actually received the Relevant Proceeds from the Relevant Bills. In order to reflect the Bill Discounting Cost with the actual use of proceeds and comply with benefits-received principle to accurately reflect the financial position of our Group when preparing HKFRS financial statements of our Group for the purpose of [REDACTED], accounting adjustments were made to transfer the relevant Bill Discounting Cost to the Relevant Related Parties that utilised the Relevant Proceeds. Adjustments to account for the Bill Discounting Cost were made according to the addressee (i.e. the Relevant Related Party) showing on the receipt from the cash collection of the Relevant Bills.

(2) This adjustment mainly relates to construction expenses in respect of our self-owned pipeline network ("**Relevant Expenses**"). According to HKFRS, such Relevant Expenses should have been capitalised and depreciated over their expected useful life. Our management reclassified such Relevant Expenses as capitalised and depreciated amounts in accordance with the nature of each of these projects. We have enhanced internal controls as a result of which we can now properly record the costs expended on our self-owned pipeline network.

(3) Our Group's original management accounts were principally prepared on the basis of recording revenue, costs and expenses upon the factual receipt of the relevant invoices, which caused the relevant revenue, costs and expenses to be recorded later than they were incurred. In order to comply with the relevant standards of HKFRS for the preparation of financial statements of our Group for the purpose of [REDACTED], adjustments were made to draw the revenue, costs and expenses in the original management accounts up to the accrual basis.

(4) Jiaoyun Gas made a non-deductible income tax reconciliation in relation to the Bill Discounting Cost in its original income tax return. Given the Bill Discounting Cost had been transferred to the Relevant Related Parties that utilised the Relevant Proceeds as mentioned in Note (1) above, and the non-deductible income tax reconciliation should be reversed accordingly. As agreed with the local tax authorities, this tax adjustment could offset the current income tax payable.

(5) Calculated based on the total tax adjustments times the statutory income tax rate of 25% in the PRC.

(6) We have discussed and agreed with the relevant local tax bureau that only the year ended 31 December 2018 is required to be included in the Tax Adjustments for the periods prior to the Track Record Period.

Confirmations from the relevant competent PRC government authority

In relation to the Voluntary Tax Contribution, an interview was conducted with the Second Branch of Gaomi Tax Bureau of SAT, which is the relevant and competent tax authority to supervise the tax reporting and payment matters of our Group as advised by our PRC Legal Advisers. The said tax authority confirmed that (i) we made a voluntary tax contribution of RMB9.2 million in July 2021, which was entirely voluntary and not in the nature of an administrative penalty; (ii) we have fulfilled all relevant tax obligations in a timely manner; (iii) we will not be subject to any fine or other penalty in respect of the Voluntary Tax Contribution; (iv) they will not commence investigation or impose any penalty on us; and (v) we had been in compliance with relevant PRC tax laws and regulations in respect of our tax filing and payment obligations. According to our PRC Legal Advisers, the officer interviewed at the Second Branch of Gaomi Tax Bureau of SAT was competent and had the appropriate authority to provide the above confirmation, given that his role was the Commissioner of the Second Branch of Gaomi Tax Bureau of SAT and was in charge of the overall work at such branch.

Views of our tax consultant

In relation to the Voluntary Tax Contribution, we also engaged an independent tax consultant to review tax matters of Jiaoyun Gas and Jiaoyun Shihua (being our operating subsidiaries) and offer us tax advice. As advised by the tax consultant, (i) the Voluntary Tax Contribution and the basis on which the Historical Financial Information were prepared under the original management accounts used for the original PRC tax filings were not regarded as non-compliance of a material or systemic nature as defined under the Stock Exchange's Guidance Letter HKEX-63-13; (ii) each of Jiaoyun Gas and Jiaoyun Shihua had properly recorded and fulfilled its tax obligations during the Track Record Period; (iii) the Tax Adjustments have been properly made in accordance with HKFRS; and (iv) the Voluntary Tax Contribution did not give rise to a breach of any applicable tax laws by Jiaoyun Gas and/or Jiaoyun Shihua. Moreover, the tax consultant considers that the Voluntary Tax Contribution does not constitute tax evasion for reasons including that (i) there is no objective evidence of Jiaoyun Gas and Jiaoyun Shihua having engaged in actions of tax evasion; (ii) the Tax Adjustments do not involve fraudulent actions referred to in the Law of the People's Republic of China on Tax Administration; and (iii) the relevant tax bureau confirmed that Jiaoyun Gas will not be subject to any fine or other penalty in respect of the Voluntary Tax Contribution and it will not commence investigation or impose any penalty on Jiaoyun Gas. Upon review of the tax reporting procedures implemented by Jiaoyun Gas and Jiaoyun Shihua as recommended by the tax consultant, and the confirmation given by the relevant tax bureau as mentioned above, the tax consultant is not aware of any material tax risk or tax underpayment to Jiaoyun Gas and Jiaoyun Shihua during the Track Record Period.

Based on the above, our Directors believe that, given that we have made the voluntary tax contribution to the tax bureau, and considering the confirmation obtained from the Second Branch of Gaomi Tax Bureau of SAT, as well as the advice given by our PRC Legal Advisers regarding the Second Branch of Gaomi Tax Bureau of SAT being the relevant and competent tax authority to supervise the tax reporting and payment matters of our Group, and the advice given by our tax consultant, the Voluntary Tax Contribution does not constitute tax evasion.

Enhanced internal control measures

In light of the Voluntary Tax Contribution, our Group has implemented the following enhanced internal control measures to avoid the reoccurrence of similar incidents:

(i) our financial controller shall be responsible for administering and overseeing the filing of our tax returns;

(ii) our audit committee will oversee our financial reporting and internal control procedures in accounting and financial matters to ensure compliance with the Listing Rules and the relevant laws and regulations;

(iii) to strengthen the segregation of duties, our accounting staff shall be responsible for preparing the tax computation and filling out our tax returns as appropriate, after which both the tax computation and tax returns will be reviewed by our financial controller;

(iv) we have required our subsidiaries and branches to collect and study local tax regulations and new policies which may be issued and amended from time to time;

(v) we have formulated future training plans and will arrange for our relevant employees to attend trainings on applicable laws and regulations on a regular basis;

(vi) we have engaged a tax expert to review the tax returns of Jiaoyun Gas and Jiaoyun Shihua filed for the year ended 31 December 2021, and such tax expert has confirmed that they were properly filed. We will continue to engage a tax expert for at least the first complete financial year after [REDACTED] to assist us in the preparation of tax filings to ensure the accuracy of the tax returns to be filed; and

(vii) we will establish further internal procedures to conduct internal inspections on tax compliance annually and, if needed, formulate correction measures and plans in a timely manner, designate responsible personnel and monitor and review progress to ensure compliance with the applicable laws and regulations.

View of the Directors and the Sole Sponsor

Taking into account the reasons and circumstances leading to the Voluntary Tax Contribution, and based on the confirmations by the relevant competent tax authority and the views given by our tax consultant, our Directors believe that, and the Sole Sponsor concurs, (i) the Voluntary Tax Contribution did not constitute a non-compliance with relevant PRC tax laws and regulations; and (ii) the tax filings made by our Group and our tax contribution of RMB9.2 million were made purely on a voluntary and prudent basis. After taking into consideration (i) the facts and circumstances, which did not involve any dishonesty or fraudulent act, leading to the Voluntary Tax Contribution as disclosed above; (ii) the view of our Directors that the Tax Adjustments did not give rise to any potential tax evasion; (iii) the view of our tax consultant that the Voluntary Tax Contribution did not constitute tax evasion or a breach of any applicable tax laws by Jiaoyun Gas and/or Jiaoyun Shihua; (iv) our voluntary tax contribution and the above confirmations from Second Branch of Gaomi Tax Bureau of SAT and the tax consultant; (v) the fact that we have not been and will not be subject to any fine or other penalty by the relevant tax authority in respect of the Voluntary Tax Contribution; and (vi) the fact that the Voluntary Tax Contribution did not and will not have a significant financial and operational impact of the Group, our Directors are of the view, and the Sole Sponsor concurs, that the Voluntary Tax Contribution does not affect the suitability of our Directors to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules. Pursuant to the reviews conducted by our internal control consultant as referred to in "Business — Risk Management and Internal Control" in this document, our internal control consultant did not see the need to make any further recommendation in its internal control reviews. Based on the above, our Directors are of the view, and the Sole Sponsor concurs, that the above enhanced internal control measures, if persistently implemented by our Group, are adequate and effective to prevent the reoccurrence of similar tax-related incidents going forward.

The table below illustrates the reconciliation of the difference between our current income tax liabilities and current income tax paid during the Track Record Period:

	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 (unaudited)*	*RMB'000*
Current income tax liabilities at the beginning of the year/period *(a)*	1,423	5,136	12,844	12,844	5,639
Current income tax for the year/period *(b)*	11,433	16,285	22,486	4,689	3,602
Current income tax paid *(c)*	(7,720)	(8,577)	(20,453)	(4,627)	(8,514)
Voluntary payment of current income tax*(Note)* *(d)*	—	—	(9,238)	—	—
Total income tax paid *(e) = (c) + (d)*	(7,720)	(8,577)	(29,691)	(4,627)	(8,514)
Current income tax liabilities as at 30 April 2022 *(f) = (a) + (b) + (e)*					727

Note: Such voluntary payment, which we made in July 2021, was not in the nature of an administrative penalty.

Since the commencement of the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our income tax obligations and have not had any unresolved income tax issues or disputes with the relevant tax authorities.

Profit for the Year

As a result of the foregoing, for the years ended 31 December 2019, 2020 and 2021 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. For the same periods, our net profit margin was approximately 10.5%, 14.7%, 15.5% and 7.5%, respectively.

The accumulated losses incurred by our Group at the beginning of the Track Record Period were primarily attributable to an increase in our number of industrial PNG end-users before the Track Record Period, as a result of the clean energy transmission policies promulgated and coal-to-gas project (煤改氣工程) implemented by the government. In order to serve our new industrial PNG end-users, we incurred significant initial capital expenditures for the construction of new pipelines and the upgrade of our existing pipeline network. Further, as a result of the aforementioned increase in capital expenditures, our Group had entered into various borrowing and other financing arrangements in 2017 and 2018 to support our increased capital expenditure, which had led to increased finance costs for the same years. Moreover, as we were part of the Private Group before the Track Record Period, we were involved in intra-group financing arrangements to provide intra-group financial assistance to parties who are part of the Private Group, for which we borne the finance cost for such financing arrangements. Thus, although there was an increase in revenue from our sale of PNG to industrial PNG end-users, such growth was insufficient to offset the aforementioned initial capital expenditures and finance costs borne by us. Our Group has since then managed to gradually recover the initial capital expenditure and reverted into becoming profitable as such prior investment into our extended pipeline network has resulted in a growth in our sale of PNG to industrial PNG end-users, which generally has a higher gross profit margin compared to our sale of PNG to other types of PNG end-users. Meanwhile, the cessation of all the aforementioned intra-group financing arrangements greatly improved the profitability of our Group.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Four Months ended 30 April 2021 Compared to Four Months ended 30 April 2022

Revenue

(i) Sale of gas

Revenue from our sale of gas increased by approximately RMB30.3 million or 27.1% from approximately RMB111.9 million for the four months ended 30 April 2021 to approximately RMB142.2 million for the four months ended 30 April 2022, primarily attributable to an increase in revenue from our sale of PNG and our sale of CNG and LNG as specified below.

(a) Sale of PNG

Revenue from the sale of PNG was mainly from our industrial PNG end-users during the Track Record Period. It increased by approximately RMB28.4 million or 27.1% from approximately RMB104.8 million for the four months ended 30 April 2021 to approximately RMB133.2 million for the four months ended 30 April 2022, primarily attributable 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 as a result of our implementation of the Clean Energy Projects.

(b) Sale of CNG and LNG

Revenue from the sale of CNG and LNG increased by approximately RMB1.9 million or 26.5% from approximately RMB7.1 million for the four months ended 30 April 2021 to approximately RMB9.0 million for the four months ended 30 April 2022, primarily attributable to an increase in our average selling price of CNG and LNG as petrol prices increased.

(ii) Construction and installation services

Revenue from the provision of construction and installation services decreased by approximately RMB3.5 million or 19.3% from approximately RMB17.9 million for the four months ended 30 April 2021 to approximately RMB14.5 million for the four months ended 30 April 2022, primarily attributable to a decrease in our provision of such services due to the adverse impacts of COVID-19.

(iii) Sale of gas-burning appliances

Revenue from the sale of gas-burning appliances decreased by approximately RMB4.5 million or 74.0% from approximately RMB6.1 million for the four months ended 30 April 2021 to approximately RMB1.6 million for the four months ended 30 April 2022, primarily attributable to a decrease in such sales due to the adverse impacts of COVID-19.

Cost of sales

Cost of sales increased by approximately RMB25.0 million or 22.6% from approximately RMB110.5 million for the four months ended 30 April 2021 to approximately RMB135.5 million for the four months ended 30 April 2022, of which the cost of natural gas increased by approximately RMB28.0 million or 29.4%, which was greater than the growth of our natural gas sales. Meanwhile, costs relating to construction and installation services and sales of gas-burning appliances decreased by approximately RMB3.4 million or 31.7%. Such decrease was comparable to the decrease in our revenue from these two business segments during the same period of approximately RMB8.0 million or 33.3%.

Gross profit and gross profit margin

As a result of the foregoing, 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 profit from our construction and installation services and sales of gas-burning appliances. Our gross profit margin decreased from approximately 18.7% for the four months ended 30 April 2021 to approximately 14.4% for the four months ended 30 April 2022, primarily resulting from a surge in our average PNG cost. During this period, our average PNG selling price increased for industrial and commercial PNG end-users, but remained the same for residential PNG end-users. As such, the extent of the overall increase in our PNG selling price was less than the extent of the increase in our average cost of PNG. Our gross profit margin also decreased as the revenue contributions from our construction and installation services and sales of gas-burning appliances (which are business segments which typically record higher gross profit margins) saw significant short term decreases due to the resurgence of COVID-19.

Administrative expenses

Administrative expenses increased by approximately RMB3.5 million or 70.0% from approximately RMB5.0 million for the four months ended 30 April 2021 to approximately RMB8.5 million for the four months ended 30 April 2022 as our [REDACTED] expenses increased by approximately RMB3.0 million.

Reversal of net impairment losses on financial assets

Reversal of net impairment losses on financial assets decreased by approximately RMB1.8 million or 99.8% from approximately RMB1.8 million for the four months ended 30 April 2021 to approximately RMB3,000 for the four months ended 30 April 2022, primarily attributable to a significant decrease in the settlement of other receivables.

Other income

Other income increased by approximately RMB1.1 million or 11.8 times from approximately RMB 0.1 million for the four months ended 30 April 2021 to approximately RMB1.2 million for the four months ended 30 April 2022, primarily attributable to an increase in rental income in respect of certain properties leased by us to Jiaoyun Market.

Other gains and losses, net

Other losses changed from approximately RMB0.2 million for the four months ended 30 April 2021 to other gains of approximately RMB0.9 million for the four months ended 30 April 2022, primarily attributable to fair value gains on our investment properties for the four months ended 30 April 2022.

Finance income

Finance income increased by approximately RMB0.2 million or 3.1 times from approximately RMB0.1 million for the four months ended 30 April 2021 to approximately 0.3 million for the four months ended 30 April 2022, primarily attributable to other unrecognised interest income in respect of the long-term trade receivables of our Clean Energy Projects.

Finance costs

Finance costs decreased by approximately RMB0.6 million or 39.5% from approximately RMB1.4 million for the four months ended 30 April 2021 to approximately RMB0.8 million for the four months ended 30 April 2022, primarily attributable to a decrease in interest expenses in respect of the repayment of our bank borrowings of RMB10.0 million.

Income tax expense

Income tax expense decreased from approximately RMB5.3 million for the four months ended 30 April 2021 to approximately RMB4.0 million for the four months ended 30 April 2022. This decrease was primarily attributable to a decrease in our profit before income tax.

Year ended 31 December 2021 Compared to Year ended 31 December 2020

Revenue

(i) Sale of gas

Revenue from our sale of gas increased by approximately RMB57.5 million or 21.3% from approximately RMB269.7 million for the year ended 31 December 2020 to approximately RMB327.2 million for the year ended 31 December 2021, primarily attributable to an increase in revenue from our sale of PNG as specified below.

(a) Sale of PNG

Revenue from sale of PNG was mainly from our industrial PNG end-users during the Track Record Period. It increased by approximately RMB58.2 million or 23.6% from approximately RMB247.0 million for the year ended 31 December 2020 to approximately RMB305.2 million for the year ended 31 December 2021, primarily attributable to an increase in PNG consumption by industrial PNG end-users as the adverse impacts of the COVID-19 outbreak on industrial operations in Gaomi City gradually subsided, while our PNG end-user selling price recovered from the temporary price reduction that was set by the relevant government authorities in the first quarter of 2020.

(b) Sale of CNG and LNG

Revenue from the sale of CNG and LNG levelled at approximately RMB 22.7 million and RMB22.0 million for the years ended 31 December 2020 and 2021, respectively, primarily attributable to increases in our CNG and LNG selling price in reaction to the recovery of petrol prices, which consequently led to a slight decline in the CNG and LNG transaction volumes of our vehicle users.

(ii) Construction and installation services

Revenue from the provision of construction and installation services increased by approximately RMB8.4 million or 16.1% from approximately RMB52.4 million for the year ended 31 December 2020 to RMB60.9 million for the year ended 31 December 2021, primarily attributable to an increased number of completed construction projects due to the implementation of the Zero-coal Policy and an influx of people moving into newly developed residential properties in Gaomi City, which drove up the demand for wall-hung gas boilers and consequently its associated installation services.

(iii) Sale of gas-burning appliances

Revenue from the sale of gas-burning appliances increased by approximately RMB27.0 million or 104.7% from approximately RMB25.8 million for the year ended 31 December 2020 to RMB52.8 million for the year ended 31 December 2021, primarily attributable to a significant increase in demand for wall-hung gas boilers brought about by the implementation of the Zero-coal Policy in Gaomi City.

Cost of sales

Cost of sales increased by approximately RMB93.8 million or 37.5% from approximately RMB249.9 million for the year ended 31 December 2020 to approximately RMB343.7 million for the year ended 31 December 2021, coinciding with the movements of our sales for the same period.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit remained relatively stable at approximately RMB98.0 million for the year ended 31 December 2020 and approximately RMB97.2 million for the year ended 31 December 2021. Our gross profit margin decreased from approximately 28.2% for the year ended 31 December 2020 to approximately 22.0% for the year ended 31 December 2021, primarily attributable to a decrease in the gross profit margin of our sale of PNG from approximately 19.5% to approximately 14.3%. This 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.

Administrative expenses

Administrative expenses increased by approximately RMB1.1 million or 6.1% from approximately RMB18.1 million for the year ended 31 December 2020 to RMB19.2 million for the year ended 31 December 2021 as we incurred [REDACTED] expenses of approximately RMB5.8 million.

Reversal of net impairment losses on financial assets

Reversal of net impairment losses on financial assets decreased by approximately RMB0.9 million or 52.9% from approximately RMB1.7 million for the year ended 31 December 2020 to approximately RMB0.8 million for the year ended 31 December 2021, owing to the accrual of bad debt in respect of a third party.

Other income

Other income increased by approximately RMB15.2 million or 67.2 times from approximately RMB0.2 million for the year ended 31 December 2020 to approximately RMB15.4 million for the year ended 31 December 2021. This increase was primarily attributable to the government subsidy of approximately RMB13.5 million which we received for our construction and installation projects conducted pursuant to the implementation of the Zero-coal Policy, which was directly related to our principal business.

Other gains and losses, net

Other losses changed from approximately RMB0.3 million for the year ended 31 December 2020 to other gains of approximately RMB0.9 million for the year ended 31 December 2021. This decrease was primarily attributable to our donations to a charity organisation in Gaomi City in respect of COVID-19 relief in January and February 2020.

Finance income

Finance income decreased by approximately RMB2.6 million or 83.3% from approximately RMB3.1 million for the year ended 31 December 2020 to approximately RMB0.5 million for the year ended 31 December 2021. This decrease was primarily attributable to a decrease in interest income from bank deposits due to our gradual cessation of the Non-compliant Bill Financing Arrangements.

Finance costs

Finance costs decreased by approximately RMB12.1 million or 74.6% from approximately RMB16.2 million for the year ended 31 December 2020 to approximately RMB4.1 million for the year ended 31 December 2021. This decrease was primarily attributable to (i) our full repayment of the principal amount of our ABS in June 2020, such that we had no interest expenses in respect of our ABS for the year ended 31 December 2021; and (ii) a decrease in interest expenses due to our gradual cessation of Non-compliant Bill Financing Arrangements.

Income tax expense

Income tax expense increased by approximately RMB5.7 million or 32.7% from approximately RMB17.4 million for the year ended 31 December 2020 to approximately RMB23.1 million for the year ended 31 December 2021. This increase was primarily attributable to an increase in our profit before income tax.

Year ended 31 December 2020 Compared to Year ended 31 December 2019

Revenue

(i) Sale of gas

Revenue from our sale of gas decreased by approximately RMB47.8 million or 15.0% from approximately RMB317.5 million for the year ended 31 December 2019 to approximately RMB269.7 million for the year ended 31 December 2020, primarily attributable to a decrease in revenue from our sale of PNG and our sale of CNG and LNG as specified below.

(a) Sale of PNG

Revenue from our sale of PNG decreased by approximately RMB34.8 million or 12.4% from approximately RMB281.8 million for the year ended 31 December 2019 to RMB247.0 million for the year ended 31 December 2020, primarily attributable to a decrease in our per unit selling price of PNG to industrial PNG end-users due to the temporary price reduction set by the relevant authorities in the first quarter of 2020 as a response to the COVID-19 outbreak on industrial production in Gaomi City.

(b) Sale of CNG and LNG

Revenue from our sale of CNG and LNG decreased by approximately RMB13.0 million or 36.3% from approximately RMB35.7 million for the year ended 31 December 2019 to approximately RMB22.7 million for the year ended 31 December 2020, primarily attributable to more vehicle users opting to use petrol for their vehicles instead of gas due to a decline in petrol prices, which also led to a reduction in our CNG and LNG selling price. LNG procured for the year ended 31 December 2020 was not solely used for our sale of CNG and LNG business, as not all the LNG we procured was eventually consumed by our CNG and LNG customers (being vehicle users which purchased CNG and LNG to refuel their vehicles) due to our conversion of LNG into PNG.

(ii) Construction and installation services

Revenue from the provision of construction and installation services increased by approximately RMB21.0 million or 67.1% from approximately RMB31.4 million for the year ended 31 December 2019 to approximately RMB52.4 million for the year ended 31 December 2020, primarily attributable to an increased number of completed construction projects due to the implementation of the Zero-coal Policy and an influx of people moving into newly developed residential properties, which drove up the demand for wall-hung gas boilers and consequently its associated installation services.

(iii) Sale of gas-burning appliances

Revenue from our sale of gas-burning appliances increased by approximately RMB20.4 million or 378.7% from approximately RMB5.4 million for the year ended 31 December 2019 to approximately RMB25.8 million for the year ended 31 December 2020, primarily attributable to a significant increase in demand for wall-hung gas boilers brought about by the implementation of the Zero-coal Policy in Gaomi City.

Cost of sales

Cost of sales decreased by approximately RMB21.6 million or 7.9% from approximately RMB271.5 million for the year ended 31 December 2019 to approximately RMB249.9 million for the year ended 31 December 2020, coinciding with the movements of our sales of gas for the same period.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately RMB15.3 million or 18.5% from approximately RMB82.7 million for the year ended 31 December 2019 to approximately RMB98.0 million for the year ended 31 December 2020. Our gross profit margin increased from approximately 23.4% for the year ended 31 December 2019 to approximately 28.2% for the year ended 31 December 2020, primarily attributable to an increased proportion of revenue generated from our construction and installation services due to the implementation of the Zero-coal policy in Gaomi City, which had a higher gross profit margin compared to our other business segments.

Administrative expenses

Administrative expenses increased by approximately RMB3.2 million or 21.0% from approximately RMB14.9 million for the year ended 31 December 2019 to approximately RMB18.1 million for the year ended 31 December 2020 as we incurred [REDACTED] expenses of approximately RMB4.0 million, partially offset by a decrease in employment benefit expenses as our number of employees decreased from 96 to 90 due to the optimisation of our human resources.

Reversal of net impairment losses on financial assets

Reversal of net impairment losses on financial assets decreased by approximately RMB1.2 million or 42.3% from approximately RMB2.9 million for the year ended 31 December 2019 to approximately RMB1.7 million for the year ended 31 December 2020, owing to the decreased settlement of other receivables due from related parties in respect of interest-free advances.

Other income

Other income remained stable at approximately RMB0.2 million for the years ended 31 December 2019 and 2020, and consisted of rental income in respect of properties leased by us to Jiaoyun Market.

Other gains and losses, net

We had approximately RMB1.5 million in net gains for the year ended 31 December 2019, while we had approximately RMB0.3 million in net losses for the year ended 31 December 2020. This change was primarily attributable to an increase in other losses due to our donations to a charity organisation in Gaomi City in respect of COVID-19 relief in January and February 2020.

Finance income

Finance income decreased by approximately RMB0.5 million or 15.4% from approximately RMB3.6 million for the year ended 31 December 2019 to approximately RMB3.1 million for the year ended 31 December 2020. This decrease was primarily attributable to decrease in interest income from bank deposits due to our reduced security deposits for bank acceptance notes as a result of less funding demand from our related parties.

Finance costs

Finance costs decreased by approximately RMB9.7 million or 37.5% from approximately RMB25.9 million for the year ended 31 December 2019 to approximately RMB16.2 million for the year ended 31 December 2020. This decrease was primarily attributable to (i) a decrease in interest expenses in respect of our ABS due to our partial repayment of the principal amount; and (ii) a decrease in interest expenses in relation to bank borrowings due to our reduced issuance of bank acceptance notes as a result of less funding demand from our related parties.

Income tax expense

Income tax expense increased by approximately RMB4.3 million 32.9% from approximately RMB13.1 million for the year ended 31 December 2019 to approximately RMB17.4 million for the year ended 31 December 2020. This increase was primarily attributable to an increase in our profit before income tax.

DISCUSSION OF CERTAIN ITEMS OF CONSOLIDATED BALANCE SHEETS

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

	As at 31 December			As at 30 April
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total non-current assets	189,435	193,440	226,715	226,856
Total current assets	734,666	365,783	91,500	70,886
Total assets	924,101	559,223	318,215	297,742
Total non-current liabilities	7,400	8,507	16,726	17,063
Total current liabilities	871,745	405,323	192,269	159,601
Total liabilities	879,145	413,830	208,995	176,664
Share capital	—	—	—	—
Share premium	—	—	128,002	128,002
Reserves	339	57,975	(94,611)	(93,689)
Retained earnings	30,124	73,484	61,026	71,422
Equity attributable to owners of our Company	30,463	131,459	94,417	105,735
Non-controlling interests	14,493	13,934	14,803	15,343
Total equity	44,956	145,393	109,220	121,078

Current Assets and Current Liabilities

The following table sets out our current assets and current liabilities as at the dates indicated.

	As at 31 December			As at 30 April	As at 31 August
	2019	**2020**	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Current assets					
Inventories	10,249	14,933	9,338	10,090	11,412
Trade and other receivables	476,166	219,945	14,663	14,800	14,317
Prepayments and other current assets	17,970	16,226	30,129	21,603	23,903
Restricted bank deposits	204,000	75,100	—	—	—
Cash and cash equivalents	26,281	39,579	37,370	24,393	32,879
Total current assets	734,666	365,783	91,500	70,886	82,511
Current liabilities					
Trade and other payables	30,005	40,249	47,817	45,546	45,857
Contract liabilities	87,827	124,249	101,303	85,814	85,941
Current income tax liabilities	5,136	12,844	5,639	727	721
Borrowings	748,397	227,800	37,000	27,000	18,000
Lease liabilities	380	181	510	514	522
Total current liabilities	871,745	405,323	192,269	159,601	151,041
Net current (liabilities)/assets	(137,079)	(39,540)	(100,769)	(88,715)	(68,530)

As at 30 April 2022, our net current liabilities were approximately RMB88.7 million, consistent of current assets of approximately RMB70.9 million and current liabilities of approximately RMB159.6 million. Our net current liabilities decreased by approximately RMB12.1 million, or 12.0%, from approximately RMB100.8 million as at 31 December 2021 to approximately RMB88.7 million as at 30 April 2022. This was primarily due to a decrease in contract liabilities of approximately RMB15.5 million as we delivered our sold gas and gas-burning products during the 2021-2022 heating season, a decrease in our borrowings as we made a repayment of RMB10.0 million and a decrease in our current income tax liabilities of approximately RMB4.9 million. This was partially offset by a decrease in our cash and cash equivalents of approximately RMB13.0 million and an decrease in our prepayments and other current assets of approximately RMB8.5 million.

As at 31 December 2021, our net current liabilities were approximately RMB100.8 million, consisting of current assets of approximately RMB91.5 million and current liabilities of approximately RMB192.3 million. Our net current liabilities increased by approximately RMB61.2 million, or 2.5 times, from approximately RMB39.5 million as at 31 December 2020 to approximately RMB100.8 million as at 31 December 2021. This was primarily due to a decrease in trade and other receivables of approximately RMB205.3 million due to repayments of other receivables due from related parties in respect of interest-free advances, as well as the release of restricted bank deposits of approximately RMB75.1 million due to the repayment of our bank borrowings, some of which we utilised to distribute an interim dividend of RMB70.0 million during the period. This was partially offset by a decrease in borrowings of approximately RMB190.8 million as a result of the decrease in our bank borrowings and other borrowings relating to our bill financing arrangements, as well as a decrease in contract liabilities by approximately RMB22.9 million in relation to our sale of gas-burning appliances, provision of construction and installation services and sale of PNG.

As at 31 December 2020, our net current liabilities were approximately RMB39.5 million, consisting of current assets of approximately RMB365.8 million and current liabilities of approximately RMB405.3 million. Our net current liabilities decreased by approximately RMB97.5 million, or 71.2%, from approximately RMB137.1 million as at 31 December 2019 to approximately RMB39.5 million as at 31 December 2020. The decrease was primarily due to (i) the repayment of our borrowings of approximately RMB520.6 million for our ABS, bank borrowings and other borrowings relating to our bill financing arrangements; and (ii) an increase in cash and cash equivalents by approximately RMB13.3 million, partially offset by (i) a decrease in trade and other receivables by approximately RMB256.2 million mainly resulting from a decrease in other receivables due from related parties in respect of interest-free advances; (ii) a decrease in restricted bank deposits by approximately RMB128.9 million as we gradually ceased to conduct our Non-compliant Bill Financing Arrangements; and (iii) an increase in contract liabilities by approximately RMB36.4 million in relation to our construction and installation services, PNG sales and sale of gas-burning appliances.

As at 31 December 2019, our net current liabilities were approximately RMB137.1 million, consisting of current assets of approximately RMB734.7 million and current liabilities of approximately RMB871.7 million.

Our net current liabilities position as at 31 December 2019 and 2020 was primarily due to our (i) advances to 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. Although we had placed security deposits with banks for the Non-compliant Bill Financing Arrangements and the Deviation, such amount of security deposit is 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. We have taken the certain measures to improve our net current liabilities position and our liquidity. In June 2020, we repaid the principal amount of our ABS in full. Since 17 June 2020, we have ceased all Non-compliant Financing Arrangements and fully settled all relevant bank acceptance notes by 17 June 2021. Since 18 December 2020, we have ceased all Deviation 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. Our current liabilities position as at 31 December 2021 was primarily due to our dividend distribution to shareholders of RMB70.0 million in 2021 and a deemed distribution as a part of the Reorganisation of RMB60.7 million. Our net current liabilities position as at 30 April 2022 was primarily due to the same reasons above.

In order to improve our net current liabilities position, our Directors confirm that: (i) we will continue to closely monitor our net current liabilities position and optimise our future cash depletion plan and composition of our indebtedness in order to achieve a net current assets position; (ii) we have obtained banking facilities, resulting in a total of RMB200.0 million in unutilised banking facilities as at 30 April 2022, and are committed to maintaining stable relationships with our principal banks so as to obtain and/or renew bank borrowings in a timely manner if so required and on terms acceptable to our Group; (iii) when our short-term bank loans become due, we will endeavour to extend the term of such loans refinance such short-term bank loans with long-term bank loans; and (iv) we will actively communicate with the local government to ensure that settlement of trade receivables due from Clean Energy Projects can be made strictly according to the payment schedule agreed in the Clean Energy Project agreements.

We believe that our business operations and financial condition will not be materially and adversely affected by our net current liabilities position. Taking into account the financial resources available to us, including our cash and cash equivalents, anticipated cash flow from operations, proceeds from the [REDACTED] and banking facilities, our Directors believe, and the Sole Sponsor concurs, that we will be able to satisfy our liquidity requirements for the next 12 months.

For details of the risk relating to our net current liabilities, 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 the four months ended 30 April 2022" in this document.

Inventories

During the Track Record Period, our inventories mainly consisted of (i) raw materials such as spare parts and pipes required for building pipeline networks; and (ii) gas-burning appliances such as gas stoves, wall-hung boilers and water heaters. Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. Cost comprises direct materials, direct labour and an appropriate proportion of overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The following table sets out a breakdown of the inventories as at the dates indicated.

	As at 31 December			As at 30 April
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Natural gas and other construction materials	8,507	8,371	6,936	8,156
Gas-burning appliances	1,742	6,562	2,402	1,934
	10,249	14,933	9,338	10,090

Our inventories increased by RMB0.8 million, or 8.1%, from approximately RMB9.3 million as at 31 December 2021 to approximately RMB10.1 million as at 30 April 2022, as we provided fewer construction and installation services due to the adverse impacts of COVID-19. Our inventories decreased by approximately RMB5.6 million, or 37.6%, from approximately RMB14.9 million as at 31 December 2020 to approximately RMB9.3 million as at 31 December 2021, mainly due to (i) our use of raw materials; and (ii) the delivery of gas-burning appliances to our customers due to a significant increase in our sales of such appliances for the year ended 31 December 2021. Our inventories increased by approximately RMB4.7 million, or 45.7%, from approximately RMB10.2 million as at 31 December 2019 to approximately RMB14.9 million as at 31 December 2020, primarily due to an increase in gas-burning appliances resulting from our increased procurement of wall-hung gas boilers in anticipation of our increased sales of the same, as encouraged by the implementation of the Zero-coal Policy in Gaomi City.

The following table sets out an analysis of our inventories recognised as expenses and included in our cost of sales.

	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* (*unaudited*)	*RMB'000*
Natural gas	240,686	201,540	265,800	95,398	123,439
Construction materials	10,610	17,568	23,906	6,260	5,122
Gas-burning appliances	4,025	12,068	28,367	2,670	971
	255,321	231,176	318,073	104,328	129,532

The following table sets out our average inventories turnover days for the periods indicated.

	For the year ended 31 December			For the four months ended 30 April
	2019	2020	2021	2022
Average inventories turnover days[(1)]	14	18	13	9

Note:

(1) Average finished goods turnover days are equal to the average balances of finished goods divided by the respective cost of sales and multiplied by 365 days for a year (or 120 days for the four-month period). Average balances of finished goods are equal to balances of finished goods at the beginning of the period plus balances of finished goods at the end of the period and divided by two.

Our average finished goods turnover days were 14, 18, 13 days and 9 days for the years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, respectively. Our turnover days increased to 18 days for the year ended 31 December 2020, mainly due to our increased purchase of gas-burning appliances in preparation for the delivery of our Group's secured construction and installation projects, which generally have higher turnover days. Our purchase of gas-burning appliances increased as we anticipated increased sales to individual customers owing to the influx of people moving into newly developed residential properties in Gaomi City. Our turnover days decreased to 13 days for the year ended 31 December 2021 as our inventories decreased following our use of raw materials and gas-burning appliances for the implementation of the coal-to-gas project (煤改氣工程) and construction and installation work under Clean Energy Projects. Such decrease was also attributable to an increase in our costs of goods sold due to increases in the prices of our inventory as a result of normal market fluctuations.

As at the Latest Practicable Date, approximately RMB5.1 million or 50.6% of our inventories as at 30 April 2022 had been subsequently sold. Given that we do not keep any PNG as inventories, our inventories mainly comprise of pipelines and other equipment and parts for our construction and installation services, as well as wall-hung gas boilers and related parts of gas appliances for our construction and installation services. Hence the subsequent sales of our inventories are mainly subject to seasonality and dependent on the timing of construction and installation plans. During the period from 1 May 2022 to the Latest Practicable Date, there had not been any significantly large-scale construction and installation works being carried out, hence there was relatively low subsequent sales of our inventories.

Trade and Other Receivables

During the Track Record Period, our trade receivables represented outstanding amounts due from our customers mainly for our products and services. Our other receivables included amounts due from related parties and amounts due from third parties, mainly in relation to our advances to them.

The following table sets out our trade and other receivables as at the dates indicated.

	As at 31 December			As at 30 April
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Trade receivables				
- third parties	—	—	19,469	19,636
Less: provision for impairment of trade receivables	—	—	(370)	(374)
	—	—	19,099	19,262
Current				
Trade receivables				
- third parties	3,004	264	13,443	13,566
Less: provision for impairment of trade receivables	(38)	(38)	(284)	(285)
Trade receivables - net	2,966	226	13,159	13,281
Other receivables				
- Amounts due from related parties	466,293	215,627	—	—
- Amounts due from third parties	38,509	33,881	29,877	29,884
	504,802	249,508	29,877	29,884
Less: provision for impairment of other receivables	(31,602)	(29,789)	(28,373)	(28,365)
Other receivables - net	473,200	219,719	1,504	1,519
	476,166	219,945	14,663	14,800
Total trade and other receivables, net	476,166	219,945	33,762	34,062

Our trade and other receivables remained stable at approximately RMB33.8 million and RMB34.1 million as at 31 December 2021 and 30 April 2022, respectively. Our trade and other receivables decreased by approximately RMB186.1 million, or 84.6%, from approximately RMB219.9 million as at 31 December 2020 to approximately RMB33.8 million as at 31 December 2021, primarily due to the full repayment of other receivables due from related parties in respect of interest-free advances. Our trade receivables from third parties increased during the same period, primarily because our service fees payable by the local government for our installation of gas-burning appliances and connection of natural gas to rural households under the Clean Energy Projects were generally to be settled by instalments over a three-year period after completion of each Clean Energy Project, starting from the second half of 2021. Our trade and other receivables decreased by approximately RMB256.3 million, or 53.8%, from approximately RMB476.2 million as at 31 December 2019 to approximately RMB219.9 million as at 31 December 2020, primarily due to a decrease in trade receivables and other receivables due from related parties in respect of interest-free advances. The decrease in trade receivables from third parties in the same period was primarily due to a decrease in our trade receivables due from a wholesale customer of PNG. For details of the aforementioned advances, please refer to "— Related Party Transactions" in this section.

Trade receivables

The following table sets out an ageing analysis of our trade receivables, based on invoice date, as at the dates indicated.

	As at 31 December			**As at 30 April**
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	2,966	226	32,874	33,164
1-2 years	—	—	—	—
2-3 years	—	—	—	—
Over 3 years	38	38	38	38
	3,004	264	32,912	33,202

As at 31 December 2021 and 30 April 2022, trade receivables from the Clean Energy Projects amounted to approximately RMB32.4 million and RMB32.7 million, respectively. The portion which is not expected to be recovered by our Group within the next twelve months from the balance sheet date had been classified as non-current trade receivables.

Our trade receivables are generally collectible within 180 days from the invoice date. No interest is charged on the trade receivables. We have made impairment provisions for all of our overdue balances over three years and our Directors consider that these receivables are recoverable with no significant credit losses.

The following table sets out the movements in allowance for impairment of trade receivables.

	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* *(unaudited)*	*RMB'000*
At beginning of the year/ period	38	38	38	38	654
Provision	—	—	616	—	5
At the end of the year/ period	38	38	654	38	659

All trade receivables' carrying amounts approximate their fair values.

The following table sets out our average trade receivables turnover days for the periods indicated.

	For the year ended 31 December			For the four months ended 30 April
	2019	**2020**	**2021**	**2022**
Average trade receivable turnover days(1)	3	2	13	25

Note:

(1) Average trade receivables turnover days are equal to the average gross trade receivables divided by revenue and multiplied by 365 days for a year (or 120 days for the four-month period). Average gross trade receivables are equal to gross trade receivables at the beginning of the period plus gross trade receivables at the end of the period and divided by two.

Given that our revenue model is built on prepayments, we generally have relatively short trade receivables turnover days. Our average trade receivables turnover days was 3, 2, 13 and 25 days for the years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, respectively. The increase of average trade receivables turnover days in 2021 was due to the commencement of Clean Energy Projects, pursuant to which our fees payable by the local government would be settled over three years upon completion of the relevant Clean Energy Project.

Other receivables

The following table sets out a breakdown of our other receivables, as at the dates indicated.

	As at 31 December			As at 30 April
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related parties	466,293	215,627	—	—
Amounts due from third parties*(Note)*	38,509	33,881	29,877	29,884
	504,802	249,508	29,877	29,884
Less: provision for impairment of other receivables	(31,602)	(29,789)	(28,373)	(28,365)
Other receivables - net	473,200	219,719	1,504	1,519

Note: All receivables from third parties were interest-free.

The following table sets out the movements of provision made for our other receivables during the Track Record Period.

	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*
At beginning of the year/period	34,546	31,602	29,789	28,373
Provision	555	401	1,427	—
Reversal	(3,499)	(2,100)	(2,843)	(8)
Written-off	—	(114)	—	—
At the end of the year/period	31,602	29,789	28,373	28,365

The following below table sets out a breakdown of provisions made for our other receivables as at the dates indicated.

	As at 31 December			As at 30 April
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Impairment of other receivables due from third parties	29,317	28,646	28,373	28,365
Impairment of other receivables due from related parties	2,285	1,143	—	—
	31,602	29,789	28,373	28,365

We recorded significant provisions made for our other receivables primarily prior to and also during the Track Record Period, primarily because such other receivables had been outstanding for over three years and it was therefore unclear whether or not they could be recovered.

Reversals of the provision for impairment of other receivables during the Track Record Period primarily arose from the settlement of other receivables from related parties in relation to interest free advances.

The following table sets out a breakdown of the outstanding balance of our other receivables due from third parties, primarily consisting of unsecured and interest-free advances to third parties, as at the dates indicated.

	As at 31 December			As at 30 April
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Advances unrelated to the normal and ordinary course of business operations	37,852	33,438	29,510	29,496
Deposits or other payments in the normal and ordinary course of business operations	657	443	367	388
	38,509	33,881	29,877	29,884

The following table sets out the movements of our Group's other receivables due from third parties outstanding for each year/ period of the Track Record Period.

	As at 1 January 2019			For the year ended 31 December 2019		As at 31 December 2019			For the year ended 31 December 2020		As at 31 December 2020			For the year ended 31 December 2021		As at 31 December 2021			For the four months ended 30 April 2022		As at 30 April 2022		
	Outstanding balance	Provision made		Amount of advances made	Amount of settlement	Outstanding balance	Provision made		Amount of advances made	Amount of settlement	Outstanding balance	Provision made		Amount of advances made	Amount of settlement	Outstanding balance	Provision made		Amount of advances made	Amount of settlement	Outstanding balance	Provision made	
	RMB'000	*RMB'000*	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	%
Advances unrelated to the normal and ordinary course of business operations	41,296	(31,796)	77.0	84,500	87,944	37,852	(28,862)	76.2	13,900	18,314	33,438	(28,305)	84.6	–	3,929	29,509	(28,082)	95.2	–	13	29,494	(28,074)	95.2
Deposits or other payments in the normal and ordinary business operations	672	(457)	68.0	87	102	657	(455)	69.3	208	422	443	(341)	77.0	72	147	368	(291)	79.0	22	2	390	(291)	74.7
Total	41,968	(32,253)	76.9	84,587	88,046	38,509	(29,317)	76.1	14,108	18,736	33,881	(28,646)	84.5	72	4,076	29,877	(28,373)	95.0	22	15	29,884	(28,365)	94.9

The following table sets out an ageing analysis of our other receivables due from third parties, as at the dates indicated.

	As at 31 December												As at 30 April			
	2019				2020				2021				2022			
	Amounts due from third parties	Provisions	Written off	Percentage impaired	Amounts due from third parties	Provisions	Written off	Percentage impaired	Amounts due from third parties	Provisions	Written off	Percentage impaired	Amounts due from third parties	Provisions	Written off	Percentage impaired
	RMB'000	*RMB'000*	*RMB'000*		*RMB'000*	*RMB'000*	*RMB'000*		*RMB'000*	*RMB'000*	*RMB'000*		*RMB'000*	*RMB'000*	*RMB'000*	
Less than 1 year	69	—	—	0.0%	3,016	—	—	0.0%	31	—	—	0.0%	46	—	—	0.0%
1 - 2 years	5,300	200	—	3.8%	19	—	—	0.0%	2,890	1,427	—	49.4%	2,882	1,419	—	49.2%
2 - 3 years	200	10	—	5.0%	2,300	200	—	8.7%	10	—	—	0.0%	10	—	—	0.0%
Over 3 years	32,940	29,107	—	88.4%	28,546	28,446	114	99.7%	26,946	26,946	—	100.0%	26,946	26,946	—	100.0%
	38,509	29,317	—		33,881	28,646	114		29,877	28,373	—		29,884	28,365	—	

The following table sets out the movements of provision made for our other receivables due from third parties.

	As at 31 December			As at 30 April
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of the year/period	32,253	29,317	28,646	28,373
Provision	10	90	1,427	—
Reversal	(2,946)	(647)	(1,700)	(8)
Written-off	—	(114)	—	—
At the end of the year/period	29,317	28,646	28,373	28,365

Having conducted a comprehensive assessment of the business and operational situation of those third parties, and their source of funds for repayment of our advances, taking into account the amount of provisions already made, we consider that adequate provision has been made for our other receivables due from third parties and it fully reflects the level of credit risk that our Group could bear.

In respect of the balances of our Group's other receivables due from third parties during the Track Record Period, they mainly comprised the following categories:

(1) advances made as deposits or other payments in our Group's normal and ordinary course of business operations.

(2) advances made to an ex-employee of Jiaoyun Property (who now works for an associated company of Jiaoyun Property) as interest-free advances in December 2019. The ex-employee, who worked in the finance team of Jiaoyun Property at the time, was requested in his personal capacity by a bank to support its deposit targets for personal individual bank accounts by depositing a certain amount of cash into that bank by the end of 2019. Being the person in charge of handling Jiaoyun Property's relationship with banks at that time, the ex-employee considered it would be beneficial to agree to the request in order to maintain his working relations with the bank. As the ex-employee did not personally have sufficient spare cash at the time, he turned to Jiaoyun Gas for an advancement of an aggregate amount of RMB7 million during the Track Record Period. At the time of request by this ex-employee, Jiaoyun Gas considered it would cause no harm to the Private Group (which both Jiaoyun Gas and Jiaoyun Property were part of) as a whole to assist the ex-employee maintaining his working relations with the bank. Further, that ex-employee devoted a long period of over a decade working for Jiaoyun Property, and later on changed to work at an associated company of Jiaoyun Property, thus back then there was a foundation of trust between the management and this ex-employee. On the understanding that the entire amount of cash will be deposited into the bank, Jiaoyun Gas considered that it would not be exposed to any material credit risk by granting such a loan to the ex-employee for the purpose of assisting the bank. Consequently, in light of the Company's preparation for the [REDACTED], all amounts advanced by Jiaoyun Gas to the ex-employee were deposited into that bank, and were subsequently fully returned to us by 31 May 2021.

(3) advances made to Shandong Jinfulong Co., Ltd. (山東金孚隆股份有限公司) ("**Shandong Jinfulong**"), an Independent Third Party which was also our PNG customer during the Track Record Period. Shandong Jinfulong is a local shopping mall operator. Such advances existed throughout the Track Record Period. At the time, a cross-guarantee arrangement was in place between Jiaoyun Gas and Shandong Jinfulong, as a result of which each one of them provided guarantee for the benefit of the other in respect of certain bank loans. The cross-guarantee arrangement came about as Jiaoyun Gas and Shandong Jinfulong wished to secure financing from banks at the time. The relevant banks all requested for a guarantee from an Independent Third Party with sizeable operations in order as security. As an owner and operator of shopping malls and supermarkets in Gaomi City at the time, Shandong Jinfulong was considered a reputable company with sizeable operations locally. At the same time, Jiaoyun Gas as a natural gas provider engaged in public utilities business, was also considered a reputable company with sizeable operations. Jiaoyun Gas and Shandong Jinfulong became acquainted when they both attended certain meetings or events with government authorities. Since Jiaoyun Gas and Shandong Jinfulong both needed an independent third party guarantor as security for their respective bank loans, the parties entered into a cross-guarantee arrangement with each other for the benefit of the other party and for itself.

From January 2019 to September 2020, Shandong Jinfulong encountered temporary working capital shortages. As a guarantor, Jiaoyun Gas would have become directly liable for such loan amounts and therefore instead agreed to advance cash to Shandong Jinfulong for it to bridge its short-term funding gaps from time to time, in order to prevent the triggering of any default that could result in the enforcement of the guarantee. From October 2020 to the Latest Practicable Date, we have not further advanced cash to Shandong Jinfulong, and have no plan to continue to make such cross-guarantee arrangement after [REDACTED].

(4) advances made to nine Independent Third Parties from around 2006 to 2017 as interest-free advances for assisting their temporary cash flow shortages at the time. These Independent Third Parties are personally acquainted to Mr. Luan Linjiang and/or Mr. Luan Xiaolong. To the best knowledge, information and belief of the Directors, those nine Independent Third Parties did not obtain financing directly from banks or other financial institutions due to their creditworthiness at the time. Repayment requests have been made by us against all these nine Independent Third Parties.

(5) advances made to 11 Independent Third Parties which had taken out interest-bearing loans from Gaomi Jiaoyun Microcredit Co., Ltd.* (高密市交運小額貸款股份有限公司) ("**Jiaoyun Microcredit**", a related party) in its ordinary course of lending business in around 2013 to 2014. To the best knowledge, information and belief of the Directors, these 11 Independent Third Parties did not obtain financing directly from banks or other financial institutions due to their creditworthiness at the time. After signing of the loan agreements to which Jiaoyun Gas was not a party, Jiaoyun Microcredit requested for Jiaoyun Gas (which was part of the Private Group at that time) to transfer funds directly to those 11 Independent Third Party borrowers to facilitate its cash flow. As Jiaoyun Gas and Jiaoyun Microcredit were both members of the Private Group at the time, for convenience and efficiency, Jiaoyun Gas made such advances directly to the 11 Independent Third Party borrowers instead of providing a loan to Jiaoyun Microcredit for its onwards loan. We understand that Jiaoyun Microcredit, as a licensed microfinancing company, had conducted all necessary know-your-client procedures in respect of those borrowers according to applicable laws and regulations before entering into those loan agreements.

Upon default of repayment for these loans by the relevant Independent Third Parties to Jiaoyun Microcredit, from 2014 to 2016, Jiaoyun Microcredit took legal actions against these Independent Third Party borrowers. Jiaoyun Gas was not privy to the relevant loan agreements and therefore could not have taken nor be directly involved in any action against the borrowers. Jiaoyun Microcredit eventually obtained favourable judgments or settlement for the outstanding loan principal amounts by 2016. Subsequently, Jiaoyun Microcredit and Jiaoyun Gas agreed that Jiaoyun Microcredit would assign the creditor's rights to these loans to Jiaoyun Gas, so that Jiaoyun Gas would be entitled to these creditor's rights and directly seek payment from the borrowers. Upon such assignment of creditor's rights in 2016, the nature of such cash advances made by Jiaoyun Gas directly related to the 11 Independent Third Party borrowers, and have been accounted for as unsecured, interest-free cash advances to third parties in our Group's financial statements for the Track Record Period.

Jiaoyun Gas took various actions including issuing repayment notices or requests against these 11 Independent Third Party borrowers for the repayment of outstanding loan amounts. Up to the Latest Practicable Date, Jiaoyun Gas had been maintaining regular communication with these Independent Third Party borrowers to understand their financial standing and credit rating, as well as their intention to repay. Personnel from the legal team of Jiaoyun Gas also paid regular physical visits or attend regular physical meetings with such borrowers to follow up, with a view to ensuring the borrowers would eventually make full repayment.

Jiaoyun Microcredit is a related party held as to 50% by Jiaoyun Property, 10% by Mr. Luan Linxin and the remaining 40% by an Independent Third Party. Mr. Luan Linjiang (Chairman and executive Director) is the chairman of the board of directors and legal representative of Jiaoyun Microcredit, while Mr. Luan Xiaolong (executive Director and chief executive officer of our Company) is the general manager of Jiaoyun Microcredit. Jiaoyun Microcredit is a licensed microfinancing company in the PRC which carries on the business of provision of small loans. It was and continues to be a member of the Private Group.

The following table sets out the amount of other receivables by each type of other receivables and the respective amount of impairment during the Track Record Period.

	As at 31 December												As at 30 April			
	2019				2020				2021				2022			
	Amounts due from third parties	Provisions	Written off	Percentage impaired	Amounts due from third parties	Provisions	Written off	Percentage impaired	Amounts due from third parties	Provisions	Written off	Percentage impaired	Amounts due from third parties	Provisions	Written off	Percentage impaired
	RMB'000	*RMB'000*	*RMB'000*		*RMB'000*	*RMB'000*	*RMB'000*		*RMB'000*	*RMB'000*	*RMB'000*		*RMB'000*	*RMB'000*	*RMB'000*	
(1) Advances made in our normal and ordinary course of business operations	657	(455)	—	69.3%	443	(341)	—	77.0%	368	(291)	—	78.9%	390	(291)	—	74.7%
(2) Advances made to an ex-employee of Jiaoyun Property	5,100	—	—	0.0%	2,100	—	—	0.0%	—	—	—	0.0%	—	—	—	0.0%
(3) Advances made to Shandong Jinfulong under a cross-guarantee arrangement	—	—	—	0.0%	2,933	—	—	0.0%	2,854	(1,427)	—	50.0%	2,839	(1,419)	—	50.0%
(4) Advances made to nine Independent Third Parties as interest-free advances	16,514	(12,624)	—	76.4%	12,167	(12,067)	—	99.2%	10,417	(10,417)	—	100.0%	10,417	(10,417)	—	100.0%
(5) Advances made to 11 Independent Third Parties which had taken out loans from Jiaoyun Microcredit	16,238	(16,238)	—	100.0%	16,238	(16,238)	—	100.0%	16,238	(16,238)	—	100.0%	16,238	(16,238)	—	100.0%
Total	38,509	(29,317)	—		33,881	(28,646)	—		29,877	(28,373)	—		29,884	(28,365)	—	

To the best knowledge, information and belief of the Directors, except for:

(i) the advances made to the ex-employee of Jiaoyun Property (as disclosed under category (2) above), and

(ii) Shandong Jinfulong (as disclosed under category (3) above) who was the Group's PNG customer during the Track Record Period,

none of the advances have been transferred to any of the Shareholders, Directors, senior management, employees or any of their respective associates of the Company and its subsidiaries, or to any of the Group's customers for their purchases of the Group's products/services.

Shandong Jinfulong was our Group's PNG customer during the Track Record Period as it purchased PNG for heating of the shopping malls and cooking for staff canteen therein. Due to operational and financial difficulties, Shandong Jinfulong leased all of its shopping malls to a new operator in February 2022, Shandong Jinfulong's historical amounts of PNG purchased from our Group is significantly smaller than the amount of cash advanced to it by Jiaoyun Gas.

For categories (1) and (2) above, as confirmed by our Company, the advances under category (1) resulted from normal business activities, and the advances under category (2) took place between Jiaoyun Gas and an individual, therefore, as advised by our PRC Legal Advisers, such advances under categories (1) and (2) did not violate the Lending General Provisions or any mandatory PRC laws and administrative regulations. For categories (3), (4) and (5) above, considering that: (a) such advances were interest-free and made for the purposes of supporting the business operations of third parties; (b) up to the Latest Practicable date, Jiaoyun Gas had not fully recovered all such advances; (c) the PBOC of Gaomi has confirmed that there is no evidence or record that Jiaoyun Gas, Jiaoyun Shihua, their shareholders, directors and senior management have been subject to any administrative penalty, litigation, dispute or potential dispute; and (d) up to the Latest Practicable Date, our Group did not receive any penalties, investigation or notice from relevant competent authorities in relation to such borrowings, our PRC Legal Advisers are of the view that, (i) such loans were legally binding on relevant parties; (ii) such loans and assignments of creditor's rights did not violate any mandatory PRC laws and administrative regulations; and (iii) the risk of the Group being fined or penalized pursuant to the Lending General Provisions for the above-mentioned third party advances and loan arrangements is low.

As at the Latest Practicable Date, except for advances to third parties which are necessary for our normal and ordinary course of business operations and in a regulatory compliant manner, we are no longer making advances to third parties and have no plan to do so in the future. We have already adopted relevant enhanced internal control measures to ensure no third party advances would be made unless necessary for our normal and ordinary course of business operations:

- we have formulated and adopted detailed internal control policies, procedures and guidelines in relation to the making of any advances to third parties. In particular, loans with non-financial institutions or such loan arrangements prohibited under the General Lending Provisions, and loans or advances to employees of our Group or associates of our Group (including the Private Group) are not allowed;

- if any third party advances are necessary for our normal business operations, the relevant operational team shall make an internal application to our finance manager and financial controller. Such application shall state the commercial purpose, measures that will be implemented to ensure the due repayment of such advances, the related risk of making such advances, and the repayment ability of such third party taking into consideration its historical repayment record and creditworthiness. When assessing the third party advance applications, our financial controller shall take into account legal compliance of such arrangements and requirements of listing regulators, and shall consult external legal advisers where necessary. Such applications shall be finally approved by our general manager and chairman of the Board;

- our Group's operational team shall regularly monitor the usage of such third party advances and provide quarterly reports to our financial controller, general manager and chairman of the Board as to the usage of such advances and the expected repayment date; and

- if any employee violates any relevant policy, such employee may be subject to a penalty of up to half a year of his/her salary. In cases of serious violation, the employee may be fired.

Our internal control consultant reviewed such internal control measures, and did not see the need to make further recommendation.

All other receivables' carrying amounts approximate their fair values.

As at the Latest Practicable Date, approximately RMB1.6 million or 4.8% of our trade and other receivables as at 30 April 2022 were subsequently settled. Our trade receivables mainly comprise of receivables from PNG sales to wholesale customers and receivables for our Clean Energy Projects. In particular, receivables for our Clean Energy Projects are generally to be settled by instalments over a three-year period after completion as according to the Clean Energy Project agreements.

Moreover, since our sale of PNG business is conducted on a prepayment basis, our trade receivables only come from our other smaller business segments. Therefore, from the perspective of our Group as a whole, we do not consider there to be any material recoverability issue despite the low subsequent settlement, and we consider that no further provision is required to be made.

Prepayments and Other Current Assets

During the Track Record Period, our prepayments and other current assets consisted of (i) prepayments for raw materials, [REDACTED] expenses and other expenses; and (ii) value-added tax recoverable. As at 31 December 2019, 2020 and 2021 and 30 April 2022, our prepayment and other current assets amounted to approximately RMB18.0 million, RMB16.2 million, RMB30.1 million and RMB21.6 million, respectively.

The table below sets out our prepayments and other current assets as at the dates indicated.

	As at 31 December			**As at 30 April**
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments for:				
- natural gas and other construction materials	16,002	13,527	24,772	14,687
- [REDACTED] expenses	—	434	2,837	4,109
- other expenses	286	320	344	339
Value-added tax recoverable	1,682	1,945	2,176	2,468
	17,970	16,226	30,129	21,603

Our prepayments and other assets decreased from approximately RMB30.1 million as at 31 December 2021 to approximately RMB21.6 million as at 30 April 2022, primarily due to a decrease in prepayments to Shandong Shihua and PetroChina as we procured less gas from them for the non-heating season. Our prepayments and other assets increased from approximately RMB16.2 million as at 31 December 2020 to approximately RMB30.1 million as at 31 December 2021, primarily due to an increase in prepayment days for our purchases of raw materials from PetroChina and Shandong Shihua as a result of such suppliers' requirements. Our prepayments and other assets decreased from approximately RMB18.0 million as at 31 December 2019 to approximately RMB16.2 million as at 31 December 2020, primarily due to decreased purchases of raw materials from PetroChina and Shandong Shihua.

As at the Latest Practicable Date, approximately RMB16.5 million or 76.3% of our prepayments and other current assets as at 30 April 2022 were subsequently settled.

Restricted Bank Deposits

As at 31 December 2019, 2020 and 2021 and 30 April 2022, we had restricted bank deposits of approximately RMB204.0 million, RMB75.1 million, nil and nil, respectively.

Trade and Other Payables

During the Track Record Period, our trade payables included trade payables to third parties and related parties in relation to our purchases during the ordinary course of business. For details of our transactions of a trade nature with related parties, please refer to "— Related Party Transactions" in this section. Except for our procurement contracts with gas-burning appliances suppliers for Clean Energy Projects (pursuant to which we may generally settle our fees by instalments over three years), we were typically granted credit terms of up to 30 days by our major suppliers during the Track Record Period. Our other payables included other taxes payable, amounts due to related parties, amounts due to third parties and salaries and staff welfare payable. The carrying amounts of trade and other payables of our Group approximate their fair values. As at 31 December 2019, 2020 and 2021 and 30 April 2022, our trade and other payables were RMB30.0 million, RMB40.2 million and RMB55.1 million and RMB52.9 million, respectively.

The table below sets out our trade and other payables as at the dates indicated.

	As at 31 December			As at 30 April
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current				
Trade payables				
- third parties	—	—	7,306	7,373
- related parties	—	—	—	—
	—	—	7,306	7,373
Current				
Trade payables				
- third parties	13,606	15,248	25,337	22,962
- related parties	5,486	5,896	4,093	4,806
	19,092	21,144	29,430	27,768
Other payables				
- Value-added tax payable	7,954	11,622	9,074	8,035
- Other taxes payable	311	502	3,630	236
- Amounts due to related parties	1,302	2,652	590	696
- [REDACTED] expenses payable	—	1,660	2,152	5,691
- Salaries and staff welfare payable	1,140	1,288	1,621	1,719
- Others	206	1,381	1,320	1,401
	10,913	19,105	18,387	17,778
	30,005	40,249	47,817	45,546
Total trade and other payables	30,005	40,249	55,123	52,919

Our trade and other payables increased by approximately RMB10.2 million or 34.1% from approximately RMB30.0 million as at 31 December 2019 to approximately RMB40.2 million as at 31 December 2020, primarily attributable to increases in both our trade payables and other payables. The increase in our trade payables was primarily attributable to an increase in our third party trade payables as a result of increased subcontracting costs. The increase in our other payables was primarily attributable to an increase in our value-added tax payables as a result of increased contract liabilities, our other payables due to third parties as we incurred [REDACTED] expenses and our other payables due to related parties as a result of Jiaoyun Shihua's declaration of a dividend. Our trade and other payables increased by approximately RMB14.9 million or 37.0% from approximately RMB40.2 million as at 31 December 2020 to approximately RMB55.1 million as at 31 December 2021, primarily attributable to an increase in third party trade payables as a result of increased subcontracting costs for the construction of our urban pipeline network in support of the implementation of the Clean Energy Projects. Our trade and other payables decreased slightly by RMB2.2 million or 4.0% from approximately RMB55.1 million as at 31 December 2021 to approximately RMB52.9 million as at 30 April 2022, primarily attributable to decreases in both our trade payables and other payables. The decrease in our trade payables was primarily attributable to a decrease in our third party trade payables as we settled our subcontracting costs. The decrease in our other payables was primarily attributable to a decrease in our value-added tax payables and other tax payables as we paid our taxes for the fourth quarter of 2021 in January 2022.

The following table sets out an aging analysis of our trade payables, based on invoice date, as at the dates indicated.

	As at 31 December			As at 30 April
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 1 year	13,612	14,529	34,754	32,789
1 - 2 years	3,937	5,121	1,106	1,451
2 - 3 years	758	521	438	436
Over 3 years	785	973	438	465
	19,092	21,144	36,736	35,141

The table below sets out our average trade payables turnover days for the periods indicated.

	For the year ended 31 December			For the four months ended 30 April
	2019	**2020**	**2021**	**2022**
Average trade payables turnover days[1]	26	29	31	32

Note:

(1) Average trade payables turnover days is equal to the average trade payables divided by cost of sales and multiplied by 365 days for a year (or 120 days for the four-month period). Average trade payables are equal to trade payables at the beginning of the period plus trade payables at the end of the period and divided by two.

Our average trade payable turnover days increased to 31 days for the year ended 31 December 2021, mainly due to our commencement of the Clean Energy Projects, involving construction costs of our urban pipeline network which are usually settled according to construction progress and within one year after completion of construction, as well as costs of procurement of gas-burning appliances which are to be settled over the course of three years after completion of each relevant Clean Energy Project upon our receipt of the government subsidy. Our average trade payable turnover days increased to 29 days for the year ended 31 December 2020, primarily attributable to (i) our increased number of completed construction projects and increased procurement of wall-hung gas boilers as a result of the implementation of the Zero-coal Policy in Gaomi City; and (ii) the increase of our VAT-tax payable, which was also due to the implementation of the Zero-coal Policy.

As at the Latest Practicable Date, approximately RMB6.1 million, or 17.5% of the trade payables balance as at 30 April 2022 were subsequently settled.

Contract Liabilities

Our contract liabilities mainly represented the payments received from customers by us while the underlying goods or services are yet to be delivered. There is no significant long-term unsatisfied performance obligations in the Track Report Period.

We recognised the following liabilities related to contract with customers as at the dates indicated:

	As at 31 December			As at 30 April
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
PNG sales	58,491	71,724	87,577	78,023
Construction and installation services	27,107	40,114	12,386	6,711
CNG and LNG sales	970	1,387	1,193	1,032
Sale of gas-burning appliances	1,259	11,024	147	48
	87,827	124,249	101,303	85,814

The table below sets out the amount and percentage of contract liabilities subsequently recognised as revenue.

	For the year ended 31 December						For the four months ended 30 April				Latest Practicable Date	
	2019		**2020**		**2021**		**2021**		**2022**			
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(Unaudited)				*(Unaudited)*	
PNG sales	56,164	99%	57,825	99%	71,313	99%	40,517	56%	47,603	54%	25,494	33%
Construction and installation services	20,953	100%	27,107	100%	40,114	100%	17,782	44%	6,510	53%	5,770	86%
CNG and LNG sales	1,481	100%	970	100%	1,387	100%	1,387	100%	1,088	91%	1,032	100%
Sale of gas-burning appliances	165	100%	1,259	100%	11,024	100%	3,553	32%	93	63%	—	—
	78,763		87,161		123,838		63,239		55,294		32,296	

As at 31 December 2019, 2020 and 2021 and 30 April 2022, our contract liabilities were approximately RMB87.8 million, RMB124.2 million, RMB101.3 million and RMB85.8 million. The steady increase of our contract liabilities from 31 December 2019 to 2020 was primarily due to (i) our increased sale of gas-burning appliances and provision of construction and installation services as a result of the implementation of the Zero-coal Policy in Gaomi City; and (ii) an increase in our PNG sales as a result of the increased gas consumption by industrial PNG end-users as a result of favourable government policies and Shandong's general economic growth. Our contract liabilities decreased from approximately RMB124.2 million as at 31 December 2020 to approximately RMB101.3 million as at 31 December 2021 was primarily because (i) our construction and installation projects that were ongoing at the end of 2020 subsequently completed during 2021, such that revenue from our provision of construction and installation services was recognised in 2021, leading to a decrease in the balance of our contract liabilities for this segment as at 31 December 2021; and (ii) a large volume of our goods and products was delivered under our sale of gas-burning appliances segment, in line with the completion of our construction and installation projects during 2021. Our contract liabilities further decreased from approximately RMB101.3 million as at 31 December 2021 to approximately RMB85.8 million as at 30 April 2022 primarily because (i) our PNG end-users usually make more prepayments to us by topping up their accounts starting around September to October each year before the winter heating season, while January to April each year is the peak of the winter heating season when relatively more PNG sales are made, such that revenue from our PNG sales are recognised during this period, leading to a relatively lower balance of contract liabilities as at 30 April 2022; (ii) there was a number of construction and installation projects completed, no new large-scale construction and installation projects commenced, and no new Clean Energy Projects commenced during the four months ended 30 April 2022. As at the Latest Practicable Date, approximately RMB36.0 million, or 42.0% of contract liabilities were subsequently recognised as revenue.

Current Income Tax Liabilities

As at 31 December 2019, 2020 and 2021 and 30 April 2022, we had current income tax liabilities of approximately RMB5.1 million, RMB12.8 million, RMB5.6 million and RMB0.7 million, respectively.

Non-current Assets and Liabilities

Non-current Assets

Our non-current assets primarily consisted of property, plant and equipment, investment properties, right-of-use rights, intangible assets and other non-current assets. As at 31 December 2019, 2020 and 2021 and 30 April 2022, we had non-current assets of approximately RMB189.4 million, RMB193.4 million, RMB226.7 million and RMB226.9 million, respectively.

During the Track Record Period, our property, plant and equipment mainly consisted of gas pipelines for our gas operations, buildings in the PRC, plant and machinery and construction in progress. Our property, plant and equipment amounted to RMB107.1 million, RMB109.0 million, RMB118.2 million and RMB117.6 million as at 31 December 2019, 2020 and 2021 and 30 April 2022, respectively. Our balance of property, plant and equipment remained relatively stable as at the end of the Track Record Period.

Our investment properties consisted of buildings and land leased to a related party for the years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022 for the purpose of generating rental income. Investment properties are stated on a fair value basis. Our investment properties amounted to RMB67.7 million, RMB68.6 million, RMB69.7 million and RMB70.5 million as at 31 December 2019, 2020 and 2021 and 30 April 2022, respectively, recording a steady increase over the Track Record Period.

Impairment testing of goodwill

The goodwill was arisen from the acquisition of Jiaoyun Shihua and was allocated to the cash-generating unit ("**CGU**") of Jiaoyun Shihua for impairment testing.

We performed an impairment assessment on the goodwill at the end of each year and concluded that no impairment charge has to be recognised. The recoverable amount of the CGU of Jiaoyun Shihua has been determined based on a value-in-use calculation using cash flow projection based on a financial budget covering a five-year period. The pre-tax discount rates applied to the cash flow projections for each year are in a range of approximately 10% to 11%.

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

	As at 31 December			**As at 30 April**
	2019	**2020**	**2021**	**2022**
Revenue growth rate in perpetual period	2%	2%	2%	2%
Gross margin (Note)	17 - 20%	16 - 17%	16 - 17%	16 - 17%
Pre-tax discount rate	11%	10%	11%	11%

Note: Gross margin was adjusted to 16% - 17% following the year ended 31 December 2019 in consideration of the combined effects of COVID-19 and fluctuations in international crude oil prices, as well as the outbreak of the Russia-Ukraine military conflict in early 2022.

Considering Jiaoyun Shihua normally prices its products on a cost-plus basis for maintaining relatively stable gross margin and there is not any significant recent change in its business model, the assumptions in respect of gross margin as adopted by management in the impairment assessment as at 31 December 2020 and 2021 and 30 April 2022 have been maintained at a stable range.

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

	As at 31 December			**As at 30 April**
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Headroom	40,213	39,652	44,959	45,162

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

	As at 31 December			As at 30 April
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue growth rate in perpetual period decreased by 5%	39,611	39,053	44,328	44,503
Gross margin decreased by 5%	24,141	22,720	26,718	26,715
Pre-tax discount rate increased by 5%	36,077	35,570	40,589	40,744

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

Non-current Liabilities

Our non-current liabilities primarily consisted of lease liabilities and deferred income tax liabilities. As at 31 December 2019, 2020 and 2021 and 30 April 2022, we had non-current liabilities of approximately RMB7.4 million, RMB8.5 million, RMB16.7 million and RMB17.1 million, respectively. Please refer to "—Indebtedness" in this section for more details.

Indebtedness

The following table sets out the breakdown of our total indebtedness as at the dates indicated.

	As at 31 December			As at 30 April	As at 31 August
	2019	**2020**	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Bank borrowings	748,397	227,800	37,000	27,000	18,000
Lease liabilities	2,502	2,256	2,850	2,727	2,604
	750,899	230,056	39,850	29,727	20,604

Borrowings

During the Track Record Period, our borrowings consisted of (i) bank borrowings; (ii) other borrowings (representing the borrowings obtained from banks by discounting the bank acceptance notes under our bill financing arrangements); and (iii) our ABS. As at 31 December 2019, 2020 and 2021, 30 April 2022 and 31 August 2022, our borrowings were approximately RMB748.4 million, RMB227.8 million, RMB37.0 million, RMB27.0 million and RMB18.0 million, respectively. Our bank borrowings and other borrowings are unsecured or secured and/or guaranteed, and denominated in RMB. Our ABS is denominated in RMB. For details of our borrowings, please refer to Note 26 to the Accountant's Report set out in Appendix I to this document. For details of our bill financing arrangements and bank loan transfer arrangements, please refer to "Business — Regulatory Compliance — Non-compliance incidents — Non-compliant bill financing" and "Business — Regulatory Compliance — Non-compliance incidents — Deviation from Intended Use of Loan Proceeds" in this document.

	As at 31 December			As at 30 April	As at 31 August
	2019	**2020**	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Non-current					
ABS	124,337	—	—	—	—
Less: Current portion of ABS	(124,337)	—	—	—	—
	—	—	—	—	—
Current					
Bank borrowings					
- guaranteed	173,000	44,000	—	—	—
- secured and guaranteed	37,000	37,000	—	—	—
- secured	13,300	—	37,000	27,000	18,000
	223,300	81,000	37,000	27,000	18,000
Other borrowings					
- secured	400,760	146,800	—	—	—
- unsecured	—	—	—	—	—
	400,760	146,800	—	—	—
Current portion of ABS	124,337	—	—	—	—
Total	748,397	227,800	37,000	27,000	18,000

During the Track Record Period, our borrowings were repayable as follows:

	As at 31 December			As at 30 April	As at 31 August
	2019	**2020**	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Within one year	748,397	227,800	37,000	27,000	18,000

The table below sets out effective coupon/interest rates of our borrowings for the periods indicated.

	For the year ended 31 December			For the four months ended 30 April	For the eight months ended 31 August
	2019	**2020**	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
ABS	7.7%	7.7%	—	—	—
Bank borrowings	5.6%	5.7%	5.7%	5.7%	5.7%

Bank borrowings

The table below sets out a breakdown of our bank borrowings as at the dates indicated.

	As at 31 December			As at 30 April	As at 31 August
	2019	**2020**	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Guaranteed[1]	173,000	44,000	—	—	—
Secured by properties and guaranteed by certain persons	37,000[2]	37,000[2]	—	—	—
Secured by properties	—	—	37,000[3]	27,000[3]	18,000[3]
Secured by bank deposit	13,300[4]	—	—	—	—
Total	223,300	81,000	37,000	27,000	18,000

Notes:

(1) Guarantees were provided by related parties and Independent Third Parties. Such guarantees by related parties were fully released by 29 June 2021 upon repayment of the relevant bank borrowings.

(2) As at 31 December 2019 and 2020, bank borrowings of RMB37.0 million were guaranteed by Mr. Luan Linjiang, Mr. Luan Linxin, Ms. Cui Shuhua, Ms. Zhang Guozhen, Ms. Guan Lianhua, Mr. Song Xuenong and secured by investment properties of Jiaoyun Gas. Such guarantees and pledged properties were released on 23 June 2021 upon repayment of the bank borrowings.

(3) As at 31 December 2021, 30 April 2022 and 31 August 2022, bank borrowings of RMB37.0 million, RMB27.0 million and RMB18.0 million, respectively were secured by investment properties of Jiaoyun Gas.

(4) As at 31 December 2019, bank borrowings of RMB13.3 million were secured by a bank deposit of RMB14.0 million.

As at 31 August 2022, being the latest practicable date for the purpose of the indebtedness statement, we had an unutilised banking facility of approximately RMB200.0 million.

Other borrowings

The table below sets out a breakdown of our other borrowings as at the dates indicated.

	As at 31 December			As at 30 April	As at 31 August
	2019	**2020**	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Secured by bank deposit	264,060	80,100	—	—	—
Secured by bank deposit of a related party *(Note)*	136,700	66,700	—	—	—
Unsecured	—	—	—	—	—
Total	400,760	146,800	—	—	—

Note: As at 31 December 2019 and 2020, other borrowings were secured by bank deposit of Mr. Luan Xiaolong in the amount of RMB106.7 million and RMB36.7 million, respectively.

ABS

In September 2015, our Group entered into an asset-backed special agreement with Minsheng Securities Co., Ltd. in the form of asset securitisation. The ABS was issued by Minsheng Special Plan and is divided into priority level and subprime level with the respective total principals of RMB430 million and RMB45 million. The priority level investors receive interest at a fixed nominal rate ranging from 4.7% to 6.8% per annum, and subprime level investors receive residual investment income distribution. Our Group purchased the entire subprime level of the ABS. Accordingly, the ABS was consolidated by our Group.

The priority level ABS is collateralised by the future earnings relating to our right to sell natural gas within our Concession area in Gaomi City, pipelines, machinery and other affiliated facilities relating to our right to sell natural gas and equity of our Company held by Jiaoyun Group, Jiaoyun Property and Mr. Luan Linjiang.

The table below sets out a breakdown of the balance of our ABS as at the dates indicated.

	As at 31 December			As at 30 April	As at 31 August
	2019	**2020**	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
ABS					
Non-current	—	—	—	—	—
Current	124,337	—	—	—	—
Total	124,337	—	—	—	—

ABS arrangement was at the time a relatively new means of fund raising offered by various financial institutions in the PRC with a view to addressing the funding needs of companies. Our ABS allowed us to pledge our future earnings relating to our right to sell natural gas within the Operating Area, pipelines, machinery and other affiliated facilities relating to the right to sell natural gas, and the equity of our Company in exchange for funding for the Private Group, including ourselves, specifically taking into account our funding needs for the purpose of replacing our aged pipelines, stable cash flow from our natural gas charge and our repayment ability. Apart from using the funds from our ABS for purposes such as the construction of new pipelines and replacement of aged pipelines, we directly transferred a part of the funds obtained from our ABS to Jiaoyun Gas for its other business uses, including making interest-free cash advances to our related parties for the purpose of supporting their working capital and liquidity needs. Further, as advised by our PRC Legal Advisers, save for Article 61 of the Lending General Provisions (貸款通則) issued by the Gaomi Branch of People's Bank of China (the "**Lending General Provisions**"), which provides that financing arrangements or lending transactions between non-financial institutions are prohibited, there are no specific or mandatory provisions under PRC Laws and regulations and the ABS arrangement prospectus which prohibit us from providing the funds obtained from the ABS to our related parties as borrowings. As at 30 November 2020, such funds were fully collected from our related parties. Our Directors confirm that such redirected use of funds did not have any financial impact on our Group.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, (i) we did not encounter any material difficulty in obtaining bank loans and other borrowings or receiving other financing for the purposes of our business operations; (ii) we did not have material defaults in the repayment of our bank and other borrowing or payments of trade and non-trade payables; (iii) we did not breach any covenants; and (iv) we were not requested by banks for the early repayment of our borrowing.

Lease Liabilities

During the Track Record Period, we leased a few properties for our operational needs. Our Directors consider that the adoption of HKFRS 16 did not have a significant impact on our financial position and performance. As at 31 December 2019, 2020 and 2021, 30 April 2022 and 31 August 2022, our lease liabilities amounted to approximately RMB2.5 million, RMB2.3 million, RMB2.9 million, RMB2.7 million and RMB2.6 million, respectively.

The table below sets out a breakdown of our lease liabilities as at the dates indicated.

	As at 31 December			As at 30 April	As at 31 August
	2019	**2020**	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Lease liabilities					
- Current	380	181	510	514	522
- Non-current	2,122	2,075	2,340	2,213	2,082
	2,502	2,256	2,850	2,727	2,604

The table below sets out a maturity analysis of our lease liabilities during the Track Record Period.

	As at 31 December			As at 30 April	As at 31 August
	2019	**2020**	**2021**	**2022**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*
Leases are payable:					
Within 1 year	400	193	535	538	542
Between 1 and 2 years	193	197	546	432	318
Between 2 and 5 years	602	614	627	631	635
Over 5 years	3,066	2,858	2,644	2,572	2,450
Minimum lease payments	4,261	3,862	4,352	4,173	3,995
Future finance charges	(1,759)	(1,606)	(1,502)	(1,446)	(1,391)
	2,502	2,256	2,850	2,727	2,604

Indebtedness Statement and Confirmation

Except as disclosed in "Financial Information - Discussion of Certain Items of Consolidated Balance Sheets - Indebtedness" in this document, we did not have any outstanding or authorised to be issued but unissued debt securities, term loans, other borrowings or indebtedness in nature of borrowing, acceptance credits, mortgages and charges, contingent liabilities or guarantees. Our Directors confirm that there had been no material adverse change in our indebtedness since 31 August 2022 and up to the date of this document.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

We had cash and cash equivalents of approximately RMB26.3 million, RMB39.6 million, RMB37.4 million and RMB24.4 million as at 31 December 2019, 2020 and 2021 and 30 April 2022, respectively. Our cash and cash equivalents are primarily held in RMB.

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

Net Cash Generated from Operating Activities

Net cash generated from operating activities primarily comprises our profit before income tax for the year adjusted by interest received, income tax paid, non-cash and non-operating items, such as depreciation and amortisation, and adjusted by changes in working capital, such as trade and other receivables and trade and other payables.

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 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.

Net Cash Generated from/(Used in) 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 repayment of loans to 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 repayment 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 repayment 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.

Net Cash Used in 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 repayment 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 our 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 our 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.

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 using the net proceeds received from the [REDACTED] and internal resources, which include but are not limited to, our cash and cash equivalents and 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.

CONTINGENT LIABILITIES

Except as disclosed in "Financial Information - Discussion of Certain Items of Consolidated Balance Sheets - Indebtedness" in this document, we did not have any outstanding loan capital, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans, or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities or any covenant in connection therewith as of 31 August 2022, being the latest date for the purpose of the indebtedness statement.

Our Directors have confirmed that there had not been any material change in the indebtedness and contingent liabilities of our Group since 31 August 2022 and up to the Latest Practicable Date.

As at the Latest Practicable Date, we did not have any definitive plan to raise external financing except for the [REDACTED].

WORKING CAPITAL CONFIRMATION

Our future cash requirements will depend on many factors, including our operating income, changing business conditions and future developments, including any potential investments or acquisitions we may decide to pursue. Natural gas is an important sources of energy for the general public. Therefore, we believe that our operating income generated from our business operations will remain stable. Accordingly, we anticipate that net cash generated from operating activities will remain stable going forward.

Our Directors confirm that, taking into account our current cash and cash equivalents, anticipated cash flow from operations, proceeds from the [REDACTED] and banking facilities available to us, as well as the mitigating factors to our net current liabilities as discussed above, we will have available sufficient working capital for our present requirements that is for at least the next 12 months from the date of this document.

After due consideration and discussion with our management and the Reporting Accountant and based on the above, the Sole Sponsor has no reason to believe that our Group cannot meet the working capital requirements for the 12 months from the date of this document.

OFF-BALANCE SHEET ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, we had not entered into any off-balance sheet transaction.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we carried out certain transactions with related parties as set out in Note 32 of the Accountant's Report included in Appendix I to this document. These included:

(i) purchases of PNG from Shandong Shihua, which were on terms and at prices prescribed in accordance with the benchmark gate price, as elaborated in "Business — Sale of PNG — Pricing", "Regulatory Overview — Regulation on Pricing Mechanism Related to Natural Gas" and "Industry Overview — Analysis of the City Gas Supply Industry in Gaomi City" in this document. Terms and pricing of such transactions are comparable to those with Independent Third Parties and similar transactions in the market. Transactions with Shandong Shihua in respect of our purchase of PNG are expected to continue after [REDACTED] and will constitute a continuing connected transaction of our Company under the Listing Rules. For details, please refer to "Connected Transactions — (C) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement Requirements but Exempt from the Independent Shareholders' Approval Requirement — 4. Natural Gas Sale and Purchase Agreements" in this document;

(ii) purchases of pipes and gas-burning appliances from Yuanhua Trading, which were on terms and at prices determined with reference to the cost at which Yuanhua Trading sourced such parts as part of the bulk purchase arrangement where Yuanhua Trading acted as the procurement agent for the entire Private Group, based on arm's length negotiations. Such terms and pricing were generally more favourable to us as compared to our direct purchases of similar goods from Independent Third Parties. The cost-savings enjoyed by our Group as a result of our procurement of pipes and gas-burning appliances from Yuanhua Trading amounted to approximately RMB0.3 million, RMB0.1 million and RMB20,000 for the years ended 31 December 2019, 2020 and 2021, respectively. We have ceased all transactions involving Yuanhua Trading since 30 June 2021. As the cost-savings mentioned above are only marginal, such termination of all transactions involving Yuanhua Trading is not expected to have material adverse impact on our Group's business and financial performance. For details, please refer to "Business — Our Suppliers — Our Top Five Suppliers" in this document;

(iii) purchases of subcontracting services from Jiaoyun Property where we have engaged Jiaoyun Property as our subcontractor for pipeline construction and installation of natural gas supply facilities, as elaborated in "Business — Our Suppliers — Subcontractors of Pipeline Construction and Installation of Natural Gas Supply Facilities — (i) Jiaoyun Property" in this document. During the Track Record Period, the fees paid by our Group to Jiaoyun Property for such subcontracting of construction and installation services were determined based on arm's length negotiations with reference to the labour fee of workers needed for carrying out the relevant services. From January 2019 to June 2021, subcontracting fees paid by our Group to Jiaoyun Property were generally lower than that charged by Independent Third Parties. In July 2021, there has been an adjustment of per unit labour fees to better align with the prevailing market rate and the prices charged by independent suppliers engaged. Since then, our purchases of subcontracting services from Jiaoyun Property were on terms and at prices comparable to our purchases of similar services with similar labour requirements from Independent Third Parties. The cost-savings enjoyed by our Group as a result of our engagement of Jiaoyun Property as our subcontractor amounted to approximately RMB3.5 million, RMB2.7 million, RMB0.4 million and RMB0.1 million for the years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, respectively. Transactions with Jiaoyun Property for its subcontracting services are expected to continue after [REDACTED] and will constitute a continuing connected transaction of our Company under the Listing Rules. For details, please refer to "Connected Transactions — (C) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement Requirements but Exempt from the Independent Shareholders' Approval Requirement — 3. Subcontracting Framework Agreement" in this document;

(iv) provision of construction and installation services to Jiaoyun Property and Guorui Real Estate where we provide services for installation of gas pipelines to our Group's pipeline network for real estate development projects undertaken by them. During the Track Record Period, the fees paid by Jiaoyun Property and Guorui Real Estate to our Group for such construction and installation services were determined with reference to (i) the number of units in each real estate development project; (ii) cost of raw materials and labour needed for carrying out the construction and installation services; and (iii) fee quotes provided by us to other customers which are Independent Third Parties and require similar services. Our construction and installation services were provided to Jiaoyun Property and Guorui Real Estate on terms and at prices comparable to our provision of similar services with similar raw material and labour requirements to Independent Third Parties. Transactions with Jiaoyun Property and Guorui Real Estate in respect of our provision of construction and installation services are expected to continue after [REDACTED] and will constitute continuing connected transactions of our Company under the Listing Rules. For details, please refer to "Connected Transactions — (C) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement Requirements but Exempt from the Independent Shareholders' Approval Requirement — 2. Construction and Installation Services Framework Agreements" in this document;

(v) sale of PNG to Jiaoyun Thermal for its supply of heating to households in Gaomi City, which were on terms and at prices comparable to our sale of PNG to Independent Third Party industrial PNG end-users in Gaomi City. Please also refer to "Relationship with our Controlling Shareholders — Excluded Businesses" in this document;

(vi) sale of CNG to Jiaoyun Taxi, which were on terms and at prices comparable to our sale of CNG to Independent Third Party vehicle users in Gaomi City;

(vii) leasing of properties to Jiaoyun Market. From 1 January 2019 to 30 June 2021, the annual rent for our properties leased to Jiaoyun Market was determined based on arm's length negotiations with reference to the rentable area of such property, which was generally lower than the prevailing market rate for similar premises of a similar rental area in the vicinity of the leased properties. Starting from 1 July 2021, the annual rent for our properties leased to Jiaoyun Market was adjusted to better align with the prevailing market rate for similar properties in the vicinity. The loss of rent borne by our Group as a result of leasing of properties to Jiaoyun Market amounted to approximately RMB3.7 million, RMB3.7 million, RMB2.0 million and nil for the years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, respectively. Our leasing of properties to Jiaoyun Market is expected to continue after [REDACTED] and will constitute a continuing connected transaction of our Company under the Listing Rules. For details, please refer to "Connected Transactions — (C) Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement Requirements but Exempt from the Independent Shareholders' Approval Requirement — 1. Jiaoyun Market Tenancy Agreement" in this document;

(viii) leasing of properties from Mr. Luan Linjiang and Jiaoyun Car Transport. During the Track Record Period, the annual rent for our properties leased from Mr. Luan Linjiang and Jiaoyun Car Transport was determined based on arm's length negotiations with reference to the rentable area of each of the properties leased to our Group under the respective tenancy agreements. The terms and pricing for such leases with Mr. Luan Linjiang and Jiaoyun Car Transport were generally more favourable to us as compared to similar transactions in the market. During the Track Record Period, we did not lease any properties from Independent Third Parties. The cost-savings enjoyed by our Group as a result of leasing of properties from Mr. Luan Linjiang and Jiaoyun Car Transport amounted to approximately RMB0.8 million, RMB0.8 million and RMB0.8 million, RMB0.3 million for the years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, respectively. Our leasing of properties from Mr. Luan Linjiang and Jiaoyun Car Transport are expected to continue after [REDACTED]. For details, please refer to "Relationship with our Controlling Shareholders — Transactions entered into before [REDACTED] which would otherwise constitute connected transactions — Tenancy Agreements" in this document;

(ix) issuance of bank acceptance notes to Yuanhua Trading and Jiaoyun Shihua under our Non-compliant Bill Financing Arrangements as elaborated under "Business — Regulatory Compliance — Non-compliance incidents — Non-compliant bill financing" in this document;

(x) interest-free advances to and repayments from related parties as elaborated under "— Related Parties Advances" in this section and "Business — Regulatory Compliance — Non-compliance incidents — Deviation from Intended Use of Loan Proceeds" in this document;

(xi) provision of guarantees for borrowings of related parties, for which we did not charge any guarantee fee or interest;

(xii) secondment of employees from Shandong Shihua and Jiaoyun Property. During the Track Record Period, secondment fees we paid to Shandong Shihua were determined based on arm's length negotiations, while those paid to Jiaoyun Property were determined based on arm's length negotiations with reference to the salaries of those seconded employees at Jiaoyun Property. Such terms were comparable to the cost of staff with similar capabilities and experience. For details of our secondment arrangements during the Track Record Period, please refer to "Business — Employees" in this document; and

(xiii) key management compensation comprising salaries and other short-term employee benefits paid to Directors and other key management. Such compensation amounts were determined based on arm's length negotiations which were comparable to the cost of externally hiring directors and managers with similar capabilities and experience.

Among these related party transactions, purchases of goods and services, and provision of construction and installation services and sale of goods were of trade nature. Out of our related party transactions of non-trade nature, a significant amount was attributable to our advances to related parties within the Private Group.

Related Parties Advances

During the Track Record Period, we were involved in financing arrangements with certain entities within the Private Group, under which we made certain interest-free cash advances to them for the purpose of their temporary cash flow management or liquidity needs. As we were a part of the Private Group during the Track Record Period, such financing arrangements allowed us to provide intra-group financial assistance to other members of the Private Group at lower financing costs. Article 61 of the Lending General Provisions provides that financing arrangements or lending transactions between non-financial institution are prohibited. However, our PRC Legal Advisers have advised that it is unlikely for fines pursuant to the Lending General Provisions to be imposed on us due to the above financing arrangements. For details, please refer to "Business — Regulatory Compliance — Non-compliance incidents — Deviation from Intended Use of Loan Proceeds" in this document. As at 31 December 2019, 2020, 2021 and 30 April 2022, we had outstanding advances to related parties of approximately RMB465.5 million, RMB213.8 million, nil and nil, respectively.

The following table sets out an extract of certain of our balances with related parties arising from our advances to such parties as at the dates indicated.

	As at 31 December			As at 30 April
	2019	**2020**	**2021**	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Receivables from related parties				
Advances to related parties				
- Jiaoyun Property	319,460	37,238	—	—
- Guorui Real Estate	107,661	158,196	—	—
- Mr. Luan Xiaolong	38,350	18,350	—	—
	465,471	213,784	—	—

In respect of such advances to and repayment from our related parties, our Directors confirm that, all related party transactions of trade nature were conducted on an arm's length basis; whereas those of non-trade nature were carried on without charging any associated financing costs, and all related party balances of non-trade nature were fully settled prior to 30 June 2021, and all such non-trade related party transactions have ceased thereafter. For further details on related party balances and transactions, please refer to Note 32 in the Accountant's Report in Appendix I to this document.

KEY FINANCIAL RATIOS

The following table sets out our key financial ratios as at the dates and for the periods indicated.

	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.

Current Ratio

Our current ratio was approximately 84.3%, 90.2%, 47.6% and 44.4% as at 31 December 2019, 2020 and 2021 and 30 April 2022, respectively. Our current ratio was relatively stable as at 31 December 2019 and 2020, yet decreased to 47.6% as at 31 December 2021 and 44.4% as at 30 April 2022, primarily attributable to a decrease in our total current assets as a result of the full repayment of other receivables due from related parties given the cessation of the Non-compliant Arrangements by June 2021, and a cash outflow for the payment of a RMB70.0 million dividend, which was of a larger magnitude than the decrease in current liabilities resulting from the repayment of our Group's borrowings.

Quick Ratio

Our quick ratio was approximately 83.1%, 86.6%, 42.7% and 38.1% as at 31 December 2019, 2020 and 2021 and 30 April 2022, respectively. Our quick ratio was relatively stable at approximately 83.1% and 86.6% as at 31 December 2019 and 2020. Our quick ratio decreased to 42.7% as at 31 December 2021 and 38.1% as at 30 April 2022 in a similar manner to our current ratio as described above, and given that we had generally maintained a minimum level of inventory during the Track Record Period.

Return on Total Assets

Our return on total assets was approximately 4.2%, 6.9%, 15.6% and 11.7% for the years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, respectively.

Our return on total assets was low at approximately 4.2% for the year ended 31 December 2019, primarily attributable to our relatively low net profit owing to significant finance costs arising from ABS-related interest expenses, and a significant amount of related party receivables of approximately RMB466.3 million, as well as restricted bank deposits of approximately RMB204.0 million owing to the Non-compliant Arrangements.

Our return on total assets increased from approximately 4.2% for the year ended 31 December 2019 to approximately 6.9% for the year ended 31 December 2020, primarily attributable to our complete settlement of the ABS, and the complete winding down of the Non-compliant Bill Financing Arrangements since June 2020, leading to decreases in other receivables attributable to such Non-compliant Bill Financing Arrangements and restricted bank deposits of approximately RMB256.2 million and RMB128.9 million, respectively.

Our return on total assets increased from approximately 6.9% for the year ended 31 December 2020 to approximately 15.6% for the year ended 31 December 2021 as our Group's profit for the year largely recovered from the adverse impacts of COVID-19, while our assets for the year continued to decrease due to (i) a decrease in the other receivables attributable to the Non-compliant Arrangements and complete release of restricted bank deposits of approximately RMB186.2 million and RMB75.1 million, respectively, owing to the complete cessation of the Non-compliant Arrangements; (ii) the payment of a one-off dividend; and (iii) acquisition of the [REDACTED] business as a part of the Reorganisation.

Our return on total assets decreased to approximately 11.7% for the four months ended 30 April 2022 as our Group's profit for the year was impacted by increases in our costs of sales and administrative expenses (as we incurred further [REDACTED] expenses), as well as the resurgence of COVID-19.

Return on Equity

Our return on equity was approximately 133.9%, 53.6%, 53.7% and 31.3% for the years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, respectively.

Our return on equity was exceptionally high at approximately 133.9% for the year ended 31 December 2019, and rationalised to approximately 53.6% for the year ended 31 December 2020. Such decrease was primarily attributable to an increase in our average equity base for the year due to the reversal of negative reserves resulting from our disposal of Jiaoyun Thermal in 2020. Our return on equity levelled off at approximately 53.7% for the year ended 31 December 2021, primarily attributable to an increase in our net profit for the period. On the return side, our net profit reported an increase of approximately 34.0%. On the equity base side, our equity base as of 31 December 2021 decreased owing to (i) a dividend distribution of RMB70.0 million; and (ii) the acquisition of the [REDACTED] business during the course of the Reorganisation. Nevertheless, this decrease was partially recovered by (i) the annual net profit counted towards our retained earnings; and (ii) proceeds from the disposal of Gaoyun Investment. Despite such decrease, from the average equity basis angle, the average equity base from 2020 to 2021 still showed an increase of 33.8% as compared to that from 2019 to 2020. As a result, our return on equity remained largely stable in 2020 and 2021.

Our return on equity decreased to approximately 31.3% for the four months ended 30 April 2022 as our Group's profit for the year was impacted for the reasons described above, while our equity remained stable.

Gearing Ratio

Our gearing ratio was approximately 1,670.3%, 158.2%, 36.5% and 24.6% as at 31 December 2019, 2020 and 2021 and 30 April 2022, respectively.

The decreases in our gearing 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.

Net debt to equity ratio

Our net debt to equity ratio was approximately 1,158.1%, 79.4%, 2.3% and 4.4% as at 31 December 2019, 2020 and 2021 and 30 April 2022, respectively. The general decrease in our net debt to equity ratio over the Track Record Period was primarily due to the same reasons discussed above for the gearing ratio.

Net Profit Margin

Our net profit margin was approximately 10.5%, 14.7%, 15.5% and 7.5% for the years ended 31 December 2019, 2020 and 2021 and the four months ended 30 April 2022, respectively. The increases in our net profit margin over the years ended 31 December 2019, 2020 and 2021 were primarily attributable to the repayment of our ABS and elimination of its finance costs, while our principal business and revenue remained stable during the same period. Our net profit margin decreased to approximately 7.5% for the four months ended 30 April 2022, primarily attributable to a decrease in our net profit for the reasons described above.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to a variety of financial risks, including market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. Please refer to Note 3.1 to the Accountant's Report set out in Appendix I to this document. We manage and monitor these exposures to ensure appropriate measures are implemented in a timely and effective manner. We did not hedge or consider necessary to hedge any of these risks as at the Latest Practicable Date.

DIVIDEND AND DIVIDEND POLICY

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. During the Track Record Period, the above declared dividends of RMB80 million were fully paid.

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**"). Assuming that the [REDACTED] occurs in 2022, 2022 will be the first year for which our net profit will be used for the purposes of declaring and paying dividends in accordance with the Dividend Policy. Any future determination to declare and pay any dividends will require the approval of the Board and will be at their discretion. Our Board will review the Dividend Policy from time to time and determine whether dividends are to be declared and paid based on our future results of operations, capital requirements and surplus, general business and financial conditions and other factors that our Directors consider relevant. In addition, any final dividend for a financial year will be subject to shareholders' approval and the relevant laws. Please refer to "Summary of the Constitution of our Company and Cayman Islands Company Law" in Appendix IV to this document.

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

DISTRIBUTABLE RESERVES

As at 31 December 2021, we did not have any distributable reserves.

[REDACTED] EXPENSES

The estimated total [REDACTED] expenses (based on the mid-point of the [REDACTED] and assuming that the [REDACTED] is not exercised) for the [REDACTED] are approximately RMB[REDACTED] (HK$[REDACTED]), which represents approximately [REDACTED]% of the gross proceeds from the [REDACTED]. Such estimated total [REDACTED] expenses include (i) [REDACTED]-related expenses, including [REDACTED] commission, of RMB[REDACTED] (HK$[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].

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the [REDACTED] on the consolidated net tangible assets of the Group attributable to the equity owners of the Company as at 30 April 2022 as if the [REDACTED] had taken place on that date.

The unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group had the [REDACTED] been completed as at 30 April 2022 or at any future dates.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 April 2022	**Estimated net proceeds from the [REDACTED]**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company as at 30 April 2022**	**Unaudited pro forma adjusted consolidated net tangible assets per Share**	
	(Note 1)	*(Note 2)*		*(Note 3)*	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$*
Based on an [REDACTED] of HK$[REDACTED] per share	101,407	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK$[REDACTED] per share	101,407	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

(1) The audited consolidated net tangible assets of the Group attributable to the equity owners of the Company as at 30 April 2022 is extracted from the Accountant's Report set out in Appendix I to this document, which is based on the audited consolidated net assets of the Group attributable to the equity owners of the Company as at 30 April 2022 of RMB105,735,000 with adjustments for the intangible assets as at 30 April 2022 of RMB4,328,000.

(2) The estimated net proceeds from the [REDACTED] are based on the indicative [REDACTED] of HK$[REDACTED] and HK$[REDACTED] per share, respectively, after deduction of the [REDACTED] fees and other related expenses (excluding [REDACTED] expenses of approximately RMB[REDACTED] which have been charged to the consolidated statements of comprehensive income up to 30 April 2022) payable by the Company and takes no account of any Shares which may fall to be issued upon the exercise of the [REDACTED] or any Shares which may be issued or repurchased by the Company pursuant to the general mandates.

(3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that [REDACTED] Shares were in issue assuming that the [REDACTED] and Capitalisation Issue have been completed on 30 April 2022 but takes no account of any Shares which may fall to be issued upon the exercise of the [REDACTED] or any Shares which may be issued or repurchased by the Company pursuant to the general mandates.

(4) For the purpose of this unaudited pro forma adjusted consolidated net tangible assets per Share, the amounts stated in Renminbi are converted into Hong Kong dollars at the rate of HK$1.00 to RMB0.90689. No representation is made that Renminbi has been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

(5) Except as disclosed above, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 April 2022.

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. 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 solid historical results, we believe that our businesses will continue to grow in the foreseeable future. For details, please refer to "Summary — Recent Developments And No Material Adverse Change" in this document.

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 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 for our construction and installation projects conducted pursuant to the implementation of the Zero-coal Policy for the year ended 31 December 2021 which our Group may not necessarily receive for the upcoming year. Save for the above, our Directors confirm that, up to the date of this document, there has been no material adverse change in our Group's financial or trading position since 30 April 2022 (being the date on which the latest audited consolidated financial information of our Group was prepared), and there had been no event since 30 April 2022 which would materially affect the information shown in the Accountant's Report set out in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

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.

A reconciliation between our Valued Properties as at 31 July 2022 and such Valued Properties in our consolidated financial statement as at 30 April 2022 as required under Rule 5.07 of the Listing Rules is set forth below:

	(RMB'000)
Market value of our Valued Properties as at 30 April 2022	70,500
Less: valuation deficit	(400)
Valuation as at 31 July 2022 after deducting land premium	70,100